# DIRECTORS' REPORT

To
The Members of
Simbhaoli Sugars Limited

Your Directors have pleasure in placing the directors' report together with management discussion and analysis for the financial year ended on September 30, 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Global Sugar Industry

The world sugar industry, with a size of over USD 80 bn, is characterized by long-term growth in production and consumption of almost 2 percent per annum. Production, often influenced by government policy decisions and agro climatic conditions, is more volatile than consumption.

**Sugar year 2008-09:** The sugar industry has been affected by sharp turn and decrease in supply by India, adverse weather events, impact of the credit crunch on Brazil's heavily- leveraged sugar industry, and the reforms of Europe's sugar regime. The shortfall in production is attributed to a global decline in planted area, as many producers switched to alternative crops, led by expectations of better returns as a consequence of their high prices in early 2008. The largest contractions have happened in India, the European Union, Pakistan, the United States, and the Russian Federation. While the decline in the European Union is mainly policy driven, regarding implementation of the third phase of quota-reduction scheme; in other cases, it reflects unfavorable climatic conditions and/or reduced sugar plantings in favour of relatively more profitable crops. Overall, both developed and developing countries have been equally responsible for the decline in world sugar output.

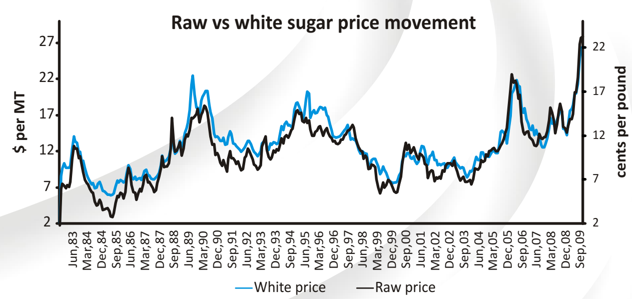
**Balances:** Supply for 2008-09 is lower at 154.2 million mt raw value (mmt rv) as against the global consumption estimated at 164.6 mmt rv, in 2008-09 *(ISO, Quarterly Market Outlook, September 2009)*; pointing towards a deficit of over 10 mmt, with the stock to use ratio at 37.4%. Inspite of likely rise in production in 2009-10, this deficit will continue to remain at 8.4 mmt in 2009-10 with the stock to use ratio at 31.8%, the lowest in last 20 years. Major trade surpluses had been from Brazil, Thailand and Australia with Indian deficit of over 7 mmt during 2008-09, there has been a serious impact on sugar supplies and therefore prices.

| Particulars/ sugar years | 09-10 | 08-09 | 07-08 | 06-07 | Change (2007-08 and 2008-09) | |
|---|---|---|---|---|---|---|
| | (Estimates) | | | | Mmt | in % |
| Production | 159.0 | 154.2 | 168.6 | 166.0 | (14.4) | (9)% |
| Consumption | 167.4 | 164.6 | 162.2 | 155.0 | 2.4 | 1% |
| Surplus / (Deficit) | (8.4) | (10.3) | 6.4 | 11.0 | 3.9 | 61% |
| Import demand | 51.9 | 50.9 | 46.0 | 46.1 | 4.9 | 11% |
| Export availability | 51.9 | 50.9 | 46.2 | 46.1 | 4.7 | 10% |
| End Stocks | 53.2 | 61.6 | 70.5 | 67.9 | (8.9) | (13)% |
| Stocks to use ratio (%) | 31.8 | 37.4 | 43.5 | 43.8 | (5.6) | (15)% |

(mmt, raw value)
*(Source: ISO, Quarterly Market Outlook, September 2009)*

**World sugar price trend:** Since November 2008, raw and refined sugar prices have remained high and dropped at the end of 2008 as the market forecasted a surplus production based on higher estimates of production and exports from India. However, the situation changed and market prices strengthened showing a continuously rising trend during 2009. The demand outstripped supply due to short fall of cane crop in India. Other factors, contributing to the rise in prices, were the increased funds' investments in commodities and unwinding positions in hedge and index funds.

World market values demonstrated moderate increases during May, June and July 2009, but prices went sky-high in August 2009 to over USD 555 per MT, a level not reached since February 1981 (28 years high). White sugar spot prices followed a similar path, but the rise was smaller. The white sugar premium has been extremely volatile since 2006-07, following the fall in supply caused by EU sugar reforms.




This enormous price rise in CIF values was inspite of the freight rates remaining under check. Baltic index has reduced from 11648 (May 2008) to 3480 in Nov 2009. With the shortages, the movement of sugar both raw and white has increased, and hence the inter country trade has been higher. This also signifies lower stocks for domestic usages in exporting countries like Brazil.

**Brazil:** The typical features of the Brazilian sugar industry in the sugar season 2009 had been, sufficient availability of cane, lower sugar yields and dropping sugar and ethanol prices. As against the global sugar market expectation from Brazil to meet rise in import demand, the cane crop showed lack of output flexibility on account of the lowest recorded yields in 10 years and therefore the demand for sugar exceeded the capacity. The other major dynamics of the Brazil's sugar and ethanol industry had been the extremely wet weather (rainfall levels almost double as against average) and the operational and financial constraints, which put brake on its capacity utilisation.

The production for sugar season 2009 is estimated at only 31 mmt with stocks of about 7 mmt in Oct 09, inspite of healthy availability of sugarcane. In the coming months, sugar demand from Brazil is expected to remain strong both for exports and domestic needs, as India has already captured around 2.2 mmt of Brazilian production. *(Czarnikow sugar review)*

**India swings:** India swung from being an exporter to importer during 2008-09. Indian domestic balance saw shortfall of around 8 mmt of sugar for 2008-09 but the current situation is not very alarming because of high opening inventory at 10 mmt *(latest estimates by ISMA)*. In the beginning of 2009-10, the stocks are minimal at about 2.3 mmt, historically one of the lowest, largely as a result of series of short-term policy measures by Government of India (GOI) and growth in the consumption. It makes large imports of raw and white inevitable. Consequently, not only for the year 2008-09, but also for 2009-10 India will remain the world's largest importer of sugar. In the years of domestic deficit, India has developed its capacities as an importer and processor of raw; and in surplus years, it has developed an expertise to produce and export both raw and/ or white. This has persuaded certain sugar companies to change their business models to raw refining.

**Sugar season 2009-10, forecasts:** The world sugar economy will be facing a second consecutive year of a significant gap between world consumption and production. The forecast of the world sugar balance for 2009-10, *(ISO, Quarterly Market Outlook, September 2009)* puts production at 159 mmt rv, (9% fall). Inspite of lower consumption growth, attributed to the current global recession and soaring world sugar prices, consumption may reach to a level over 167 mmt (1.7% growth) with projected world statistical deficit at 8.4 mmt. The supply tightness is likely to be felt more as most of the sugar stocks accumulated during the surplus seasons of 2006-07 and 2007-08 have already been consumed during 2008-09 deficit season. Continuous decrease in the level of stocks is expected to support further increase in the prices. However, a large scale increase in prices might mean demand curtailment.

While Brazil will continue to divert a higher proportion of cane to the production of sugar during coming crushing season, the production will be subject to weather conditions and capacity constraints. Production in most of the countries, other than Indian subcontinent, is likely to remain stable. With falling global inventory levels vis-à-vis consumption, this sugar cycle, may be far bigger than any in the recent past.

**Global fuel ethanol situation:** As per Renewable Fuels Association of United States, the world production of ethanol for the year 2008 was at 65.6 bn ltrs, in which Brazil and US comprise 24.6 bn and 34.1 bn ltrs respectively. India has continued to remain a small player with producing 0.25 bn ltrs, against the E5 mandatory requirement of 0.7 bn ltrs. *(RFA and F.O. Licht estimates)*

As per UNICA, latest figures of Brazilian production of ethanol in 2008-09 are 27.5 bn ltrs (last year 22.5 bn ltrs) containing 18.2 bn ltrs of hydrous (last year 14.3 bn ltrs) higher by almost 25%. A major part of ethanol produced is exported to the other countries. Share of the flex fuel cars continued to remain high, at about 90 percent of total cars sold, establishing long term need of ethanol for domestic consumption. With the anticipated increase in crude price (presently over USD 75 per barrel) the participation of ethanol in aggregate usage of sugarcane is expected to remain at current year's level of 56%.

**Forecast:** Global fuel ethanol production growth is forecasted to grow at 12% (against a CAGR of 15% in world ethanol demand) and may reach to 73.4 bn ltrs in 2008-09 and remain stable in 2009-10. This compares to average annual growth of 28% in last three years. The turn down in crude oil prices upto December 2008 and the credit crisis impacted both profitability and short term expansion prospects in the US. Brazil's output is forecasted to continue to expand, but at a reduced pace as the focus is on better realisation in sugar exports. In the EU, output and consumption are growing strongly on the back of existing and new inclusion mandates. Thailand's fuel ethanol market is expected to grow and may remain in surplus. In contrast, India's limited availability of molasses is constraining fuel ethanol production. The volume of global fuel ethanol trade is contracting in 2009, because low ethanol prices in the US, so far this year, have not been sufficient to draw full duty-paid exports from Brazil. *(ISO Quarterly Market Outlook September 2009)*

## Domestic Sugar Industry

**Sugar season 2008-09:** Due to the cane pricing disagreements, commencement of cane crushing by sugar mills in northern states delayed by 25-30 days. This resulted in diversion of a significant portion of the cane crop to alternate sweeteners. Due to crop competition, area under cane reduced significantly from 5.1 mn to 4.4 mn hectares leading to lower cane available for crushing. Most of the mills could not operate at their optimum capacities during the season.

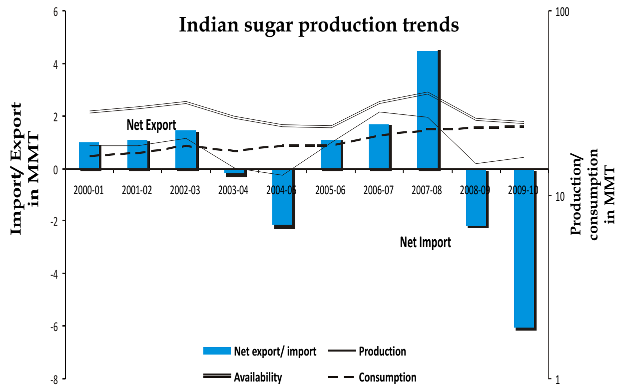
Lower production of sugar, inspite of high carryover stocks from previous year, resulted in an increase of sugar prices in the later part of the year 2008-09. The sharp fall in production in the current season (October 2008 to September 2009) was on account of fall in cane area, drawal rate, yield and the recovery rate. With gur/jaggery prices at a significant premium to sugar prices, more cane was diverted to alternate sweeteners. Demand for gur has now reached to a base level and any major reduction therein is difficult. Poor monsoon across many cane-growing regions, kept the farm yields depressed. There was lack of supervision of the crop by farmer due to his indifferent attitude. The sugar recovery also dropped sharply in 2008-09 owing to poor quality of sugar cane and intermittent crushing operations.

| Year | Op stocks | Production | Import | Dom Cons | Exports | Cl stocks | Stock/use ratio |
|---|---|---|---|---|---|---|---|
| 2006-07 | 3.7 | 28.3 | 0.0 | 21.0 | 1.7 | 9.2 | 43.8 |
| 2007-08 | 9.2 | 26.3 | 0.0 | 22.5 | 4.9 | 8.0 | 36 |
| 2008-09 P | 10.0# | 14.6 | 2.5 | 23.0 | 0.2 | 2.3 | 10.0 |
| 2009-10 E | 2.3 | 16.0 | 6.0 | 23.5 | 0.0* | 0.08 | 0.34 |

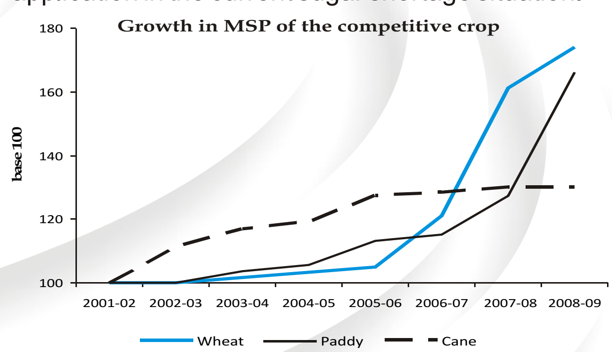
(figures in mmt)
(Source: ISMA and SSL estimates)
# revised as per Govt data
*assumed that pending ALS obligation of 1.2 mmt will be cancelled or further postponed

**Indian sugar balances:** India's sugar production for the sugar year 2008-09 is provisionally estimated at 14.6 mmt, 36 per cent lower than the last year; as against estimated demand at 23 mmt. In 2007-08 season, sugar production was 26.3 mmt and season ended with a stock level of 8 mmt.

Due to lower production, India surfaced as a net sugar importer in 2008-09 after an export of over 5 mmt in 2007-08. Till Sept 09, import stands at 2.5 mmt comprising raw sugar 2.2 mmt and white sugar 0.3 mmt; out of which about 1.2 mmt of raw is converted into white by the refineries carrying out operations in the off crop period as well. Import of sugar in 2009-10 is expected to increase to a record level of 6 mmt as the demand and supply gap is widening coupled with low opening balances. GOI is expected to continue with its relaxed import policy and deferment of existing advance license scheme (ALS) obligation.




**Raw imports:** Sugar season 2008-09 was one of the shortest crushing seasons in last 25 years and plants operated at 50 to 60% of their capacity. Most of the mills closed by end of February or early March 09. To meet the supply shortfall, import of raws and refining thereof was found to be a better value proposition than import of white sugar. This resulted in savings in foreign exchange, domestic value addition and helped the sugar mills to pay more money to the farmers. The raw refining cum cane crushing model has turned out to be the most successful business application in the current sugar shortage situation.



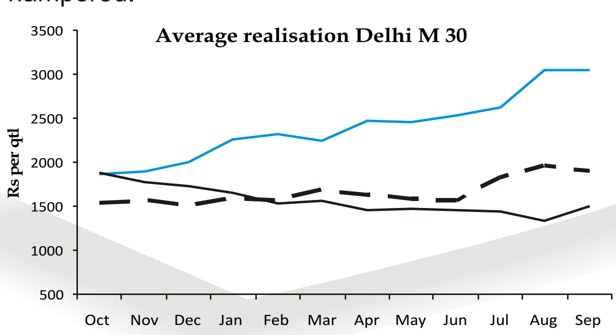

(Growth in msp is based upon normalising base figures at a scale of 100)

**Emerging conflict between sugarcane and other crops:** During 2007-08 and 2008-09, the minimum support price (MSP) of most of the principal food crops went up substantially in the range of 10 to 33%, whereas in case of sugarcane it was only 1.2%. The proportionate margin available to farmers in sugar cane farming is consistently declining. This has lead to a falling cane area and change in farming practices of relying on short term crops instead of a long term crop like sugarcane.

**Price of sugarcane:** UP State has announced price of sugar cane (State Advised Price, SAP) for the sugar season 2008-09 at Rs 140 per quintal for general variety. UP sugar industry filed a petition with the Hon'ble Supreme Court challenging it; being arbitrary and without a consultation process. Statutory minimum price (SMP) for the year was at Rs 81.18 per qtl based upon 9.5% sugar recovery.

For the 2009-10 season GOI has, by way of an ordinance, changed the mechanism of cane price determination with the replacement of the SMP by Fair and Remunerative Price (FRP). This has become a minimum price, payable by the sugar mills across the country. For future levy price fixation, FRP will be the base cane price. Simultaneously, GOI has negated all previous levy price differential claims emerging on account of dual cane pricing system and under litigation in various courts of law.

New regulation provides that in case states declare their own SAP, they will pay the difference between FRP and SAP directly to the farmers. This is a water shed change in the policy and effectively establishes a single cane price regime for the entire country. It would protect the Uttar Pradesh mills in a down cycle from arbitrary fixation of cane prices. The FRP for the season is announced at Rs 129.62 per quintal at 9.5% recovery. Meanwhile, the State Government has refused to accept this new price mechanism and declared Rs 165 per quintal as the base SAP. With the expectation of farmers even higher, it seems that initial days of crushing season for 2009-10 will be hampered.




**Sugar Price trends:** After remaining stagnant for first three months of sugar year, domestic prices reflected a steady progress thereafter. Price has gone up by 64% from beginning of the year. Increase in the price has been the function of lower supply, higher production cost and lower carryover stock. It has also been impacted by rising global prices, which have shown similar trend. Increase remained under check on account of various policy measures viz stock limits on trade and consumers, excessive releases of sugar, suspension of forward trading and punitive action against hoarders. However, all such measures remained short lived, and, owing to demand and supply gap, industry and GOI could not find structured solutions for controlling rising sugar prices.

**Government measures to control prices:** During the year under review, GOI has taken a number of measures for improving the availability of sugar and to control prices thereof:

- January 2009: Regulation of exports by re-imposing the release order
- February 2009: The revision to the ALS, to a ‘ton-for-ton’ system. Accordingly, processed white sugar can be sold into the domestic market initially
- March 2009: Allowed certain government agencies to import white sugar to the extent of 1 mmt
- April 2009: Re-export obligation for raw sugar imports under ALS was exempted allowing zero percent duty imports under open general license (OGL), for sugar mills and refineries. Existing ALS obligations were extended upto December 2009
- May 2009: Commodity exchange reduced position limits for clients in near-month sugar contracts to curb excessive speculation. Forward Market Commission (FMC) suspended futures trade in sugar until December 2009
- June 2009: Increase in SMP of sugarcane for 2009-10, to Rs. 107.76 per quintal was announced, 33% higher than previous season’s SMP
- July 2009: Extension of allowances for duty free imports of raw sugar to March 2010 and of white sugar until November 2009. Imports were permitted to private traders as well
- September 2009: Introduction of stock limits on sugar trade intermediaries and ultimate institutional consumers
- October 2009: Levy sugar quota increased from 10% to 20% for the sugar year 2009-10. UP government fixed SAP at Rs 165 per qtl for common variety. FRP at Rs. 129.62 per qtl announced replacing SMP

**Sugar season 2009-10:** After two consecutive years of decline in sugar production, and the consequent increase in sugar and sugarcane prices, Indian sugar production is expected to recover marginally in sugar year 2009-10.

High sugar prices coupled with the tight cane supply in 2008-09, forced mills to pay higher cane prices towards the end of the season. This encouraged farmers to increase fresh plantation coupled with the prices of food grains (wheat, rice, maize, pulses) being relatively stable. Assuming normal weather conditions, 2009-10 sugarcane production is forecasted higher at 305 mmt vs 280 mmt in 2008-09 (USDA). However, continuous availability of sugar cane is still a question mark as the area under ratoon is still lower. Inadequate monsoon rains in July 2009, a critical crop growth stage, may adversely affect crop yields resulting in the lower than anticipated cane production.

With an initial sugar production forecast at 16 mmt for 2009-10 and opening stock on Oct 1, 2009 at 2.5 mmt, one of the lowest in recent past, the country will continue to operate with thin stock levels throughout next season. Large imports are inevitable to meet supply deficit. The country has already imported 2.2 mmt of raw sugar and is further required to import 6 mmt in 2009-10. CIF prices of raw sugar have increased by 61% during Feb 09 to Oct 09. Only a few mills have shown interest in raw refining to balance the capacity utilization, because of technical issues involved.

**Indian Alcohol sector:** Against the estimated alcohol production of 2.4 bn ltr in 2008-09, approx. 1.2 bn ltrs is used for potable purposes and 0.25 bn ltrs is converted into fuel ethanol for mixing with petrol.

**Fuel Ethanol:** Indian renewable fuel program, started in the year 2004-05, has reached to a level of maturity. A number of policy initiatives taken by GOI in past, including mandatory inclusion of ethanol with fuel in most of the states, encouraging bio diesel and earmarking land for that, trial run of sweet sorghum for ethanol production etc have given desired results. However, the ethanol production from molasses route remained the most viable and successful alternative. GOI has also permitted the production of ethanol directly from sugarcane juice. In the year 2008-09, the ethanol blended petrol program (EBP) has taken a back seat on account of lower availability of molasses and high cost of alcohol. Oil Marketing Companies (OMC) remained reluctant to link the price of ethanol with market price of oil or molasses. The industry continued to supply ethanol against the previous orders even at a loss to keep the program in force.

OMCs issued fresh tenders for purchase of ethanol for one year (2009-10) in July 2009. The quantity offered falls short of the total indicated requirement in a price band of Rs 25 to Rs 27.50 per ltr ex- factory. This will give a fresh impetus to the program. Sufficient manufacturing capacities have already been created which are presently underutilized.

**Potable spirits:** Indian made foreign liquor (IMFL) segment in India comprising whiskey, rum, vodka, gin etc are growing at a pace of over 9 to 10% p.a. despite facing stiff competition from neo drinks like wine and beer. Molasses is the principal feed stock. Against these, white spirits like vodka, gin etc are growing at a faster pace. Total potable liquor market size is 159 mn cases per annum, in which premium and semi premium segments account for 63 mn cases. This is the fastest growing segment, because of increase in per capita income, growing population and shift in drinking habits. Still per capita consumption in India is the lowest in the world.

**Indian power sector:** India has a power shortage of 15% at peak demand level. About 3% of the demand is met from renewable sources and cogenerated power is the major part of it. Indian sugar industry is capable to generate 6000 mw/hr of power, out of which about 2000 mw/hr is being generated. During the year, the tariff in power purchase agreement has been increased to Rs 4 per kw/hr from Rs.3.10 per kw/hr. Further, a number of State Governments have encouraged the open access policy for power evacuation, which would increase the per kwh tariff significantly.

## Simbhaoli Sugars Limited

### Business description: Operating capacities

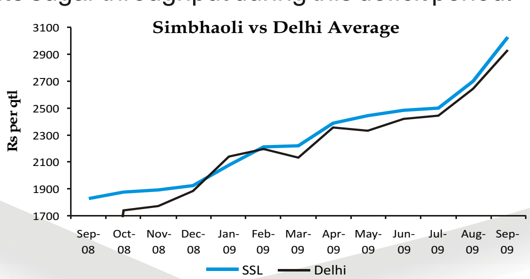
| Facilities | Cane Sugar (TCD) | Raw Sugar* Processing (TPD) | Alcohol/ ethanol (KLD) | Surplus Power (MWH) | Manure (mmt/ day) |
|---|---|---|---|---|---|
| Simbhaoli (Western UP) | 9500 | 850 | 90 | 18 | 17 |
| Brijnathpur (Western UP) | 4000 | 400 | 60 | - | 9 |
| Chilwaria (Eastern UP) | 6600 | 600 | 60 | 16 | 9 |
| **Total** | **20100** | **1850*** | **210** | **34** | **35** |

*out of the raw processing capacities, 1250 TPD is sulphur less refined, capable to produce EC grade sugar.

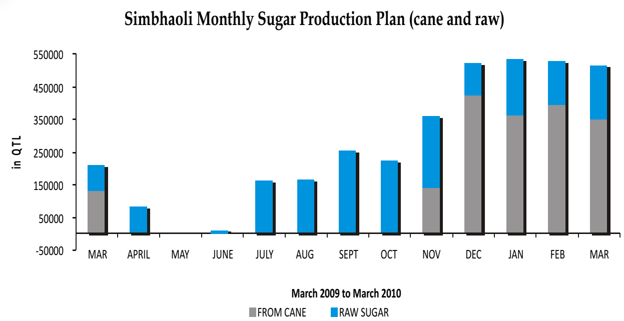
**Simbhaoli Sugars:** Simbhaoli Sugars Limited (SSL), one of the initial sugar plants in western Uttar Pradesh, was started in 1933 with a moderate capacity of 400 TCD. It is amongst the top 10 integrated sugar companies of India. The Simbhaoli complex with 9500 tcd capacity can produce refined sugar up to 850 mt/day and raw sugar up to 200 mt/day; Chilwaria complex with 6600 tcd capacity can produce plantation white sugar up to 660 mt/day and Brijnathpur complex with 4000 tcd capacity can manufacture refined sugar up to 400 mt/day. SSL has a capacity to export surplus power of 34 mwh to the Utility companies. Apart from sugar and cogenerated power, SSL has a capacity to produce rectified spirit up to 210 Kl/day in aggregate inclusive of ethanol/extra-neutral alcohol (180 Kl/day) and potable liquor of two mn cases per annum. The Company has arrangements with bottling plants all over the country and presently its potable liquor products are being marketed in India and at some places out side India. SSL is pioneer in manufacturing specialty sugars comprising pharmaceutical grade, superfine grade, breakfast, candy, icing, and natural golden brown sugars. The retail packs in sugar are available under the 'Trust' brand. It also manufactures and sells bio manure and has a total capacity to produce up to 60 tons/day at its facilities.

**Year 2008-09:** It was a turn round year for the Company. Major achievements included conversion of boilers into multi fuel ones ensuring round the year utilization of sugar and power capacities, higher sugar production, better inventory levels and lower fixed costs. In addition to this, SSL also witnessed start of a new ethanol distillery at Brijnathpur, buyback of majority of FCCB at discount, successful start of an associate technology consultancy entity, launch of new brands under potable liquor segment and many more.

**Sugar business:** During the financial year 2008-09, SSL experienced a focal change in its operations, by commencing refining of raw sugar during the off crop period, giving a boost to the overall output of sugar by 68500 MT. This way, it has been able to enhance the white sugar throughput during this deficit period.




**Sugar price:** Sugar price started rising from June 2009 quarter onwards, and with an average realisation of Rs 2405 per qtl; overall increase has been higher by 51% over last year. However, that has not been reflected in improvement in revenues and ebidta margins up to June 09, because of higher cane price, lower sugar yields and lower level of cane crushing. These factors resulted in substantial increase in cost of production for 2008-09 season. However, from the Sept 09 quarter, the shift became visible and ebidta margin of sugar business for the quarter rose to 16%. Margin on imported raw sugar refining also contributed towards this recovery, though rising cost of raw sugar resulted in higher cost of production of refined sugar.




**Raw refining program:** Raw sugar import and refining have been identified as major business drivers for current and coming two seasons to meet sugarcane deficit at factory level and sugar at country level. It means improved revenues and margins for the Company. SSL started contracting Brazilian raw sugar as early as January 09, and initiated the refining process from July 09. It has imported/contracted 260,000 mmt raw till Oct 09 and has a business plan to process 360,000 mmt of raw sugar in the year 2009-10.

**Cane management:** For the season 2008-09, cane price (SAP) was higher at Rs. 140 per qtl against the Supreme Court directed interim price of Rs. 110 per qtl in the last season. To ensure the optimum levels of cane for crushing, SSL paid an additional incentive of Rs. 15 per qtl from January 2009 onwards in line with the other mills of the area/ State. To meet challenges of low sugarcane yield in their cane areas, Simbhaoli, Brijnathpur and Chilwaria Units of SSL started a massive cane development drive by distributing cane seeds, pesticides and agro chemicals to the farmers at subsidized rates. These schemes ensured that part of plant crop is retained for seed purpose and not diverted to alternate sweeteners. These efforts have resulted in improved spring cane plantation by 30% over previous season.

**Bulk alcohol business:** The distillery divisions of the Company performed with lower capacity utilisation and aggregate alcohol production decreased by 30% due to lower availability of captive molasses and higher prices. Free sale price of molasses peaked up to Rs 500 per qtl leading to higher cost of production of alcohol and negative margins in the segment.

**Potable liquor segment:** The potable liquor segment has been identified as future growth area of the Company. During 2008-09, it has started supplies of certain brands to Canteen Stores Department of armed forces (CSD); with 23,530 cases supplied in the current year and orders for 35,850 cases in hand. Business achieved its sale target of 1 mn cases of IMFL during the year ended March 09. Presently, IMFL production and marketing are being carried out in 8 states with 11 bottling tie ups. It has also commenced export of branded potable liquor to a number of countries in African continent and has successfully exported 4,272 cases. New vodka brand, 'Xing', launched in 2008-09, is being followed by a premium whiskey brand in 2009-10. With this, Simbhaoli Sugars entered the premium segment of the potable liquor. Xing positioned for young generation, has been very well accepted by the market.

**New ethanol distillery:** SSL commissioned its new fuel ethanol and extra neutral alcohol (ENA) plant at Brijnathpur (District Ghaziabad, Uttar Pradesh) in Nov 2008. The molasses based ethanol manufacturing plant with an installed capacity of 60 kilo liters per day has been set up adjacent to SSL's Brijnathpur sugar plant converting it into an integrated sugar complex. The project is completed at a cost of over Rs 425 mn. The state of the art and fully automated plant has been supplied by Alfa Laval (India) Ltd. With 180 kl/day capacity, Simbhaoli has become one of the largest producers of ethanol in the country.

This envisages higher revenues from ethanol/ alcohol businesses as Simbhaoli is poised to be benefitted from EBP program and also because of its proximity to key markets of Delhi, UP and Haryana. The Company has supplied over 4.1 mn ltrs of ethanol in 2008-09 (previous year 5.8 mn ltrs) to oil majors such as Indian Oil and BPCL in various states.

**Power business:** During the year, 58,287 mwh cogen power is exported from Simbhaoli and Chilwaria sugar plants at an average price of Rs 3210 per mwh. During the off crop period, SSL continued to export surplus power utilizing alternate fuels while carrying out raw refining activities. One new high pressure cogen boiler is ready to be commissioned at Chilwaria plant which has increased the aggregate power generation capacity of the unit to 16 mwh and the Company to 34 mwh.

UP power utility companies have agreed to revise the power tariff to Rs 4 per kwh from Oct 1, 09 from existing level of Rs 3.10 per kwh. State has also agreed to purchase off-season cogenerated power at remunerative prices. Power generation is going to be the thrust area in future for the Company and it is exploring the possibility of increasing off season generation capacity to increase power revenues and minimize the cyclicality of the sugar business.

**Human resource:** Human resource is the most valuable asset of SSL, since it is the quality of people that provides a competitive edge to our organisation. Moving into the age of globalization, our operations are continuously expanding and being strengthened. At SSL, HR philosophy is based on mutual respect and encourages loyalty, co- operation, team work and growth. It believes that each employee contributes directly to the growth and success of the Company. SSL is one of the most sought after company in the industry and attracts highly motivated individuals, who want to work as a team and share the commitment, responsibility, risk taking and discipline required to achieve its vision.

The Company on a assesses the learning needs of employees on regular basis to ensure that these are fulfilled by organizing various training and developmental activities. During the year, 273 man days of training were provided to executive staff and 568 man days to non executive staff. Special drives on safety, health and environment are undertaken. SHE (Safety, Health and Environment) Committee is formed at sugar units to monitor and improve upon all these issues. Quality Circles are functioning since 2004 and helping to improve the working environment consistently. Industrial relations have remained cordial with not a single man hour lost on account of any worker related issue.

**SWOT Analysis**

**Strengths:**

1. Complete sugarcane processing Company with optionality to manufacture raw/refined/ specialty sugars or any optimum combination thereof
2. Three fully integrated complexes with sugar, alcohol and power, ensuring de-risked business profile
3. Strong Agri linkages with over 130,000 farmers supplying sugarcane
4. Proximity of the consumption centers for all its products

5. Large institutional customer base for bulk and specialty sugars
6. Offering multiple brands in sugar and potable alcohol in various geographical locations
7. All products conform to international quality standards
8. Created capabilities for off season refining to ensure optimum utilization of capital assets
9. Created technology solutions not only for group facilities but also for outsiders
10. Energy conservation/power generation capacities being utilised round the year

**Weaknesses:**

1. Company operates in highly regulated environment with regards to raw material and finished products
2. Highly leveraged due to the growth plan completed in 2008 and recently concluded low sugar cycle
3. Agro climatic conditions, having an over-riding impact on the availability and quality of raw material

**Opportunities:**

1. Amongst the top 10 integrated sugar companies of India
2. Raw refining
3. Capable to provide complete agri solutions to farmers
4. Market size, both domestically and internationally, can be enlarged
5. Capable to acquire and turning around weak sugar plants by technology/ agriculture solutions- *Future value addition driver*
6. Product quality enables it to export in the surplus years. Export market for branded sugars and potable spirits

**Threats:**

1. Diversion of cane and cultivable area or shift to alternate crops
2. Adversities in agro- climatic conditions and/ or Govt regulations in terms of sugarcane pricing, levy quota, sugar prices, export/ import policies

**Quality Management System certifications:** SSL has adopted an integrated quality management system comprising of system based approach in its day to day operations. It has also been granted status of Star Export House vide certificate of recognition issued by the GOI. The Company has got accredited to integrated management system comprising of ISO 9001: 2000 for Quality Management System, 14001:2004 for Environment Management System and HACCP for food safety for its Simbhaoli complex. Simbhaoli Sugar, Simbhaoli Distillery and Brijnathpur Sugar plants are certified for ISO 9001:2008, 14001:2004 and 22000:2005 whereas Brijnathpur distillery is certified for 9001 and 14001.

**Internal control systems:** SSL has adequate systems of internal control to reasonably safeguard the assets against loss from any unwarranted use. All transactions are authorized, recorded and reported correctly. Internal audit and checks are carried out regularly at various units/ projects/ activity centres to ensure the adequacy of control system and its monitoring. The main objectives of the internal control system are: ensure critical examination of reasons causing the problems and offer solutions to overcome the same; identify the shortcomings that affect the Company's operations significantly; ensure the compliance of company policies and procedures and develop a cost effective approach to work.

**Risk assessment and mitigation policy:** SSL has adopted a system based approach for risk management, with the clear objectives of identification, evaluation, monitoring and minimization of the identifiable risks. A policy has been formulated and adopted by the management for controlling the risks. The management periodically reviews the risk management framework to identify the major business risks as applicable to the Company and work outs their mitigation strategy.

**Technology initiatives and energy conservation methods:** The Company has adopted various technology initiatives and energy conservation methods for efficient operations. The measures taken during the year are described in detail in the annexure forming part of this report.

**Corporate social responsibility (CSR):** At Simbhaoli, CSR initiatives have been a part of regular business right from its inception and are integrated into the business model. The Company's business adopt responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, the Company proactively works towards the public interest by encouraging community growth and development.

Pursuing the philosophy, SSL has constituted a public trust during the year, namely **Simbhaoli India Foundation**, for carrying out welfare activities, dedicated to education and health in rural communities, especially amongst children of the less privileged. The foundation has launched its charitable initiatives with a health camp organised at Simbhaoli unit involving various medico specialists. In future, these initiatives will be further enlarged.

**Information Technology:** IT department of the Company is continuously on the job of modifying and improving the existing systems. It involves their up gradation in synchronization with all the units to improve the overall efficiency in the communication system. In 2008-09, important milestone in the IT area of the Company has been to achieve interconnectivity of all the units through high capacity data lines to share data, voice and video for facilitating online discussion and information dissemination on real time basis.

**Branding:** Simbhaoli Sugars has been catering to its markets with high quality products for over seven decades. Its refined sugar conforms to EC I/EC II grades with colour codification of less than 20/45 ICUMSA respectively. The Company's thrust has always been to achieve the highest levels of quality standards for meeting customer expectations. The sugar brands are being introduced in new geographical areas by tying up with modern retail chains. Sugar is offered in convenient consumer and institutional packs. Sachets and cubes segment is growing over 30% annually. SSL has created export market for its brands in Africa, Middle East and Canada. Branded sugars constitute 8% of total segment sales (CAGR 15%)

**International marketing and trading:** The division is engaged in continuous research and analysis of the world sugar markets to work on the best price opportunities for procurement of raw sugar and export of white. Since the future and commodity trading are banned by the GOI, there has not been any significant domestic hedging during the year. SSL has imported/ contracted 2.6 lacs MT raw till Oct 09 and has a plan to process over 3.0 lacs MT of raw sugar in sugar year 2009-10. It is proposing to open a hedging account in respect of NY raw sugar contract for improving price discovery to support its raw refining program. SSL has exported over 21000 MT of refined sugar, majority of which has been to European Union.

**Growth plan updates:** All the projects as per the growth plan of the Company, with an investment of over Rs. 4.6 bn, have been successfully accomplished and all the capacity expansions are complete. During 2008-09, SSL converted two boilers into multi fuel enabled boilers at two of its facilities. One cogeneration boiler at Chilwaria plant is ready for commissioning with the start of new season.

**Operation of subsidiary company, DMCC:** Simbhaoli Global Commodities, DMCC was incorporated in 2008 in Dubai as a subsidiary of SSL. It is engaged in the business of international trading in sugar and related products and also hedging and price discovery of raw, on its own account and others. During the year, gross revenue remained at Rs 19 mn with a profit of Rs 1.6 mn. The business of DMCC Company remained restricted on account of lack of export opportunities from India. However, the management feels that with enlargement in the international trade of sugar, the operations and earnings of DMCC Company will improve.

## OPERATIONS

A summary of the physical operations of various business units of the Company for the year under report is stated as under:

| | Unit | Year ended | |
|---|---|---|---|
| Manufacturing facilities | | September 30,2009 | September 30, 2008 |
| **Simbhaoli Sugar (SSD)** | | | |
| Sugarcane consumed | MT | 7,91,488 | 11,23,395 |
| Sugar recovery | % | 9.14 | 10.28 |
| Raw/ below grade sugar refined | MT | 89,983 | 29,460 |
| White Sugar produced* | MT | 155,115 | 1,24,151 |
| Surplus Power exported | Kw (lacs) | 379.52 | 313.14 |
| Gross season | Days | 133 | 142 |
| Date of closure of plant | | 23.03.2009 | 17.04.2008 |
| **Chilwaria Sugar (CSD)** | | | |
| Sugarcane consumed | MT | 3,25,400 | 5,52,757 |
| Sugar recovery | % | 8.10 | 9.00 |
| Raw/ below grade sugar refined | MT | 17,400 | Nil |
| White Sugar produced* | MT | 41,990 | 49,420 |
| Surplus power exported | Kw (lacs) | 118.42 | 171.38 |
| Gross season | Days | 94 | 135 |
| Date of closure of plant | | 22.02.2009 | 14.04.2008 |
| **Brijnathpur Sugar (BSD)** | | | |
| Sugarcane consumed | MT | 3,51,847 | 3,33,354 |
| Sugar recovery | MT | 8.51 | 9.50 |
| Raw / below grade sugar refined | MT | 12,706 | Nil |
| White Sugar produced | MT | 42,036 | 31,656 |
| Gross season | Days | 142 | 126 |
| Date of closure of plant | | 29.03.2009 | 02.04.2008 |
| **Simbhaoli Distillery (SDD)** | | | |
| Alcohol/ Ethanol produced | B.L. | 1,73,05,830 | 2,22,77,750 |
| Potable alcohol sold | Cases | 10,77,310 | 5,94,906 |
| Days of operations** | Days | 212 | 220 |
| **Chilwaria Ethanol (CED)** | | | |
| Alcohol/ Ethanol produced | B.L. | 51,53,358 | 1,16,08,632 |
| Days of operations** | Days | 159 | 265 |
| **Brijnathpur Ethanol (BED)** | | | |
| Rectified Spirit/ Ethanol produced | B.L. | 17,38,957 | Nil |
| Days of operations*** | Days | 50 | NA |

*including conversion of raw sugar and below grade white sugar
**Days of operations were lower, due to lower quantities of molasses produced
***including days of trial run

During the year, the Company has carried out refining of raw sugar at its units Simbhaoli and Chilwaria plants and processed 83,009 mt of raw and 17,400 mt of below grade sugar aggregating to 100,409 mt during the off season. It has imported 113,222 mt of raw sugar from Brazil and for this purpose, bagasse fired boiler(s) were converted into multi fuel boiler(s) at both locations.

On account of lower area under sugarcane and lower yields, only 1.47 mmt of sugarcane (previous year 2.01 mmt) was crushed at all the sugar units of the Company. The sugar recoveries have also been lower, because of poor quality of cane, intermittent crushing and sub optimal capacity utilization. Free sale sugar prices continued to remain buoyant during the year. The average sugar price realization during the year inclusive of excise duty of Rs. 2,500 per qtl (previous year Rs. 1,625 per qtl) is higher by 54%. The specialty sugar business of the Company continued to receive a premium. Levy price remained unchanged.

Further, as part of existing export obligation, the Company has exported 21,651 mt of white sugar under ALS including 9,364 mt to European Union. The pending export obligation is at 25,911 mt, which has been extended to December 31, 2009 by GOI.

A vessel carrying 22,500 mt of raw sugar of the Company sunk near South Africa on July 23, 2009, resulting in a total loss of the raw sugar on board. A claim aggregating to Rs 47.8 Cr has been submitted with the insurance company. At the same time, legal proceedings have been initiated against the ship owner/ shipping line for compensating the losses on replacement value. Based upon expert advice received, the Company is confident to recover full value of loss from the insurance company in the normal course of business.

## FINANCIAL RESULTS AND ANALYSIS

(Rs. in lacs)

| Particulars | Year ended Sept 30, 2009 | Year ended Sept 30, 2008 |
|---|---|---|
| Net Sales/Income from operations | 70,632 | 43,545 |
| Other operating income | 1,212 | 1,009 |
| Total operating income | 71,844 | 44,554 |
| Profit from operations before other income, interest, exchange fluctuation and derivative loss | 5,218 | 1,576 |
| Other income | 7,407 | 93 |
| Profit/before interest, exchange fluctuation and derivative loss | 12,625 | 1,670 |
| Interest and finance cost | 6,311 | 3,964 |
| Exchange fluctuation and derivative loss/ (profit) | (567) | 2,112 |
| Profit /(Loss) before tax | 6,881 | (4,406) |
| Tax expense | | |
| Deferred tax benefit | (317) | (1,556) |
| Fringe benefit tax | 20 | 60 |
| Net Profit/(Loss) after tax | 7,178 | ( 2,910) |

In view of the recent turn round, and need to conserve cash, the directors express their inability to recommend any dividend for the year.

The analysis of balance sheet of the Company as at September 30, 2009 and profit and loss account for the year ended as on that date is reported as under:

**Share capital–** The following movement in the share capital has taken place during the year:

**Preference shares:** 8,12,000 preference shares of Rs. 100/- each aggregating to Rs. 812 lacs have been redeemed at par by the Company in tranches, last redemption being on November 5, 2009. Consequent upon redemption, the contingent liability towards dividend on these preference shares is also extinguished.

**Equity shares:** 16,04,000 share warrants held by certain promoters have been converted into 16,04,000 equity shares; and 1,75,836 stock options issued to eligible employees have been converted into 1,75,836 equity shares in the share capital of the Company.

The issue proceeds of Rs. 682.83 lacs were utilized for augmenting capital expenditure/ working capital requirements of the Company.

**Reserve and surplus–** The following movement has taken place during the year under the reserve and surplus:

(i) Revaluation reserve: Deduction of Rs. 74.67 lacs due to depreciation charged on re-valued amount of fixed assets.

(ii) Security premium account: Increased by Rs. 1,188 lacs on account of fresh issue of capital and transfer of the premium payable on redemption of FCCB after buy back.

Total equity shareholder funds excluding revaluation reserve of the Company increased to Rs. 11,622 lacs as on September 30, 2009 (previous year Rs. 2,513 lacs). The book value per equity share is Rs. 50.16 as on September 30, 2009.

**Secured loans–** External commercial borrowings of Rs. 63.25 Cr (USD 13 mn) has been availed from Punjab National Bank, Hong Kong for buy back of FCCBs. The cash credit facilities utilization remained higher on account of higher inventory balances and not from working capital borrowings.

**Unsecured loans–** Bought back FCCBs of USD 29.61 million out of the total liability of USD 33.00 million and thereby reducing liability by Rs.13,868 lacs.

**Deferred tax liabilities/assets (net)–** Deferred tax asset of Rs. 1,927 lacs, recognised in previous years, is continued in the accounts keeping in view that sufficient taxable income will be available in future, against which these assets will be realized in the normal course of business of the Company.

**Fixed assets–** The following movements have taken place under the head of fixed assets during the year:

a. Capital expenditure: Rs. 4,250 lacs have been spent on capital expenditures including capital work in progress. The Brijnathpur ethanol plant having capacity of 60 Kl/day is commissioned. The bagasse fired boilers have been converted into multi fuel boilers at Simbhaoli and Chilwaria plants.

b. Retirement of assets: The Company has retired/ transferred certain assets having gross book value of Rs. 152 lacs (previous year Rs. 229 lacs) and net book value of Rs. 73 lacs (previous year Rs. 47 lacs).

**Pre-operative expenditure–**The pre-operative expenses pending allocation of Rs. 133 lacs (Previous year Rs. 1,175 lacs) represents pre-operative expenses related to capital projects under execution.

**Sundry debtors–**Sundry debtors (net) amounting to Rs. 5,695 lacs as on September 30, 2009 (previous year Rs. 3,695 lacs), are considered good and realizable. Provisions are generally made for all debtors outstanding for over 360 days subject to their scope of realization depending on the management's perception. Debtors are at 5.7% (previous year 5.6%), representing an outstanding of 20 days of gross revenues (previous year 20 days).

**Current liabilities and provisions–** Sundry creditors comprises amount due to small scale industries, the suppliers of raw materials, stores and services and other expenses. Other provisions include provision of Rs. 409 lacs (previous year Rs. 2,718 lacs) towards premium on redemption of FCCBs and Rs. 187 lacs (previous year Rs. 128 lacs) towards provisions for leave encashment.

**Sales and other income–** Sales and other income (net of excise) for the year was Rs. 79,251 lacs (Previous year Rs. 44,648 lacs), higher by 77.50%. The other income comprises interest, rent, profit on sale of fixed assets; liability/provisions no longer required written back and miscellaneous earnings from carbon credits. The segment wise allocation of revenues for 2008-09 and preceding three years is as under:

| Years/ Segment | Sugar | | Alcohol | | Power | | Others | |
|---|---|---|---|---|---|---|---|---|
| | Turnover | %age | Turnover | %age | Turnover | %age | Turnover | %age |
| 2005-06 | 35,180 | 59.0 | 24,237 | 40.6 | Negligible | NA | 257 | 0.4 |
| 2006-07* | 50,346 | 51.3 | 47,301 | 48.2 | 265 | 0.3 | 204 | 0.2 |
| 2007-08 | 30,291 | 45.8 | 33540 | 50.72 | 1478 | 2.23 | 825 | 1.25 |
| **2008-09** | 58,909 | 58.8 | 38,739 | 38.8 | 1530 | 1.5 | 900 | 0.9 |

*consisting of a period of 18 months

**Accounting policies–** The Company's 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/ judgments 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.

**Debt servicing and public deposits–** The Company has been able to meet its obligations towards the lenders for principle and interest, in terms with the respective letter of sanctions/ approvals. During the year, the Company has not accepted any fresh public deposit and has paid the entire outstanding fixed deposits of Rs. 14.69 lacs.

## AUDITORS' REPORT

The comments on the statement of account referred to in the report of the auditors are self-explanatory, and explained in the appropriate notes to accounts.

## DIRECTORS

At the forthcoming 73rd Annual General Meeting (AGM) of the Company, Mr. Samir Chandra Kumar, an Independent Director is retiring by rotation and being eligible offers himself for re-appointment.

During the year, Mr. Yashwant Varma has been appointed as an additional director on the Board of the Company. Mr. Varma is a reputed senior advocate practicing at Hon'ble Allahabad High Court, and has also been appearing before various courts and tribunals such as Hon'ble Supreme Court of India, various High Courts, MRTP Commission, Company Law Board, CESTAT etc. He has considerable experience in handling sugarcane related matters.

ICICI Bank has withdrawn the nomination of Mr. Naveen Atrishi and nominated Mr. S.D. Saxena in his place as its nominee director with effect from February 23, 2009. Mr. Saxena is M.Sc. (Physics) and MBA (Financial Management). He is fellow member of Indian Institute of Electronic & Telecom Engineers and also member of All India Management Association. He has retired as the finance director of BSNL.

The Board of Directors places on record its appreciation for the advices and guidance extended by the outgoing director to the Company.

## EMPLOYEE STOCK OPTION SCHEME

During the year, the Company has granted 5,97,800 stock options to eligible employees under Simbhaoli Sugars Limited- Employees Stock Option Scheme 2007 and converted 1,75,836 stock options into 1,75,836 equity shares of the Company in accordance with the provisions of SEBI (Employee stock option scheme and employee stock purchase scheme) Guidelines, 1999. The details for stock options issued and exercised are given in the Annexure A to the report.

The scheme has been implemented in accordance with the said guidelines and the resolutions passed by the shareholders of the Company.

## FOREIGN CURRENCY CONVERTIBLE BONDS

During the year, Company has bought back Foreign Currency Convertible Bonds (FCCBs) of USD 29.61 million out of total liability of USD 33.00 million by raising external commercial borrowings from Punjab National Bank, Hong Kong in accordance with the guidelines issued by the Reserve Bank of India.

## CORPORATE GOVERNANCE

As per clause 49 of the listing agreement with the stock exchange, the report on corporate governance along-with certificates from the auditors and certificate from Chairman & Managing Director, Executive Director and Director (Finance) of the Company form part of this annual report.

## LISTING OF SECURITIES

The equity shares of Company are listed with Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Foreign Currency Convertible Bonds are listed with the Singapore Stock Exchange.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

An aggregate of Rs. 2,432 lacs (Previous year Rs. 2,853 lacs) was earned by the Company against export of sugar. A sum of Rs. 33,412 lacs (previous year Rs. 193 lacs) inclusive of import of raw material of Rs. 33,145 lacs was spent in foreign currency.

## RESEARCH AND DEVELOPMENT

The details relating to Research and Development activities carried out by the Company are stated in Form B of this Report as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

## CONSERVATION OF ENERGY

Details of steps taken for conserving the energy are stated in Annexure to this report.

## PARTICULARS OF EMPLOYEES

Information relating to employees of the Company, as required under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is set out in the Annexure B to this report. However, as per the provisions of section 219(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company Secretary at the registered office of the Company. The said information is also available for inspection at the registered office during working hours up to the date of the annual general meeting.

## AUDITORS

The Company has received a special notice under section 190 of the Companies Act, 1956, from one of its member proposing the name of M/s Deloitte Haskins & Sells, Chartered Accountants, New Delhi, for appointment as statutory auditors of the Company from the conclusion of forthcoming Annual General Meeting until the conclusion of next Annual General Meeting in place of M/s A F Ferguson & Co, the retiring auditors of the Company, who have conveyed their intent not to seek re-appointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956 as amended, with respect to the Directors' responsibility statement, it is hereby confirmed:

(a) that in preparation of accounts for the year ended on September 30, 2009, the applicable accounting standards have been followed along with proper explanation relating to the material departures.

(b) that the directors of the Company have selected such accounting policies and applied them consistently and 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 as at September 30, 2009 and of the profit of the Company for the year ended on that date.

(c) that the directors of the Company 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 and detecting fraud and other irregularities, and

(d) that the directors of the Company have prepared the accounts of the Company for the year ended September 30, 2009 on going concern basis.

## CAUTIONARY STATEMENT

Certain statements in the Report of the Directors and Management Discussion and Analysis with words or phrases such as "will", "should", etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Such statements represent intentions of the management and the efforts put in to realize certain goals. Actual results may differ materially from those suggested by the forward-looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The Company may, from time to time, make additional written and oral forward looking statements, including statements contained in the Company's filings with the stock exchanges and our reports to shareholders. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company. Investors, therefore, are advised to make their own judgments before taking any investment decisions.

## ACKNOWLEDGEMENT

The Board of Directors places on record their gratitude to all the lender banks and financial institutions for their continued assistance and guidance. The Directors acknowledge with gratitude the co-operation and assistance received from all executives, staff and workmen of the Company.

The Directors also wish to emphatically state their gratitude to the Government of India, State Government of Uttar Pradesh, Indian Sugar Mills Association, and The Sugar Technologists' Association of India, farmers, suppliers and all other concerned persons who have continued their valuable support to your Company.

**For and on behalf of the Board of Directors of Simbhaoli Sugars Limited**

**New Delhi** **Gurmit Singh Mann**
**November 11, 2009** **Chairman & Managing Director**

## PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

### CONSERVATION OF ENERGY

**(a) Energy conservation measures taken**

i. Simbhaoli sugar division (SSD) has installed a melt concentrator system comprising of double effect falling film evaporator, reducing the steam consumption by about 2% on cane.

ii. Three old smaller Robert bodies have been replaced by a large falling film evaporator body to reduce the heat loss and steam economy.

iii. Brijnathpur sugar division (BSD) has installed a syrup concentrator to reduce the process steam demand by about 1%.

iv. BSD has shifted C boiling from vapour I to vapour II for reduction in steam consumption.

v. Chilwaria sugar division (CSD) has replaced the fibrizor driving steam turbines with electric motor and increased export of power by 1.5-2.0 Mwh. This eliminates leakage losses in operating two nos. pressure reducing and desuperheating station (PRDS) system and curtailing the steam loss.

vi. CSD will operate 87 Kgs/CM$^2$(g) boiler with variable frequency drive (VFD) operated fans instead of 42 Kgs/CM$^2$(g) boilers during the season. This will improve the generation of steam per unit of bagasse from 2.2 to 2.4 and lower power consumption per unit of steam generation.

**(b) Additional investments and proposals for reduction of consumption of energy**

i. Activities are being pursued on continuous basis for reducing the steam consumption in all three sugar complexes.

ii. Steam saving is planned by installing flow meters in hot water lines for water monitoring and condensate heater for juice heating.

iii. Counter sludge re-circulation technology (CSTR) type bio-digester is being commissioned at Brijnathpur Distillery division which will reduce the fuel consumption by 70%.

**(c) Impact of above measures**

The above measures have reduced the power consumption at all the sugar units and export of power has increased by 2.5 Mwh. The bagasse saving in all the units has increased. SSD and CSD are able to utilize the saved bagasse for off season power generation and raw sugar processing and bagasse saved at BSD is utilized for off season consumption at Simbhaoli and Brijnathpur Distillery Division.

**(d) Total energy consumption**

Energy consumption per unit of Production as per Form-A enclosed.

## TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form B enclosed.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to export; initiatives taken to increase exports; development of new export markets for products and services; exports and import plans are mentioned in the Directors Report.

Total foreign exchange used and earned for the year ended September 30, 2009: Mentioned in the Directors Report.

## FORM A

Disclosure of particulars with respect to conservation of energy for the year ended September 30, 2009.

A. Power and fuel consumption

| S.No | Particulars | Unit | Year ended September 30, 2009 | Year ended September 30, 2008 |
|---|---|---|---|---|
| 1 | **Electricity** | | | |
| | Purchased | | | |
| | Units | Kwh ('000) | 2694 | 1834 |
| | Total Amount | Rs Lacs | 121.23 | 82.57 |
| | Rate/Unit | Rs./Kwh | 4.50 | 4.50 |
| | Own Generation | | | |
| | i) **Through diesel generator** | | | |
| | Units | Kwh('000) | 979 | 1831 |
| | Unit per ltr. of diesel oil | Kwh | 3.16 | 2.65 |
| | Total Amount | Rs. Lacs | 105.70 | 183.67 |
| | Cost/Unit | Rs./Kwh | 10.79 | 10.03 |
| | **(ii) Through steam turbine** | | | |
| | Units | Kwh('000) | 51630 | 49392 |
| | Units per ltr. of fuel/gas | Kwh | N.A. | N.A. |
| | Total Amount | Rs. in lacs | 1308.91 | 1167.76 |
| | Cost/Unit | Rs./Kwh | 2.54 | 2.36 |
| 2 | **Coal/Coke** | | | |
| | Quantity | Tonnes | 24137 | Nil |
| | Total Cost | Rs. Lacs | 1073.16 | Nil |
| | Average Rate | Rs./MT | 4446 | N.A. |
| 3 | **Furnace oil/L.D.O** | | | |
| | Quantity | Kilo lts | Nil | 60 |
| | Total Cost | Rs. Lacs | Nil | 20.56 |
| | Average Rate | Rs./K Ltrs | N.A. | 34010 |
| 4 | **Others** | | | |
| | Fire Wood | | | |
| | Quantity | Tonnes | Nil | 49 |
| | Total Cost | Rs. in Lacs | Nil | 2.04 |
| | Average Rate | Rs./MT | N.A. | 4182 |
| | Bagasse/Paddy Husk (Purchased) | | | |
| | Quantity | Tonnes | 6912 | 30577 |
| | Total Cost | Rs. Lacs | 107.44 | 450.15 |
| | Average Rate | Rs./MT | 1554 | 1472 |

B. Consumption per unit of production of sugar

| S.No | Particulars | Unit | Year ended September 30, 2009 | Year ended September 30, 2008 |
|---|---|---|---|---|
| 1 | Electricity | Kwh | 221 | 256 |
| 2 | Coal/Coke | Tonnes | 0.101 | Nil |
| 3 | Fire Wood | Tonnes | 0.0000 | 0.0003 |
| 4 | Bagasse (Purchased) | Tonnes | Nil | Nil |

C. Consumption per k.ltr. of alcohol production

| S.No | Particulars | Unit | Year ended September 30, 2009 | Year ended September 30, 2008 |
|---|---|---|---|---|
| 1 | Electricity | Kwh | 143 | 295 |
| 2 | F.O./L.D.O | KL | Nil | 0.002 |
| 3 | Bagasse/Paddy-Husk (Purchased) | Tonne | 0.293 | 0.902 |

**NOTES:**

- For electricity generated through diesel generator, cost of the diesel has been considered.
- Since various types of fuel used are alternative to each other, no standard can be fixed for their consumption.
- Due to change in mix of fuel used, no comparison can be made with the earlier periods.
- Cost of electricity generated through steam turbine has been arrived at after giving credit for the exhaust steam subsequently used in the manufacturing process.
- Costs have been given based on the records maintained under the Cost Accounting Records Rules, applicable to Sugar and Alcohol industry.

## FORM B

Disclosure of particulars with respect to technology absorption for the year ended September 30, 2009.

**I. Specific areas in which research and development carried out by the Company**

(i) Measures have been taken to reduce steam and water consumption to achieve economy of scales.

(ii) New high pressure energy efficient boilers with high degree of automation are installed to increase power generation and saving thereof.

**II. Benefit derived**

(i) Power consumption reduced significantly while sale of power increased.

(ii) Company saved bagasse that will be helpful in off season raw processing and power generation.

**III.** Efforts will be made to enlarge these activities/capacities in future.

**IV.** Expenditure on Research & Development (R & D)

| | 2008-09 Rs. in lacs | 2007-08 Rs. in lacs |
|---|---|---|
| Capital | - | - |
| Recurring | 6.71 | 4.54 |
| Total | 6.71 | 4.54 |
| Total R&D expenditure as a % of total turnover | Neg | Neg |

## TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

**1. Efforts made**

Efforts made and steps taken in the previous years towards technology absorption, adaptation and innovations were continued during the period under review.

**2. Benefits**

The benefits derived in the form of cost reduction and the improvement in the quality of the product continued to be available to the Company.

**3. Particulars of technologies imported during the last five years**

Not applicable

## ANNEXURE-A

Statement pursuant to clause 12, 'Disclosure in the Directors Report' of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, as at September 30, 2009 for stock options issued under Simbhaoli Sugars Limited- Employee Stock Options Scheme 2007 (ESOS 2007) is given here in below:

| Sr. No. | Particulars | ESOS 2007 | | |
|---|---|---|---|---|
| 1. | Date of EGM approving the Scheme | March 15, 2007 | | |
| 2. | Date of institution of the Scheme | June 20, 2007 | | |
| 3. | Total number of securities reserved under the scheme | 6% of the paid-up capital of the Company i.e. 11,85,924 equity shares as on March 15, 2007 | | |
| (a) | Description: | | | |
| | Date of Issue of options | June 20, 2007 | May 18, 2009 | August 10, 2009 |
| | No. of options granted | 5,94,425 | 81,300 | 5,16,500 |
| | Exercise price per share (Each option is equivalent to one equity share of the face value of Rs. 10 each of the Company) | Rs. 39.00 | Rs. 39.00 | Rs. 49.00 |
| (b) | Pricing formula | The exercise price of the options is determined by the Remuneration and Compensation Committee. It is based upon the closing market price of the equity shares of the Company prior to the date of grant of options at the stock exchange where there is highest trading volume on the said date. | | |
| (c) | Options vested | 400,701 | | |
| (d) | Options exercised | 175,836 | | |
| (e) | Total number of shares arising as a result of exercise of option | 175,836 | | |
| (f) | Options lapsed | 19,510 | | |
| (g) | Variation of terms of options | NIL | | |
| (h) | Money realized by exercise of options | Rs. 68.57 lacs | | |
| (i) | Total number of options in force | 803155 | | |
| (j) | Employee wise details of options granted to: | | | |

(i) senior managerial personnel

| Name | Designation | No. of options granted during the year |
|---|---|---|
| Dr G S C Rao | Executive Director | 16235 |
| Mr Sanjay Tapriya | Director (Finance) | 15235 |
| Mr. I.S.Bhatia | Vice President | 13300 |
| Mr. A.K.Srivastava | Vice President | 11000 |
| Mr. Sunil Gupta | General Manager | 9700 |
| Mr. Naveen Kumar Tyagi | General Manager | 9700 |
| Mr. Rakesh Kumar Singh | General Manager | 8300 |
| Mr. Dilip Jain | General Manager | 7800 |
| Mr. Rajiv Bhatia | General Manager | 7800 |
| Mr. Kamal Samtani | Company Secretary | 5100 |

(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year. NIL

(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant. NIL

| | | |
|---|---|---|
| (k) | Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share | Rs. 33.05 |
| (l) | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options | The Company has used intrinsic value method with respect to the stock options.<br>The employee compensation cost is negative as shown below:<br>Exercise Price (weighted) is Rs. 47.64 per option<br>Fair Value (weighted) is Rs. 28.07 per option<br>Difference is (Rs. 19.57) per option |
| (m) | Weighted- average exercise prices of options granted<br>Weighted- average fair values of options granted | Rs. 47.64/-<br>Rs. 28.07/- |
| (n) | A description of the method and significant assumptions used during the period to estimate the fair values of options, including the following weighted average information is given below :-<br>[1] method<br>[2] risk-free interest rate<br>[3] expected life<br>[4] expected volatility<br>[5] dividend yield<br>[6] the price of the underlying share in market at the time of option grant | <br>Black Scholes model<br>6.07%<br>4 years (including vesting period of one year)<br>58.42%<br>0%<br>Rs. 54.70 |

## ANNEXURE B

Information as per Section 217(2A) of the Companies Act.1956 read with the companies (Particulars of the Employees) Rules, 1975.

| Sr No | Name | Age (yrs) | Gross Remuneration (In Rs. Lacs) | Designation/ Nature of Duties | Qualifications & Experience | Date of commencement of employment | Last Employment Held |
|---|---|---|---|---|---|---|---|
| 1 | Mr. Gurmit Singh Mann | 74 | 42.39 | Chairman & Managing Director | Senior Cambridge, 42 years | 15.10.1972 | Smithkline Beecham Limited |
| 2. | Mr. Gurpal Singh | 49 | 36.86 | Deputy Managing Director | Graduate, 22 years | 30.1.1986 | NA |
| 3. | Dr. G.S.C. Rao | 55 | 45.38 | Executive Director | M. Sc., Ph.D, 27 years | 1.11.1999 | Maha lakshmi Sugar works |
| 4. | Mr. Sanjay Tapriya | 48 | 31.88 | Director (Finance) | FCA, FCS 23 years | 29.04.2003 | NA |

**Notes:**

1. The remuneration in excess of Rs. 24.00 lacs is covered.
2. No employee was employed for part of the financial period and in receipt of remuneration for any part thereof at a rate which in the aggregate was not less than Rs. 2 lacs per month.

CORPORATE GOVERNANCE REPORT

## COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Directors present the Company's Report on Corporate Governance for the year ended September 30, 2009 (hereinafter referred as 'the year'). The Company has developed the practices to fulfill its corporate and social responsibilities to various stakeholders and believes in adopting good governance, which is founded upon the principles of transparency, monitoring, accountability, growth-oriented approach, trusteeship, corporate citizenship and environmental consciousness. At the core of the governance of the Company is its Board, which acknowledges responsibilities for servicing and protection of the long-term interest of all the stakeholders. The process consists of various business practices, which not only results in working towards sustainable and least risk earning model and enhancing shareholders wealth but also enables the Company to fulfill its obligations towards its suppliers, customers, employees, lenders and to the society in general.

The Company's corporate governance norms fulfill business ethics as an enabling and facilitating process encompassing all its functions at different levels. The management follows the policies of compliance, protection of the rights and interests, equality in dealing with all the shareholders, act as a trustee of shareholders' capital. It also follows transparency in business dealings, timely disclosures, effective internal and external communication, strategic guidance and monitoring and the accountability to the Company and its shareholders. The Board has the necessary authority and practices in place to review and evaluate the operations conducted by the Company. The Company allows the Board to take decisions and improve returns of the stakeholders.

## BOARD OF DIRECTORS

### Composition and category

As on September 30, 2009, the Board consists of 8 directors; out of which 4 are executive and remaining 4 are non-executive directors. Executive directors consist of Chairman & Managing Director, Deputy Managing Director, Executive Director and Director (Finance). 2 of the 8 directors are of promoters group and both are executives. The ratio between executive and non-executive directors is 1:1. All the non-executive directors are independent. The composition of the Board and also number of other directorship and committee memberships/ chairmanships held by them are as follows:-

| Name of Director & Category | No. of other Directorships* | No. of other committee Memberships/Chairmanships* | |
|---|---|---|---|
| | | Member | Chairman |
| **Executive Directors** | | | |
| Mr. Gurmit Singh Mann Chairman/Promoter | None | None | None |
| Mr. Gurpal Singh Promoter | None | None | None |
| Dr. G.S.C. Rao | None | None | None |
| Mr. Sanjay Tapriya | 1 | None | None |
| **Non-Executive Directors** | | | |
| Mr. S. K. Ganguli Independent Director | 1 | 1 | None |
| Mr. S. C. Kumar Independent Director | 1 | None | None |
| Mr. Yashwant Varma ** Independent Director | None | None | None |
| Mr. S D Saxena*** Nominee ICICI Bank | None | None | None |

*Excluding private limited companies and foreign companies
** Appointed as an additional director on July 30, 2009.
***ICICI Bank Limited (ICICI Bank) has withdrawn the nomination of Mr. Naveen Atrishi and nominated Mr. SD Saxena in his place as its nominee director on the Board of the Company w.e.f. February 23, 2009.

### Broad responsibilities of Chairman & Managing Director, Deputy Managing Director, Executive Director and Director (Finance)

The Company is having whole time Chairman & Managing Director (CMD), Deputy Managing Director (DMD), Executive Director (ED) and Director (Finance) (DF). Their responsibilities and authorities are as follows:

- CMD is responsible for overall management control, policy matters, apprising the Board, boundary management and charting growth plans. He implements the decisions taken by the Board.
- DMD is responsible for external environment management, policies of alcohol segment, control functions and assisting CMD in his activities.
- ED is responsible for operations of the Company and its business units and also for implementation of projects.
- DF is responsible for the overall commercial & finance functions of the Company and implementing internal control procedures.

**Pecuniary relationship and transactions with non-executive director**

(i) Mr. S.K. Ganguli, an independent director, is a professionally qualified chartered accountant. He retired as a joint managing partner of M/s Ray & Ray. He was paid Rs. 3.38 lacs for the year (previous year Rs. 3.21 lacs) towards his professional fee including reimbursements of out of pocket expenses for various professional services rendered to the Company.

(ii) Mr. Ram Sharma, an independent director retired by rotation on January 31, 2009. He has been paid Rs. 0.77 lacs (previous year Rs. 2.42 lacs) towards his professional fee including reimbursements of out of pocket expenses for various professional services rendered to the Company.

## BOARD PROCEDURES

### Board Meetings and Attendance

During the year, 6 Board meetings were held. The details are as follows:-

| Dates of Board Meeting | Board Strength | Directors Present |
|---|---|---|
| November 28, 2008 | 8 | 8 |
| January 31, 2009 | 7 | 6 |
| March 16, 2009 | 7 | 6 |
| April 30, 2009 | 7 | 7 |
| May 18, 2009 | 7 | 7 |
| July 30, 2009 | 7 | 6 |

The attendance of each director at these meetings and at the last annual/extraordinary general meetings were as follows:

| Name of Director | No. of Board Meetings Attended | Attendance at the AGM held on January 31, 2009 |
|---|---|---|
| Mr. Gurmit Singh Mann | 6 | Yes |
| Mr. Gurpal Singh | 4 | Yes |
| Dr. G.S.C. Rao | 6 | Yes |
| Mr. Sanjay Tapriya | 6 | Yes |
| Mr. S.C. Kumar | 6 | Yes |
| Mr. S.K. Ganguli | 6 | Yes |
| Mr. S D Saxena[1] | 4 | NA |
| Mr. Yashwant Varma[2] | NA | NA |
| Mr. Naveen Atrishi[1] | 1 | No |
| Mr. Ram Sharma[3] | 1 | No |

1 ICICI Bank has withdrawn the nomination of Mr. Naveen Atrishi and nominated Mr. S D Saxena in his place as its nominee director on the Board of the Company w.e.f. February 23, 2009.
2 Appointed as an additional director on July 30, 2009.
3 Retired by rotation on January 31, 2009

### Information to Board

The major decisions affecting operations of the Company are placed before the Board, which include quarterly/half yearly/yearly results, financial restructuring, capital expenditure, sale and acquisition of assets, capital budget, business plans, mortgages, guarantees and loans, analysis of operations, major litigations, feed back reports, minutes of committee meetings, staff matters, senior appointments, labour relationship, accidents/mishaps, information technology strategies, insider trading compliances, general notices of interest etc.

## BOARD COMMITTEES

Board has constituted 5 committees viz Audit committee, Finance committee, Remuneration & Compensation committee, Allotment committee and Investors' Grievance committee. The Company Secretary acts as the secretary to all the committees.

### I. Audit committee

The Audit committee comprises of 3 non-executive independent directors. Mr. S. K. Ganguli acts as Chairman of the committee. The executive directors, statutory, internal and cost auditors of the Company are the regular invitees.

During the year, 4 periodical meetings of Audit committee were held. The details are as follows:-

| Member | Meetings held | Meetings attended |
|---|---|---|
| Mr. S. K. Ganguli | 4 | 4 |
| Mr. S.C. Kumar | 4 | 4 |
| Mr. S D Saxena[1] | 2 | 2 |
| Mr. Naveen Atrishi[1] | 2 | 1 |

1 ICICI Bank has withdrawn the nomination of Mr. Naveen Atrishi and nominated Mr. S D Saxena in his place as its nominee director on the Board of the Company w.e.f. February 23, 2009.

All members of the committee have sound knowledge of finance and accounts. The role and terms of reference of audit committee covers areas mentioned under Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956 (hereinafter referred as 'the Act'). Further, the committee oversees and monitors the financial reporting system within the Company, considers its quarterly, half yearly and annual financial results and submits its observations to the Board, reviews the annual budget, annual internal audit plans, legal compliance, reviews internal control system, audit methodology and process, major accounting policies and practices, compliance with accounting standards, risk management and risk disclosure policy. The audit committee also advises the management on areas where greater internal control and internal audit focus are needed and on new areas to be taken up for audit, based upon the discussions and review of the observations of the internal audit reports, cost control measures and statutory compliances in various functional areas.

### II. Finance Committee

The Finance committee comprises of 4 executive directors for taking decisions in respect of opening and closing of bank accounts, change of signatories in existing accounts, delegating authority for making representation before statutory/regulatory authorities, and acceptance of terms of loans/ facilities and to do such other things, which are essential for executing the finance functions for day to day financial activities of the Company. The committee works under the guidance of Board and its decisions are ratified in the subsequent meetings. Mr. Gurmit Singh Mann acts as the Chairman of the committee. During the year, 15 meetings of the finance committee were held as follows:

| Members | Meetings held | Meetings attended |
|---|---|---|
| Mr. Gurmit Singh Mann | 15 | 14 |
| Mr. Gurpal Singh | 15 | 13 |
| Dr. G.S.C. Rao | 15 | 15 |
| Mr. Sanjay Tapriya | 15 | 15 |

### III. Remuneration and Compensation Committee

The Remuneration and Compensation committee comprises of 3 directors, i.e. 1 executive and 2 non-executive independent director. Mr. S. K. Ganguli acts as the Chairman of the committee. The Committee recommends remuneration and other amount to be paid to the whole time directors. Further, the committee is authorized to formulate, administer and implement the employee stock option scheme of the Company. During the year, 3 meetings of the remuneration and compensation committee were held as follows:

| Member | Meetings held | Meetings attended |
|---|---|---|
| Mr. S. K. Ganguli | 3 | 3 |
| Mr. S. C. Kumar | 3 | 3 |
| Mr. Gurmit Singh Mann | 3 | 3 |

### IV. Allotment Committee

The Allotment committee comprises of 2 executive directors and 1 non-executive independent director. Dr. GSC Rao acts as the Chairman of the committee. The committee is constituted for issue and allotment of equity shares on receipt of the application/request for conversion of bonds, warrants and options into equity shares of the Company. The committee works under the guidance of Board and its decisions are ratified in the subsequent meetings. During the year, 4 meetings of the Allotment committee were held as follows:

| Member | Meetings held | Meetings attended |
|---|---|---|
| Dr. G.S.C. Rao | 4 | 4 |
| Mr. S. K. Ganguli | 4 | 4 |
| Mr. Sanjay Tapriya | 4 | 4 |

### V. Investors' Grievance Committee

The Investors' Grievance committee comprises of 2 executive and 2 non-executive independent directors. Mr. S. K. Ganguli acts as the Chairman of the committee. The committee deals with redressal of the shareholders grievances in relation to transfer of shares, non-receipt of annual reports, change of addresses, non-receipt of dividend etc. The meetings of this committee are held on quarterly basis. During the year, 4 meetings of Investors' Grievance committee were held as follows:

| Member | Meetings held | Meetings attended |
|---|---|---|
| Mr. S. K. Ganguli | 4 | 4 |
| Mr. S. C. Kumar | 4 | 4 |
| Dr. G.S.C. Rao | 4 | 4 |
| Mr. Sanjay Tapriya | 4 | 4 |

During the year, 4 investors' complaints were received and all complaints were redressed to the satisfaction of the investors. There was no pending complaint as on September 30, 2009.

### Remuneration policy as applicable to executive/non-executive directors

The remuneration policy as applicable to executive/non-executive directors provides for the following:

a. The executive directors are paid remuneration as per their respective terms of employment as approved by the shareholders in general meeting and Central Government, if required. No sitting fee is payable to executive directors. The approval for payment of remuneration to directors in accordance with the provisions of Schedule XIII to the Act has been obtained from the shareholders in the extraordinary general meeting held on December 29, 2007. Provision for incremental gratuity and earned leave for the year has not been considered, since the provision has been made for the Company as a whole.

b. Sitting fee of Rs. 5,000 per meeting is paid to non-executive directors for attending meetings of Board and certain Board committees. The sitting fee paid does not exceed the limits laid down under the Act and Articles of Association of the Company.

c. Details of remuneration paid to directors for the year is as follows:

(Amount in Rs. lacs)

| Name of Director | Salary | Benefits* | Sitting fees | Total |
|---|---|---|---|---|
| Mr. Gurmit Singh Mann | 22.40 | 19.99 | - | 42.39 |
| Mr. Gurpal Singh | 20.00 | 16.86 | - | 36.86 |
| Dr. G.S.C. Rao | 20.00 | 25.38 | - | 45.38 |
| Mr. Sanjay Tapriya | 15.20 | 16.68 | - | 31.88 |
| Mr. S.C. Kumar | - | - | 0.65 | 0.65 |
| Mr. S.K. Ganguli | - | - | 0.65 | 0.65 |
| Mr. Ram Sharma | - | - | 0.05 | 0.05 |
| Mr. S D Saxena | - | - | 0.30 | 0.30 |
| Mr. Naveen Atrishi** | - | - | 0.10 | 0.10 |

* There is no commission paid/accrued to whole-time directors during the year.
**payable to ICICI Bank

Under Simbhaoli Sugars Limited - Employee Stock Option Scheme 2007, the Company has granted 16,235 and 15,235 stock options @ Rs. 49/- per stock option at discount to Dr. G.S.C. Rao and Mr. Sanjay Tapriya respectively to be exercisable in three tranches in ratio of 40:30:30 in three years after vesting on August 10, 2010. No stock option has been granted to Mr. Gurmit Singh Mann and Mr. Gurpal Singh being promoter directors.

### Compliance officer

Mr. Kamal Samtani, Company Secretary is the Compliance Officer.

## MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis report is made as a part of report of directors forming part of the corporate governance report in this annual report.

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Company obtains the certificate from the auditors of the Company regarding compliance with the provisions relating to corporate governance laid down in Clause 49 of the listing agreement with the stock exchanges. This certificate will be sent to the stock exchanges, along with the annual report to be filed by the Company.

## CEO/CFO CERTIFICATION

The CEO/CFO certificate on the financial statements is enclosed at the end of this report.

## GENERAL MEETINGS

### Annual General Meeting

### Day, Date, Time and Venue of the 73rd AGM

Day and Date : Thursday, December 17, 2009
Time : 10.00 AM
Venue : Registered office of the Company at Simbhaoli-245 207, District Ghaziabad, Uttar Pradesh.

### Dates of Book Closure

Monday, December 14, 2009 to Thursday, December 17, 2009 (both days inclusive).

The last 3 annual general meetings of the Company were held as follows:-

| AGM | Day, Date & Time | Venue |
|---|---|---|
| 70th | Monday, 31-07-2006 at 10.00 A.M. | Simbhaoli-245 207, Distt. Ghaziabad, Uttar Pradesh |
| 71st | Friday, 25-01-2008 at 10.00 A.M. | |
| 72nd | Saturday, 31-01-2009 at 10.00 A.M. | |

### Special resolutions passed at the last three annual general meetings

| AGM | Date | Subject matter of special resolution |
|---|---|---|
| 70th | 31.07.2006 | 1. Increase in authorized share capital of the Company from Rs. 37 crores to Rs. 40 crores by creation of 30,00,000 further equity shares of Rs. 10/- each.<br>2. Appointment of Ms. Gursimran Kaur Mann, as an executive under the provisions of 314(1B) of the Act read with Director's Relatives (Office or Place of Profit) Rules, 2003.<br>3. Change of name of the Company from 'The Simbhaoli Sugar Mills Limited' to 'Simbhaoli Sugars Limited'. |
| 71st | 25.01.2008 | No Special Resolution was passed. |
| 72nd | 31.01.2009 | No Special Resolution was passed. |

### Extra ordinary general meeting

During the year, no Extra Ordinary General Meeting was held.

### Postal Ballot

During the year, no resolution was passed through postal ballot.

### Information on appointment of directors

During the year, Mr. Yashwant Varma has been appointed as an additional director on the Board of the Company w.e.f. July 30, 2009. Mr. Varma is a reputed senior advocate practicing at Hon'ble Allahabad High Court and also has been appearing before various courts and tribunals such as Hon'ble

Supreme Court of India, various High Courts, MRTP Commission, Company Law Board, CESTAT etc. He has considerable experience in handling sugarcane related matters.

ICICI Bank has withdrawn the nomination of Mr. Naveen Atrishi and nominated Mr. S.D. Saxena in his place as its nominee director with effect from February 23, 2009. Mr. Saxena is M.Sc. (Physics) and MBA (Financial Management). He is fellow member of Indian Institute of Electronic & Telecom Engineers and also member of All India Management Association. He has retired as the finance director of BSNL.

## DISCLOSURES

### Related party transactions and their basis

In terms of Accounting Standards (AS) 18 "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the Company has identified the related parties covered therein and details of transactions with such related parties have been disclosed in the note 10 to schedule 18-Notes to accounts of the financial statements for the year ended September 30, 2009. There were no transactions of material nature with the directors or the management or their subsidiaries or relatives etc. during the year that had potential conflict with the interest of the Company at large.

### Disclosure of accounting treatment

The financial statements are prepared under the historical cost convention and have been prepared in accordance with the applicable mandatory accounting standards prescribed by The Institute of Chartered Accountants of India and relevant presentational requirements of the Act.

### Details of non- compliance

There were no instances of non-compliance of any matter related to the capital markets during the last three years. No penalties or strictures have been imposed on the Company by stock exchanges or SEBI or any statutory authority on any matter related to capital markets. The Company has issued code of conduct for its Board and senior management in compliance with SEBI regulations and listing agreement with the stock exchanges, advising and cautioning management staff and other business associates on the procedure to be followed while dealing in equity shares of the Company and disclosure requirements in this regard. The policies framed in this regards are available on the Company's website.

### Communication

The quarterly financial results of the Company are published in one or more reputed national and regional newspapers viz. Business Standard, Veer Arjun etc. The quarterly results are sent to stock exchanges, immediately after approval of Board. The Company has its website www.simbhaolisugars.com which provides the comprehensive details of the operations of the Company and its dimensions. The financial results and other information pertaining to the Company are promptly uploaded on the site.

The Company has also been registered with www.corpfiling.co.in as required under Corporate Filing and Dissemination System (CFDS) to make electronic filing of information, statements and reports pursuant to compliance with any clause of the listing agreement through CFDS.

## ISSUE PROCEEDS

The Company periodically discloses to the audit committee, the use/application of funds. The issue proceeds of Rs. 682.83 lacs from warrants and stock options were utilized for capital expenditure/ working capital requirement of the Company as per the resolutions passed by the shareholders in the general meetings.

## SHAREHOLDERS INFORMATION

### Financial year calendar for 2009-10

| | | |
|---|---|---|
| First quarter results | : | January, 2010 |
| Second quarter results | : | April, 2010 |
| Third quarter results | : | July, 2010 |
| Fourth quarter results | : | December, 2010 |

### Listing

| Equity shares | Equity Shares | Foreign Currency Convertible Bonds |
|---|---|---|
| Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. Tel: 91-22-22721233/34, Fax: 91-22-22721072 Website: www.bseindia.com Scrip Code: 507446 | National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Mumbai Tel : 91-22-26598100 Fax :91-22-26598237/38 Website: www.nseindia.com Scrip code: SIMBHSUGAR | Singapore Exchange Limited 2, Shenton Way, # 19-00, SGX Centre, 1, Singapore 068804 Tel (65) 6236 8888 Fax (65) 6535 6994 Web site: www.sgx.com ISIN Code: XS0246465560 |

Listing fee for the year 2009-10 has been paid to all the concerned stock exchanges.

### Depositories

| | |
|---|---|
| National Securities Depository Limited, Trade World, 4th Floor, Kamla Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai–400 013 Tel: 91-22-24994200 Fax: 91-22-24972993/2497 Emailinfo@nsdl.co.in Website : www.nsdl.co.in | Central Depository Services (India) Limited, Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai-400 023 Tel: 91-22-2272333 Fax: 91-22-22723199 Email:investors@cdslindia.com Website: www.cdslindia.com |

International Securities Identification Number is ISIN- INE 270C01017

**Stock Market Data**

The details of high/low/closing price of shares of the Company, at stock exchanges for the year are as follows:

| Month | BSE High (Rs.) | BSE Low (Rs.) | BSE Close (Rs.) | BSE Vol ('000) | NSE High (Rs.) | NSE Low (Rs.) | NSE Close (Rs.) | NSE Vol ('000) |
|---|---|---|---|---|---|---|---|---|
| October 2008 | 31.00 | 16.95 | 18.10 | 141 | 30.95 | 16.70 | 18.20 | 47 |
| November 2008 | 21.15 | 16.05 | 16.75 | 105 | 21.15 | 16.00 | 17.00 | 43 |
| December 2008 | 21.85 | 15.20 | 19.65 | 357 | 21.95 | 15.00 | 19.15 | 36 |
| January 2009 | 22.15 | 17.35 | 19.15 | 393 | 21.75 | 18.00 | 19.50 | 25 |
| February 2009 | 20.80 | 18.15 | 18.65 | 97 | 20.70 | 17.90 | 18.00 | 46 |
| March 2009 | 23.85 | 15.15 | 23.40 | 230 | 23.85 | 14.55 | 23.10 | 103 |
| April 2009 | 36.00 | 22.55 | 33.60 | 255 | 36.20 | 21.90 | 34.00 | 200 |
| May 2009 | 43.40 | 32.00 | 40.60 | 396 | 43.00 | 32.35 | 40.00 | 248 |
| June 2009 | 50.00 | 39.10 | 44.90 | 495 | 50.40 | 39.50 | 44.65 | 331 |
| July 2009 | 48.05 | 33.80 | 45.85 | 514 | 48.20 | 31.95 | 46.00 | 223 |
| August 2009 | 72.75 | 44.60 | 60.05 | 6197 | 72.50 | 44.50 | 60.15 | 4329 |
| September 2009 | 65.30 | 53.00 | 63.70 | 1238 | 65.65 | 53.00 | 64.00 | 853 |

**Distribution of share holding as at September 30, 2009:**

| Category | No. of folios/ Client ID | % of no. of shareholders | No. of shares | % of capital |
|---|---|---|---|---|
| Upto 10,000 | 18181 | 92.69 | 3866014 | 16.69 |
| 10,001 to 30,000 | 916 | 4.67 | 1619035 | 6.99 |
| 30,001 to 50,000 | 180 | 0.92 | 723535 | 3.12 |
| 50,001 to 1,00,000 | 186 | 0.95 | 1343261 | 5.80 |
| 1,00,001 and above | 151 | 0.77 | 15615915 | 67.40 |
| **Total** | **19614** | **100.00** | **23167760** | **100.00** |

**Shareholding pattern as on September 30, 2009**
**Equity Shares:**

| Category | No. of Shares held | % |
|---|---|---|
| **A: Indian Promoters** | 10184722 | 43.96 |
| Sub-Total (A) | **10184722** | **43.96** |
| **B: Non – Promoters Holding:** | | |
| Mutual Funds | 36611 | 0.16 |
| Foreign Institutional Investors (FII) | 192827 | 0.83 |
| Financial Institutions and Banks | 481476 | 2.08 |
| Private Corporate Bodies | 3391238 | 14.64 |
| Indian Public (individuals ) | 8170766 | 35.26 |
| NRIs / OCBs | 94551 | 0.41 |
| Any other (Clearing Members) | 615569 | 2.66 |
| Sub-Total (B) | **12983038** | **56.04** |
| **Grand Total (A+B)** | **23167760** | **100.00** |

**Preference Shares:** NIL

**Note on foreign currency convertible bonds, warrants, stock options and preference shares**

**(i) Foreign Currency Convertible Bonds**

The Company issued foreign currency convertible bonds (FCCBs) of USD 33.00 million on March 10, 2006, out of which FCCBs of USD 29.61 million have been bought back by the Company under the provisions of the Circular no. 39 issued by the Reserve Bank of India and/or any amendment or re-enactment thereof for buyback/prepayment of foreign currency convertible bonds and has extinguished the underlying securities thereof.

**(ii) Warrants**

During the year, 16,04,000 warrants (previous year 14,96,000 warrants) have been converted into equivalent numbers of equity shares of the Company in accordance with the terms of allotment thereof.

**(iii) Employee Stock Option Scheme**

Under Simbhaoli Sugars Limited - Employee Stock Option Scheme 2007, the Company has granted :

I. 5,94,425 options on June 20, 2007 exercisable in three tranches over a period of three years after vesting on June 20, 2008 at an exercise price of Rs. 39/- (including premium of Rs. 29/-) per option. Consequently 1,75,836 (previous year 1,26,524) equity shares were issued and allotted during the year as fully paid-up. Out of 5,94,425 stock options 86,710 stock options have been lapsed.

II. 81,300 options on May 18, 2009 exercisable over a period of three years being vested on May 18, 2010 at an exercise price of Rs. 39/- (including premium of Rs. 29/-) per option.

III. 5,16,500 options on August 10, 2009 exercisable in three tranches over a period of three years being vested on August 10, 2010 at an exercise price of Rs. 49/- (including premium of Rs. 39/-) per option.

**(iv) Preference Shares**

8,12,000 preference shares of Rs. 100/- each aggregating to Rs. 812 lacs have been redeemed at par by the Company. The detail of redemption of these shares is as follows:

(I) 3,80,000 0% optionally convertible preference shares of Rs 100/- each were redeemed on March 31, 2009.

(II) 4,32,000 8% cumulative redeemable preference shares of Rs. 100/- each were redeemed in two tranches i.e. 50% upto September 30, 2009 and remaining 50% on November 5, 2009.

**Dematerialization of Shares**

The trading of the Company's equity shares fall under compulsory delivery in dematerialized mode in respect of all categories of investors. As on

September 30, 2009, 2,23,29,675 equity shares constituting 96.38% of total equity share capital of the Company were under demat category with NSDL and CDSL.

## LOCATION OF THE PLANTS AND OPERATING DIVISIONS:

| | | |
|---|---|---|
| **Simbhaoli Complex** | Simbhaoli, District Ghaziabad Uttar Pradesh – 245 207 | Tel.No. +91 5731-23117/ 8/ 9 Fax No. +91 5731-223039/42 |
| **Chilwaria Complex** | Chilwaria, Distt. Bahraich, Uttar Pradesh – 271 801 | Tel.No. +91 5252-244251/2 Fax No. +91 5252-244253 |
| **Brijnathpur Complex** | Brijnathpur, District Ghaziabad Uttar Pradesh – 245 101 | Tel. No. +91 9927049979 Fax No. +91 122-223039 |

## INVESTOR SERVICES

### Share Transfer System

Share transfers under physical category and demat requests are normally affected/ confirmed within a period of 15 days from the date of receipt. Shares are transferred and depository services are provided through M/s Mas Service Limited, the Registrar and share transfer agent. Investor's correspondence can be made on any of the following address:

i) Mas Services Limited :
T - 34, 2nd Floor, Okhla Industrial Area,
Phase - II, New Delhi - 110 020
Phone No. : +91-11-2638 72 81/82/83,
Fax no. : +91-11-26387384
E-mail : info@masserv.com

ii) Registered Office :
Simbhaoli – 245 207, District Ghaziabad,
Uttar Pradesh
Phone No. : +91-5731-226411
+91-5731-223118
Fax : +91-5731-223042/39
E-mail : kamal@simbhaolisugars.com

### Non-mandatory requirements

Non-mandatory requirements have been adopted by the Company to the extent it is in line with the nature of business activities of the Company. However, steps have been taken to implement the other requirements in a phased manner.

### Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of concerned registered shareholders. The prescribed form for such nomination can be obtained from the Company/Transfer agent. Nomination facility in respect of shares held in electronic form is also available with depository participant as per the bye-laws and business rules applicable to NSDL and CDSL.

### Unclaimed dividend and interest

The amount of dividend/debenture installment or interest thereon remaining un-claimed for a period of 7 years, is transferred to the credit of investors education and protection fund in accordance with the provisions of Section 205C of the Act.

**For and on behalf of Board of Directors**
**of Simbhaoli Sugars Limited**

New Delhi
November 11, 2009

**Gurmit Singh Mann**
**Chairman & Managing Director**

## AUDITORS' CERTIFICATE

### To the Members of Simbhaoli Sugars Limited

We have examined the compliance of conditions of Corporate Governance by Simbhaoli Sugars Limited for the year ended on September 30, 2009, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A. F. FERGUSON & CO.
Chartered Accountants

Manjula Banerji
Partner
Membership No. 86423

New Delhi
November 11, 2009

# CEO/CFO Certification

The Board of Directors
Simbhaoli Sugars Limited
P. O. Simbhaoli District Ghaziabad,
Uttar Pradesh - 245 207

**Re: Certification by CEO/CFO for the year ended on September 30, 2009**

We, Gurmit Singh Mann, Chairman & Managing Director, GSC Rao, Executive Director and Sanjay Tapriya, Director (Finance) of Simbhaoli Sugars Limited to the best of our knowledge and belief, certify that:

(a) We have reviewed the balance sheet as on September 30, 2009, profit and loss account, the cash flow statement and the directors' report for the year ended September 30, 2009 and based upon our knowledge and information confirm that;

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting for the Company and we have

(i) evaluated the effectiveness of the internal control systems of the Company,

(ii) disclosed to the auditors and the audit committee of the Board, deficiencies in the design or operation of internal controls, if any, of which we are aware, and

(iii) taken necessary steps or proposed to take to rectify these deficiencies.

(d) We have indicated to auditors and the audit committee of the Board that there have been:

(i) no significant changes in internal control over the financial reporting during the year;

(ii) change in accounting policy in relation to determining cost of inventory of raw materials from annual weighted average to First in First out basis.

(iii) no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

| | | |
|---|---|---|
| Gurmit Singh Mann<br>Chairman & Managing Director | G S C Rao<br>(Executive Director) | Sanjay Tapriya<br>Director (Finance) |

New Delhi

November 11, 2009

# AUDITORS` REPORT

## TO THE MEMBERS OF SIMBHAOLI SUGARS LIMITED

1. We have audited the attached balance sheet of Simbhaoli Sugars Limited as at September 30, 2009 and also the profit and loss account and the cash flow statement of the Company 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 of material misstatements. 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 of India in terms of section 227(4A) 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:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

   (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the mandatory 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 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   (f) without qualifying our opinion, we draw attention to note 25 of schedule 18 relating to accounting for cane purchase liability for the sugar season 2007-08 at Rs. 110 per quintal instead of State Advised Price of Rs. 125 per quintal fixed by the Uttar Pradesh State Government. Pending completion of legal proceedings in the matter, the effect thereof on these accounts can not be determined at this stage.

   (g) in our opinion and to the best of our information and according to the explanations 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 September 30, 2009;

      ii. in the case of the profit and loss account, of the profit for the year ended on that date; and

      iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

For **A.F. FERGUSON & CO.**
Chartered Accountants

**Manjula Banerji**
Partner
M. No.:086423

Place: New Delhi
Date: November 11, 2009

**Annexure referred to in paragraph `3' of the Auditors' Report to the Members of Simbhaoli Sugars Limited on the accounts for the year ended September 30, 2009.**

(i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.

(b) As explained to us, the Company has a programme of physically verifying all its fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, some of the fixed assets were physically verified by the management during the year. The discrepancies noticed on such verification between the physical balances and the fixed assets records were not material and have been properly dealt with in the books of account.

(c) In our opinion and according to the information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.

(ii) (a) During the year, the inventories have been physically verified by the management except for stocks lying with third parties where confirmations have been received in most of the cases. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of inventory, we are of the opinion that, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.

(iii) According to the information and explanations given to us, the Company has, during the year, neither granted nor taken any loans, secured or unsecured, to/from the firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paras 4 (iii) (b) to (g) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods. There are no sales of services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control procedures.

(v) (a) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.

(b) In our opinion and according to the information and explanations given to us, as there are no contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, paragraph (v)(b) of the Order is not applicable.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of deposits) Rules, 1975 with regard to the deposits accepted from the public. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or other Tribunal in relation to the deposits accepted from public by the Company.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) As explained to us, the statutory dues payable by the Company comprise of provident fund, investor education and protection fund, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess, entry tax, and cane purchase tax. According to the records of the Company and information and explanations given to us, the Company, during the year, has been regular in depositing, aforesaid undisputed statutory dues except for tax deducted at source and service tax where there have been few delays in depositing these with the appropriate authorities. There are no undisputed statutory dues as referred to above as of September 30, 2009 outstanding for a period of more than six months as on September 30, 2009 from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company, the following are the particulars of disputed dues on account of sales tax (trade tax) and excise duty matters that have not been deposited by the Company as at September 30, 2009:-

| Name of the statute | Nature of the dues | Amount* (Rs. in lacs) | Amount paid under protest (Rs. in lacs) | Forum where dispute is pending | Period to which the amount relates |
|---|---|---|---|---|---|
| U. P. Trade Tax Act | Trade tax | 0.43 | 0.43 | Trade Tax Tribunal | 1984-1985 |
| | Trade tax | 3.18 | - | Trade Tax Appellate Tribunal | 1995-1996 |
| | Trade tax | 2.17 | 1.08 | High Court | 2000-2001 |
| | Trade tax | 3.47 | 1.60 | Trade Tax Tribunal | 2001-2002 |
| | Trade tax | 0.62 | 0.15 | Trade Tax Appellate Tribunal | 2003-2004 |
| Central Excise Act | Excise duty | 0.28 | 0.28 | Customs, Excise & Service tax Appellate Tribunal | 2004-2005 |
| | Excise duty | 0.60 | 0.60 | Customs, Excise & Service tax Appellate Tribunal | 2002-2003 |
| | Excise duty | 11.01 | - | Commissioner (Appeal) | 1979-1980 |
| State Excise Act | Excise duty | 9.26 | - | High Court, Allahabad | 2001-2002 |

* Amount as per demand orders including interest and penalty wherever indicated in order.

(c) In the following instance the concerned statutory authority is in appeal against favourable order received by the Company.

| Name of the statute | Nature of the dues | Amount* (Rs. in lacs) | Forum where dispute is pending | Period to which the amount relates |
|---|---|---|---|---|
| U. P. Trade Tax Act | Trade tax | 59.96 | High Court | 1996-1997 |

* Amount as per demand order including interest and penalty wherever indicated in order.

We have been further informed that there are no dues in respect of income tax, customs duty, wealth tax, service tax and cess, which have not been deposited on account of any disputes.

(x) The Company does not have accumulated losses at the end of the financial year September 30, 2009. Further, the Company has not incurred cash losses during the year ended September 30, 2009. However, the Company has incurred cash losses in the immediately preceding financial year ended September 30, 2008.

(xi) According to the records of the Company examined by us and the information and explanations given to us, during the year, there have been minor delays in repayment of dues to banks and financial institutions. The Company has not issued any debentures during the year.

(xii) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4 (xii) of the Order is not applicable.

(xiii) As the Company is not a chit fund / nidhi / mutual benefit fund / society, paragraph 4 (xiii) of the Order is not applicable.

(xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us, the Company has given corporate guarantees for loans taken by others from bank. In our opinion, the terms and conditions of these guarantees are not prejudicial to the interest of the Company.

(xvi) According to the information and explanations given to us, the term loans taken have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short term funds of Rs.12,410.25 lacs have been used to finance fixed assets.

(xviii) During the year, the Company has issued 16,04,000 equity shares on conversion of equity warrants issued on a preferential basis (refer foot note in schedule 1B) as well as 25,986 equity shares under 'Simbhaoli Sugar Limited-Employee Stock Option Scheme 2007', to parties covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion and according to the information and explanations given to us the price at which the equity shares have been issued are not pre judicial to the interest of the Company.

(xix) The Company has not issued any debentures during the year.

(xx) The Company has not raised any money by way of public issue during the year.

(xxi) During the course of our examination of the books of account and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year ended September 30, 2009 nor have we been informed of such case by the management.

For **A.F. FERGUSON & CO.**
Chartered Accountants

**Manjula Banerji**
Partner
M. No.:086423

Place: New Delhi
Date: November 11, 2009

SIMBHAOLI SUGARS

# SIMBHAOLI SUGARS LIMITED
## BALANCE SHEET
## AS AT SEPTEMBER 30, 2009

| | Schedule No. | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|---|
| SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Share capital | 1A | 2,545.78 | 2,963.79 |
| Equity warrants | 1B | - | 68.25 |
| Employee option outstanding | 1C | 6.19 | - |
| Reserves and surplus | 2 | 9,748.19 | 6,895.96 |
| | | 12,300.16 | 9,928.00 |
| Loan funds | | | |
| Secured loans | 3 | 59,935.15 | 52,261.96 |
| Unsecured loans | 4 | 1,772.45 | 15,557.53 |
| | | 61,707.60 | 67,819.49 |
| **TOTAL** | | **74,007.76** | **77,747.49** |
| APPLICATION OF FUNDS | | | |
| Fixed assets | 5 | | |
| Gross block | | 78,022.87 | 70,535.63 |
| Less: Depreciation | | 20,973.25 | 17,314.84 |
| Net block | | 57,049.62 | 53,220.79 |
| Capital work in progress | | 3,093.18 | 6,099.96 |
| | | 60,142.80 | 59,320.75 |
| Pre-operative expenditure pending allocation | 6 | 132.56 | 1,175.32 |
| | | 60,275.36 | 60,496.07 |
| Investments | 7 | 39.99 | 0.05 |
| Deferred tax assets (net) | 8 | 1,926.76 | 1,926.76 |
| Current assets, loans and advances | | | |
| Inventories | 9 | 42,997.33 | 16,822.32 |
| Sundry debtors | 10 | 5,694.80 | 3,694.53 |
| Cash and bank balances | 11 | 5,610.41 | 1,158.75 |
| Loans and advances | 12 | 13,555.33 | 6,070.65 |
| | | 67,857.87 | 27,746.25 |
| Less: Current liabilities and provisions | 13 | | |
| Current liabilities | | 54,432.13 | 15,238.27 |
| Provisions | | 1,660.09 | 3,187.12 |
| | | 56,092.22 | 18,425.39 |
| Net current assets | | 11,765.65 | 9,320.86 |
| Profit and loss account | | - | 6,003.75 |
| **TOTAL** | | **74,007.76** | **77,747.49** |
| Notes to the accounts | 18 | | |

Per our report attached

| | | |
|---|---|---|
| For A.F.FERGUSON & CO.<br>Chartered Accountants | Gurpal Singh<br>Dy. Managing Director | Gurmit Singh Mann<br>Chairman & Managing Director |
| | Sanjay Tapriya<br>Director-Finance | G S C Rao<br>Executive Director |
| Manjula Banerji<br>Partner<br>Membership No.86423 | Kamal Samtani<br>Company Secretary | Sunil K. Gupta<br>GM-Finance |

New Delhi
November 11, 2009

# SIMBHAOLI SUGARS LIMITED
## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | Schedule No. | | Year ended September 30, 2009 Rs. lacs | | Year ended September 30, 2008 Rs. lacs |
|---|---|---|---|---|---|
| INCOME | | | | | |
| Sale of products | | | | | |
| Gross sales | | 100,079.00 | | 66,133.91 | |
| Less: Excise duty | | 29,446.56 | 70,632.44 | 22,588.76 | 43,545.15 |
| Other income | 14 | | 8,618.40 | | 1,102.39 |
| | | | 79,250.84 | | 44,647.54 |
| EXPENDITURE | | | | | |
| Manufacturing and other expenses | 15 | | 62,970.01 | | 39,757.89 |
| Profit before interest, exchange fluctuation, derivative loss, depreciation and tax | | | 16,280.83 | | 4,889.65 |
| Interest expense | 16 | | 6,311.02 | | 3,963.75 |
| Exchange fluctuation and derivative loss/(profit) | 17 | | (567.20) | | 2,112.12 |
| Profit/(loss) before depreciation and tax | | | 10,537.01 | | (1,186.22) |
| Depreciation | | | 3,705.31 | | 3,260.24 |
| Profit/(loss) before transfer from revaluation reserve | | | 6,831.70 | | (4,446.46) |
| Transfer from revaluation reserve | | | 49.70 | | 40.06 |
| Profit/(loss) before tax | | | 6,881.40 | | (4,406.40) |
| Current tax | | 787.23 | | - | |
| Less: MAT credit entitlement | | (787.23) | - | - | - |
| Deferred tax (benefit)/charge | | | (316.52) | | (1,555.73) |
| Fringe benefit tax | | | 19.98 | | 59.50 |
| Profit/(loss) after tax | | | 7,177.94 | | (2,910.17) |
| Balance brought forward from the previous year | | | (6,003.75) | | (3,093.58) |
| Exchange fluctuation adjustments (Refer note 21 in schedule 18) | | | 565.08 | | - |
| | | | 1,739.27 | | (6,003.75) |
| Earnings per share (Rs.) | | | | | |
| Basic | | | 33.11 | | (14.65) |
| Diluted | | | 33.05 | | (14.65) |
| (Refer note 12 in schedule 18) | | | | | |
| Notes to the accounts | 18 | | | | |

Per our report attached to the balance sheet

For A.F.FERGUSON & CO.
Chartered Accountants

Gurpal Singh
Dy. Managing Director

Gurmit Singh Mann
Chairman & Managing Director

Sanjay Tapriya
Director-Finance

G S C Rao
Executive Director

Manjula Banerji
Partner
Membership No.86423

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance

New Delhi
November 11, 2009

## SIMBHAOLI SUGARS LIMITED
## CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | Year ended September 30, 2009 Rs. lacs | Year ended September 30, 2008 Rs. lacs |
|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES :** | | |
| Net profit/(loss) before tax | 6,881.40 | (4,406.40) |
| Adjustments for: | | |
| Depreciation | 3,655.61 | 3,220.18 |
| Foreign exchange fluctuation | - | 1,091.18 |
| Interest expense | 6,311.02 | 3,963.75 |
| Gain on redemption of FCCB | (7,296.02) | - |
| Deferred employee compensation expense | 6.19 | - |
| Profit on sale of fixed assets (net) | (49.20) | (11.27) |
| Interest income | (123.14) | (28.63) |
| Transfer from Capital-grant-in-aids' | (2.08) | 2.77 |
| **Operating profit/(loss) before working capital changes** | **9,383.78** | **3,831.58** |
| Adjustments for change in : | | |
| Trade and other receivables | (8,813.98) | (1,663.84) |
| Inventories | (26,175.01) | (1,286.58) |
| Trade payables | 39,358.64 | (3,009.81) |
| Cash generated from operations | **13,753.43** | **(2,128.65)** |
| Direct taxes paid | 38.79 | (167.25) |
| **Net cash (used) / from operating activities** | **13,792.22** | **(2,295.90)** |
| **B. CASH FLOW FROM INVESTING ACTIVITIES :** | | |
| Purchase of fixed assets | (4,730.40) | (8,907.72) |
| Sale of fixed assets | 97.58 | 58.30 |
| Investment made | (39.94) | - |
| Margin money | (4,188.24) | (323.20) |
| Interest received | 115.97 | 38.45 |
| **Net cash used in investing activities** | **(8,745.03)** | **(9,134.17)** |
| **C. CASH FLOW FROM FINANCING ACTIVITIES :** | | |
| Proceeds from issue of equity shares/equity warrants | 682.83 | 754.14 |
| Proceeds from long term borrowings | 9,074.81 | 12,301.00 |
| Repayment of long term borrowings | (9,532.16) | (2,562.32) |
| Changes in cash credit account | 1,525.47 | 3,565.09 |
| Repayments of preference share capital | (596.00) | - |
| Interest paid | (5,940.61) | (2,762.49) |
| Dividend paid | (0.03) | (0.23) |
| Contribution toward charity reserve received | 1.92 | 0.06 |
| **Net cash from financing activities** | **(4,783.77)** | **11,295.25** |
| **Net increase/(decrease) in cash and cash equivalents** | 263.42 | (134.82) |
| Cash and cash equivalents (opening balance) | | |
| Cash and bank balances | 835.55 | 970.37 |
| Cash and cash equivalents (closing balance) | | |
| Cash and bank balances | 1,098.97 | 835.55 |
| **Total** | **263.42** | **(134.82)** |

Per our report attached to the balance sheet

For A.F.FERGUSON & CO.
Chartered Accountants

Gurpal Singh
Dy. Managing Director

Gurmit Singh Mann
Chairman & Managing Director

Sanjay Tapriya
Director-Finance

G S C Rao
Executive Director

Manjula Banerji
Partner
Membership No.86423

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance

New Delhi
November 11, 2009

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

### SCHEDULE 1A - SHARE CAPITAL

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Authorised | | |
| 3,10,00,000 (previous year 3,10,00,000) | | |
| Equity shares of Rs.10 each | 3,100.00 | 3,100.00 |
| 9,00,000 (previous year 9,00,000) | | |
| Preference shares of Rs.100 each | 900.00 | 900.00 |
| | 4,000.00 | 4,000.00 |
| Issued | | |
| 2,33,72,385 (previous year 2,15,92,549) | | |
| Equity shares of Rs.10 each | 2,337.24 | 2,159.25 |
| 2,16,000 (previous year 4,32,000), 8% Cumulative | | |
| Redeemable Preference shares of Rs.100 each, | 216.00 | 432.00 |
| NIL (previous year 3,80,000), 0% Optionally Convertible | | |
| Preference shares of Rs.100 each | - | 380.00 |
| | 2,553.24 | 2,971.25 |
| Subscribed | | |
| Equity shares | | |
| 2,31,67,760 (previous year 2,13,87,924) | | |
| Equity shares of Rs.10 each fully paid up | 2,316.78 | 2,138.79 |
| Add: 2,04,625 (previous year 2,04,625) Forfeited shares | 13.00 | 13.00 |
| | 2,329.78 | 2,151.79 |
| Preference shares | | |
| 2,16,000 (previous year 4,32,000), 8% Cumulative | | |
| Redeemable Preference shares of Rs.100 each, | 216.00 | 432.00 |
| NIL (previous year 3,80,000), 0% Optionally Convertible | | |
| Preference shares of Rs.100 each | - | 380.00 |
| | 2,545.78 | 2,963.79 |

Note :-

1. 22,80,000 (previous year 22,80,000) Equity shares of Rs.10 each were allotted as fully paid-up by way of bonus shares by capitalisation of general reserve.
2. 5,46,234 (previous year 5,46,234) Equity shares of Rs.10 each were allotted as fully paid-up pursuant to the Scheme of Amalgamation of the erstwhile Simbhaoli Industries Private Limited with the Company, without payment being received in cash.
3. 16,04,000 (previous year 14,96,000) Equity shares of Rs. 10 each were issued and allotted during the year as fully paid-up at an exercise price of Rs. 42.55 (including premium of Rs. 32.55) per equity share on conversion of 16,04,000 warrants (previous year 14,96,000) issued and allotted to specified promoters on preferential basis. (Refer footnote 1 in Schedule 1B).
4. 2,16,000 (previous year 4,32,000), 8% Cumulative Redeemable Preference shares of Rs.100 each. These preference shares were originally due for redemption on Jan 1, 2009 were rescheduled during the year and out of these Preference shares Company has redeemed 2,16,000 shares during the year and balance 2,16,000 shares on November 5, 2009.
5. Nil (previous year 3,80,000) 0% Optionally Convertible Preference shares of Rs.100 each, were issued in lieu of 3,80,000 8% Cumulative Redeemable Preference shares of Rs.100 each during the year ended March 31, 2006. The Company has redeemed these preference shares on March 31, 2009.
6. Under Simbhaoli Sugars Limited - Employee Stock Option Scheme 2007, the Company has granted :
   (a) 5,94,425 options on June 20, 2007 exercisable in three tranches over a period of three years after vesting on June 20, 2008 at an exercise price of Rs. 39 ( including premium of Rs. 29) per option. Consequently 1,75,836 (previous year 1,26,524) equity shares were issued and allotted during the year as fully paid-up at an exercise price of Rs. 39 (including premium of Rs. 29 each) per equity share.
   (b) 81,300 options on May 18, 2009 exercisable over a period of three years after vesting on May 18, 2010 at an exercise price of Rs. 39 (including premium of Rs. 29) per option.
   (c) 5,16,500 options on August 10, 2009 exercisable in three tranches over a period of three years after vesting on August 10, 2010 at an exercise price of Rs. 49 ( including premium of Rs. 39) per option.

   Note:- Each option entitles the holder thereof to apply for and be allotted one equity share of the face value of Rs 10 each.

## SCHEDULE 1B - EQUITY WARRANTS

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Share warrants | | |
| NIL (Previous year 16,04,000) Share warrants, paid up amount of Rs.4.25 per warrant (see note 1 below) | - | 68.25 |
| (Refer also note (3) of Schedule 1A) | | |
| | - | 68.25 |

Note: -

1. On January 30, 2008, 31,00,000 Equity warrants (paid up amount of Rs. 4.25 per warrant) were allotted to specific promoters to be converted within 18 months of allotment into equity shares at a price of Rs. 42.55 (including premium of Rs. 32.55) per share. 16,04,000 equity warrants (Previous year 14,96,000) have been converted into 16,04,000 equity shares (previous year 14,96,000) during the year in accordance with the terms of allotment thereof.

## SCHEDULE 1C - EMPLOYEE STOCK OPTION OUTSTANDING

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Employee option outstanding | 43.39 | - |
| Less: Deferred employee compensation | 37.20 | - |
| | 6.19 | - |

Note : Refer note 1(xiv) in schedule 18 and footnote 6 in schedule 1A

## SCHEDULE 2 - RESERVES AND SURPLUS

| | As at September 30, 2008 Rs. lacs | Additions during the year Rs. lacs | | Deductions during the year Rs. lacs | | As at September 30, 2009 Rs. lacs |
|---|---|---|---|---|---|---|
| Revaluation reserve | 530.73 | - | | 74.67 | (1) | 456.06 |
| Reconstruction reserve | 589.73 | - | | - | | 589.73 |
| Capital grant-in-aid | 13.82 | - | | 2.08 | (2) | 11.74 |
| Capital reserve | 231.26 | - | | - | | 231.26 |
| Securities premium account | 5,526.44 | 1,273.23 | (3) | 85.44 | (4) | 6,714.23 |
| Charity reserve | 3.98 | 2.03 | (5) | 0.11 | (6) | 5.90 |
| Surplus being balance in profit and loss account | - | 1,739.27 | | - | | 1,739.27 |
| | 6,895.96 | 3,014.53 | | 162.30 | | 9,748.19 |

(1) - Represents Rs. 49.70 lacs (previous year Rs.40.06 lacs) as additional depreciation transferred to profit and loss account.
- Represents Rs. 24.97 lacs (previous year Rs. NIL) transferred on sale of fixed asset.

(2) Transferred to profit and loss account.

(3) - Represents Rs. 573.09 lacs received on alloment of Equity shares.
- Represents Rs. 700.14 lacs (Net of Tax of Rs. 360.52 lacs) on account of reversal of premium on buy back and cancellation of 0% Foreign Currency Convertible Bonds aggregating USD $ 29.61 million. (Also refer note 4(b) in schedule 18).

(4) Represents premium payable on redemption of securities (refer note 1(xiii) in schedule 18).

(5) Received during the year.

(6) Disbursed during the year.

## SCHEDULE 3 - SECURED LOANS

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Banks | | |
| Cash credit | 22,695.40 | 21,166.74 |
| Term loans | 31,641.54 | 25,422.70 |
| Others | | |
| Term loans | 5,598.21 | 5,648.16 |
| Interest accrued and due on term loans | - | 24.36 |
| | **59,935.15** | **52,261.96** |

Notes:

1 (i) Cash credit facilities from banks of each business division (other than co-operative banks referred to in 1(ii) below) are secured by way of first pari passu charge created/to be created by hypothecation of all current assets, both present and future, of the concerned business division of the Company. These facilities are further secured by way of third pari passu charge created/to be created on all movable and immovable fixed assets, both present and future, including equitable mortgage on land, of the Company.

(ii) Cash credit facilities from co-operative banks of each business division is secured by pledge of sugar stocks of the respective business division of the Company.

2 Term loans of Rs. 21,623.23 lacs (previous year Rs. 21,488.27 lacs) from banks and term loans of Rs. 471.39 lacs (previous year Rs. 922.35 lacs) from others are secured by way of first pari passu charge created on all movable and immovable fixed assets, both present and future, including equitable mortgage on land, of the Company.

3 Term loans of Rs. 592.76 lacs (previous year Rs. 902.00 lacs) from banks are secured by way of first pari passu charge created on all movable and immovable fixed assets, both present and future, including equitable mortgage on land, of the Company. These loans are further secured by pledge of 22.50 lacs equity shares of the Company, owned by key promoters.

4 Term loans of Rs. 3,073.06 lacs (previous year Rs. 2,987.97 lacs) from banks are secured by way of residual pari passu charge created on all movable and immovable fixed assets, both present and future, including equitable mortgage on land, of the Company.

5 Term loan of Rs. 6,325.00 lacs (previous year Nil) from a bank are secured by way of first pari passu charge created/to be created on all movable and immovable fixed assets, both present and future, including equitable mortgage on land, of the Company. This loan is further secured by way of collateral security on the personal assets of the promoters of the Company.

6 Term loan of Rs. 5,022.98 lacs (previous year Rs. 4,620.70 lacs) from Sugar Development Fund (SDF) is secured by way of second exclusive charge created on all movable and immovable assets (save and except book debts), both present and future, including equitable mortgage on the land of the respective business division of the Company.

7 Term loan of Rs. 100.00 lacs (previous year Rs. 100.00 lacs) from Sugar Technology Mission (STM) is secured by exclusive first charge created on sugarcane juice purification project at Simbhaoli Sugar Division by way of hypothecation in favour of Technology Information and Assessment Council (TIFA).

8 Term loans of Rs. 27.49 lacs (previous year Rs. 44.46 lacs) from banks and term loan of Rs. 3.84 lacs (previous year Rs. 5.11 lacs) from others are secured by way of hypothecation of specific vehicles acquired under the scheme.

9 Term loan repayable within a year Rs 4,228.00 lacs (previous year Rs. 1,409.87 lacs).

All the credit facilities other than SDF loan of Rs. 5,022.98 lacs (previous year Rs 4,620.70 lacs), Sugar technology mission loan of Rs. 100.00 lacs (previous year Rs. 100.00 lacs) and vehicle loan of Rs 31.33 lacs (previous year Rs .49.57 lacs) are guaranteed by Chairman & Managing Director and Deputy Managing Director of the Company.

## SCHEDULE 4 - UNSECURED LOANS

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Fixed deposits | - | 14.69 |
| Short term loans and advances: | | |
| From others | 150.00 | 49.45 |
| | 150.00 | 49.45 |
| Other Loans and advances from : | | |
| 0% Foreign Currency Convertible Bonds (FCCB)* (2011) | 1,622.45 | 15,490.20 |
| Bank (Book overdraft) | - | 3.19 |
| | 1,622.45 | 15,493.39 |
| | 1,772.45 | 15,557.53 |

* Refer note 4 in schedule 18

## SCHEDULE 5 - FIXED ASSETS

| Description | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at September 30, 2008 | Additions | Deletions | As at September 30, 2009 | Up to September 30, 2008 | For the year | On Deletions | As at September 30, 2009 | As at September 30, 2009 | As at September 30, 2008 |
| | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs | Rs. lacs |
| Land | 1,872.00 | 3.32 | 25.26 | 1,850.06 | - | - | - | - | 1,850.06 | 1,872.00 |
| Buildings | 8,478.69 | 477.05 | 17.52 | 8,938.22 | 1,551.33 | 431.03 | 12.45 | 1,969.91 | 6,968.31 | 6,927.36 |
| Railway siding | 1.60 | - | - | 1.60 | 1.50 | 0.01 | - | 1.51 | 0.09 | 0.10 |
| Plant and machinery | 59,614.57 | 7,065.15 | 87.21 | 66,592.51 | 15,399.16 | 3,237.36 | 45.01 | 18,591.51 | 48,001.00 | 44,215.41 |
| Furniture and fixtures | 194.65 | 35.51 | - | 230.16 | 151.27 | 16.13 | - | 167.40 | 62.76 | 43.38 |
| Vehicles | 373.67 | 58.32 | 22.12 | 409.87 | 211.58 | 52.64 | 21.30 | 242.92 | 166.95 | 162.09 |
| Live Stock | 0.45 | - | - | 0.45 | - | - | - | - | 0.45 | 0.45 |
| | 70,535.63 | 7,639.35 # | 152.11 | 78,022.87 | 17,314.84 | 3,737.17 # | 78.76 | 20,973.25 | 57,049.62 | |
| Previous year | 42,313.79 | 28,450.74 | 228.90 | 70,535.63 | 14,231.40 | 3,265.31 | 181.87 | 17,314.84 | | 53,220.79 |
| Capital work in progress including capital advances Rs.177.26 lacs (previous year Rs.547.05 lacs) | | | | | | | | | 3,093.18 | 6,099.96 |
| | | | | | | | | | 60,142.80 | 59,320.75 |

# Refer note 4(b) and note 21 in schedule 18.

## SCHEDULE 6 - PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION

| | | As at September 30, 2009 Rs. lacs | | As at September 30, 2008 Rs. lacs |
|---|---|---|---|---|
| Raw material consumed | | 149.45 | | 483.87 |
| Salaries, wages, bonus, commission etc. | | 67.29 | | 119.71 |
| Contribution to provident and other funds | | 1.82 | | 9.66 |
| Compensated absences | | 0.33 | | 3.91 |
| Staff welfare expenses | | 1.73 | | 1.80 |
| Stores, oils and chemicals | | 27.97 | | 106.47 |
| Power and fuel | | 55.05 | | 46.26 |
| Repairs and maintenance | | | | |
| - Plant and machinery | | 0.39 | | 79.49 |
| - Others | | 2.21 | | 12.06 |
| Insurance | | 4.65 | | 10.44 |
| Rent | | - | | 8.17 |
| Rates and taxes | | 2.41 | | 0.35 |
| Travelling expenses | | 1.45 | | 10.04 |
| Miscellaneous expenses | | 80.29 | | 175.56 |
| Increase/(decrease) in excise duty on inventory | | - | | 24.21 |
| Premium on Foreign Currency Convertible Bonds | | - | | 157.03 |
| Foreign exchange fluctuation | | 40.12 | | 1,608.98 |
| Depreciation | | 1.04 | | 5.07 |
| Interest | | | | |
| - Fixed | | 142.44 | | 453.88 |
| - Others | | - | | 65.33 |
| | | 578.64 | | 3,382.29 |
| Less: | | | | |
| Gross sales | - | | 64.40 | |
| Less: Excise duty on sales | - | - | 2.71 | 61.69 |
| Miscellaneous income | | - | | 19.26 |
| Interest income | | 0.44 | | 43.93 |
| | | 578.20 | | 3,257.41 |
| Add: Brought forward from previous year | | 1,175.32 | | 3,118.17 |
| | | 1,753.52 | | 6,375.58 |
| Less:Stock transferred to 'Manufacturing and other expenses' on commencement of commercial production in schedule 15 | | | | |
| Finished | 151.80 | | 1,178.97 | |
| Process | - | 151.80 | 182.69 | 1,361.66 |
| | | 1,601.72 | | 5,013.92 |
| Add: Opening stock of goods produced during trial run | | | | |
| Finished | - | | 827.31 | |
| Process | - | - | 50.26 | 877.57 |
| | | 1,601.72 | | 5,891.49 |
| Less: Allocated to fixed assets | | 1,469.16 | | 4,716.17 |
| | | 132.56 | | 1,175.32 |

## SCHEDULE 7 - INVESTMENTS

| | 2009 Rs. lacs | 2008 Rs. lacs |
|---|---|---|
| Long term investments | | |
| (Valued at cost unless there is permanent diminution in value there of) | | |
| Trade Investment | | |
| Unquoted | | |
| One share of Rs.20 fully paid-up of The Simbhaoli Co-operative Cane Development Union Limited ** Rs. 20 | ** | ** |
| Government securities | | |
| 6-Years Post Office National Savings Certificate | 0.05 | 0.05 |
| Investment in subsidiary | | |
| Unquoted | | |
| 300 shares (previous year- NIL) of AED 1000 each fully paid up of Simbhaoli Global Commodities DMCC allotted during the year | 39.94 | - |
| | 39.99 | 0.05 |
| Aggregate book value | | |
| Unquoted | 39.99 | 0.05 |
| | 39.99 | 0.05 |

SIMBHAOLI SUGARS

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| **SCHEDULE 8 - DEFERRED TAX ASSETS (NET)** | | |
| Deferred tax liabilities | | |
| Depreciation | 7,875.50 | 5,353.05 |
| | 7,875.50 | 5,353.05 |
| Deferred tax assets | | |
| Unabsorbed depreciation | 8,960.05 | 6,253.93 |
| Foreign Currency Convertible Bonds premium | 84.98 | 401.49 |
| Accrued expenses deductible on payment | 757.23 | 624.39 |
| | 9,802.26 | 7,279.81 |
| Deferred tax liabilities/(assets) (net) | (1,926.76) | (1,926.76) |
| **SCHEDULE 9 - INVENTORIES** | | |
| Stores and spares (at cost or under) | 1,921.15 | 1,621.73 |
| Tools and appliances (at cost or under) | 7.52 | 6.37 |
| Stock-in-trade (at lower of cost and net realisable value) | | |
| Raw materials | 21,128.89 | 435.06 |
| Process stocks | 870.35 | 526.28 |
| Finished goods | 19,069.42 | 14,232.88 |
| | 42,997.33 | 16,822.32 |
| **SCHEDULE 10 - SUNDRY DEBTORS** | | |
| Unsecured | | |
| Debts over six months | | |
| - considered good | 351.02 | 382.80 |
| - considered doubtful | 224.59 | 174.54 |
| Other debts - considered good | 5,343.78 | 3,311.73 |
| | 5,919.39 | 3,869.07 |
| Less: Provision for doubtful debts | 224.59 | 174.54 |
| | 5,694.80 | 3,694.53 |
| **SCHEDULE 11 - CASH AND BANK BALANCES** | | |
| Cash on hand | 34.30 | 14.92 |
| Cheques and drafts on hand | 38.19 | 17.19 |
| With scheduled banks: | | |
| On current account | 971.15 | 784.85 |
| On fixed deposit account # | 4,566.77 | 341.79 |
| | 5,610.41 | 1,158.75 |

# Pledged with excise authorities and civil court Rs. 202.40 lacs (previous year Rs. 141.80 lacs); and pledged with banks Rs. 4,349.04 lacs (previous year Rs. 181.40 lacs)

## SCHEDULE 12 - LOANS AND ADVANCES

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Unsecured and considered good, unless otherwise stated | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| Considered good | 9,618.77 | 3,211.96 |
| Considered doubtful | 4.72 | 4.72 |
| | 9,623.49 | 3,216.68 |
| Less: Provision for doubtful advances | 4.72 | 4.72 |
| | 9,618.77 | 3,211.96 |
| Balances with excise authorities on current accounts | 2,240.35 | 1,826.29 |
| Advance payment of income-tax | 530.73 | 654.15 |
| MAT credit entitlement | 1,165.48 | 378.25 |
| | 13,555.33 | 6,070.65 |

## SCHEDULE 13 - CURRENT LIABILITIES AND PROVISIONS

| | As at September 30, 2009 Rs. lacs | As at September 30, 2008 Rs. lacs |
|---|---|---|
| Current liabilities | | |
| Sundry creditors | | |
| Total outstanding dues of micro and small enterprises # | 0.10 | 2.03 |
| Total outstanding dues of creditors other than micro and small enterprises | 53,866.67 | 14,677.93 |
| Interest accrued but not due on loans | 556.25 | 549.17 |
| Unclaimed dividend ## | 9.11 | 9.14 |
| | 54,432.13 | 15,238.27 |
| Provisions | | |
| Taxation | 1,064.68 | 342.10 |
| Compensated absences | 186.85 | 127.57 |
| Premium payable on redemption of Foreign Currency Convertible bonds $ | 408.56 | 2,717.45 |
| | 1,660.09 | 3,187.12 |
| | 56,092.22 | 18,425.39 |

# Refer note 6 in schedule 18.

## There is no amount due and outstanding to be credited to investor education and protection fund.

$ Refer note 4(b) in schedule 18.

## SCHEDULE 14 - OTHER INCOME

| | Year ended September 30, 2009 Rs. lacs | Year ended September 30, 2008 Rs. lacs |
|---|---|---|
| Interest on Bank deposits* | 123.14 | 28.63 |
| Rent | 12.14 | 20.90 |
| Transfer from 'Capital grant-in-aid' | 2.08 | 1.23 |
| Profit on sale of fixed assets | 49.88 | 11.59 |
| Liability/provisions no longer required written back | 50.31 | 167.80 |
| Gain on buy back of FCCB # | 7,220.73 | - |
| Miscellaneous | 1,160.12 | 872.24 |
| | 8,618.40 | 1,102.39 |

* Tax deducted at source Rs.9.57 lacs (previous year Rs.5.58 lacs)

# Refer note 4(b) in schedule 18.

## SCHEDULE 15 - MANUFACTURING AND OTHER EXPENSES

| | Year ended September 30, 2009 Rs. lacs | Year ended September 30, 2008 Rs. lacs |
|---|---|---|
| Raw materials consumed | 50,254.91 | 26,396.29 |
| Purchase for re-sale | 56.15 | 62.20 |
| Sugarcane development expenses | 655.09 | 317.07 |
| Stock produced during the trial production | 151.80 | 1,361.66 |
| Salaries, wages, bonus, commission etc. | 2,801.46 | 2,445.73 |
| Contribution to provident and other funds | 263.13 | 373.58 |
| Staff welfare expenses | 109.38 | 91.74 |
| Stores, oils and chemicals (all indigenous) # | 5,384.99 | 4,603.90 |
| Power and fuel | 1,791.76 | 795.57 |
| Repairs and maintenance | | |
| -Plant and machinery | 1,408.50 | 1,642.26 |
| -Buildings | 131.75 | 92.69 |
| -Others | 232.13 | 216.84 |
| Insurance | 96.51 | 72.37 |
| Rent | 247.44 | 171.76 |
| Lease rent | 41.98 | 38.73 |
| Rates and taxes | 334.38 | 293.75 |
| Donations | 0.68 | 6.98 |
| Travelling expenses | 329.48 | 290.67 |
| Marketing expenses | 1,009.76 | 900.46 |
| Commission to selling agents | 574.29 | 405.77 |
| Loss on sale of fixed assets | 0.68 | 0.32 |
| Bad debts and advances | 87.10 | 9.26 |
| Provision for doubtful debts | 109.14 | 37.31 |
| Increase/(decrease) in excise duty on inventory | 729.86 | (46.71) |
| Miscellaneous expenses | 1,342.08 | 1,117.63 |
| Employee stock compensation expense | 6.19 | - |
| | 68,150.62 | 41,697.83 |
| (Increase)/decrease in stocks : | | |
| Finished : | | |
| Opening stocks | 14,232.88 | 11,473.47 |
| Less: closing stocks | 19,069.42 | 14,232.88 |
| | (4,836.54) | (2,759.41) |
| Process: | | |
| Opening stocks | 526.28 | 1,345.75 |
| Less: closing stocks | 870.35 | 526.28 |
| | (344.07) | 819.47 |
| | 62,970.01 | 39,757.89 |

# Stores, oils and chemicals allocated to other revenue heads Rs.2,505.01 lacs (previous year Rs.1,431.07 lacs)

## SCHEDULE 16 - INTEREST EXPENSE

| | 2009 Rs. lacs | 2008 Rs. lacs |
|---|---|---|
| Interest | | |
| On fixed loans | 3,046.07 | 1,468.12 |
| On Others | 3,264.95 | 2,495.63 |
| | 6,311.02 | 3,963.75 |

## SCHEDULE 17 - EXCHANGE FLUCTUATION AND DERIVATIVE LOSS/(PROFIT)

| | 2009 Rs. lacs | 2008 Rs. lacs |
|---|---|---|
| Exchange fluctuation loss/(profit) | (623.75) | 865.46 |
| Derivative loss/(profit) | 56.55 | 1,246.66 |
| | (567.20) | 2,112.12 |

# SCHEDULE 18 - NOTES TO THE ACCOUNTS

1. **Significant accounting policies**

i) **Accounting convention**

The financial statements are prepared under the historical cost convention as modified to include the revaluation/business valuation of certain fixed assets as indicated in (ii) below. These statements have been prepared in accordance with the applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

ii) **Fixed assets**

Fixed assets [other than certain fixed assets of Simbhaoli Sugar Division and Simbhaoli Distillery Division where cost has been modified based on revaluation/business valuation thereof as determined by the valuer] are valued at cost.

Cost is inclusive of freight, duties, taxes, other incidental expenses and, in case of capital projects, financing cost relating to borrowed funds attributable to construction or acquisition of fixed assets, up to the date of their commissioning.

iii) **Depreciation**

A) In respect of fixed assets of Simbhaoli Sugar Division and Simbhaoli Distillery Division, where costs have been modified based on revaluation/business valuation, depreciation is provided on the straight line method at the rates applicable to the balance useful life of the relevant assets as estimated by the valuer or at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, whichever is higher.

B) In respect of other assets, the depreciation is provided by applying the following method at the rates specified in Schedule XIV to the Companies Act, 1956 :

| | |
|---|---|
| - Buildings(other than Simbhaoli Distillery Division and Chilwaria Sugar Division) | - Written down value method |
| - Buildings(Simbhaoli Distillery Division and Chilwaria Sugar Division) | - Straight line method |
| - Plant and machinery (other than electric installations, typewriters and office equipments) | - Straight line method |
| - Railway siding/electric installations/ typewriters and office equipment/furniture and fixtures/ motor lorries and vehicles | - Written down value method |

C) Fixed assets costing up to Rs. 5,000 are fully depreciated in the year of acquisition.

D) In respect of buildings and other revalued assets, an amount equivalent to the additional charge for depreciation arising due to revaluation is transferred from the revaluation reserve to the profit and loss account.

iv) **Investments**

Investments are stated at cost as reduced by diminution in value, if any.

v) **Inventories**

Stores, spare parts and tools and appliances are valued at cost or under. Stock-in-trade is valued at the lower of cost and net realizable value. The bases of determining cost for different categories of inventory are as follows:

| | | |
|---|---|---|
| Stores and spare parts | - | Monthly weighted average. |
| Raw materials | - | First in first out (FIFO) (refer note 23) |
| Process stocks/finished goods | - | FIFO material cost plus appropriate share of labour and manufacturing overheads. |

vi) **Employee benefits**

Company's contribution paid/payable during the year to provident fund and superannuation fund are recognised in the profit and loss account. Provision for gratuity and compensated absences determined on an actuarial basis at the end of the year are charged to revenue each year.

vii) **Research and development expenditure**

The revenue expenditure on research and development is charged as expenditure in the year in which it is incurred, under the respective revenue heads. Expenditure which results in the creation of capital assets is treated in the same manner as expenditure on fixed assets.

viii) **Revenue recognition**

Sales are recognized on transfer of the significant risk and rewards of ownership of the goods to the buyer and stated at net of sales tax but inclusive of excise duty. Interest income is recognized on a time proportion basis.

ix) **Foreign Currency Transactions and Forward contracts**

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing at the time of transaction.

Monetary items (i.e. receivables, payables, loans etc.) denominated in foreign currency are reported using the closing exchange rate on each balance sheet date.

Exchange differences relating to long term foreign currency monetary items, to the extent they are used for financing the acquisition of fixed assets are added to or subtracted from the cost of such fixed assets and the balance accumulated in 'Foreign Currency Monetary Item Translation Difference Account' and amortised over the balance term of the long term monetary item or 31st March, 2011 whichever is earlier (Refer note 21).

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts is amortised as income or expense over the life of the contract. Further, exchange difference on such contracts i.e. difference between the exchange rate at the reporting/settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/ expense for the year.

x) **Government grants**

Government grants related to revenue are recognized in the profit and loss account over the years necessary to match them with the related costs.

Government grants related to depreciable fixed assets are recognized in the profit and loss account over the useful life of the asset to which they relate.

xi) **Taxation**

The provision for taxation for the period comprises the residual tax liability for the assessment year 2009-10 relevant to the period October 1, 2008 to March 31, 2009 and the liability which has accrued on the profit for the period April 1, 2009 to September 30, 2009, under the provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

xii) **Securities issue expenses**

Securities issue expenses (net of tax) are adjusted from the securities premium account. This is in accordance with section 78 of the Companies Act, 1956.

xiii) **Premium payable on redemption of securities**

Premium payable on redemption of securities issued for financing capital project up to the date of commissioning of such projects is included in cost thereof. Subsequent to the date of commissioning of such project, premium payable on redemption of securities (net of tax) is adjusted from securities premium account. This is in accordance with section 78 of the Companies Act, 1956.

xiv) **Accounting for Employee Share Based Payments**

Measurement and disclosure of the employee share based payment plans is done in accordance with the guidance note on Accounting for Employee Share – Based Payments, issued by the Institute of Chartered Accountants of India (ICAI). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized on straight line basis over the vesting period of stock option.

**2. i) Contingent liabilities not provided for:**

Claims against the Company not acknowledged as debts Rs. 147.66 lacs (previous year Rs. 56.67 lacs).

(Rs. in lacs)

| Description | As at September 30, 2009 | As at September 30, 2008 |
|---|---|---|
| Sales Tax/Trade Tax Act | 9.87 | 9.87 |
| State Excise Act | 9.26 | 9.26 |
| Central Excise Act | 11.89 | 11.89 |
| Others | 116.64 | 25.65 |
| **Total** | **147.66** | **56.67** |

All the above matters are subject to legal proceedings in the ordinary course of business. The legal proceedings, when ultimately concluded will not in the opinion of the management, have a material effect on results of operations or financial position of the Company.

ii) Corporate guarantee of Rs. 10,000.00 lacs (previous year Rs. 12,000.00 lacs) given by the Company to banks on behalf of farmers :

(Rs. in lacs)

| Particulars | Current Year | Previous Year |
|---|---|---|
| Amount guaranteed | 10,000.00 | 12,000.00 |
| Amount outstanding | - | 3,096.01 |

iii) Consequent to redemption of outstanding preference share capital liability aggregating Rs. 216.00 lacs as at September 30, 2009, subsequent to year end, arrears of cumulative preference dividend Rs. 60.48 lacs (previous year Rs. 86.60 lacs) stands extinguished.

**3.** Estimated amount of contracts (net of advances) remaining to be executed on capital account Rs. 459.40 lacs (previous year Rs. 2,445.84 lacs).

**4.** (a) During the year ended March 31, 2006, the Company had issued Zero Coupon Foreign Currency Convertible Bonds (FCCB) aggregating US$ 33 million (Rs.14,685 lacs at issue). The bondholders have an option to convert these bonds into shares, at the conversion price of Rs. 153 (including share premium of Rs. 143) per share {initial conversion price of Rs.170 (including share premium of Rs.160) per share} with a fixed rate of exchange on conversion of Rs.44.1050 = US $ 1, at any time on or after April 10, 2006 up to February 9, 2011. The Company has an option to convert principal amount of the bonds between March 10, 2007 and March 10, 2011, subject to the satisfaction of certain conditions. Unless previously converted, redeemed or repurchased and cancelled, the bonds fall due for redemption on March 11, 2011 at 137.033% of their principal amount.

(b) During the year, the Company has bought back FCCB having a face value of US$ 29.61 Million and cancelled the same. Consequent thereto the Company has:

(i) written back the premium provision aggregating Rs. 2,438.33 lacs attributable to these FCCB by crediting back Rs. 700.14 lacs (net of tax of Rs. 360.52 lacs) to securities premium account and Rs.1,377.67 lacs to concerned fixed assets to which it was capitalized in earlier years, and

(ii) Credited gain amounting to Rs. 7,220.73 lacs arising on buy back and cancellation of these FCCB under the head "Other Income" in schedule 14.

**5. Category wise quantitative data about Derivative Instruments:**

| Nature of Derivatives | Number of deals | | Purpose | | Amount (foreign currency in lacs) | | Amount (Indian Currency in lacs) | |
|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year (USD) | Previous Year (JPY) | Current Year | Previous Year |
| USD Libor Caps | 1 | - | Hedging of six months libor interest | - | 10.50 | - | 502.53 | - |
| JPY/USD Currency swap | - | 1 | | Conversion of Indian Rupee into JPY/USD | | 5,861.00 | - | 2,347.00 |

Foreign Currency exposures that are not hedged by derivative instruments or otherwise is as follows:

| Particulars | Current year | | Previous year | |
|---|---|---|---|---|
| | Amount (USD in lacs) | Amount (Rs. In lacs) | Amount (USD in lacs) | Amount (Rs. In lacs) |
| Secured loan | 132.16 | 6,325.00 | - | - |
| Unsecured loan | 33.90 | 1,622.45 | 330.00 | 15,490.20 |
| Sundry Debtors | 0.31 | 14.88 | 3.73 | 175.01 |
| Sundry Creditors | 598.07 | 28,623.63 | - | - |

**6.** Based on the information available with the Company, the balance due to Micro and Small Enterprises as defined under the " The Micro, Small and Medium Enterprises Development Act, 2006" is Rs 0.10 lacs (previous year Rs. 2.03 lacs). Further no interest during the year has been paid or is payable under the terms of the " The Micro, Small and Medium Enterprises Development Act, 2006".

**7. Employee Benefits**

The Company has classified the various benefits provided to employees as under:-

**a) Defined contribution plans:**

The Company has recognized the following amounts in the profits and loss account:

(Rs. in lacs)

| Particulars | Current Year | Previous Year |
|---|---|---|
| Employers' Contribution to Provident Fund # | 234.88 | 219.94 |
| Employers' Contribution to Superannuation Fund # | 30.39 | 30.56 |

# Includes Rs. 0.89 lacs (previous year Rs. 6.62 lacs) for Employers' contribution to Provident Fund and Rs. 0.48 lacs (previous year Rs. 1.02 lacs) for Employers' contribution to Superannuation Fund allocated to 'Pre-operative expenditure pending allocation' in schedule 6.

**b) Defined benefits plans**

a) Gratuity

b) Compensated absences/Earned Leave/ Sick Leave/ Casual Leave

In accordance with the Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plans and details of the same are given below:

(Rs. in lacs)

| Particulars | Gratuity (Funded) | | Compensated absences | |
|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year |
| Discount rate (per annum) | 8% | 8% | 8% | 8% |
| Future salary increase | 5% | 5% | 5% | 5% |
| Expected rate of return on plan assets | 8% | 8% | N/A | N/A |
| In service mortality | LIC 1994- 96 ULTIMATE | LIC 1994-96 ULTIMATE | LIC 1994-96 ULTIMATE | LIC 1994-96 ULTIMATE |
| I. **Expense recognized in profit and loss account** | | | | |
| Current service cost | 45.29 | 86.34 | 160.54 | 75.49 |
| Interest cost | 52.38 | 48.39 | 4.90 | 5.95 |
| Expected return on plan assets | (52.27) | (44.21) | - | - |
| Net actuarial (gain)/loss recognized in the year | (44.05) | 42.22 | (21.14) | 2.80 |
| **Total expense #** | **1.35** | **132.74** | **144.30** | **84.24** |
| II **Net asset/(liability) recognized in the balance sheet as at September 30, 2009** | | | | |
| Present value of Defined benefits obligation | 761.74 | 682.56 | 186.85 | 127.57 |
| Fair value of plan assets | (756.67) | (550.16) | - | - |
| Funded status [surplus/(deficit)] | (5.07) | (132.40) | (186.85) | (127.57) |
| **Net asset /(liability) as at September 30, 2009** | **(5.07)** | **(132.40)** | **(186.85)** | **(127.57)** |

| | | | | |
|---|---|---|---|---|
| III **Change in the present value of obligation during the year** | | | | |
| Present value of the obligation as at the beginning of the year | 682.56 | 647.84 | 127.57 | 78.84 |
| Interest cost | 52.38 | 48.39 | 4.90 | 5.95 |
| Current service cost | 45.29 | 86.34 | 160.54 | 75.49 |
| Benefits paid | (61.85) | (65.51) | (85.02) | (35.51) |
| Actuarial (gains)/ losses on obligation | 43.36 | (34.50) | (21.14) | 2.80 |
| **Present value of obligation as at the end of the year** | **761.74** | **682.56** | **186.85** | **127.57** |
| IV **Change in present value of fair value of plan Assets** | | | | |
| Fair value of plan assets as at the beginning of the year | 550.16 | 555.09 | - | - |
| Expected return on plan assets | 52.27 | 44.21 | - | - |
| Contributions | 128.68 | 93.09 | - | - |
| Benefits paid | (61.85) | (65.51) | - | - |
| Actuarial gains/(losses) | 87.41 | (76.72) | - | - |
| **Fair value of plan assets as at the end of the year** | **756.67** | **550.16** | **-** | **-** |
| V **Detail of plan Assets** | Funded with ICICI* | | NA | |

# Includes Rs. 0.44 lacs (previous year Rs. 2.02 lacs) for Gratuity and Rs.0.33 lacs (previous year Rs. 3.91 lacs) for Compensated absences allocated to 'Pre-operative expenditure pending allocation' in schedule 6.

* The plan assets are maintained with ICICI Prudential Life Insurance Company Ltd. The details of investments maintained by the ICICI Prudential Life Insurance Company Ltd have not been made available to the Company and have therefore not been disclosed.

**8.** Revenue expenditure on research and development Rs. 6.71 lacs (previous year Rs. 4.54 lacs).

**9.** The proceeds of Rs. 614.25 lacs from 16,04,000 warrants/shares issued and allotted to specified promoters and Rs. 68.58 Lacs from 1,75,836 stock options/shares issued and allotted to eligible employees of the Company were utilized for capital expenditure/working capital requirement of the Company as per the resolutions passed by the shareholders in the general meetings.

**10. Related Party disclosure under Accounting Standard 18**

**A.** Name of related party and nature of related party relationship.

Subsidiary: Simbhaoli Global Commodities DMCC (with effect from November 16, 2008).

Key Management Personnel: Mr. G.M.S.Mann, Mr. Gurpal Singh, Dr. G.S.C.Rao and Mr. Sanjay Tapriya.

Relatives of Key management personnel: Mrs. G.R. Lakshmi (wife of Dr. G.S.C.Rao), Mrs. Mamta Tapriya (wife of Mr. Sanjay Tapriya), Mr. B.D.Tapriya (father of Mr. Sanjay Tapriya), Mr. Govind Singh Sandhu (brother of Mr. Gurpal Singh), Mr. Angad Singh (son of Mr. Gurpal Singh) and Ms. Gursimran Kaur Mann (daughter of Mr. G.M.S.Mann).

Enterprise over which key management personnel exercise significant influence: Dholadhar Investments (P) Ltd. (enterprise over which Mr. G.M.S. Mann exercises significant influence) and Pritam Singh Sandhu Associates Pvt. Ltd (enterprise over which Mr. Gurpal Singh exercises significant influence).

**B. Transactions with the above parties:**

| Description | Subsidiary 'Simbhaoli Global Commodities DMCC' | | Key management personnel | | Relatives of key management personnel | | Enterprise over which key management personnel exercise significant influence | |
|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous year | Current Year | Previous year | Current Year | Previous year | Current Year | Previous year |
| **Rent** | - | - | - | - | **40.81** | **37.63** | - | - |
| Mrs. G.R. Lakshmi | - | - | - | - | 10.20 | 8.90 | - | - |
| Mrs. Mamta Tapriya | - | - | - | - | 8.88 | 7.92 | - | - |
| Mr. Govind Singh Sandhu | - | - | - | - | 21.73 | 20.81 | - | - |
| **Salary/stipend** | - | - | - | - | **5.62** | **4.60** | - | - |
| Ms. Gursimran Kaur Mann | - | - | - | - | 5.52 | 4.60 | - | - |
| Mr. Angad Singh | - | - | - | - | 0.10 | - | - | - |
| **Allotment of Share Warrants, Equity Shares** | - | - | **9.64** | **3.74** | **0.50** | **0.67** | **614.25** | **704.80** |
| Mr. Sanjay Tapriya | - | - | 2.81 | 3.74 | - | - | - | - |
| Dr. G.S.C.Rao | - | - | 6.83 | - | - | - | - | - |
| Ms. Gursimran Kaur Mann | - | - | - | - | 0.50 | 0.67 | - | - |
| Pritam Singh Sandhu Associates Pvt. Ltd | - | - | - | - | - | - | 459.54 | 51.06 |
| Dholadhar Investment Pvt. Ltd. | - | - | - | - | - | - | 154.71 | 653.74 |
| **Purchase of fixed assets** | - | - | - | - | - | - | - | **4.95** |
| Dholadhar Investments Pvt Ltd | - | - | - | - | - | - | - | 4.95 |
| **Professional Charges** | - | - | - | - | **0.22** | **0.28** | - | - |
| Mr. B.D. Tapriya | - | - | - | - | 0.22 | 0.28 | - | - |
| **Managerial Remuneration $** | - | - | **156.51** | **117.75** | - | - | - | - |
| Mr. G.M.S. Mann | - | - | 42.39 | 32.99 | - | - | - | - |
| Mr. Gurpal Singh | - | - | 36.86 | 29.64 | - | - | - | - |
| Dr. G.S.C.Rao | - | - | 45.38 | 31.46 | - | - | - | - |
| Mr. Sanjay Tapriya | - | - | 31.88 | 23.66 | - | - | - | - |
| **Interest paid on Loans (including fixed deposits)** | - | - | - | **0.18** | - | - | - | - |
| Mr. G.M.S. Mann | - | - | - | 0.18 | - | - | - | - |
| Mr. Sanjay Tapriya (# Rs. 516) | - | - | - | # | - | - | - | - |
| **Loans repaid** | - | - | - | **9.11** | - | - | - | - |
| Mr. G.M.S. Mann | - | - | - | 8.88 | - | - | - | - |
| Mr.Gurpal Singh.(## Rs. 36) | - | - | - | ## | - | - | - | - |
| Mr. Sanjay Tapriya | - | - | - | 0.23 | - | - | - | - |
| Sale of finished goods | 60.16 | - | - | - | - | - | - | - |
| Expenses recovered | 34.33 | - | - | - | - | - | - | - |
| Interest Income | 5.73 | - | - | - | - | - | - | - |
| Advances given and received back | 488.00 | - | - | - | - | - | - | - |
| Other Income | 96.65 | - | - | - | - | - | - | - |
| Shares allotted to Company | 39.94 | - | - | - | - | - | - | - |
| Balance outstanding at the year end | 5.77 | - | - | - | - | - | - | - |
| Guarantee Given on behalf of Company by Mr. G.M.S.Mann & Mr. Gurpal Singh | - | - | 54,780.84 | 47,491.69 | - | - | - | - |

$ Refer note 14

**11. Segment reporting**

A. Business segments:

Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" notified by the Companies (Accounting Standard) Rules, 2006, the Company's business segments include: Sugar, Alcohol, Power and Others (Iron products).

B. Geographical segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

C. Segment accounting policies:

In addition to the significant accounting polices applicable to the business segments as set out in note 1 of schedule 18 "Notes to the Accounts", the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Joint revenue and expenses of segments are allocated amongst them on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

b) Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include income taxes. While most of the assets/liabilities can be directly attributed to individual segments, the carrying amount of certain assets/liabilities pertaining to two or more segments is allocated to the segments on a reasonable basis.

c) Inter segment sales:

Inter segment sales between operating segments are accounted for at market price. These transactions are eliminated in consolidation.

**D. Information About Business Segments**

(Rs. in lacs)

| PARTICULARS | Sugar | | Alcohol | | Power | | Others | | Elimination | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| **Segment revenue** | | | | | | | | | | | | | | |
| External sales: | 59,626.14 | 30,919.22 | 38,924.74 | 33,736.99 | 1,528.12 | 1,477.70 | - | - | - | - | - | - | **100,079.00** | **66,133.91** |
| Inter segment sales | 3,225.95 | 6,644.44 | 9.93 | 13.83 | 6,337.81 | 5,382.26 | - | - | (9,573.69) | (12,040.53) | - | - | - | - |
| Other income | 1,149.74 | 317.13 | 41.52 | 170.63 | 20.16 | 382.05 | - | 139.35 | - | - | 7,406.98 | 93.23 | **8,618.40** | **1,102.39** |
| **Total revenue** | **64,001.83** | **37,880.79** | **38,976.19** | **33,921.45** | **7,886.09** | **7,242.01** | **-** | **139.35** | **(9,573.69)** | **(12,040.53)** | **7,406.98** | **93.23** | **108,697.40** | **67,236.30** |
| **Segment results** | 5,684.44 | (1,253.95) | (51.25) | 852.32 | 1,213.53 | 1,706.38 | - | (14.65) | - | - | - | - | **6,846.72** | **1,290.10** |
| Unallocated expenses (net of income) | | | | | | | | | | | (6,345.70) | 1,732.75 | **(6,345.70)** | **1,732.75** |
| **Operating profit/(loss)** | | | | | | | | | | | - | - | **13,192.42** | **(442.65)** |
| Interest expenses | | | | | | | | | | | 6,311.02 | 3,963.75 | **6,311.02** | **3,963.75** |
| Provision for taxes | | | | | | | | | | | - | - | - | - |
| - Deferred tax benefit | | | | | | | | | | | (316.52) | (1,555.73) | **(316.52)** | **(1,555.73)** |
| - Fringe benefit tax | | | | | | | | | | | 19.98 | 59.50 | **19.98** | **59.50** |
| **Net Profit/(loss)** | | | | | | | | | | | | | **7,177.94** | **(2,910.17)** |
| **Other information** | | | | | | | | | | | | | | |
| Segment assets | 85,382.64 | 48,967.40 | 18,236.79 | 17,160.80 | 20,969.04 | 20,425.12 | - | 41.71 | - | - | - | - | **124,588.47** | **86,595.03** |
| Unallocated assets | | | | | | | | | | | 5,471.52 | 3,574.05 | **5,471.52** | **3,574.05** |
| Investment | | | | | | | | | | | 39.99 | 0.05 | **39.99** | **0.05** |
| Profit and loss account | | | | | | | | | | | - | 6,003.75 | **-** | **6,003.75** |
| **Total assets** | **85,382.64** | **48,967.40** | **18,236.79** | **17,160.80** | **20,969.04** | **20,425.12** | **-** | **41.71** | | | **5,511.51** | **9,577.85** | **130,099.98** | **96,172.88** |
| Segment liabilities | 51,604.10 | 12,556.54 | 2,028.00 | 1,763.25 | 212.92 | 151.81 | - | - | - | - | - | - | **53,845.02** | **14,471.60** |
| Shares capital and reserves | | | | | | | | | | | 12,300.16 | 9,928.00 | **12,300.16** | **9,928.00** |
| Secured and unsecured loans | | | | | | | | | | | 61,707.60 | 67,819.49 | **61,707.60** | **67,819.49** |
| Unallocated liabilities | | | | | | | | | | | 2,247.20 | 3,953.79 | **2,247.20** | **3,953.79** |
| **Total liabilities** | **51,604.10** | **12,556.54** | **2,028.00** | **1,763.25** | **212.92** | **151.81** | **-** | **-** | | | **76,254.96** | **81,701.28** | **130,099.98** | **96,172.88** |
| Capital expenditure | 1,529.74 | 2,729.74 | 798.68 | 2,990.89 | 1,235.94 | 3,083.98 | - | - | | | 25.43 | 38.30 | | |
| Depreciation | 2,345.49 | 2,115.83 | 614.06 | 426.89 | 706.57 | 672.47 | - | 3.14 | | | 39.19 | 41.91 | | |
| Non cash expenses other than depreciation | 124.45 | 198.29 | 65.87 | 37.31 | - | - | - | - | | | 5.22 | 914.25 | | |

(Rs. in lacs)

| | Current Year | Previous Year |
|---|---|---|
| **12. Earnings per share** | | |
| I. Profit/(loss) after tax, as per profit and loss account | 7,177.94 | (2,910.17) |
| Less: Preference dividend due on 8% (Previous year 8%) Cumulative Redeemable Preference Shares | - | 40.43 |
| (A) Profit for basic earnings per share of Rs.10 each | 7,177.94 | (2,950.60) |
| Adjustment for the purpose of diluted earnings per share | - | - |
| (B) Profit for diluted earnings per share of Rs.10 each | 7,177.94 | (2,950.60) |
| II. Weighted average number of equity shares for earnings per share computation | | |
| (A) For basic earnings per share | 2,16,80,330 | 2,01,41,812 |
| (B) For diluted earnings per share | | |
| No. of shares for basic earnings per share as per II (A) | 2,16,80,330 | 2,01,41,812 |
| Add: Weighted average of outstanding Equity Warrants / Optionally Convertible Preference shares / FCCB / Employee stock options scheme deemed to be issued for no consideration | 37,223 | - |
| No. of shares for diluted earnings per share | 2,17,17,553 | 2,01,41,812 |
| III. Earnings per share (Weighted Average) | | |
| Basic (Rs.) | 33.11 | (14.65) |
| Diluted (Rs.) | 33.05 | (14.65) |
| **13. Auditors' remuneration (excluding service tax):** | | |
| - Statutory audit | 25.00 | 20.00 |
| - Audit of accounts for fiscal year | 9.00 | - |
| - Limited review of unaudited financial results | 23.25 | 21.00 |
| - Certification for corporate governance & others | 9.97 | 8.79 |
| - Reimbursement of out of pocket expense for statutory audit and others | 0.56 | 0.13 |
| **14. Managerial remuneration: #** | | |
| - Salaries | 77.60 | 72.80 |
| - Other benefits | 78.91 | 44.95 |
| Total managerial remuneration | 156.51 | 117.75 |
| - Directors' fees | 1.75 | 1.80 |
| **Total** | **158.26** | **119.55** |

# Provision for incremental gratuity and earned leave has not been considered, since the provision has been made for the Company as a whole.

| | Current Year | Previous Year |
|---|---|---|
| **15. Value of export on FOB basis** | 2,431.69 | 2,852.79 |
| **16. Value of imports on C I F basis** | | |
| - Capital goods | - | 168.65 |
| - Raw Material | 33,145.11 | - |
| **17. Expenditure in foreign currency** | | |
| - Traveling | 44.95 | 18.91 |
| - Others | 222.08 | 5.90 |

18. During the earlier years, the Company, without payment of customs duty, had purchased imported raw sugar aggregating 1,32,013 metric tonnes for Rs 15,225.71 lacs for conversion into white sugar. In terms of the advance license(s) granted for this purpose by the office of Director General of Foreign Trade and subsequent extensions therein, the Company is required to complete the export of white sugar aggregating 1,25,727 metric tonnes by December 31, 2009. As at September 30, 2009 outstanding export obligation is 46,283 metric tonnes. The management is confident that the export obligation shall be fully met and no loss is foreseen in complying with such obligation.

**19. Particulars of capacity, production, sales, stocks and raw materials consumed**

| | Current Year | Previous Year |
|---|---|---|
| **(a) Licensed capacity** | | |
| Crushing of sugarcane per day (M.T.) | Not Applicable | Not Applicable |
| Rectified spirit/Ethanol (Bulk Litres) per annum | 6,32,72,000 | 4,52,72,000 |
| **(b) Installed capacity, as certified by the management but not verified by the auditors being a technical matter** | | |
| Crushing of sugarcane per day (M.T.) | 20,100 | 20,100 |
| Rectified spirit/Ethanol (Bulk Litres) per annum | 6,32,72,000 | 4,52,72,000 |
| Power per hour (MW) | 78.75 | 56.75 |
| Iron Products | - | 24 |
| **(c) Actual production** | | |
| Sugar (Quintals) | 23,89,824 | 20,10,336* |
| Rectified Spirit and Country Spirit (B.L.)# | 2,41,98,145 | 3,38,86,382 |
| Power (KWH)** | 4,82,95,255 | 5,01,88,858 |

* Includes production during trial run 25,067 Qtls

# Includes production during trial run- 6,20,200 BL (previous year 23,84,502 BL).

** Net of captive consumption

**(d) Sales**

| | | Current Year | | Previous Year | |
|---|---|---|---|---|---|
| | Unit | Quantity | Value Rs. in Lacs | Quantity | Value Rs. in Lacs |
| Sugar | Qtls. | 2,522,475 | 58,909.44 | 19,05,843* | 30,346.78* |
| Rectified Spirit and country spirit | BL | 3,05,82,272 | 27,077.72 | 3,39,99,792 | 25,805.32 |
| Denatured spirit | BL | 2,52,600 | 76.83 | 77,08,155 | 1,731.80 |
| Whisky, brandy and civil rum | BL | 96,15,924 | 11,585.20 | 52,03,065 | 6,002.48 |
| Power*** | KWH | 4,81,21,683 | 1,529.59 | 4,95,08,361 | 1,478.36 |
| Others | | | 900.22 | | 833.57** |
| | | | **100,079.00** | | **66,198.31** |

* Includes trial run sale 3,680 qtls of Rs.55.78 lacs.

** Includes trial run sale of bagasse of Rs. 8.62 lacs.

***Net of captive consumption.

**(e) Stock of goods manufactured:**

**1. Opening stocks**

| | | Current Year | | Previous Year | |
|---|---|---|---|---|---|
| | Unit | Quantity | Value Rs. in Lacs | Quantity | Value Rs. in Lacs |
| Sugar | Qtls. | 8,53,055 | 13,330.68 | 7,48,562 | 10,911.21 |
| Rectified Spirit and country spirit | BL | 20,96,955 | 559.10 | 19,20,603 | 764.00 |
| Denatured spirit | BL | 28,730 | 6.42 | 5,377 | 0.96 |
| Whisky, brandy and civil rum | BL | 1,24,129 | 117.47 | 1,24,651 | 340.34 |
| Power banked and wheeled | KWH* | 6,80,497 | 16.50 | - | - |
| Others | | | 202.71 | | 284.27 |
| | | | **14,232.88** | | **12,300.78** |

* Net of units deducted towards banking and wheeling charges.

**2. Closing stocks**

| | | Current Year | | Previous Year | |
|---|---|---|---|---|---|
| | Unit | Quantity | Value Rs. in Lacs | Quantity | Value Rs. in Lacs |
| Sugar | Qtls. | 7,20,404 | 17,456.39 | 8,53,055 | 13,330.68 |
| Rectified Spirit and country spirit | BL | 27,95,547 | 1,024.28 | 20,96,955 | 559.10 |
| Denatured spirit | BL | 26,548 | 7.43 | 28,730 | 6.42 |
| Whisky, brandy and civil rum | BL | 92,666 | 334.79 | 1,24,129 | 117.47 |
| Power banked and wheeled | KWH* | 854,069 | 27.28 | 6,80,497 | 16.50 |
| Others | | | 219.25 | | 202.71 |
| | | | **19,069.42** | | **14,232.88** |

* Net of units deducted towards banking and wheeling charges.

**(f) Raw materials consumed:**

| | Unit | Current Year Quantity | Current Year Value Rs. in Lacs | Previous Year Quantity | Previous Year Value Rs. in Lacs |
|---|---|---|---|---|---|
| **(i) Indigenous** | | | | | |
| Sugar cane | Qtls. | 147,03,469 | 23,875.02 | 2,01,09,755* | 24,507.42* |
| Raw Sugar | Qtls. | 3,37,659 | 6,730.08 | - | - |
| Molasses# | Qtls. | 10,34,002 | 2,468.69** | 14,18,354 | 2,187.25** |
| Others | | | 535.12 | | 185.49 |
| | | | **33,608.91** | | **26,880.16** |
| **Imported** | | | | | |
| Raw Sugar | Qtls. | 866,086.00 | 16,795.45 | - | - |
| **Total** | | | **50,404.36** | | **26,880.16** |

* Includes trial run sugar cane consumption 4,05,500 qtls of Rs. 483.87 lacs.
** Includes trial run molasses consumption 33,329 qtls of Rs. 149.45lacs.(previous year 86,850 qtls of Rs. 281.70 lacs).
\# Quantity consumed includes internal transfer.

**(g) Goods purchased for re-sale**

| | Unit | Current Year Quantity | Current Year Value Rs. in Lacs | Previous Year Quantity | Previous Year Value Rs. in Lacs |
|---|---|---|---|---|---|
| Country Liqour | BL | 6,443 | 56.15 | 13,796.00 | 62.20 |
| **Total** | | | **56.15** | | **62.20** |

20. (a) The following are the particulars of disputed dues on account of sales tax (trade tax) and excise duty matters that have not been deposited by the Company as at September 30, 2009.

| Name of the statute | Nature of the dues | Amount* (Rs. in lacs) | Amount paid under protest (Rs. in lacs) | Forum where dispute is pending | Period to which the amount relates |
|---|---|---|---|---|---|
| U. P. Trade Tax Act | Trade tax | 0.43 | 0.43 | Trade Tax Tribunal | 1984-85 |
| | Trade tax | 3.18 | - | Trade Tax Appellate Tribunal | 1995-96 |
| | Trade tax | 2.17 | 1.08 | High Court | 2000-01 |
| | Trade tax | 3.47 | 1.60 | Trade Tax Tribunal | 2001-02 |
| | Trade tax | 0.62 | 0.15 | Trade Tax Appellate Tribunal | 2003-04 |
| Central Excise Act | Excise duty | 0.28 | 0.28 | Customs, Excise & Service tax Appellate Tribunal | 2004-05 |
| | Excise duty | 0.60 | 0.60 | Customs, Excise & Service tax Appellate Tribunal | 2002-03 |
| | Excise duty | 11.01 | - | Commissioner (Appeals) | 1979-80 |
| State Excise Act | Excise duty | 9.26 | - | High Court, Allahabad | 2001-02 |

* Amount as per demand orders including interest and penalty wherever indicated in order.

(b) In the following instances the concerned statutory authority is in appeal against favourable orders received by the Company:

| Name of the statute | Nature of the dues | Amount* (Rs. in lacs) | Forum where dispute is pending | Period to which the amount relates |
|---|---|---|---|---|
| U. P. Trade Tax Act | Trade tax | 59.96 | High Court | 1996-97 |

* Amount as per demand orders including interest and penalty wherever indicated in order.

There are no dues in respect of income tax, customs duty, wealth tax, service tax and cess, which have not been deposited on account of any disputes.

**21.** Pursuant to the Notification dated March 31, 2009 issued by The Ministry of Corporate Affairs, amending Accounting Standard (AS) 11 - 'Effects of Changes in Foreign Exchange Rates', the Company has chosen to exercise the option under paragraph 46 inserted in the standard by the notification. Accordingly with retrospective effect from 1st October 2007 exchange differences on all long term monetary items are to the extent such items are used for financing fixed assets, added to/subtracted from the cost of those fixed assets and depreciated over the balance useful life of the assets. Consequently, the Company has (i) credited to opening Profit and Loss Account Rs. 565.08 lacs (net of depreciation of Rs. 30.82 lacs) which was recognized as an expense in the Profit and Loss Account in the previous financial year ended September 30, 2008; and (ii) added to fixed assets Rs. 466.27 lacs being the exchange differences on long term monetary items relatable to the acquisition of fixed assets. As a result of such change, the net profit before and after tax is lower by Rs. 129.63 lacs.

**22.** On the basis of future projections taken on record by the Board of Directors of the Company after considering the improved margins in sugar in the current domestic sugar market scenario and the sugar inventory available with the Company for disposal, as well as the additional capacities set up in the previous year for production of sugar and power, resulting in de-risking of the business operations, the Management is confident that there is a virtual certainty that sufficient future taxable income will be available against which deferred tax asset (net) of Rs 2,937.35 lacs will be realized in the normal course of Company's business. However, the management, out of abundant caution, has decided to restrict recognition of deferred tax asset (net) to Rs 1,926.76 lacs, in these accounts.

**23.** During the year, the Company has changed its accounting policy in relation to determining cost for raw materials inventory from Annual Weighted Average to First in First out (FIFO) basis. As a result of such change, the net profit before and after tax is higher by Rs. 264.40 lacs.

**24.** On July 23, 2009, a vessel carrying 22,500 MT of raw sugar purchased by the Company sank near South Africa in relation to which an insurance claim for Rs. 4,780.00 lacs has been filed with the insurance Company. Further, the Company has also simultaneously obtained undertaking from London P & I club of the vessel owner to compensate loss suffered in case arbitration proceedings are decided in favour of the Company. The management is confident that the insurance claim would be settled in favour of the Company and no loss would arise on settlement thereof.

**25.** The Company has accounted for cane purchases for sugar season 2007-08 at Rs. 110 per quintal, the rate at which it has made payment to the cane growers as per the interim order of the Hon'ble Supreme Court, against the State Advised Price of Rs. 125 per quintal fixed by the Uttar Pradesh State Government. Necessary adjustments will be made in accordance with subsequent orders of the Hon'ble Court in the matter.

**26.** Previous year figures have been regrouped/ recast wherever necessary.