

74th Annual Report

2009-10



Simbhaoli Sugars Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director

- Gurmit Singh Mann

Whole time Directors

- Gurpal Singh, Dy. Managing Director
- G S C Rao, Chief Executive Officer
- Sanjay Tapriya, Chief Financial Officer

Non-executive Directors

- S K Ganguli
- S C Kumar
- B K Goswami
- Yashwant Varma

Company Secretary

- Kamal Samtani

Auditors

- Deloitte Haskins & Sells

Solicitors

- J Sagar Associates

Bankers

- State Bank of India
- Punjab National Bank
- ICICI Bank
- IDBI Bank
- Bank of Baroda
- State Bank of Patiala
- State Bank of Bikaner & Jaipur
- EXIM Bank
- UP/Districts Co-operative Banks

Registered Office

- Simbhaoli
District Ghaziabad, Uttar Pradesh - 245 207

Corporate Office

C-11, Connaught Place
New Delhi 110 001

Marketing Office

E-13/29, Harsha Bhawan
Middle Circle, Connaught Place
New Delhi 110 001

Manufacturing Units

Sugar Mills / Co-generation Plants

- Simbhaoli Sugar Division, Simbhaoli
District Ghaziabad, Uttar Pradesh - 245 207
- Chilwaria Sugar Division, Chilwaria
District Bahraich, Uttar Pradesh - 271 801
- Brijnathpur Sugar Division, Brijnathpur
District Ghaziabad, Uttar Pradesh - 245 101

Distillery / Ethanol Plants

- Simbhaoli Distillery Division, Simbhaoli
District Ghaziabad, Uttar Pradesh - 245 207
- Chilwaria Ethanol Division
Chilwaria, District Bahraich,
Uttar Pradesh - 271 801
- Brijnathpur Ethanol Division, Brijnathpur
District Ghaziabad, Uttar Pradesh - 245 101

Subsidiaries

- Simbhaoli Global Commodities DMCC
Almas Business Centre DMCC, Almas Tower,
Level 49, PO Box No.-340505, Sheikh Zayed
Road, Dubai, UAE
- Integrated Castech Consultants Private Limited
E-13/29, Illrd Floor, Harsha Bhawan, Connaught
Place, New Delhi-110001

CONTENTS

Notice	1
Chairman's Message	10
Directors' Report	11
Corporate Governance Report	26
Auditors' Report	32
Standalone Financial Statements	35
Consolidated Financial Statements	53

NOTICE

Notice is hereby given that the 74th Annual General Meeting of the members of Simbhaoli Sugars Limited will be held on Monday, January 10, 2011 at 10.00 A.M. at the registered office of the Company at Simbhaoli -245 207, Distt. Ghaziabad, Uttar Pradesh, to transact the following businesses:

ORDINARY BUSINESSES

1. To receive, consider and adopt the audited Balance Sheet as at September 30, 2010 and Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To appoint a director in place of Dr. G S C Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Sanjay Tapriya, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s Deloitte Haskins & Sells, Chartered Accountants as statutory auditors of the Company for the financial year 2010-11 and fix their remuneration.

SPECIAL BUSINESSES

5. **To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:-**

"Resolved that, in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. B K Goswami, who is appointed by the Board as an additional director on June 11, 2010 and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing annual general meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, whose period of office is liable to retire by rotation."

"Resolved further that, the Board of Directors of the Company be and are hereby authorized to do all such acts, deeds or things, as may be required or considered necessary or incidental thereto to give effect to this resolution."

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

"Resolved that, consent be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and/or charge on the whole or part of all the movable and immovable properties of the Company where ever situated, present or future, on third pari-passu charge basis for securing the working capital financial assistance(s) lent and advanced or agreed to be lent and advanced to the Company of Rs. 336.25 crores under consortium in favour of the State Bank of India of Rs. 161.50 crores, Punjab National Bank of Rs. 94.00 crores, Bank of Baroda of Rs. 38.00 crores, State Bank of Patiala of Rs. 27.75 crores and ICICI Bank Limited of Rs. 15.00 crores."

"Resolved further that, the mortgage/charge created/to be created and/or all agreement(s)/documents executed/to be

executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

"Resolved further that, the Board of Directors of the Company be and are hereby authorized to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

7. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:**

"Resolved that, pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and unless the Central Government approves the payment of higher remuneration as per the resolution passed in the annual general meeting of the Company held on December 17, 2009, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Gurmit Singh Mann, Chairman & Managing Director of the Company, not exceeding the ceiling limit of Rs. 48.00 lacs per annum, by way of salary, dearness allowance, perquisites and any other allowances, as may be decided by the Board of Directors of the Company in case of loss or inadequacy of profits for a period of three years with effect from October 1, 2009."

"Resolved further that, the Board of Directors of the Company be and are hereby authorized to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

8. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:**

"Resolved that, pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and unless the Central Government approves the payment of higher remuneration as per the resolution passed in the annual general meeting of the Company held on December 17, 2009, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Gурpal Singh, Deputy Managing Director of the Company, not exceeding the ceiling limit of Rs. 48.00 lacs per annum, by way of salary, dearness allowance, perquisites and any other allowances, as may be decided by the Board of Directors of the Company in case of loss or inadequacy of profits for a period of three years with effect from October 1, 2009."

"Resolved further that, the Board of Directors of the Company be and are hereby authorized to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with

any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:

"Resolved that, pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and unless the Central Government approves the payment of higher remuneration as per the resolution passed in the annual general meeting of the Company held on December 17, 2009, consent of the Company be and is hereby accorded for payment of remuneration to Dr. G S C Rao, Chief Executive Officer of the Company, not exceeding the ceiling limit of Rs. 48.00 lacs per annum, by way of salary, dearness allowance, perquisites and any other allowances, as may be decided by the Board of Directors of the Company in case of loss or inadequacy of profits for a period of three years with effect from October 1, 2009."

"Resolved further that, the Board of Directors of the Company be and are hereby authorized to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:

"Resolved that, pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and unless the Central Government approves the payment of higher remuneration as per the resolution passed in the annual general meeting of the Company held on December 17, 2009, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Sanjay Tapriya, Chief Financial Officer of the Company, not exceeding the ceiling limit of Rs. 48.00 lacs per annum, by way of salary, dearness allowance, perquisites and any other allowances, as may be decided by the Board of Directors of the Company in case of loss or inadequacy of profits for a period of three years with effect from October 1, 2009."

"Resolved further that, the Board of Directors of the Company be and are hereby authorized to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:-

"Resolved that, pursuant to and in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (herein after referred as 'the Act'); and all other applicable laws and regulations including the Foreign Exchange Management Act, 1999; Securities and Exchange Board of India (Issue of Capital and Disclosure

Requirements) Regulations, 2009 {SEBI (ICDR) Regulations}, Reserve Bank of India notifications, the relevant provisions of the Memorandum & Articles of Association of the Company and the provisions of the Listing Agreement(s) with the stock exchanges on which the securities of the Company are listed or may hereafter be listed (including any amendment to or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents, if any, as may be required under applicable laws and regulations of concerned authorities, bodies and agencies and subject to such conditions and modifications as may be prescribed by any of the aforesaid authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board' and shall be deemed to include any committee thereof, which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the members of the Company be and is hereby accorded to the Board to create, issue, offer and allot 30,00,000 equity shares to specified persons other than promoters, directors and key managerial personnel of the Company (details of whom are set in the explanatory statement) (the 'proposed allottees') on preferential allotment basis with a right attached thereto entitling proposed allottees to apply for and subscribe against payment in cash fully paid-up equity share of face value of Rs.10/- each at a price of Rs.50/- (including premium of Rs. 40/-) per equity share, aggregating to Rs. 15,00,00,000/- (Rupees Fifteen Crores only) being not less than the price determined in accordance with Chapter VII of SEBI (ICDR) Regulations, by the Board under and by way of preferential issue through offer letter and/or circular and/or information memorandum and/or such other documents/writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion; with power to settle details as to the form and terms of issue of the shares and all other terms, conditions and matters connected therewith including to accept any modification thereto or therein as may be required by persons involved with any such issue of shares subject, however, to all applicable laws and within and under the limits permitted under law."

"Resolved further that, price of the equity shares so issued shall not be less than being higher of the average of the weekly high and low of the closing prices of the equity shares of the Company quoted on the stock exchange during the six months or the average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the relevant date i.e. December 11, 2010, being thirty days prior to the date of this annual general meeting as prescribed under SEBI (ICDR) Regulations for preferential issues (including any amendment thereto or re-enactment thereof) and all other terms, conditions and matters connected therewith and to accept any modifications in the proposal as may be required by the authorities/parties involved in such issues but subject to such conditions as the Reserve Bank of India, Securities and Exchange Board of India or such other appropriate authorities may impose at the time of according/granting their approvals, consent, permissions and sanctions as agreed by the Board."

"Resolved further that, the equity shares so allotted, shall rank pari passu with the then existing equity shares of the Company in all respects, including dividend, which shall be subject to the relevant provisions in that behalf contained in the Memorandum & Articles of Association of the Company."

"Resolved further that, pursuant to the provisions of SEBI (ICDR) Regulations, the fresh equity shares to be allotted shall be locked-in for a period of 1 (one) year from the date of allotment and that the equity shares shall not be sold, transferred, hypothecated or encumbered in any manner during the period of lock-in except to the extent and in the manner permitted there under."

"Resolved further that, the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the agencies involved in such issues but subject to such conditions as the Reserve Bank of India, Securities and Exchange Board of India or such other appropriate authorities may impose at the time of their approval as agreed by the Board."

"Resolved further that, for the purpose of giving effect to the above resolution and any offer, issue and allotment of securities, the Board be and is hereby authorized to take all such acts, deeds, and things as may be necessary, desirable or incidental thereto and matter connected therewith including without limitation the entering into of arrangements for underwriting, marketing, listing, trading, appointment of Lead Manager(s), Advisor(s), Registrar(s), paying and conversion agent(s) and to issue and sign all deeds, documents, instruments, and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members of the Company."

12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:-

"Resolved that, pursuant to and in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (herein after referred as 'the Act'); and all other applicable laws and regulations including the Foreign Exchange Management Act, 1999; Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 [SEBI (ICDR) Regulations], Reserve Bank of India notifications, the relevant provisions of the Memorandum & Articles of Association of the Company and the provisions of the Listing Agreement (s) with the stock exchanges on which the securities of the Company are listed or may hereafter be listed (including any amendment to or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents, if any, as may be required under applicable laws and regulations of concerned authorities, bodies and agencies and subject to such conditions and modifications as may be prescribed by any of the aforesaid authorities, bodies and agencies and which may be agreed to by the Board of Directors of the

Company (hereinafter referred to as 'the Board' and shall be deemed to include any committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the members of the Company be and is hereby accorded to the Board to create, issue, offer and allot 25,00,000 warrants to specified promoters and directors of the Company (details of whom are set in the explanatory statement) (the 'Warrant holders') on preferential allotment basis with a right attached thereto entitling the holder of the warrants to apply for and subscribe against payment in cash to one fully paid-up equity share of face value of Rs.10/- each in the share capital of the Company for every warrant held, within a period of 18 months from the date of allotment at a price of Rs. 46/- (including premium of Rs. 36/-) per equity share, at the option of such warrant holder, as may be deemed appropriate by the Board under and by way of preferential issue through offer letter and/or circular and/or information memorandum and/or such other documents/writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion; with power to settle details as to the form and terms of issue of the warrants to the Warrant holders and all other terms, conditions and matters connected therewith including to accept any modification thereto or therein as may be required by persons involved with any such issue of warrants subject, however, to all applicable laws and within and under the limits permitted under law, provided that the price, as applicable, of the equity shares to be issued pursuant to the warrants shall not be less than being higher of the average of the weekly high and low of the closing prices of the equity shares of the Company quoted on the stock exchange during the six months or the average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the relevant date i.e. December 11, 2010, being thirty days prior to the date of this annual general meeting, as prescribed under SEBI (ICDR) Regulations for preferential issues (including any amendment thereto or re-enactment thereof) and all other terms, conditions and matters connected therewith and to accept any modifications in the proposal as may be required by the authorities/parties involved in such issues but subject to such conditions as the Reserve Bank of India, Securities and Exchange Board of India or such other appropriate authorities may impose at the time of according/granting their approvals, consent, permissions and sanctions as agreed by the Board."

"Resolved further that, without prejudice to the generality of the above, issue of warrants mentioned hereinabove may have all or any term or combination of terms in accordance with local/international practices and all such terms as are provided in domestic and/or international offerings of this nature."

"Resolved further that, the equity shares so issued pursuant to exercise of warrants shall be subject to the Memorandum and Articles of Association of the Company and shall, upon being so issued and allotted, rank pari-passu in all respects including dividend with the then existing equity shares of the Company."

"Resolved further that, pursuant to the provisions of Chapter VII of SEBI (ICDR) Regulations, the fresh equity shares to be

allotted on conversion of warrants shall be subject to lock-in for a period of 3 years for promoters and 1 year for other than promoters from the date of allotment and that the equity shares shall not be sold, transferred, hypothecated or encumbered in any manner during the period of lock-in except to the extent and in the manner permitted there under."

"Resolved further that, the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the agencies involved in such issues but subject to such conditions as the Reserve Bank of India, Securities and Exchange Board of India or such other appropriate authorities may impose at the time of their approval as agreed by the Board."

"Resolved further that, for the purpose of giving effect to the above resolution and any offer, issue and allotment of securities, the Board be and is hereby authorized to do all such acts, deeds, and things as may be necessary, desirable or incidental thereto and matter connected therewith including without limitation the entering into of arrangements for underwriting, marketing, listing, trading, appointment of Lead manager(s), advisor(s), registrar(s), paying and conversion agent(s) and to issue and sign all deeds, documents, instruments, and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members of the Company."

**By Order of the Board of Directors
of Simbhaoli Sugars Limited**

Place: New Delhi
Date: December 15, 2010

**Kamal Samtani
Company Secretary**

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the scheduled time of meeting.
2. The register of members, and share transfer books of the Company will remain closed from Wednesday, January 5, 2011 to Monday, January 10, 2011 (both days inclusive).
3. Members are requested to notify promptly any change in their registered addresses or any other query directly to M/s MAS Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110020, phone no:+91-11-26387281/82/83, Fax no: +91-11-26387384, E-mail: info@masserv.com, the registrar and share transfer agent.
4. **Members are requested to notify their particulars including e-mail Id for updating the records in the Performa enclosed with proxy/attendance slip.**
5. Members are requested to bring their copies of annual report to the meeting.

6. Members are requested to fill in the attendance slip for attending the meeting and those who hold the shares in dematerialized form to bring their client ID and depository participant ID number for identification for attendance at the meeting.
7. Any query relating to the accounts or any other matter in pursuance to this Notice must be sent to the Company at least seven clear days before the date of the Annual General Meeting.
8. Pursuant to Section 109A of the Companies Act 1956, a shareholder may nominate in the prescribed manner a person to whom his shares of the Company shall vest in the event of his/her death.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 5

Mr. B K Goswami is appointed as an additional director on the Board of the Company in pursuance to Article 87 of the Articles of Association of the Company w.e.f. June 11, 2010. As per Section 260 of the Companies Act, 1956, he holds the office of directorship upto the date of the this Annual General Meeting. The Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose him as a candidate for directorship.

Accordingly, the resolution set out under item No. 5 is submitted for approval of the shareholders as an ordinary resolution.

None of the Directors, except Mr. B K Goswami, is concerned or interested in the resolution.

Item No.6

The Company has been sanctioned/renewed working capital financial assistance of Rs.161.50 crores from State Bank of India, Rs. 38.00 crores from Bank of Baroda, Rs. 94.00 crores from Punjab National Bank, Rs. 15.00 crores from ICICI Bank Limited and Rs. 27.75 crores from State Bank of Patiala aggregating to Rs. 336.25 crores under consortium financing for meeting working capital requirement of the Company.

In this regard, it is necessary to pass resolution under section 293(1) (a) of the Companies Act, 1956, for creation/modification of mortgage and/or charge on the assets of the Company.

Accordingly, resolution set out under item no. 6 is recommended for approval of the shareholders as an ordinary resolution.

None of the Directors is concerned or interested in the resolution.

Item Nos. 7, 8, 9, & 10

The Company in the Annual General Meeting held on December 17, 2009 has appointed Mr. Gurmit Singh Mann as Chairman & Managing Director, Mr. Guralp Singh as Deputy Managing Director, Dr G S C Rao as Executive Director and Chief Executive Officer and Mr. Sanjay Tapriya as Director (Finance) and Chief Financial Officer of the Company under Section 269 and all applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956 for a period of 5 (Five) years w.e.f. October 1, 2009 and fixed their remuneration as follows:-

Basic salary

CMD: Rs. 3,25,000/-per month in the scale of Rs. 3,25,000/- -32,500/- - 4,55,000/-

DMD: Rs. 2,75,000/ per month in the scale of Rs. 2,75,000/- -27,500/- - 3,85,000/-

CEO: Rs. 2,75,000/ per month in the scale of Rs. 2,75,000/- -27,500/- - 3,85,000/-

CFO: Rs. 2,50,000/ per month in the scale of Rs. 2,50,000/- - 25,000/- - 3,50,000/-

Pursuant to the provisions of Section II of Schedule XIII to the Companies Act, 1956, where in any financial year during the currency of tenure of the managerial persons, the Company has no profits or its profits are inadequate, the remuneration may be paid to them by way of salary, dearness allowance, perquisites and any other allowance (keeping in view of the effective capital of the Company as more than Rs. 100 crores) not exceeding the ceiling limit of Rs. 4 lacs per month, unless the Central Government approves the payment of higher remuneration as per the resolution passed in the Annual General Meeting of the Company held on December 17, 2009, for a period of 3 years after passing the special resolutions by the shareholders of the Company.

The Company is complying with the terms and conditions prescribed under the provisions of Schedule XIII to the Companies Act, 1956 with reference to the payment of remuneration to the managerial personnel.

The information as required under the said provisions is given hereunder:-

I. GENERAL INFORMATION:

Nature of Industry is sugar, alcohol, bio-fuel, bio-power and allied products.

Simbhaoli Sugars Limited is over 75 years old company and commenced its production as a partnership firm in 1933. Later on, it was converted into private limited company on June 29, 1936. The Company is one of India's leading producers of high quality sugar, alcohol, bio-fuel, bio-power and bio-manure; and operates one of the largest integrated sugar complexes in India. The Company's facilities have a total installed sugarcane crushing capacity of 20,100 tcd.

The Company has been exporting quality refined sugar to the European market and also being retailed in a number of overseas countries. The customers include almost all the major international sugar trading houses.

The export proceeds of the Company has also seen a significant increase for the year of Rs. 35.36 crores (previous year Rs. 24.32 crores). Company has imported 2.3 lacs mt raw sugar for processing and also exported 6000 mt of refined sugar against its pending obligation under Advance License Scheme. The Company also commenced the export of extra neutral alcohol (ENA) with supply of 72 lacs of ENA to create new market for bulk products.

The Company do not have any joint venture or collaboration with any foreign entity. It has made investment of AED 3,00,000 (USD 81,744) in Simbhaoli Global Commodities DMCC, Dubai, UAE, its wholly owned subsidiary, for trading in sugar, molasses, alcohol, and other agro based commodities in the overseas market. During the year, the business of the subsidiary company remained restricted on account of lack of export opportunities and recessionary conditions in mid-east countries.

II. INFORMATION ABOUT THE APPOINTEES:

(1) Background Details-

1. Mr. Gurmit Singh Mann

Mr. Mann is a member of the promoter group and acting as Chairman & Managing Director of the Company. He has an experience of over 46 years including 38 years with the Company and initial 8 years with the marketing department of M/s SmithKline Beecham Consumer Healthcare Limited (formerly HMM Ltd.). He has been the Managing Director of the Company since 1972 and became Chairman & Managing Director of the Company in the year 1989. He has exemplary knowledge on the sugar and alcohol products and has excellent communication skills. He has been widely travelling in India as well as abroad and possesses good knowledge of the sugar producing countries and other geographical areas. He has been the past President of the Indian Sugar Mills Association and past Chairman of the Indian Sugar & General Export Corporation Limited.

2. Mr. Gurpal Singh

Mr. Gurpal Singh is a member of the promoter group and acting as Deputy Managing Director of the Company. He is a graduate in economics and has over 24 years of experience in the management of the various functional areas of the Company. He has been engaged in the development of overall business relations, market forecasting, risk management and dealing with wide range of people. He has been sharing his experience with the management to take qualitative strategic decisions on the domestic and international markets for the betterment of the Company. With his continuous efforts, the Company has achieved remarkable growth.

3. Dr. G S C Rao

Dr. Rao is the Chief Executive Officer of the Company with over 30 years of industry experience. He has Masters degree in Plant Physiology and Biochemistry and has been honoured with Doctorate from National Sugar Institute, Kanpur, India. He also holds a postgraduate diploma in management. He has published/presented over 80 research papers in National and International Forums on various aspects of sugar industry. He has provided consultancy services to Sudan Sugar Corporation on behalf of World Bank and to British Guyana and Fiji on behalf of the Government of India. He has been involved in rehabilitation of sick-sugar units, expansions and insulation of Greenfield projects. He is Chairman of Cane Development sub-committee, Co-Chairman of Ethanol sub-committee of ISMA. He is also a member of UP state varieties release committee and core group for cane development. In the year 2009, he has been nominated as the President of Sugar Technologists' Association of India (STAI).

4. Mr. Sanjay Tapiya

Mr. Tapiya is the Chief Financial Officer of the Company. He is a commerce graduate and fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He holds an excellent academic record and has various merits and scholarships

to his credit during the education in Graduation, Chartered Accountancy and Company Secretaryship. He joined Simbhaoli Sugars as the Company Secretary in 1986 and thereafter inducted on the Board of the Company as Director-Finance in 2003. He has over 24 years of experience and currently controlling finance and commercial functions of the Company.

During the association of above managerial personnel, a number of developments have taken place and their successful implementation has been the key to the growth of the Company.

(2) Past remuneration -

Financial Year	Total Remuneration (Rs. in lacs)			
	Mr. Gurmit Singh Mann	Mr. Guralp Singh	Dr. G.S.C. Rao	Mr. Sanjay Tapiya
2008-09	42.39	36.86	45.38	31.88
2007-08	32.99	29.64	31.46	23.66
2006-07*	48.86	40.41	39.72	29.90

* consisting of period of 18 months.

(3) **Remuneration proposed** - As set out in the resolutions under item nos. 7, 8, 9 and 10, the remuneration to Mr. Gurmit Singh Mann, Mr. Guralp Singh, Dr. G S C Rao and Mr. Sanjay Tapiya has the approval of the Remuneration & Compensation committee and the Board of Directors of the Company. It is proposed to make partial modification in the resolution passed by shareholders of the Company in the Annual General Meeting held on December 17, 2009 to pay the remuneration to them not exceeding the ceiling limit of Rs. 48.00 lacs per annum each, unless the Central Government approves for higher remuneration, by way of salary, dearness allowance, perquisites and any other allowances in case of loss or inadequacy of profits in any financial year for a period not exceeding three years with effect from October 1, 2009 as may be decided by the Board of Directors of the Company.

(4) **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person** - In order to take the consideration of the size of the Company, the profile of Mr. Gurmit Singh Mann, Mr. Guralp Singh, Dr. G S C Rao and Mr. Sanjay Tapiya, the responsibilities shouldered by them, the aforesaid remuneration package is commensurate with the remuneration packages paid to in other listed companies in the sugar industry.

(5) **Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any** - Besides, the remuneration proposed, the aforesaid directors have following interests in the Company:

Name of Director	Shares/options held in the Company		Loans to Company
	Equity shares (Nos.)	Stock options (Nos.)	Outstanding as on 30.09.2010 (Rs. in lacs)
Mr. Gurmit Singh Mann	772747	Nil	131.00
Mr. Guralp Singh	1006079	Nil	95.00
Dr. G.S.C. Rao	17500	23735	13.00
Mr. Sanjay Tapiya	22070	15235	17.00

III. OTHER INFORMATION

(1) Reasons of loss or inadequate profits-

The Company witnessed a sharp decline in earnings on account of sudden fall in price of free sale sugar and

mark to market loss on valuation of sugar inventories. The average sugar realization during the year ended on September 30, 2010 was higher at Rs. 3012/- per quintal than Rs. 2250/- per quintal during last year. Sugar units of the Company have paid considerably higher sugar cane price in the sugar season 2009-10 in line with other sugar companies of the State leading to higher cost of production. The domestic sugar prices have declined nearly by 40% after February 2010, on account of higher sugar production in the country, and also in anticipation of a larger crop in season 2010-11. The Government of India continued with trade and export related restrictions. The negative margins in alcohol segment on account of high price of molasses, reluctance on purchase of ethanol by petroleum companies and lower capacity utilization have also affected the overall profitability of the Company.

(2) Steps taken or proposed to be taken for improvement -

The Company has adopted a business strategy to diversify its revenue base to reduce dependence on income from sugar and has accordingly expanded its ethanol and power co-generation capacities as a part of its growth plan. The Company has also expanded its crushing capacity to 20,100 tcd in order to achieve the economies of scale. In order to achieve insulation from the vagaries of the market volatility, it has entered into branded sugar segments and launched various products under Trust sugar brand to meet the specific needs of customers. It is also expanding its Indian Made Foreign Liquor brands.

A number of steps are being taken including improvement in product quality, export to high price markets, new brands in alcohol segment and increase in power generation capabilities. Meanwhile, the domestic and international sugar markets have improved considerably after August 2010, due to lesser than estimated sugar production in Brazil. Further, increase in domestic and global demand of sugar particularly in India/Asian/African countries, is likely to improve the price situation. The Company is carrying out major cane development initiatives, which will also benefit the Company in the form of higher cane yield and improved sugar recoveries. In this way, the Company is confident to turn around ahead of industry in next two years.

(3) Expected Increase in productivity and profits in measurable terms

The Company with two integrated sugar refining plants, will continue to carry out raw refining, both for domestic as well as for exports purposes, based upon the market conditions, cost of production and expected realizations. In order to minimize the effect of negative margins and resultant losses, the Company has repositioned itself as an exporter of sugar and by-products.

Cane development assistance has been obtained from banks and sugar development fund. The benefits of these initiatives will be available in medium term. The Company is evolving into a marketing led company supported by in house production of high quality ENA. It is developing all

the capabilities of manufacturing, materials, marketing, patent rights etc. under alcohol segment.

The gross turnover of the Company has increased to Rs. 1490 crores as per audited accounts as on September 30, 2010 from Rs. 1000 crores last year. The volume in business will result in the improved profitability over a period of time.

With the above measures, the Company is confident to turn around and achieve positive margins in future.

The appointment so made shall be within the prescribed limits under the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956.

Accordingly, resolutions set out under item nos. 7, 8, 9 and 10 are recommended for approval of the shareholders as special resolutions.

None of the Directors, except Mr. Gurmit Singh Mann, Mr. Gural Singh, Dr. G S C Rao and Mr. Sanjay Tapriya, interested in their respective resolutions, is concerned or interested in the resolutions.

Item No. 11

The Company has carried out expansion of sugar, alcohol, bio-fuel and bio-power capacities as a part of the future growth strategy for de-risking its business model in year 2008. All the projects have been successfully completed and commissioned. The source of funds for meeting these expenditures were capital, commercial loans and internal accruals. However, the internal accruals have fallen short of expectation on account of cyclical nature of sugar business, which have led to increase in borrowings and higher interest charge affecting debt equity ratio and profitability adversely. On account of current year losses, the net worth of the Company has reduced considerably. The Company needs working capital for running the operations on account of increase in size of the business. Loan covenants with various banks also require infusion of additional capital in the Company.

To meet these requirements, it is required to raise fresh equity in the share capital of the Company. The public offering in the present scenario may not be feasible, thus fresh funds may be raised by issue and allotment of such number of equity shares having value not exceeding Rs. 15.00 crores (Rupees Fifteen Crores only) in accordance with the provisions of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 {hereinafter referred as 'SEBI (ICDR) Regulations'} to selective persons. The preferential offer for issue of equity shares is made to entities other than promoters, directors and key managerial persons of the Company. The issue proceeds shall be utilized to improve the liquidity and financial health including working capital of the Company.

The Company has received requests in writing from entities other than promoters, directors and key managerial personnel of the Company, who have expressed their willingness to subscribe to 30,00,000 fully paid equity shares of face value of Rs. 10/- per share in the share capital of the Company at a subscription price of Rs. 50/- (including premium of Rs. 40/-) per equity share aggregating to Rs. 15,00,00,000/- (Rupees Fifteen Crores only) for cash on preferential allotment basis and have capacity to subscribe to the offer. The identity of the proposed allottees and

detail of the allotment are as under:-

Sl. No.	Particulars of the Investors	Pre-issue shareholding (no. of shares)	No. of shares applied for	Post-issue shareholding (no. of shares & % age)
1.	M/s Shri Vatsala Traders Pvt. Ltd.	Nil	15,00,000	15,00,000 (5.72%)
2.	M/s Pearl Innovative Marketing Pvt. Ltd.	Nil	15,00,000	15,00,000 (5.72%)
	Total		30,00,000	30,00,000

The number of shares to be allotted is calculated on the basis of issue price determined as on December 11, 2010 (the relevant date) in terms of pricing formula of Chapter VII of SEBI (ICDR) Regulations and the same was considered for the purpose of disclosing the pre & post issue shareholding pattern.

The equity shares shall be issued at a price of Rs. 50/- (including premium of Rs. 40/-) per equity share and/or price which may required to be re-computed under the SEBI (ICDR) Regulations. The equity shares proposed to be issued on preferential basis as above shall be subject to lock-in period for 1 (one) year from the date of allotment as per SEBI (ICDR) Regulations. The shareholding pattern before and after the allotment would be as under:-

	Category	Pre-issue shareholding pattern		Post issue shareholding pattern	
		No. of shares	%age	No. of shares	%age
A	PROMOTERS HOLDING	10008313	43.09	10008313	38.16
	Sub-Total (A)	10008313	43.09	10008313	38.16
B	NON-PROMOTERS HOLDING				
1	Banks/Financial Institutions/FIIs	1051310	4.53	1051310	4.01
2	Other Indian Public & Pvt. Corporate Bodies	11614053	50.00	14614053	55.72
3	NRIs/OCBs	135497	0.58	135497	0.52
4	Any Other (Clearing Members)	419637	1.81	419637	1.60
	Sub-Total (B)	13220497	56.91	16220497	61.84
	Grand Total (A+B)	23228810	100.00	26228810	100.00

The allotment shall be completed within 15 days of passing of this resolution, provided that where approval or permission by any regulatory authority or the Central Government for allotment is pending, the period of fifteen days shall be counted from the date of order on such application or the date of approval or permission, as the case may be.

The Company's authorized capital is adequate for the increase in the paid-up share capital of the Company pursuant to issue and allotment of fresh equity shares.

The proposed allottees have given consent letters to the Company to comply with the SEBI (ICDR) Regulations and/or other approvals, if any, required to subscribe to the share capital of the Company. The proposed allottees are not related with any of the promoters, directors and key managerial persons of the Company.

There will not be any change in the management/Board of Directors or control of the Company. However, there may be change in the pattern of voting rights including change in the voting pattern of the promoters. Further, the above table does not reflect the change in the shareholding pattern consequent upon issue of fresh equity share capital or conversion of convertible securities as allotted, if any, pursuant to the Foreign Currency Convertible Bonds issued in March 2006, Simbhaoli Sugars Limited-Employee Stock Option Scheme 2007 and/or shares to be allotted in accordance with the proposed capital raising plans of the Company as per the resolution to be passed by the shareholders of the Company.

The Company undertakes that it shall re-compute the price of the equity shares in terms of the provisions of SEBI (ICDR) Regulations, 2009, where it is required to do so. Further, it also undertakes that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the equity shares shall continue to remain locked-in till the time such amount is paid by the allottees. The proposed allottees will comply with the applicable provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including any amendment thereto or re-enactment thereof depending upon the date of acquisition.

The Company undertakes that it shall place a copy of the certificate of its statutory auditors before the general meeting of the shareholders, considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of SEBI (ICDR) Regulations to consider the proposed issue.

Section 81 of the Companies Act, 1956, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such shares shall be offered to the person who on the date of the offer are holders of the equity shares, in proportion to capital paid-up on those shares as of that date unless the members of the Company decide otherwise. The special resolution under the provisions of Section 81 (1A) of the Companies Act, 1956 is required to be passed for seeking the consent and authorization of the members to the Board of Directors, to make the proposed issue of equity shares to selective persons in accordance with the applicable provisions of rules, regulations or guidelines.

Accordingly, resolution set out under item no. 11 is recommended for approval of the shareholders as a special resolution.

None of the Directors is concerned or interested in the resolution.

Item No. 12

The Company needs resources to improve the liquidity, financial health and working capital. For this purpose, the Company is considering to issue and allot 25,00,000 share warrants to specified promoters and directors with a right to receive one equity share of face value of Rs. 10/- each for one warrant held by the warrant holders. The issue and allotment of warrants shall be governed under the provisions of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred as 'SEBI (ICDR) Regulations'). The Warrant holders shall receive one (1) equity share for one (1) warrant as above at a price of Rs. 46/- (including premium of Rs. 36/-) per equity share, of which not less than 25% shall be paid by the Warrant holders

forthwith upon allotment thereof and the balance shall be paid at the time of exercising the conversion option to convert warrants into equity shares, for such number of warrants in respect of which the Warrant holder exercises the conversion option. 25% of the share warrant price paid on the allotment of share warrants would be adjusted against the price payable subsequently for acquiring the equity shares on exercise of the option.

The Company's authorized share capital is adequate for the increase in the paid-up share capital of the Company pursuant to issue and allotment of fresh equity shares upon conversion of warrants.

The preferential offer for issue of warrants shall be made to the following specified promoters and directors of the Company, who have expressed their willingness to invest in securities of the Company and shall subscribe to the offer:-

Sl. No.	Name and address of the proposed allottees	No. of shares held prior to issue of warrants	No. of warrants proposed to be issued	No. of shares Post conversion of warrants & % age of share capital
Promoter				
1	Mr. Gurmit Singh Mann, S/o Sardar Gurprit Singh Mann, R/o C-176, Defence Colony, New Delhi	7,72,747 3.33%	13,42,500	21,15,247 8.22%
2	Mr. Gurpal Singh, S/o Sardar Pritam Singh Sandhu, R/o 12, Tilak Marg, New Delhi.	10,06,079 4.33%	6,57,500	16,63,579 6.46%
Non-Promoter				
3	Dr. G S C Rao, S/o Mr. GP Shastri, R/o B-8/24, Vasant Vihar, New Delhi	17,500 0.08%	2,50,000	2,67,500 1.03%
4	Mr. Sanjay Tapriya, S/o Mr. BD Tapriya, R/o C-75, Suraj Mal Vihar, Delhi	22,070 0.10%	2,50,000	2,72,070 1.06%
Total		22,42,146	25,00,000	47,42,146

The issue proceeds from the advance received at the time of allotment of warrants and subsequent conversion thereof into equity shares shall be utilized to improve the liquidity, financial health and working capital of the Company.

The proposed warrants may be converted into equity shares of the Company within a period of 18 months from the date of issue of warrants in one or more tranch at the option of Warrant holders at a price of Rs. 46/- (including premium of Rs. 36/-) per equity share and/or price which may be required to be re-computed under the SEBI (ICDR) Regulations. The equity shares proposed to be issued under preferential basis as above shall be subject to lock-in period of 3 years for the promoters and 1 year for other than promoters from the date of allotment as per SEBI (ICDR) Regulations. The shareholding pattern before and after the conversion of warrants into equity shares shall be as under:-

		Shareholding pattern			
		Existing		Post conversion of warrants into equity shares	
Category		No of shares	%age	No of shares	%age
A	PROMOTERS HOLDING	10008313	43.09	12008313	46.67
	Sub-Total (A)	10008313	43.09	12008313.00	46.67

B NON-PROMOTERS HOLDING					
1	Banks/Financial Institutions/FIs	1051310	4.53	1051310	4.09
2	Indian Public & Pvt. Corporate Bodies	11614053	50.00	12114053	47.08
3	NRIs/OCBs	135497	0.58	135497	0.53
4	Any Other (Clearing Members)	419637	1.81	419637	1.63
	Sub-Total (B)	13220497	56.91	13720497	53.33
	Grand Total (A+B)	23228810	100.00	25728810	100.00

The allotment shall be completed within 15 days of passing of this resolution, provided that where approval or permission by any regulatory authority or the Central Government for allotment is pending, the period of fifteen days shall be counted from the date of order on such application or the date of approval or permission, as the case may be.

The Company undertakes that it shall re-compute the price of the specified securities in terms of the provisions of SEBI (ICDR) Regulations, where it is required to do so. Further, it also undertakes that if the amount payable on account of the re-computation of price is not paid within the time stipulated in these regulations, the specified securities shall continue to remain locked-in till the time such amount is paid by the allottees. The proposed allottees will comply with the applicable provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including any amendment thereto or re-enactment thereof depending upon the date of acquisitions.

The Company undertakes that it shall place a copy of the certificate of its statutory auditors before the general meeting of the shareholders, considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of SEBI (ICDR) Regulations to consider the proposed issue.

There will not be any change in the management/Board of Directors or control of the Company as a consequence of allotment of aforesaid warrants. However, there may be change in the pattern of voting rights due to above including change in the voting pattern of the promoters. Further, the above table does not reflect the change in the shareholding pattern consequent upon fresh equity share capital or conversion of convertible securities as allotted, if any, pursuant to the Foreign Currency Convertible Bonds issued in March, 2006, Simbhaoli Sugars Limited-Employee Stock Option Scheme 2007 and/or shares to be allotted in accordance with the proposed capital raising plans of the Company as per the resolution to be passed by the shareholders of the Company.

Section 81 of the Companies Act, 1956, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such shares shall be offered to the person who on the date of the offer are holders of the equity shares, in proportion to capital paid-up on those shares as of that date unless the members of the Company decide otherwise. The special resolution under the provisions of Section 81 (1A) of the Companies Act, 1956 is required to be passed for seeking the consent and authorization of the members to the Board of Directors, to make the proposed issue of issue of share warrants to the proposed allottees, which are convertible into equity shares, on a preferential basis in accordance with the applicable provisions of rules, regulations or guidelines.

Accordingly, resolution set out under item no. 12 is recommended for approval of the shareholders as a special resolution.

None of the Directors, except Mr. Gurmit Singh Mann, Mr. Gural Singh, Dr. G S C Rao and Mr. Sanjay Tapriya to the extent warrants proposed to be allotted to them or their relatives, are concerned or interested in the resolution.

**By Order of the Board of Directors
of Simbhaoli Sugars Limited**

New Delhi
December 15, 2010

**Kamal Samtani
Company Secretary**

Notes on Director(s) seeking appointment/re-appointment as required under clause 49 of the listing agreement entered into with Stock Exchange.

At the ensuing Annual General Meeting Dr. G. S. C. Rao, Chief Executive Officer and Mr. Sanjay Tapriya, Chief Financial Officer of the Company are retire by rotation and being eligible offers themselves for reappointment.

The brief profile of the above retiring directors are given elsewhere in the relevant explanatory statement of this notice.

In order to broad base the composition of the Board and inducting independent directors, the Company has appointed Mr. Basant Kumar Goswami as additional director on the Board of the Company on June 11, 2010. Mr. Goswami is a senior retired IAS Officer, who joined Indian Administrative Service in the year 1960. He has held important positions in various government/semi-government departments and has been awarded many times. He holds a Master's degree in English from the University of Punjab. Mr. Goswami is an independent director within the meaning of Clause 49 of the listing agreement with stock exchanges. He does not hold any share in the share capital of the Company. Being eligible, he offers himself for re- appointment.

Dr. Rao, Mr. Tapriya and Mr. Goswami are directors, members and chairmen on the Board of following companies:

Name of Director	Name of Companies	Committee Membership	Committee Chairman
Dr. G S C Rao	Simbhaoli Sugars Ltd.	Finance, Investors' Grievance	Allotment
	Integrated Castech Consultants (P) Ltd.	—	—
	Uniworl Sugars Ltd.	—	—
	Vijayanagar Sugars (P) Ltd.	—	—
Mr. Sajnay Tapriya	Simbhaoli Sugars Ltd.	Finance, Investors' Grievance, Allotment	—
	Integrated Castech Consultants (P) Ltd.	—	—
	Uniworl Sugars Ltd.	—	—
	Parshiv Import Export (P) Ltd.	—	—
	RK & D Investment (P) Ltd.	—	—
	Esquire Financial Services Ltd.	—	—
Mr. B K Goswami	Jai Prakash Associates Ltd.	Audit	Finance
	J P Infratech Limited	Finance, Audit	—
	Landmark Property Development Co. Ltd.	—	Audit, Investor Grievance
	Blue Coast Hotels & Resorts Ltd.	Investor, Grievance, Remuneration	Audit
	B & A Ltd.	Audit	—
	Global Trust Capital Finance Ltd.	—	—
	Jaypee Development Corporation Ltd.	—	—
	New Kennilworth Hotels Ltd.	—	—
	L.H. Sugar Factories Ltd.	—	—
	Conservation Corporation of India Ltd.	—	—
	Nector Life Sciences Ltd.	—	—
	Mata Securities (P) Ltd	—	—
Naturich Labs (P) Ltd.	—	—	

CHAIRMAN'S MESSAGE

Dear Stakeholders,

2009-10 proved to be a difficult business year for the international as well as domestic sugar industry with very high price volatility, changing production estimates and error in forecasting trends. Domestic sugar prices touched one of the historically high levels and then came down sharply after a correction in the domestic supplies. There were losses on account of marking to market valuations of sugar inventory and the highest ever raw material costs.

Simbhaoli achieved a record production and turnover level of white sugar at 3.82 lacs mt and Rs 1490 crores respectively. Raw refining programme, as a business model, has been successfully carried out at all the units, paving way to increase the size of the business and to improve the capacity utilisation.

The year started with a short cane supply and rising sugar prices resulting in very high cane price payments to the farmers. However, this rally in the free sale sugar prices did not sustain and prices came down by as much as 45 percent in a short span of time. High inventory levels caused operating losses in the sugar segment. Availability of By-products was also impaired resulting in under utilisation of capacities in alcohol segment.

Despite a slowdown in the liquor segment, your Company has launched three new brands during the year. The export of extra neutral alcohol (ENA) has commenced with 72 lacs BL. ENA and IMFL exports are expected to surge significantly in future and shall be a focus area for the Company. Commencement of ENA exports to Africa, a continent with new business opportunities coming up, is a step in this direction.

Since the sugar cycle is showing definite trends of moving from 'deficit' to a 'surplus' phase, your Company is re-aligning its policies to position itself in changing scenario. We have started exploring new markets for sugar and its variants. We have approached the Regulators to allow sugar mills to export white sugar on a consistent basis.

To realise the long-term vision of Simbhaoli as a customer-centric enterprise and an FMCG producer, new brands have been launched in specialty sugar area and new market segments have been entered into. The introduction of 'Trust Sipp', an instant fruit-drink mix has been an initiative towards adding value to the sugar business.

Your Company supports the usage of ethanol as a green and renewable fuel. During the year, it has participated in the tendering process and received ethanol orders from the oil marketing companies under the Ethanol Blending Program (EBP). EBP will help in stabilising the prices of molasses and spirits at remunerative levels. Cogeneration of power has emerged as the steadiest business for sugar mills. We have a long term plan to scale up our power generation capacity from 64 MWH at present to 100 MWH in the future.

Integrated Casetech Consultants Pvt Ltd, our technology subsidiary is spreading its business areas and providing a number of technical and agricultural solutions particularly in the areas of refining, energy management and sugarcane development in India and overseas.

Your Company is promoting a green-field sugar refinery at Kandla to create one of the least cost raw refining facility for catering to the domestic as well as international refined sugar markets. The port based stand alone sugar refinery shall have a capacity of producing 1000 tonnes of sugar per day.

Extremely adverse business conditions have resulted in negative margins for your Company in the last three quarters of the year. But the turnaround is expected with the start of the new sugar season. The sugar cycles have become short and I am confident that 2010-11 will see an upswing, which will positively impact profitability across sugar mills. Simbhaoli has systematically enhanced the sugar production capacities and with increase in the volumes, the allied business activities are also expected to contribute towards the profits in the coming years.

The factors which are likely to contribute to the turnaround in 2010-11 include the softened cane prices, lower levy sugar quota, lower inventory levels, export of sugar and alcohol, ethanol off take at improved prices; and higher power generation. GOI is considering deregulation of the sugar industry, and a number of steps have been initiated. A lot more is still needed to be done, particularly creating cane price fixation structure and removing quantitative restrictions on sugar. Simbhaoli along with entire industry is looking for the new opportunities and challenges to be created by such a move.

In the end, I thank all our stakeholders for their enterprise, commitment and support. I am confident that together we will take Simbhaoli Sugars to the new heights of growth and profitability.


Gurmit Singh Mann
Chairman & Managing Director

New Delhi
November 29, 2010

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, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

International Sugar Industry

The international sugar year 2009-10 remained a year with high uncertainty, price volatility and frequently changing assumptions with regards to the production estimates in major sugar producing countries. The revision in production estimates is primarily attributed to higher release of sugar by the surplus countries and exceptionally higher yields in India in second part of the year.

For the year 2009-10, the world sugar production was initially estimated at 160.5 mmtrv (million metric ton raw value) levels with a consumption of 164 mmtrv. This increase in production by 6.7% over 2008-09 has been utilised for building the pipeline stocks over the year. The production for the year 2009-10 has increased marginally in Brazil (35.7 to 41.2 mmtrv) and India (15.2 to 20.4 mmtrv, 18.9 mmt white value) from 2008-09 level, still world sugar balance on standalone basis remained in deficit of 3.8 mmt against a deficit of 10 mmt in 2008-09. The fall in deficit is attributable to high prices (above 30 cents per pound), increased production of sugar in Brazil and also surpluses from non-traditional exporting countries. The high prices resulted in curtailment in demand to some extent, the quantification whereof is difficult. Year 2009-10 turned out to be the second consecutive year of deficit with lower year-end inventory levels.

Sugar demand and supply balances

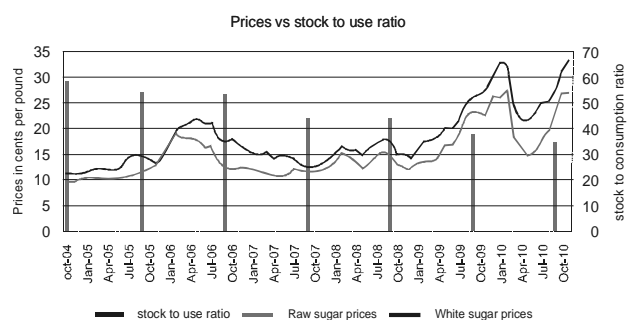
At the start of the 2009-10 season, Brazilian output was expected to be low at 35.9 mmtrv on account of excess rains in the months of August and September 2009, their peak recovery period. At the same time, India was expected to produce 16 mmt with an import demand of 6 mmt to meet its consumption need of over 22 mmt. However, a major change in Indian production estimates by 3 mmt was observed after January 2010 and a balanced demand and supply position was forecast for the year 2010-11. EU offered additional 0.5 mmt white sugar in February 2010. A few mills in Brazil extended crushing operations by almost two months against their normal closing by December. At the same time, crushing for the 2010-11 season started in March 2010, a month ahead, with lower ethanol to sugar ratio. Thus Brazil was able to continue supply of sugar to reap the benefits of favorable international sugar prices and the world sugar supply for the 2009-10 season recovered by around 6 mmt over 2008-09. This rise, however, has not improved the ending stocks; and due to the lower opening inventories and increased consumption, reserves could not be built.

A summary of the world sugar balances for the sugar season 2007-08 to 2009-10 and projections for the year 2010-11 is provided in the table below.

Particulars	2010-11 (P)	2009-10 (E)	2008-09	2007-08	Change% (2009-10 over 2008-09)	
Production	168.9	160.5	150	167.1	7.5	4.9
Consumption	167.7	164.3	160	160	0.0	0.0
Surplus / (Deficit)	1.3	(3.8)	(10)	7.1		
Import demand	50.1	52.9	50.9	46	4.7	9.7
Export availability	50.7	52.8	50.9	46.2	4.6	9.4
End Stocks	58.1	57.3	59.8	69.8	(3.4)	(5.6)
Stocks/ Consumption ratio in %	35%	35%	37%	43.5	7.5	4.9

P: Provisional, E: Estimates

High prices impaired the consumption. Major consumption centers postponed their purchases and operated with very low sugar stocks.



Barring short term volatility in prices on account of multiple factors, viz. currency movements, liquidity available, soundness of the international monetary systems & funds positions in commodity markets; there has been an inverse relation between stock to use ratio and average sugar prices. The 2010-11 initial production estimates indicate that the increase in global production may not be enough to replenish stocks.

With rising consumption and nearly stagnant production; too much reliance has been established on one country (Brazil) in the absence of any exportable surplus in India. These trends show that sugar is more likely to remain at higher levels of price band in medium to long term.

Sugar price trends

The global raw sugar price hit a 29 years high of 30.4 cents per pound (February 1, 2010) on supply concerns in the major producing countries, particularly India. However, on account of unpredicted recovery in production estimates, in India and Brazil, prices fell by more than half to 13.8 cents in the month of May 2010. However, this low price regime did not last long. Due to extremely dry weather in Brazil in the months of May, June and July 2010 and heavy rains thereafter, the production and supply could not be maintained. Demand for sugar increased in the South east Asian and Middle east countries on account of lower inventories and falling production estimates elsewhere. With tight inventory levels and negligible pipeline stocks, global sugar supply

constraints enhanced the prices and they started rising again in August 2010. This resulted in one of the shortest sugar cycle in the history as the prices regained a new height at 33.3 cents per pound on November 9, 2010. High prices coupled with unprecedented volatility therein made sugar as one of the most uncertain commodity to trade.

Currency fluctuations and liquidity constraints in certain countries affected the sugar prices with funds taking command over physical trade. Indian sugar remained decoupled with world sugar trade during this recovery phase on account of Government restrictions and uncertainties. Domestic prices in India remained substantially lower than the world prices from July 2010 onwards creating a huge export arbitrage; an opportunity that could not be monetized.

Higher demand of white sugar came up on account of delayed purchases and low pipeline stocks; raw-white premium remained volatile and reached to around USD 175 pmt in the month of June 2010. However, white sugar supply improved subsequently with refineries working at higher capacities, EU promising additional white sugar and expectation of Indian white exports; bringing in a correction in premium to an average of USD 90 pmt. Raw sugar market is showing an inverse trend, reflecting future months substantially cheaper than the current months' contracts, which is causing shift in import demand.

Sugar year 2010-11: Outlook

For the year 2010-11, sugar production was initially estimated at 173 mmt. But the bad weather conditions have negatively impacted the cane and beet availability prospects and the world sugar surplus is re-estimated to be only 1.3 mmt with the total production at 168.9 mmt and consumption of 167.6 mmt (November 2010 estimates). Based upon available trends, sugar output is not likely to improve further, leading to a balanced demand and supply situation. Such a small surplus can be a concern as even 5% fall in Indian production can make this year a deficit year again.

Sugarcane production in Brazil for the Brazilian sugar year 2010-11 is estimated at 637 mmt against 542 mmt for the year 2009-10 with higher sugar yield at 143 kg pmt. The estimates of sugar production are revised downwards to 37.5 mmtrv, against initially anticipated 43 mmtrv. Accordingly, the exportable surplus is reduced to 24.3 mmt. The cost of production in Brazil is increasing with lower export realization as Brazilian Real has been showing a stronger trend compared to US dollar.

The EU (27) production, affected by the adverse weather, has been projected to be 16.1 mmtrv (previous year 17.7 mmtrv) with exports of 1 mmtrv (2 mmtrv during 2009-10). For 2010-11 season, sugar import demand is likely to increase by 1.3 mmtrv from China, by 0.5 mmt from Pakistan and by 0.15 mmt from Indonesia.

Rising uncertainty about the logistics, shipments and exportability of the major sugar producing countries, and their adverse weather conditions have led to the predictions that global sugar prices are likely to remain firm until the middle of the year 2011. Extremely dry weather in Russia, wet conditions in Australia and Pakistan, dry spell in Brazil and Thailand, have curtailed production hopes of the year 2010-11. Consumption is going to remain strong with an annual increase by over 2% without considering increase in pipeline stocks. Crop estimates of Brazil and India for the year 2011-12 will drive the future sugar market.

Ethanol industry

For the year 2009-10, global ethanol production remained 90 bn litres. For the year 2010-11, the output is forecasted to remain at the same level. Ethanol producers in US are constrained by the legally mandated blend of corn ethanol in gasoline, restricting the further growth. Brazil is expected to allocate more sugarcane towards sugar, governed by the high international and domestic sugar prices. Other countries are consistently encouraging the ethanol usage on environmental reasons. The number of flex fuel vehicles is increasing in Brazil by about 9 to 10% every year. Ethanol consumption in Brazil is likely to increase to 60 bn litres (110% increase) by 2015. India has also revived its ethanol blending program in 2010-11, which was dormant for last two years on supply concerns.

Indian Sugar Industry

Latest industry estimates for sugar production and consumption for the sugar seasons 2009-10 and 2010-11 along with the past trends are as under (All figs in mmt white values)

Parameter	2010-11 (P)	2009-10 (E)	2008-09
Opening Stock	5.8	4.3	10.5
Production	25.0	18.9	14.6
Consumption	23.0	21.3*	23.0
Imports	0.0	4.1	2.4
Exports	1.7	0.2	0.2
Closing stocks	6.1	5.8	4.3
Stocks to use ratio (%)	26.5	26.3	18.7

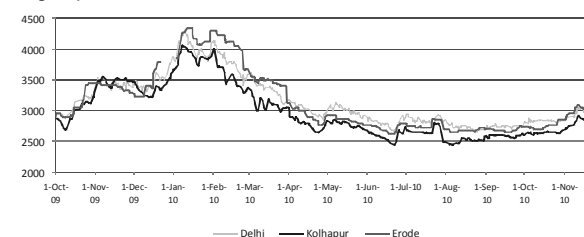
*fall in the consumption is attributed to reduction in pipeline stocks to near zero on account of price volatility and Government regulations.

Sugar Year 2009-10

For the sugar year 2009-10, the production estimates increased from 16 to 17 mmt in Feb 2010; 18 mmt in May and finally reached to 18.9 mmt resulting from improved farm yields, better sugar recoveries and lesser diversion to alternate sweeteners. The consumption growth remained unabated, though with Government restrictions on the free sale sugar movement through stock holding limits and increase in levy quota, stocks became negligible.

The year saw high cane price payment to farmers with a premium of up to 30% over the Government announced prices, due to perceived shortage of cane and sugar supply deficit in the country at the beginning of the sugar year 2009-10. This raised the prices of sugar up to Rs 43 per kg by January 2010. Indian millers contracted large quantities of raw sugar at this stage even at the high international prices, anticipating 16 mmt production and a need of 6 to 7 mmt of sugar import to bridge the demand and supply gap, particularly in off crop period from May to September 2010. GOI permitted duty free import of white sugar, both for traders and consumers. Revision in production estimates and imports led to decrease in domestic prices sharply by as much as 45% between February to August 2010.

Sugar prices



Lower free sale realizations after a high cost of production during the crop season, resulted in huge losses to sugar business houses, both on account of lower sales values and marking down of the inventories at market values. The companies carrying higher sugar inventories incurred the maximum losses. The increase in levy percentage to 20% added to the woes.

In the year 2009-10, the country imported 4.08 mmt sugar comprising 3.07 mmt raw and 1.01 mmt white sugar. With improved sugar availability prospects, the GOI allowed limited sugar exports from September 2010 onwards and permitted 0.2 mmt of white sugar exports under advance license scheme (ALS). In addition, around 0.3 mmt of raw and white sugar, previously imported but still lying in the different ports, has been permitted to be re-exported with a condition that the exporter needs to re-import the equivalent tonnage of raw sugar, as and when the GOI requires it. There is a balance export obligation of 0.7 mmt under ALS to be exported by March 2011.

Government Regulations

Government of India has systematically relaxed tight control regime of sugar adopted during the year 2008-09 and the first quarter of the season 2009-10 by easing some of the measures during the later part of the year. These include:

- Oct 2009: Levy sugar quota increased from 10% to 20% for the sugar year 2009-10.
- Nov 2009: The Government of Uttar Pradesh banned import of raw sugar into the State as well as its movement. Relaxed in April 2010.
- Jan 2010: Extension of export obligation period for advance authorizations issued for import of raw sugar to March 31, 2011.
- Feb 2010:
 - a. Set a weekly sub-quota within the free sale quota allocated to mills for selling in the open market this month.
 - b. Reduced the stockholding limit on bulk consumers from 15 days to 10 days.
- March 2010: Extended the validity period for sale and delivery/dispatch of non-levy sugar on weekly basis each by one week.
- April 2010:
 - a. Increased the fair and remunerative price (FRP) of sugarcane to Rs139.12 per quintal for the year 2010-11, from Rs 129.84 per quintal in 2009-10.
 - b. Relaxed the norms of liquidating monthly free sale quota on weekly basis reverting to the fortnight quota.
- May 2010: Stockholding limit on bulk consumers increased from 10 to 15 days.
- June 2010: Levy sugar price was increased nearly by Rs 4 for the 2009-10 season.
- Aug 2010:
 - a. Stockholding limits on bulk sugar consumers relaxed for 90 days of their usage from the 15 days limit announced in May 2010 and 10 days in February 2010.
 - b. Permitted export of about 0.2 mmt of raw sugar that was imported by millers.

- Sept 2010: Allowed mills to meet their re-export obligations under ALS till March 2011.
- Oct 2010:
 - a. Levy sugar obligation brought down from 20 to 10% effective from October 1, 2010.
 - b. UP state has announced SAP of Rs 205 per qtl for the season 2010-11.

Decisions under deliberation

Based upon the request from industry and other stakeholders, GOI is seriously considering deregulation of the industry with regards to distribution control, trade policies and sugarcane. It has shown interest in bringing in cane related reforms with a stable pricing mechanism based upon agreed sharing of earnings between farmers and millers. Following decisions are under discussion at various levels:

1. To start trading in futures market from January 2011 onwards.
2. Permitting regular exports whenever the country has surplus and international prices are remunerative. In this direction, it is considering export of 1.5 mmt under open general license.
3. The system of market purchase of levy sugar in place of purchase from the millers at subsidized price.
4. Disbanding the monthly release mechanism to determine the quantity of sugar to be sold in the free market.
5. Fixation of the cane price based upon a percentage of gross earnings of the mills from sugar and by products in place of Centre determined price (FRP) or State determined price (SAP).

Sugar Year 2010-11: Outlook

Initial estimates of sugarcane output are at 324 mmt, 17 per cent higher than the last season. With a marginal increase in average yield, Indian sugar output for the season is estimated at 24 to 25 mmt, about 30% higher than previous season. This is against an expected demand of 23 mmt, leading to a surplus of approx 2 mmt. Taking into account the carry-over stocks of 5.8 mmt, the country can consider export of 1.5 to 2 mmt. Industry is preparing itself to switch from import to export scenario.

Maharashtra, the largest producer of sugar in the country, is expected to produce about 9.5 mmt in 2010-11 (7.1 mmt in 2009-10) and Uttar Pradesh (UP) is expected to produce 6.5 mmt in 2010-11 (5.8 mmt in 2009-10). The crushing seasons in UP and Maharashtra have begun after a delay of nearly 3 weeks on account of excess rain, agriculture manpower shortage and disagreement with the farmers on cane price.

Power Sector

India is world's 6th largest energy consumer, accounting for 3.4% of global energy consumption. Due to India's economic development, the demand for energy has grown at an average rate of 3.6% per annum over the past 30 years. In June 2010, the installed power generation capacity of India stood at 1.62 lacs mw while the per capita energy consumption at about 612 kwh per year, which is still one of the lowest in the world.

India has historically had power shortages, which have been increasing over the years. Power deficits averaged 9% and the peak power deficit averaged 12.8% between fiscal year 2003 and 2009. About 3% of the power demand is slated to be met from

renewable sources and cogenerated power continues to be a major part of it.

Indian sugar industry is capable to generate over 6000 mw/hr of power, out of which about 2200 mw/hr is being generated. During the year 2009-10, tariff, under power purchase agreements executed with UP Power Corporation, has been increased to Rs 4.22 from Rs 4 per kw/hr. Further, a number of state Governments have encouraged the open access policy for power evacuation including the state of UP. The State has laid down new off-season power purchase policy, wherein high tariff of Rs 5.02 per kw/hr is assumed to the generators of power with entitlement to sell 50% power on open access basis. This effectively will increase the average realisations per kw/hr and utilization of generating equipment to nearly full year.

Alcohol sector

Total alcohol production for the year 2009-10 is estimated at over 2 bn litres (1.9 bn litres in 2008-09), out of which approx 1 bn ltrs is used for potable purposes, 0.2 bn ltrs is converted into fuel ethanol for mixing with petrol and balance for chemical industry. The production of alcohol is dependent upon molasses produced from sugarcane. Approximately, 8.5 mmt molasses was produced in the year 2009-10, which has been utilised for manufacturing alcohol, animal feed and exports.

Potable spirits sector

Potable spirits sector (Indian made foreign liquor) in India comprising whiskey, rum, vodka, gin etc is growing at a pace of over 10% p.a. despite facing stiff competition from neo drinks like wine and beer. Molasses is the principal feed stock. White spirits like vodka, gins etc are growing at even faster rate. Total potable liquor market size is estimated at 175 mn cases per annum, in which premium and semi premium segments account for 87 mn cases. Growth in premium spirits segment is the fastest because of rise in standard of living, growing population and shift in drinking habits. Still per capita consumption in India at 0.15 litre p.a. is one of the lowest in the world.

Ethanol sector

The ethanol blending program (EBP) is designed to promote clean and renewable fuels on sustainable basis. GOI has mandated 5% (E5) mixing with petrol for 2010-11 on regular basis and approval for 10% (E10) has also been given. The program, started in the year 2001, remained dormant in past on account of lower sugarcane production, un-remunerative price and inconsistent policies. For Indian EBP, availability of molasses is the basic driver. The country has an installed capacity to produce 1.2 bn litres of ethanol, which is sufficient to meet the demand upto 10% blending.

During the year 2009-10, where sugarcane was in deficit, the availability of fuel ethanol remained low after meeting the requirement of potable and chemical industry. Sugar industry continued to supply small quantities of ethanol against the previous orders even at a loss to keep the program in force. The oil marketing companies (OMCs) have issued/ in the process of issuing letters of intent for purchase of 710 mn litres of ethanol to meet the requirement of 5% EBP for 2010-11 at a provisional price of Rs 27 per litre against Rs 21.50 per litre in earlier tenders. The industry has accepted the offer.

Given high volatility in sugar prices, stability in ethanol and power prices need to be encouraged to check the cyclicity and promote fresh investments.

SIMBHAOLI SUGARS LIMITED

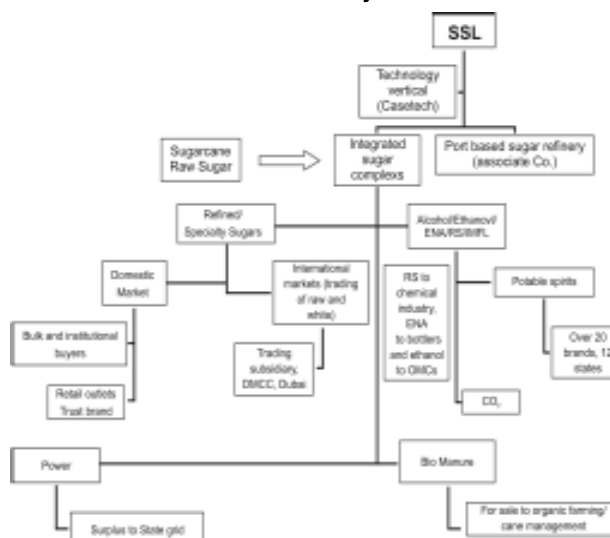
Business description: operating capacities

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	600	60	-	9
Chilwaria (Eastern UP)	6600	600	60	16	9
Total	20100	2050*	210	34	35

*out of the raw processing capacities, 1450 TPD is sulphur less refined, capable to produce EC grade 45 ICUMSA sugar.

Simbhaoli Sugars has over seventy five years experience of producing one of the best and most diversified range of quality sugars and it's by products. It has developed into a professionally-run, technology-driven organisation with product portfolio having a blend of refined and specialty sugars, potable spirits, co-generated power, extra neutral alcohol (ENA), ethanol, bio-manure and technology consultancy. It has one of the largest integrated sugar refineries of India, and is indulged in continuous innovations in sugar refining, product development process and finished products including those relating to specialty sugars.

Value Chain System



SSL has three business complexes located at Simbhaoli (western Uttar Pradesh), Chilwaria (eastern Uttar Pradesh) and Brijnathpur (western Uttar Pradesh), having a combined crushing capacity of 20,100 TCD. The Company has its marketing offices for its potable spirits, speciality sugars and fruit drinks at multiple locations. It has developed expertise in refining raw sugar in the off season period and has a capacity to refine 3,00,000 mt raw sugar annually in addition to cane crushing, whenever commercially viable.

Along with sugar, it has a complete integration with distillery and cogeneration of power businesses; leading to optimal utilization of by-products, energy conservation, and cost savings. It has three distilleries adjacent to the sugar plants with an aggregate capacity of 210 kilo litres per day (KLD). This includes the capacity to produce 180 KLD of ethanol, rectified spirits and extra neutral alcohol. It has bottling tie-ups in the states of Jammu and Kashmir, Punjab, Himachal Pradesh, Uttarakhand, West Bengal, Kerala, Assam and Orissa.

Year 2009-10

Year 2009-10 proved to be a difficult business year for the industry as well as for the Company with price volatility and its inability to forecast the future price trends. During the year, domestic sugar prices touched one of the historically high levels and then came down sharply after a correction in the production estimates. There were losses on account of higher raw material costs and marking to market valuation of sugar inventory. The high inventory levels at the time of fall caused operating losses to the Company. To minimize the effect of negative margins and resultant losses, the Company has successfully repositioned itself for export of sugar and its by-products.

Sugar business

Government took a number of measures to check rising sugar prices including increase in levy sugar quota from 10 to 20%, restriction on sugar stock holding limits by bulk consumers and suspension of the futures market operations. In the beginning of 2009-10 season, the sugarcane availability was perceived to be low and mills paid cane prices over and above Government announced price to ensure adequate supply. Average cane price paid by the sugar units of the Company for the season has been over Rs 100 per qtl higher as compared to the previous year.

In view of anticipated deficit in sugar supply, the Company in the first half of the year has contracted 3.2 lacs mt of raw sugar for refining. As a part of its business plan, it decided to carry out raw refining at its sugar refineries for at least 120 days in off season to maximize the earnings and reduce per quintal fixed costs. The raw sugar movement restriction from port to the sugar refineries imposed by UP State and non availability of railway rakes, affected the raw refining costs, time line and caused price variation. The undelivered quantities at the time of fall in prices have been cancelled.

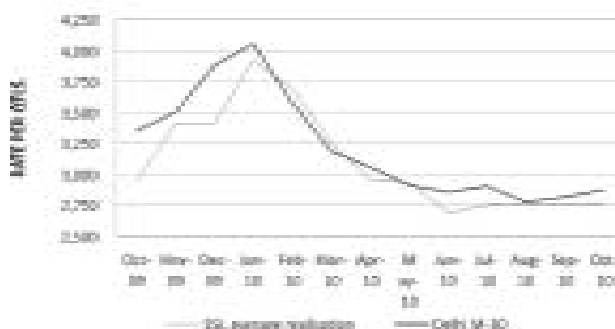
Sugar refineries of the Company have processed 2.39 lacs mt of raw and low quality white along with sugarcane as well as during off crop period. This resulted in higher white sugar production at 3.82 lac mt (2.39 lacs mt in 2008-09). The average cost of production has been Rs 3050 per qtl, whereas cost of refined sugar produced out of raw processing has been higher by Rs 300 per qtl.

Free sale sugar prices touched their peak at Rs 4300 per qtl during February 2010, which came down to Rs 2600 per qtl in August 2010. Average realization for the year was at Rs 3012 per qtl (previous year Rs 2250 per qtl). The gross turnover of the sugar segment has been Rs 1105.9 crores, 85% higher (Rs 596.3 crores last year). In spite of higher turnover and realizations, the sugar segment made negative margin on account of lower than the cost realization, high-priced raw material and valuation

of inventories at net realizable values. The marking to market valuation of closing stock of sugar and increase in levy quota to 20% caused a loss of Rs 48 crores. Increased business volumes also resulted in increased working capital requirements and consequently higher interest charge.

Considering the sugar demand and volatility in sugar cane production; for meeting successive sugar deficit, your company strongly feels that raw refining shall continue to be a viable business model to maximize the revenues and earnings by utilizing the assets optimally. The refined sugar has a regular export market, which gives an opportunity to arbitrage between domestic and international markets based upon the price differentiation.

Simbhaoli Average Realization vs Delhi free sale sugar prices



Cane management

SSL has continued its cane development program including distribution of sugarcane seeds for varietal management, pest and insect control etc to augment cane supplies in its reserved areas. It has propagated schemes for multi cropping of different crops with sugarcane to maximize the earnings of the farmers. Assistance(s) have been obtained from banks and sugar development fund. The benefits of these initiatives will be available in future in the form of improved farm yield and healthy cane crop.

For sugar season 2009-10, Uttar Pradesh Government had announced the state advised price (SAP) at Rs 165 per qtl for common variety vis-à-vis FRP of Rs 129.84 per qtl linked to 9.5 per cent recovery. SSL paid a cane price higher than the SAP in line with the trends in UP industry following a low supply of sugarcane. For 2010-11 season, UP Government has announced SAP of Rs 205 per qtl. Aggrieved by this 24% increase in sugarcane price in a single year, the industry including SSL has approached the Hon'ble Allahabad High Court for relief.

Bulk alcohol business segment

Potable distillery at Simbhaoli performed at 99% capacity utilization against 64% in previous year. However, Chilwaria and Brijnathpur ethanol distilleries performed with lower capacity utilization, due to lower availability of captive molasses. Free sale price of molasses came down to Rs 340 per qtl, from a peak of Rs 450 per qtl. The under utilization of capacities and higher price of molasses for a major part of the year lead to higher cost of production of alcohol and negative margins in the segment.

During the year, SSL commenced export of extra neutral alcohol (ENA) to create new market for bulk products and 7.2 mn BL has been exported to seven countries. Alcohol segment turnover (net)

at Rs 183.3 crores has increased by 51% against Rs 121.3 crores in previous year.

Potable liquor business segment

During the year, three brands under semi premium category, namely Board Verdict whiskey, Carnival Grande rum, and Hunters White rum; have been introduced in select states and are well received. New variants for Xing vodka have been introduced with different flavors. SSL, at present, has a brand presence in almost all the segments of potable spirits with over 20 brands. It has produced 8.64 lacs cases of quality spirits. 41,000 cases have been supplied to the Canteen Store Department of the armed forces.

The production, marketing and distribution network is strengthened through 12 bottling tie-ups and a presence in 11 states apart from UP. It has also exported 3.1 lacs cases of potable spirits to seven countries. The Company is evolving into a marketing led organisation supported by in house production of high quality ENA, and developing all the capabilities of manufacturing, materials, marketing, branding etc under alcohol segment. The potable liquor segment has been identified as future growth area of the Company.

Ethanol

SSL has a capacity to produce 180 KLD of ethanol out of its three distilleries. During the year, it has supplied 8.66 lacs BL of ethanol at a price of Rs 21.5 per BL under previous contracts. The GOI has recently increased ethanol prices to Rs 27 per BL provisionally and under new contracts, the Company has been allocated an aggregate of 225 lacs BL of ethanol for supply to OMCs upto Sept 2011.

Power business

During the year, SSL cogenerated power in season and off season with saved bagasse as well as with usage of alternate fuels alongside raw sugar refining, ensuring optimum utilization of the power generating equipment and lowering the fixed costs. It supplied 63,484 mwh power to the grid at a selling price at Rs 3.91 per kwh as revised by Uttar Pradesh Power Corporation Limited against 48,121 mwh exported during previous year.

Power segment contributed Rs 246.7 mn to the revenues however, its margins declined with increase in fuel costs. The Company is completing the post registration formalities to avail Certified Emission Reduction (CER) benefits under Clean Development Mechanism (CDM) of United Nations Framework Convention on Climate Change (UNFCCC). On theoretical basis, it has accrued 58,400 CERs up to the end of the year 2009-10. Increase in power generation capacity, both season and off season shall be the future thrust area of the Company.

Human resources

Human resources are the key driver and with their commitment and dedication, the Company has been able to successfully implement its business strategies. For continual expansions, enhancement of capacities, diversifying the product portfolio and intensifying operations, both in India and overseas, SSL is constantly developing its human resources to meet future needs successfully. There is a continuous motivation and encouragement to human assets for their multi-faceted development by providing a work environment wherein they can make the best use of their

existing capabilities and develop new ones.

To encourage learning as a part of the organization culture, opportunities are provided on a regular basis to improve knowledge, foster enquiry and dialogue, making it safe for people to share openly and take risks. The Company constantly undertakes training activities to enhance skills of its human resources. During 2009-10, the Company has imparted 1600 man days (841 in the previous year) of training to employees and executives.

Key result area (KRA) based performance appraisal system is followed, wherein overall Business Plan of the company is percolated down to the executives by identifying KRAs of the individuals. Objective of performance appraisal system is to measure the performance of employees, identify their individual improvement areas, and give them performance feedback.

Employee welfare is taken care of by providing various facilities like residential houses, fully operating dispensary, school, school bus, canteen, club, fair price shop, bank and post office. Annual recreational and educational tours are organized for employees and their families.

SWOT

Strengths

Sugarcane

1. Sugar units are located in the sugarcane-rich Indian state of Uttar Pradesh
2. Well-irrigated sugarcane farming
3. High cane density and close proximity of sugarcane farmers
4. Maintaining cane quality by varietal change, cane development program
5. Multi-cropping ensuring regular supplies and enhanced returns to farmers

Sugar refining

1. Integrated facilities to produce sugar using sugarcane as well as raw sugar
2. Capacity to operate the refineries during off-campaign, making them work for over 300 days/year
3. Internationally recognised high quality of sugar; Premium in domestic and global markets
4. Broad product offering including pharmaceutical-grade sugar and speciality sugars
5. International trading subsidiary for supporting international trade
6. In house technology vertical; new subsidiary operating globally

By products

1. Present in all segments of alcohol; extra neutral alcohol, ethanol, and potable spirit
2. Capable to produce and market different variants, categories and brands of potable spirits
3. Strong marketing and distribution channels for the branded products
4. In house green power. Capacity to co generate power round the year

Weaknesses

1. Cyclical nature of the industry. Sugarcane production is a factor of natural and economic cycles thereby affecting production of the sugar and by products
2. High carrying costs of inventories and high working capital needs

3. Highly leveraged due to past capital expenditures and losses incurred in the year 2009-10
4. Highly regulated environment of operation; sugarcane procurement to sugar sales, stringent government regulations are applicable

Opportunities

1. Expand in value added products under sugar and potable alcohol segments
2. Capable to acquire and turning around weak sugar plants by technology/agriculture solutions
3. Enlarging the operations of technical consultancy vertical through its subsidiary, Integrated Casetech Consultants Pvt Ltd.
4. Prepared for supplying ethanol for the EBP
5. Flexibility to use raw sugar in case sugarcane is in short supply
6. Possibilities to expand power generation business and execute open access contracts
7. Adding other agri commodities in business lines by leveraging relationship with farmers
8. Major exporter in its product lines on account of quality, brands and product mix

Threats

1. Any adversities of agro- climatic conditions may impact negatively
2. Volatile international markets have a bearing on domestic markets
3. Specific government regulations may be unfavourable to the Company's operations
4. Un-hedged positions in sugar may lead to high risk with regard to prices and cost of production
5. Part of the Company's imports related outflows are un-hedged

Quality management system

The Company is fully compliant to internationally recognised quality standards. Quality control efforts extend from the farm to the manufacturing floor. Captive experimental farms at Simbhaoli, Chilwaria and Brijnathpur grow advance cane varieties for propagating for their quality and yield attributes.

The sugar refineries of the Company have quality control certifications including ISO 9001:2008, ISO 14001:2004 and ISO 22000:2005. Quality is ensured in every system, be it manufacturing or management. These management systems are applied to develop a systematic work culture that emphasizes process ownership across all levels of the organization. To improve the organizational efficiencies, emphasis has always been on quality, environment and food safety management initiatives. Other concepts like quality circles, task forces, and committee assignments etc are in operation for many years in the Company.

Internal control system

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/ activities centre to ensure the adequacy of control system and its monitoring. The main objectives of the internal control system are to: 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. The Company has introduced a SAP based ERP system, which will further strengthen the internal control procedures and information flow.

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 works out their mitigation strategy. However, the positions of the Company under sugar segments remained un-hedged for most of the time on account of non-functioning of sugar contracts in the commodity exchanges in the country and other restrictive policies adopted by GOI. Business and currency volatility have also affected the risk profile of the Company.

Benefits under UP Sugar Industry Promotion Policy, 2004

UP State Government announced Sugar Industry Promotion Policy (the Policy) on August 24, 2004 comprising a number of financial benefits for fresh investments in the sugar and related businesses till March 31, 2008 against the investment slabs of over Rs 350 crores and Rs 500 crores. The incentives were available for a period of 5 to 10 years and included capital subsidy, reimbursement of transport cost, remission of stamp duty and registration charges, remission or reimbursement of purchase tax and exemption from entry tax. SSL has also made investments of over Rs 450 crores in areas related to sugar, power, and alcohol during the policy period to be eligible to avail these incentives. The Policy was withdrawn by the government order dated June 4, 2007 with a promise to reformulate the same.

The UP Government did not reformulate the sugar incentives policy, after its premature withdrawal and benefits promised in the policy remained unrealized. The matter has been referred to the Hon'ble Allahabad High Court for resolution and is presently sub judice. The Hon'ble High Court in a similar case has given its judgement, restoring of benefits under the Policy, subject to meeting of the eligibility criterion before the date of its withdrawal. Given the fact that SSL has made investments of over Rs 350 crores before the date of withdrawal of the Policy, its chances of getting relief in the legal case are fair. SSL is eligible to avail the incentives under the Policy estimating to Rs 52.6 crores (excluding capital subsidy) up to September 30, 2010, which are not accounted for in the books of accounts.

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)

SSL is over 75 years old organisation and has taken a number of initiatives, which have improved the life for thousands of sugarcane farmers and their families on a regular basis. It has encouraged education, health and sanitation. Farmers are

encouraged to do inter-cropping - a new way to improve their incomes. With cleaner surroundings, unclogged drains, SSL is helping the villagers to learn the value of good hygiene and sanitation.

The Company's mission to become a model corporate citizen is being translated on ground by the Simbhaoli India Foundation (SIF), a non-profitable institution specially established to implement programmes in the fields of education, healthcare, clean water, social welfare, village infrastructure development in sugarcane areas of the Company. The Company's employees are important stakeholders in the foundation, and have contributed to set up the corpus fund. The activities carried on by the foundation during the year 2009-10 include medical camps at Simbhaoli and Chilwaria; books distribution program at Simbhaoli; flood relief camp at Chilwaria and implementation of education linked Scholarship Scheme(s) at Simbhaoli. The details of Company's CSR activities are available at the website.

The Company is disseminating information on its CSR policies, activities and progress in a structured manner to all their stakeholders and the public at large through its website, annual reports, and other communication media following the Corporate Social Responsibility Voluntary Guidelines, 2009, issued by Ministry of Corporate Affairs.

Secretarial audit

The Company has followed and adhered to all the requirements under the Companies Act, 1956, SEBI regulations, Reserve Bank of India and other statutory/ regulatory authorities as applicable from time to time. The Company has also been following the requirements under the Corporate Governance norms. SSL has a good team of professionals, who are handling the statutory requirements under the said provisions and also following the principals of transparency, accountability, corporate citizenship and environment consciousness in the best interest of all the stakeholders. The secretarial audit under the Corporate Governance Voluntary Guidelines, 2009 issued by the ministry of Corporate Affairs; shall be conducted in phased manner over a period of time.

Information technology

- a) System Analysis and Program development (SAP) implementation: During the year, SSL has implemented SAP based enterprise resource planning (ERP) solutions optimizing the performance of the business as well as the business network. All the business units of the Company are integrated through SAP modules. Information technology integration has been made 'Go Live' with effect from October 1, 2010. The program is implemented in six months time with in-house development team. The Company will be able to strengthen its management information system, financial accounting, material management, production planning and sales and distribution with the help of SAP enabled system.
- b) International Financial Reporting Standards (IFRS): Since the Company's securities are listed on stock exchanges outside India, the Company is taking steps in phased manner to convert the financial accounts in compliance with the notified accounting standards, which shall be convergent with the IFRS requirements as applicable to it.

Branding

SSL is concentrating on cultivation of new brands for its different product categories and marketing them in new areas. It is continuously developing new markets for its variants under the potable spirits and specialty sugars. During the year, the potable alcohol division has launched three new brands and has entered into the premium segment. Hunters White Rum with unique blend and new bottle shape has been introduced in south Indian markets. Variants of Xing vodka i.e. green apple and lemon have been introduced in select markets. Other brands of white spirits viz., Ice Blue Gin and Ice Blue Tango (Gin and Orange), are planned to be introduced in Eastern markets in near future.

A new brand under the semi premium whiskey segment, Board's Verdict, has been introduced. It is made from quality grain spirit and has been blended with the genuine scotch. Marketing initiatives are focused on creating visibility with large scale consumer trials for the brand. The newest launch in premium category is 'Carnival Grande Rum', initially introduced in Haryana, Himachal Pradesh, Uttarakhand and in the Eastern states.

To expand the derived demand of specialty sugars, SSL has introduced four variants of instant natural fruit drink mix, "Trust SIPP" in north Indian markets in the fast moving consumer goods (FMCG) segment and it has plans to enlarge its share to three times in coming years.

International marketing and trading

SSL is one of the few companies in North India having capability to export EC grade refined sugar for direct consumption to developed countries, both under bulk and branded segments. For bulk segments, the customers include almost all the major international sugar trading houses. During the year, it exported 6000 mt of refined sugar against its pending obligations under the Advance License Scheme (ALS).

Raw sugar purchase division of the Company imported 2.30 lacs mt of raw sugar. It has entered into forward contracts and cancelled/ switched them based upon market expectations and price mechanism. During the current year, this division will be further strengthened with formation of risk evaluation and mitigation policies by application of the advance trading tools like calls, options, derivatives and hedging etc.

Insurance claim on loss of raw sugar

A vessel carrying 22,500 mt of raw sugar of the Company sank near South Africa on July 23, 2009, resulting in total loss of the raw sugar on board. A claim under the insurance policy aggregating to Rs 47.8 crores has been submitted with the insurance company. The insurance company, however, has repudiated the claim citing the reasons relating to non disclosure of material information. Aggrieved by the rejection, the Company has made a review request to insurance company and has also initiated legal proceedings with the National Consumer Disputes Redressal Commission, which has been admitted for proceedings. Meanwhile, it has initiated arbitration proceedings against the vessel owner and has obtained an undertaking from the London Steamship Owners' Mutual Insurance Association Limited, London, acting as Protection and Indemnity (P&I) Club of vessel owner, to compensate the loss up to USD 14.5 mn, in case arbitration proceedings are decided in Company's favour. Based upon expert legal advice received, the Company is confident to recover full value of claim against the loss of raw sugar.

Operation of Subsidiary/Associate companies

- a) Simbhaoli Global Commodities DMCC: During the year, business of Simbhaoli Global Commodities DMCC, Dubai; a wholly owned subsidiary of the Company, remained restricted on account of lack of export opportunities. It has earned income of Rs. 42.6 lacs (Previous year Rs. 205 lacs) and net loss of Rs 13 lacs (previous year net profit Rs 17 lacs) for the year ended September 30, 2010.

The consolidated financial statements presented by the Company include financial information of its subsidiary prepared in compliance with applicable accounting standards. The Ministry of Corporate Affairs, Government of India has granted exemption under Section 212(8) of the Companies Act, 1956, from attaching the balance sheet, profit and loss account and other documents of the subsidiary company to the balance sheet of the Company. The annual accounts of the subsidiary company and the related detailed information will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary company will also be kept for inspection by any investor at the corporate/registered office of the Company and that of the subsidiary company. The information of subsidiary company is separately disclosed in this annual report.

- b) Integrated Casetech Consultants Private Limited: Integrated Casetech Consultants Private Limited (Casetech) is a technology consultancy organization formed in the year 2008. It provides technical services in the areas related to process engineering, operational manpower management, maintenance of sugar mills and refinery plants, process steam reduction and electrical energy conservation, agriculture and sugarcane management services. Casetech offers services in areas ranging from conceptualization to commissioning of sugar and refining plants. It has quite successfully obtained and executed various International and domestic projects including factory supervision, operations and maintenance of sugar mills at Philippines, pre-feasibility study of a sugar refinery project at East Africa, and complete operation and off-season maintenance of a sugar mill in Haryana. During the year ended March 31, 2010, it generated gross revenue of Rs 2.86 crores with a pre-tax profit of Rs 58 lacs. Casetech has become subsidiary of SSL with effect from November 29, 2010 by subscribing 82.4% capital of it at an investment value Rs 17.80 lacs.
- c) Uniworld Sugars Limited: SSL is promoting stand-alone port based sugar refinery of 1000 TPD capacity near Kandla port in Gujarat with an estimated project cost of over Rs 2 bn. A new company namely, Uniworld Sugars Limited (USL), has been incorporated for this purpose. SSL is intending to contribute part capital in USL and the balance capital is proposed to be contributed by promoters of SSL and their business associates. The debt part for the project has been tied up in the form of credit assistance from banks and financial institutions. Land has been acquired for the project near Kandla port, Gujarat. The proximity of the proposed refinery to domestic deficit areas and ability to export provide the good business opportunities for the project. The business model of the refinery involves the processing of imported and domestic raw sugar for domestic and export markets.

OPERATIONS

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

Manufacturing facilities	Units	Simbhaoli		Chilwaria		Brijnathpur	
		Year ended		Year ended		Year ended	
Sugar Facilities		Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009	Sept 30, 2010	Sept 30, 2009
Sugarcane consumed	MT	1,019,463	7,91,488	303,916	3,25,400	3,95,683	3,51,847
Sugar recovery**	%	9.23	9.14	8.56	8.10	9.27	8.51
Raw/below grade sugar refined	MT	1,038,603	89,983	76,669	17,400	58,386	12,706
White Sugar produced*	MT	977,818	155,115	99,233	41,990	91,429	42,036
Surplus Power exported	Kw (lacs)	394.4	379.52	225.85		118.42	
Gross season	Days	138	133	93	94	136	142
Date of closure of plant		09.04.10	23.03.09	06.03.10	22.02.09	07.04.10	29.03.09
Distilleries							
Alcohol/ Ethanol produced	B.L.	27,106,422	1,73,05,830	7,326,838	51,53,358	1,33,36,307	17,38,957
Potable alcohol sold	Cases	467,152	10,77,310	-	-	-	-
Days of operations	Days	323	212	151	159	283	50

*including conversion of raw and below grade white sugar, into refined sugar

**recoveries have been adversely affected on account of short crushing period.

Days of operations of sugar cane crushing in sugar divisions remained lower on account of less sugarcane available, affected the sugar recovery as well. Reduction in sale in the quantum of potable spirit by 36% relates to change in the policies in certain states. Chilwaria and Brijnathpur ethanol units did not operate at optimum capacity because of low production of captive molasses.

FINANCIAL RESULTS AND ANALYSIS

A summary of the financial results of the Company for the year under report is stated as under:

(Rs in mn)

Particulars	Year ended Sept 30, 2010	Year ended Sept 30, 2009
Net Sales/Income from operations	12,616	7063
Other Operating Income	570	183
Total operating income	13,187	7,246
Profit/(Loss) from Operations before other income and interest	(477)	578
Other Income	64	740
Profit/(Loss) before Interest	(413)	1319
Interest and finance cost	8,47	631
Profit/(Loss) before tax	(1,260)	688
Tax expense		
Deferred tax benefit	513	-
Fringe benefit tax	-	29
Net Profit/(Loss) after Tax	(747)	717

In view of substantial business losses, and need to conserve cash, the directors express their inability to recommend any dividend for the year.

During the year, the business of the Company has been affected adversely by a sudden fall in sugar prices in a short span of time. The ex-factory prices of the sugar sold by the Company came down by 40% between February to August 2010. The Company has been carrying large inventories of white sugar, both from raw and cane, and unprocessed raw sugar, including raw sugar in transit. On such sales, it had to incur the operational losses on account of valuation of the stocks at NRV and the net sugar realisation falling lower than the cost of production. The valuation fall and lower realization of sugar inventory resulted in one-time exceptional loss of nearly Rs 4 per kg, and a non recovery of off season expenses including the interest expense.

This has adversely affected the financial ratios and created liquidity constraints. The management is consciously aware of the situation and is confident that despite such valuation related losses, which have been common to the sugar industry, the measures taken by the Management, to improve its business viability by cost controls, product improvements and financial engineering, will improve the financial position of the Company. It is considering the options of carrying out business restructuring, future capitalisations, replacement of short term loans with the long term ones etc to tie over the liquidity constraints. Your directors are confident that the measures stated herein above, would be sufficient to continue the businesses of the Company viable both for short and long term.

The analysis of the balance sheet of the Company as at September 30, 2010 and profit and loss account for the year ended on that date is reported as under:

Share capital

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

Preference shares: 2,16,000, 8% Cumulative Redeemable Preference shares of Rs. 100 each have been redeemed. There is no outstanding preference share capital at the end of the year.

Equity shares: 28,140 (previous year 1,75,836) equity shares of Rs 10 each were issued and allotted under Employee Stock Option Scheme, 2007 as fully paid-up at an exercise price of Rs. 39 per equity share.

Reserves and surplus

The following movement has taken place during the year under the reserves and surplus head:

- (i) Revaluation reserve: Deduction of Rs. 0.15 crores due to depreciation charged on re-valued amount of fixed assets.
- (ii) Securities premium account: Increased by Rs. 0.08 crores on account of issue and allotment of equity shares under ESOP at a premium of Rs 29 per share and Rs 0.73 crores on account of reversal of premium on buy back of USD 1.5 mn FCCBs. The securities premium amount is further reduced by Rs 0.35 crores being the premium payable on redemption of securities.

Total equity shareholder funds excluding revaluation reserve of the Company reduced to Rs. 42.02 crores (previous year Rs. 116.21 crores). The book value per equity share is Rs. 18.12 (previous year Rs. 50.16).

Secured loans

Additional foreign currency loan of Rs. 5.52 crores (previous year Rs 64.86 crores) has been taken during the year to repurchase the USD 1.50 million FCCBs. Sugar Development Fund loan of Rs 40.61 crores has been availed during the year and Rs 5.45 crores has been repaid. Besides, a sum of Rs 65.4 crores has been repaid to banks and other lenders.

Unsecured loans

Bought back FCCBs of USD 1.5 million (Rs 8.9 crores including premium) during the year at an average gain of 38.5% to book value. The outstanding FCCBs are USD 1.89 mn (Rs 11.26 crores including premium). The Company has taken unsecured loan from directors aggregating Rs 2.56 crores as short term

borrowings.

Deferred tax liabilities/assets (net)

Deferred tax asset of Rs 70.41 crores (Rs. 19.27 crores) recognised 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: Capital expenditure for the year, Rs 46.56 crores include setting up a new mill at Simbhaoli sugar plant, additions to the boilers at Chilwaria and Brijnathpur sugar division and new bio-digester at Brijnathpur ethanol division.
- b. Retirement of assets: The Company has deducted from fixed assets Rs. 8.55 crores (previous year Rs 1.52 crores) including Rs 5.99 crores, being the exchange differences on long term monetary items relating to the acquisition of fixed asset.

Pre-operative expenditure

The pre-operative expenses pending allocation are nil (Previous year Rs. 1.33 crores), after the capitalization/commissioning of concerned capital assets.

Inventories

Inventory amounting to Rs 400.5 crores (previous year Rs 430 crores) includes raw sugars, both at plants and ports, finished goods and process stocks. Raw sugar in hand will be refined in following months along with sugarcane. Loss on account of marking the value of inventories to market price of Rs 48 crores, has been fully provided for.

Sundry debtors

Sundry debtors (net) amounting to Rs. 72.7 crores as on September 30, 2010 (previous year Rs. 56.9 crores), are considered good and realizable. Provisions are generally made for all debtors outstanding for over 360 days subject to their scope of realization and depending on the management's perception. Debtors are at 4.9% (previous year 5.7%), representing an outstanding of 18 days (previous year 20 days) of gross revenues.

Cash and bank balance

Cash and bank balance of Rs 139.2 crores (previous year Rs 56.10 crores) includes fixed deposits of Rs 121.7 crores out of which Rs 119.5 crores are pledged with banks for securing various Letters of credit/guarantees etc.

Current liabilities and provisions

Sundry creditors of Rs 1 lacs comprises amount due to small scale industries, the suppliers of raw materials, stores and services and other expenses. Other provisions include provision of Rs. 2.81 crores (previous year Rs. 4.09 crores) towards premium on redemption of FCCBs and Rs. 1.97 crores (previous year Rs. 1.87 crores) towards provisions for leave encashment. Provision for taxation is reduced to Rs 2.79 crores (previous year Rs 10.65 crores) in view of lack of taxable profits.

Sales and other income

Sales and other income (net of excise) for the year was Rs. 1325.11 crores (Previous year Rs. 798.75 crores), higher by 65.9%. The other income comprises interest, rent, profit on sale of fixed assets, liability/provisions no longer required to be written back and miscellaneous earnings.

Negative EBIDTA under sugar segment is attributed to high cost of production in 2009-10 season, high value of raw sugar and sudden fall in sugar prices after February 2010. Negative EBIDTA under alcohol segment is attributed to lower capacity usage, higher molasses cost and steep discounts in potable liquor segment.

The segment wise allocation of revenues for 2009-10 and preceding three years is as under:

(Rs. in lacs)

Years/ Segment	Sugar		Alcohol		Power		Others	
	Turnover	%age	Turnover	%age	Turnover	%age	Turnover	%age
2006-07*	50,346	51.3	47,301	48.2	265	0.3	204	0.2
2007-08	30,291	45.8	33,540	50.72	1478	2.23	825	1.25
2008-09	58,909	58.8	38,739	38.8	1530	1.5	900	0.9
2009-10	110,592	74.12	36,146	24.23	2,467	1.65	-	

*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. 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 no amount was outstanding at the end of the year.

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. The Board has taken note of the qualification made by Auditors in their Report on Deferred Tax credit. Such credit is taken on the judgment exercised by the Company based on the following:

1. Recent increase in sugar prices and change in business cycles.
2. Changes in the Government policies deregulating the industry including reduction in levy quota, permitting exports, relaxing quantitative controls on sugar and permitting procurement of ethanol for admixing with petrol.
3. Emphasis on exports particularly export of sugar of 40,800 mt, which the Company is entitled under its past export obligations. Export of sugar is giving positive arbitrage over domestic price of sugar. Further, the Company is strengthening its ENA and IMFL export related activities and creating new markets.

4. The Company is enlarging its non cyclical business areas viz power and potable spirits which give higher margins. Increase in power export tariff will assist the Company to meet its plans. The new brands introduced in IMFL segment will yield higher margins.
5. The Company, having three integrated sugar refineries, is in the best possible position to reap benefits of changing sugar scenario.
6. The Company has developed risk assessment and mitigation skills over the years which will result in bringing stability in its earnings capability.
7. The Company has identified technical innovation as a key driver of growth. Under this approach, the Company is pursuing various technical and agricultural development models. It has created a new business vertical, Integrated Casetech Consultants Pvt Ltd, for this purpose.

The management is confident that the above steps initiated by the Company will have a positive impact on the Company's financial performance, therefore, its ability to utilize the deferred tax credit going forward in future.

DIRECTORS

At the forthcoming 74th Annual General Meeting (AGM) of the Company, Dr. G S C Rao and Mr. Sanjay Tapriya, Directors on the Board of the Company, are retiring by rotation and being eligible offers themselves for re-appointment. The Company has appointed Mr. Basant Kumar Goswami as additional director on the Board of the Company on June 11, 2010.

Mr. Goswami is a senior retired IAS Officer, who joined Indian Administrative Service in the year 1960. He has held important positions in various government/semi-government departments and has been awarded many times. Mr. Goswami has been director on the board and/or committees of various public and private limited companies in India. He has also been actively involved in various social, charitable and religious activities. He holds a Master's degree in English from the University of Punjab. Mr. Goswami is an independent director within the meaning of Clause 49 of the listing agreement with stock exchanges. Being eligible, he offers himself for re- appointment.

ICICI Bank has withdrawn the nomination of Mr. S D Saxena with effect from December 15, 2009. 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, 28,140 (previous year 1,75,836) equity shares of Rs 10 each were issued and allotted under Employee Stock Option Scheme 2007 as fully paid-up at an exercise price of Rs. 39 per equity share 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 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 FCCBs of USD 1.5 mn out of total outstanding liability of USD 3.39 mn by raising

additional external commercial borrowings from Punjab National Bank, Hong Kong in accordance with the guidelines issued by Reserve Bank of India. These Bonds were the part of the USD 33 mn FCCB's issued by the Company in 2006, to part finance its growth plan.

CORPORATE GOVERNANCE

As per clause 49 of the listing agreement with the stock exchange, the report on corporate governance along-with certificate from the auditors and certificate from Chairman and Managing Director, Chief Executive Officer and Chief Financial Officer form part of this annual report.

LISTING OF SECURITIES

The equity shares of the 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

Foreign exchange aggregating of Rs. 53.17 crores (Previous year Rs. 24.3 crores) was earned by the Company against the export of sugar and cancellation of raw sugar contracts. A sum of Rs. 639.3 crores (previous year Rs. 334.1 crores) inclusive of import of raw material 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 the 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 Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, New Delhi, retire at the ensuing annual general meeting of the Company and, being eligible, offers themselves for re-appointment. You are requested to re-appoint the auditors for the financial year 2010-11 and fix their remuneration.

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 financial year ended on September 30, 2010, 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, 2010 and of the loss of the Company for the financial 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, 2010 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 intention 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 the 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 Sugar Technologist 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
Simbhaoli Sugars Limited**

**New Delhi
November 29, 2010**

**Gurmit Singh Mann
Chairman and
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. Chilwaria sugar division (CSD) has commenced cleaning of Reduced Pressure Steam Lines with condensate water replacing the exhaust steam. This has reduced the steam consumption.
- ii. CSD is operating 87 Kgs/ CM2(g) boiler with variable frequency drive(VFD) operated fans during crushing season. This has improved the generation of steam per unit of bagasse and lower power consumption per unit of steam generation and improved power generation.
- iii. Simbhaoli sugar division (SSD) has installed a flash cooling crystalliser working under vacuum. It started utilising the vent vapour of clarifier for molasses conditioning. These measures have reduced the steam consumption by about 0.8%.
- iv. Brijnathpur sugar division (BSD) has installed a syrup concentrator and improved the syrup brix from 60 to 68 which resulted reduction in process steam by about 1%.
- v. BSD is utilising the non condensable gasses from C pans for molasses reducing the process steam demand by about 0.5%
- vi. Counter sludge re-circulation technology (CSTR) type bio-digester is commissioned at Brijnathpur distillery division (BDD), reducing the fuel consumption substantially.

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

- i. Activities are regularly 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.

(c) Impact of above measures

The above measures have reduced the power consumption at all the sugar units and export of power has increased. 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. Bagasse saved at BSD is utilized for off season consumption at Simbhaoli and Brijnathpur Distillery Divisions.

(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, 2010: Mentioned in the Directors Report.

FORM A

Disclosure of particulars with respect to conservation of energy for the year ended September 30, 2010.

A. Power and fuel consumption

S.No.	Particulars	Unit	Year ended September 30, 2010	Year ended September 30, 2009
1	Electricity Purchased			
	Units	Kwh ('000)	2681	2694
	Total Amount	Rs Lacs	107.98	121.23
	Rate/Unit	Rs/Kwh	4.03	4.50
	Own Generation			
	(i) Through diesel generator			
	Units	Kwh ('000)	1291	979
	Unit per ltr. of diesel oil	Kwh	3.30	3.16
	Total Amount	Rs Lacs	146.17	105.70
	Cost/Unit	Rs/Kwh	11.33	10.79
	(ii) Through steam turbine			
	Units	Kwh ('000)	73950	51630
Units per ltr. of fuel/gas	Kwh	N.A.	N.A.	
Total Amount	Rs Lacs	2400.15	1308.91	
Cost/Unit	Rs/Kwh	3.25	2.54	
2	Coal/Coke			
	Quantity	Tonnes	67273	24137
	Total Cost	Rs Lacs	3489.22	1073.16
	Average Rate	Rs/MT	5187	4446
3	Furnace oil/L.D.O			
	Quantity	Kilo Ltrs	113	Nil
	Total Cost	Rs Lacs	41.26	Nil
	Average Rate	Rs/K Ltrs	36467	N.A.
4	Others			
	Fire Wood			
	Quantity	Tonnes	2025	Nil
	Total Cost	Rs in Lacs	30.33	Nil
	Average Rate	Rs/MT	1498	N.A.
	Bagasse/Paddy-Husk (Purchased)			
	Quantity	Tonnes	5625	6912
	Total Cost	Rs. Lacs	146.72	107.44
Average Rate	Rs./MT	2609	1554	

B. Consumption per unit of production of sugar

S.No.	Particulars	Unit	Year ended September 30, 2010	Year ended September 30, 2009
1	Electricity	Kwh	210	221
2	Coal/Coke	Tonnes	0.188	0.101
3	Fire Wood	Tonnes	0.006	0.000
4	Bagasse (Purchased)	Tonnes	0.005	0.000

Consumption per K.Ltr. of Alcohol production

S.No.	Particulars	Unit	Year ended September 30, 2010	Year ended September 30, 2009
1	Electricity	Kwh	255	143
2	F.O./L.D.O	KL	0.003	0.000
3	Bagasse/Paddy-Husk (Purchased)	Tonne	0.108	0.293

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, 2010.

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

- Measures have been taken to reduce steam and water consumption to achieve economy of scales.
- New high pressure energy efficient boilers with high degree of automation are installed to increase power generation and saving thereof.

II. Benefit derived

- Power consumption reduced significantly while sale of power increased.
- Company saved bagasse that will be helpful in off season raw processing and power generation.
- Efforts will be made to enlarge these activities/capacities in future.

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

	2009-10 Rs in lacs	2008-09 Rs in lacs
Capital	-	-
Recurring	7.99	6.71
Total	7.99	6.71
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, 2010 for stock options issued under Simbhaoli Sugars Limited- Employee Stock Options Scheme 2007 (ESOS 2007) are 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	803155		
(d)	Options Exercised	28140		
(e)	Total number of shares arising as a result of exercise of option	28140		
(f)	Options lapsed	26710		
(g)	Variation of terms of options	NIL		
(h)	Money realized by exercise of options	Rs. 10.97 lacs		
(i)	Total number of options in force	748305		
(j)	Employee wise details of options granted to:			
	(i) Senior managerial personnel			
	Name	Designation	No. of options granted	
			Year 2007	Year 2009
	Dr. G S C Rao	Chief Executive Officer	25,000	16235
	Mr. Sanjay Tapriya	Chief Financial Officer	24000	15235
	Mr. I.S.Bhatia	Vice President	21000	13300
	Mr. A.K.Srivastava	Vice President	21000	11000
	Mr. Sunil Gupta	General Manager	12700	9700
	Mr. N K Tyagi	Chief General Manager	11200	9700
	Mr. Kamal Samtani	Company Secretary	3900	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:			
(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. (32.21)		

(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. The employee compensation cost is negative. As shown below: Exercise Price (weighted) is Rs. 47.64 per option Fair Value (weighted) is Rs. 28.07 per option Difference is (Rs. 19.57) per option
(m)	Weighted- average exercise prices of options granted Weighted- average fair values of options granted	Rs. 47.64 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 :- [1] method [2] risk-free interest rate [3] expected life [4] expected volatility [5] dividend yield [6] the price of the underlying share in market at the time of option grant	Black Scholes model 6.07% 4 years (including vesting period of one year) 58.42% 0% 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 for the year 2009-10.

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	75	51.47	Chairman & Managing Director	Senior Cambridge, 46 years	15.10.1972	Smithkline Beecham Limited
2	Mr. Gural Singh	50	47.77	Deputy Managing Director	Graduate, 24 years	30.1.1986	NA
3	Dr. GSC Rao	56	53.74	Chief Executive Officer	M. Sc., Ph.D, 30 years	1.11.1999	Maha lakshmi Sugar works
4	Mr. Sanjay Tapriya	49	52.98	Chief Financial Officer	FCA, FCS 24 years	01.10.1986	NA

Notes:

- The remuneration in excess of Rs 24 lacs is covered.
- 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.
- Remuneration in excess of the limits laid down by the Schedule XIII in case of inadequate profit will be subject to approval in the ensuing annual general meeting of the Company.

CEO/CFO Certificate

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 September 30, 2010

We, Gurmit Singh Mann, Chairman and Managing Director, GSC Rao, Chief Executive Officer and Sanjay Tapriya, Chief Financial Officer of Simbhaoli Sugars Limited to the best of our knowledge and belief, certify that:

- We have reviewed the balance sheet as on September 30, 2010, profit and loss account, the cash flow statement and the directors' report for the year ended September 30, 2010 and based upon our knowledge and information confirm that;
 - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 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.
- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company's code of conduct.
- We accept responsibility for establishing and maintaining internal controls for financial reporting for the Company and we have:
 - evaluated the effectiveness of the internal control systems of the Company;
 - 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
 - taken necessary steps or proposed to take to rectify these deficiencies.
- We have indicated to auditors and the audit committee of the Board that there have been:
 - no significant changes in internal control over the financial reporting during the period;
 - no significant changes in accounting policies during the period;
 - 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
Chairman & Managing
Director

GSC Rao
Chief Executive
Officer

Sanjay Tapriya
Chief Financial
Officer

New Delhi
November 29, 2010

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, 2010 (hereinafter referred as 'the year'). The Company has developed practices to fulfill its corporate and social responsibilities towards 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, 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. It allows the Board to take decisions that add value in the interests or the stakeholders.

BOARD OF DIRECTORS

Composition and category

As on September 30, 2010, the Board consists of 8 directors; out of which 4 are executive and remaining 4 are non-executive directors. Executive directors consist of Chairman and Managing Director, Deputy Managing Director, Chief Executive Officer and Chief Financial Officer. 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	1	None	None
Mr. Guralpal Singh Promoter	None	None	None
Dr. G S C Rao	1	None	None
Mr. Sanjay Tapriya	2	None	None
Non-Executive Directors			
Mr. S K Ganguli Independent Director	1	1	None

Mr. S C Kumar Independent Director	1	2	None
Mr. Yashwant Varma Independent Director	None	None	None
Mr. B K Goswami** Independent Director	11	6	4

*Excluding private limited companies and foreign companies.

** Appointed as an additional director on June 11, 2010.

Broad responsibilities of Chairman and Managing Director (CMD), Deputy Managing Director (DMD), Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

The Company is having whole time Chairman and Managing Director (CMD), Deputy Managing Director (DMD), Chief Executive Officer (CEO) and Chief Financial Officer (CFO). 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.
- CEO is responsible for operations of the Company and its business units and also for implementation of projects.
- CFO is responsible for the overall commercial and finance function of the Company and implementing internal control procedures.

Pecuniary relationship and transactions with non-executive director

1. 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. 4.06 lacs for the year (Previous year Rs. 3.38 lacs) towards his professional fee including reimbursements of out of pocket expenses for various professional services rendered to the Company.
2. Mr. Yashwant Varma, an independent director, is a reputed senior advocate practicing at Hon'able Allahabad High Court and has also been appearing before various courts and tribunals. During the year, he has been paid Rs. 2.38 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, 5 Board meetings were held. The details are as follows:-

Dates of Board Meeting	Board Strength	Directors Present
November 11, 2009	8	8
December 17, 2009	7	5

January 27, 2010	7	6
April 29, 2010	7	7
August 13, 2010	8	7

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

Name of the Directors	No. of Board Meetings Attended	Attendance at the AGM held on December 17, 2009
Mr. Gurmit Singh Mann	5	Yes
Mr. Gurpal Singh	4	No
Dr. G S C Rao	5	Yes
Mr. Sanjay Tapriya	5	Yes
Mr. S C Kumar	5	Yes
Mr. S K Ganguli	5	Yes
Mr. S D Saxena ¹	1	NA
Mr. Yashwant Varma	2	No
Mr. B K Goswami ²	1	NA

1 ICICI Bank has withdrawn the nomination w.e.f. December 15, 2009.

2 Appointed as an additional director on June 11, 2010.

Information to Board

The major decisions affecting the 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 and 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

As on September 30, 2010, the Audit committee comprises of 1 executive director and 2 non-executive independent directors. Mr. S K Ganguli acts as the Chairman of the committee. The executive directors, statutory, internal and cost auditors of the Company are the regular invitees.

During the year, 5 periodical meetings of Audit committee were held. The details are as follows:-

Member	Meetings held	Meetings attended
Mr. S K Ganguli	5	5
Mr. S C Kumar	5	5
Mr. S D Saxena [#]	1	1
Mr. Gurpal Singh [#]	-	-

[#] Consequent to withdrawal of nomination of Mr. S.D. Saxena by ICICI Bank w.e.f. December 15, 2009, the strength of the audit committee had for a temporary period reduced to 2 independent directors. Mr. Gurpal Singh was nominated as member of the audit committee w.e.f. August 13, 2010.

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 submit 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 on 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 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 function of the Company 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 Board meeting. Mr. Gurmit Singh Mann acts as the Chairman of the committee. During the year, 15 meetings of the finance committee were held as follows:

Member	Meetings held	Meetings attended
Mr. Gurmit Singh Mann	15	13
Mr. Gurpal Singh	15	12
Dr. G S C Rao	15	12
Mr. Sanjay Tapriya	15	13

III. Remuneration & Compensation Committee

The Remuneration & compensation committee comprises of 3 directors, i.e. 1 executive and 2 non-executive independent directors. 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 options scheme of the Company. During the year, no meeting of the remuneration & compensation committee was convened.

IV. Allotment Committee

The Allotment committee comprises of 2 executive directors and 1 non-executive independent director. Dr. G S C 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

Board meeting. During the year, 2 meetings of the Allotment committee were held as follows:

Member	Meetings held	Meetings attended
Dr. G S C Rao	2	2
Mr. S K Ganguli	2	2
Mr. Sanjay Tapriya	2	2

V. Investors' Grievance Committee

The Investors' Grievance committee comprises of 2 executive and 2 non-executive 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, 6 investors' complaints were received and all complaints were redressed to the satisfaction of the investors. There were no pending complaints as on September 30, 2010.

Remuneration policy as applicable to executive/non-executive directors

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

- The executive directors are paid remuneration as per their respective terms of employment as approved by the shareholders in general meeting and in accordance with the applicable provisions of Schedule XIII to the Act and with the approval of the Central Government, if required. No sitting fee is payable to executive directors.
- Sitting fee of Rs. 10,000 per meeting (previously Rs. 5,000) is paid to non-executive directors w.e.f December 17, 2009 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.
- Details of remuneration paid to directors for the year is as follows: (Amount in Rs. lacs)

Name of the Director	Salary	Benefits*	Sitting fees	Total
Mr. Gurmit Singh Mann	39.00	12.47	-	51.47
Mr. Gural Singh	36.81	10.96	-	47.77
Dr. G S C Rao	33.00	20.74	-	53.74
Mr. Sanjay Tapriya	30.00	22.98	-	52.98
Mr. S C Kumar	-	-	0.90	0.90
Mr. S K Ganguli	-	-	0.90	0.90
Mr. S D Saxena	-	-	0.10	0.10
Mr. Yashwant Varma	-	-	0.15	0.15
Mr. B K Goswami	-	-	0.10	0.10

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

The approval for payment of remuneration to these directors (other than Director's sitting fees) in accordance with the provisions of Schedule XIII to the Act is being sought in the ensuing annual general meeting. 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.

Mr. Gurmit Singh Mann, Chairman & Managing Director; Mr. Gural Singh, Deputy Managing Director; Dr. G S C Rao, Chief Executive Officer and Mr. Sanjay Tapriya, Chief Financial Officer have been appointed as whole-time directors w.e.f. October 1, 2009 for a period of 5 years vide resolutions passed by the shareholders in annual general meeting held on December 17, 2009 and their appointments are liable to be terminated on notice of 3 month or payment of 3 month salary in lieu thereof. All the remunerations are part of fixed component and there is no performance linked incentives along with the performance criteria. No severance fee is payable to them and no stock options were issued at discount.

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 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 options have been granted to Mr. Gurmit Singh Mann and Mr. Gural Singh being promoter directors.

Compliance officer

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

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis report, made as a part of report of directors, forming part of the corporate governance 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.

GENERAL MEETINGS

Annual General Meeting

Day, Date, Time and Venue of the 74th AGM

Day and Date : Monday, January 10, 2011
 Time : 10.00 AM
 Venue : Registered office of the Company at Simbhaoli-245 207, District Ghaziabad, Uttar Pradesh.

Dates of Book Closure

Wednesday, January 5, 2011 to Monday, January 10, 2011 (both days inclusive).

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

AGM	Day, Date & Time	Venue
71 st	Friday, 25-01-2008 at 10.00 A.M.	Simbhaoli- 245 207, Distt. Ghaziabad, Uttar Pradesh
72 nd	Saturday, 31-01-2009 at 10.00 A.M.	
73 rd	Thursday, 17-12-2009 at 10.00 A.M.	

Special resolutions passed at the last three annual general meetings

AGM	Date	Subject matter of special resolution
71 st	25.01.2008	No Special Resolution was passed.
72 nd	31.01.2009	No Special Resolution was passed.
73 rd	17.12.2009	<ol style="list-style-type: none"> 1. Re-classification of authorized share capital of the Company of Rs. 40,00,00,000/- divided into 3,80,00,000 equity shares of Rs. 10/- each and 2,00,000 preference share of Rs. 100/- each. 2. Alteration in the articles of association of the Company for: <ol style="list-style-type: none"> a. increasing the sitting fee payable to the directors of the Company. b. authorizing Company Secretary of the Company to use the common seal and/or sign every instrument to which the common seal of the Company is affixed. 3. Appointment of Chairman and Managing Director of the Company. 4. To create, issue, offer and allot 20,00,000 warrants to specified promoters, directors and their relatives on preferential allotment basis. 5. To create, issue, offer and allot further securities by way of Qualified Institutional Placement (QIP).

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. B K Goswami has been appointed as an additional director on the Board of the Company on June 11, 2010. Mr. Goswami is a Senior Retired IAS Officer, who joined Indian Administrative Service in 1960. He has held prestigious positions in various government/semi-government departments and has been awarded many times for his excellence in services. Mr. Goswami has been director on the board and/or committees thereof of various public and private limited companies in India. He has also been actively involved in various social, charitable and religious activities. He holds a Master's degree in English from the University of Punjab.

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 9 to schedule 17-Notes to accounts of the financial statements for the year ended September 30, 2010. The minutes of the subsidiary company have been taken on record by the Company. There were no transactions of material nature with the directors or the management or their relatives or subsidiary company 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 mandatory accounting standards prescribed by The Institute of Chartered Accountants of India and relevant presentational requirements of the Act. However, attention is drawn to the Auditors' qualification on deferred tax as per Accounting Standard 22.

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 conducts 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 have complied with the 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, Financial Express and Jansatta 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.

ISSUE PROCEEDS

The Company periodically discloses to the audit committee, the use/application of funds. The issue proceeds of Rs. 10.97 Lacs from issue of equity shares on conversion of stock options were utilized for capital expenditure/ working capital requirement of the Company as per the resolution passed by the shareholders in the general meeting.

SHAREHOLDERS INFORMATION

Financial year: October to September. The Company shall publish the quarterly/yearly results in accordance with the listing agreement.

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 2010-11 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 Email : info@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 and low price of equity shares of the Company in comparison to broad-based indices are as follows:

Month	BSE				NSE			
	Share Price (Rs.)		Sensex		Share Price (Rs.)		S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
October, 2009	76.90	60.00	17493.17	15805.20	77.00	60.00	5181.95	4687.50
November, 2009	77.50	62.10	17290.48	15330.56	77.00	61.85	5138.00	4538.50
December, 2009	77.00	68.60	17530.94	16577.78	77.00	68.00	5221.85	4943.95
January, 2010	96.45	74.30	17790.33	15982.08	93.85	74.45	5310.85	4766.00
February, 2010	95.35	68.50	16669.25	15651.99	96.00	69.05	4992.00	4675.40
March, 2010	73.35	43.50	17793.01	16438.45	72.75	42.85	5329.55	4935.35
April, 2010	53.00	40.10	18047.86	17276.80	51.80	37.80	5399.65	5160.90
May, 2010	42.70	32.50	17536.86	15960.15	42.00	32.10	5278.70	4786.45
June, 2010	44.60	34.50	17919.62	16318.39	44.40	34.60	5366.75	4961.05
July, 2010	45.00	39.85	18237.56	17395.58	44.90	40.00	5477.50	5225.60
August, 2010	41.80	35.90	18475.27	17819.99	41.90	35.90	5549.80	5348.90
September, 2010	45.90	33.00	20267.98	18027.12	45.95	33.00	6073.50	5403.05

Distribution of share holding as at September 30, 2010:

Category	No. of folios/ Client ID	% of no. of shareholders	No. of shares	% of capital
Upto 10,000	17911	92.33	3845039	16.58
10,001 to 30,000	941	4.85	1709586	7.37
30,001 to 50,000	227	1.17	941860	4.06
50,001 to 1,00,000	170	0.87	1233860	5.32
1,00,001 and above	151	0.78	15465555	66.67
Total	19400	100.00	23195900	100.00

Shareholding pattern as on September 30, 2010

Equity Shares:

Category	No. of Shares held	%
A: Indian Promoters	10008313	43.147
Sub-Total (A)	10008313	43.147
B: Non - Promoters Holding:		
Mutual Funds	1700	0.007
Foreign Institutional Investors (FII)	999500	4.309
Financial Institutions and Banks	50110	0.216

Private Corporate Bodies	3137384	13.526
Indian Public (individuals)	8443759	36.402
NRIs / OCBs	135497	0.584
Any other (Clearing Members)	419637	1.809
Sub-Total (B)	13187587	56.853
Grand Total (A+B)	23195900	100.000

Preference Shares: NIL

Note on foreign currency convertible bonds and stock options.

(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 31.11 million have been bought back by the Company and marked down to USD 1.89 million under the provisions of the circular no. 39 issued by Reserve Bank of India and/or any amendment or re-enactment thereof for buyback/prepayment of FCCBs and has extinguished the securities thereof.

(ii) 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 28,140 (previous year 1,75,836) equity shares were issued and allotted during the year as fully paid-up. Out of these stock options, 90,450 stock options have lapsed.
- II. 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. Out of these stock options, 8,360 stock options have lapsed.
- III. 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. Out of these stock options, 14,610 stock options have been lapsed.

Dematerialization of Shares

The trading of the Company's equity shares fall under the category of compulsory delivery in dematerialized mode in respect of all categories of investors. As on September 30, 2010, 2,25,87,018 equity shares constituting 97.38% of the total equity share capital 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. : +91 5731-23117/8/9 Fax: +91 5731-223039/42
Chilwaria Complex	Chilwaria, Distt. Bahraich, Uttar Pradesh - 271 801	Tel. : +91 5252-244251/2 Fax : +91 5252-244253
Brijnathpur Complex	Brijnathpur, District Ghaziabad Uttar Pradesh - 245 101	Tel. : +91 9927049979 Fax : +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 : +91 - 11 - 2638 7281/ 82/83,
Fax : +91-11-26387384
E-mail : info@masserv.com
- ii) Registered Office :
Simbhaoli - 245 207, District Ghaziabad,
Uttar Pradesh
Phone : +91-5731-226411/223118
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 they are 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 byelaws 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 29, 2010

**Gurmit Singh Mann
Chairman and 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 September 30, 2010, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with 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 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 Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 015125N)

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: Gurgaon
November 29, 2010

AUDITORS' REPORT

TO THE MEMBERS OF SIMBHAOLI SUGARS LIMITED

1. We have audited the attached Balance Sheet of **SIMBHAOLI SUGARS LIMITED** ("the Company") as at September 30, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 the 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 *except* for our observation in paragraph 4(f) below;
 - (e) without qualifying our opinion, we draw attention to:
 - (i) note 21 in schedule 17 which sets out the position regarding repudiation by the insurance company of the Company's insurance claim amounting to Rs. 4780 lacs on account of sinking of ship carrying raw sugar purchased by the Company. Pending completion of legal proceedings in the matter, the effect thereof in these accounts cannot be determined at this stage.
 - (ii) note 22 in schedule 17 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 cannot be determined at this stage.
- (f) *as indicated in note 20 of schedule 17, the Company's management is confident that given the cyclical nature of sugar industry, steps taken by the management and after considering the future projections taken on record by the Board of Directors, sufficient future taxable income will be available against which deferred tax asset (net) of Rs. 7,040.49 lacs will be realized in the future. Accordingly, the Company has recognized such deferred tax credit in these accounts. However, in our opinion, recognition of such deferred tax credit is not in line with the virtual certainty requirement of Accounting Standard 22 "Accounting for Taxes on Income". Had such deferred tax credit not been recognized, loss after tax and debit balance in profit and loss account would have been higher by Rs. 7,040.49 lacs and deferred tax asset would have been lower by the same amount.*

Subject to the foregoing, 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, 2010;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on September 30, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on September 30, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 015125N)

Jaideep Bhargava

Partner

Place: Gurgaon

Date : November 29, 2010

(Membership No. 90295)

**ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)**

Having regard to the nature of the Company's business /activities/ result, clauses (xiii) and (xiv) of CARO are not applicable.

- (i) In respect of its fixed assets:
- The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - 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 fixed assets records were not material and have been properly dealt with in the books of account.
 - 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) In respect of its inventory:
- During the year, the inventories have been physically verified by the management except for the stocks lying with third parties where confirmations have been received in most of the cases. In our opinion, the frequency of verification is reasonable.
 - In our opinion and according to the information and explanation 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.
 - In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. 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) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- The Company has granted unsecured loan of Rs. 285 lacs to a party during the year. The maximum amount involved during the year and the year end balance was Rs. 285 lacs.
 - The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
 - The receipts of principal amounts and interest have been as per stipulations.
 - As per the information and explanations given to us and records of the Company, there are no overdue amounts in respect of above loan, including interest thereon.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies

Act, 1956, according to the information and explanations given to us:

- The Company had taken interest free unsecured loans from four Directors. The maximum amount involved during the year was Rs. 320 lacs and the year end balance was Rs. 256 lacs.
 - The terms and conditions of such interest free loans taken are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
 - The payments of principal amounts of such interest free loans are as per stipulations.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. There are no sales of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief 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 the said Section.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the 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, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) According to the information and explanations given to us in respect of statutory dues:
- The Company has been regular in depositing undisputed dues, including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, customs duty, excise duty, cess, entry tax, purchase tax and other material statutory dues applicable to it except for tax deducted at source, service tax and trade tax where there have been few delays in depositing these with the appropriate authorities.
 - There were no undisputed amounts payable in respect of income-tax, wealth tax, custom duty, excise duty, cess and other material statutory dues in arrears as at September 30, 2010 for a period of more than six months from the date they became payable.
 - Details of dues of sales tax (trade tax), excise duty and service tax which have not been deposited as on September 30, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. lacs)	Amount paid under protest (Rs. lacs)
U. P. Trade Tax Act	Trade tax	Trade Tax Appellate Tribunal	1984-85	0.43	0.43
		Trade Tax Appellate Tribunal	1995-96	3.18	-
		High Court	2000-01	2.17	1.08
		Trade Tax Appellate Tribunal	2001-02	3.47	1.60
		Deputy Commissioner (Appeals)	2009-10	0.85	0.85
Central Excise Act	Excise Duty	Commissioner (Appeals)	1979-80	11.01	-
		Customs, Excise & Service tax Appellate Tribunal	2002-03	0.60	0.60
		Customs, Excise & Service Tax Appellate Tribunal	2004-05	0.28	0.28
		Commissioner (Appeals)	2008-09	66.78	25.21
		Additional Commissioner	2006-07	1.50	-
		Customs, Excise & Service Tax Appellate Tribunal	2006-07	132.71	52.18
		Additional Commissioner	2008-09	34.22	4.76
Finance 1994 Act	Service tax	Additional Commissioner	2006-07	0.42	-
State Excise Act	Excise Duty	High Court, Allahabad	2001-02	9.26	-
		High Court, Allahabad	2009-10	8.08	-

In the following instances the concerned statutory authority is in appeal against favourable order received by the Company.

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. lacs)
U. P. Trade Tax Act	Trade tax	High Court, Allahabad	1996-97	59.96

- (x) The accumulated losses of the Company at the end of the financial year are not less than fifty percent of its net worth and the Company has incurred cash losses in the financial year. However, the Company has not incurred cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, during the year, there are minor delays in repayment of dues to banks and financial institutions. The Company has not issued 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.
- (xv) As the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions, paragraph 4(xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (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. 20,208 lacs have been used to finance fixed assets / long term losses.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (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) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 015125N)

Jaideep Bhargava

Place: Gurgaon
Date : November 29, 2010

Partner
(Membership No. 90295)

SIMBHAOLI SUGARS LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	Schedule No.	As at September 30, 2010 Rs. lacs	As at September 30, 2009 Rs. lacs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1A	2,332.59	2,545.78
Employee stock options outstanding	1B	43.39	6.19
Reserves and surplus	2	8,041.24	9,748.19
		<u>10,417.22</u>	<u>12,300.16</u>
Loan funds			
Secured loans	3	69,611.30	59,935.15
Unsecured loans	4	1,100.45	1,772.45
		<u>70,711.75</u>	<u>61,707.60</u>
TOTAL		<u><u>81,128.97</u></u>	<u><u>74,007.76</u></u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	81,824.13	78,022.87
Less: Depreciation		24,887.02	20,973.25
Net block		<u>56,937.11</u>	<u>57,049.62</u>
Capital work in progress		1,757.45	3,093.18
		<u>58,694.56</u>	<u>60,142.80</u>
Pre-operative expenditure pending allocation	6	-	132.56
		<u>58,694.56</u>	<u>60,275.36</u>
Investments	7	39.99	39.99
Deferred tax assets (net)	8	7,040.49	1,926.76
Current assets, loans and advances			
Inventories	9	40,050.04	42,997.33
Sundry debtors	10	7,273.73	5,694.80
Cash and bank balances	11	13,924.37	5,610.41
Loans and advances	12	16,215.23	13,555.33
		<u>77,463.37</u>	<u>67,857.87</u>
Less: Current liabilities and provisions	13		
Current liabilities		66,918.83	54,427.06
Provisions		920.80	1,665.16
		<u>67,839.63</u>	<u>56,092.22</u>
Net current assets		9,623.74	11,765.65
Profit and loss account		5,730.19	-
TOTAL		<u><u>81,128.97</u></u>	<u><u>74,007.76</u></u>
Notes to the accounts	17		

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Gurpal Singh
Dy. Managing Director

Gurmit Singh Mann
Chairman & Managing Director

Jaideep Bhargava
Partner
(Membership No. 90295)

Sanjay Tapriya
Chief Financial Officer

G S C Rao
Chief Executive Officer

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance

Gurgaon
November 29, 2010

New Delhi
November 29, 2010

SIMBHAOLI SUGARS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Schedule No.	Year ended September 30, 2010 Rs. lacs	Year ended September 30, 2009 Rs. lacs
INCOME			
Sale of products			
Gross sales		149,206.21	100,079.00
Less: Excise duty		<u>23,040.29</u>	<u>29,446.56</u>
Other income	14	6,344.95	9,242.15
		<u>132,510.87</u>	<u>79,874.59</u>
EXPENDITURE			
Manufacturing and other expenses	15	<u>132,601.67</u>	<u>62,970.01</u>
Profit/(loss) before interest, derivative loss, depreciation and tax		(90.80)	16,904.58
Interest expense	16	8,471.83	6,311.02
Derivative loss		<u>30.86</u>	<u>56.55</u>
Profit/(loss) before depreciation and tax		(8,593.49)	10,537.01
Depreciation		<u>4,023.98</u>	<u>3,705.31</u>
Profit/(loss) before transfer from revaluation reserve		(12,617.47)	6,831.70
Transfer from revaluation reserve		<u>14.58</u>	<u>49.70</u>
Profit/(loss) before tax		(12,602.89)	6,881.40
Current tax		-	787.23
Less: MAT credit entitlement		-	<u>(787.23)</u>
Deferred tax (benefit)/ charge		(5,133.43)	(316.52)
Fringe benefit tax		-	<u>19.98</u>
Profit/(loss) after tax		(7,469.46)	7,177.94
Balance brought forward from the previous year		1,739.27	(6,003.75)
Exchange fluctuation adjustments (Refer note 19 in schedule 17)		-	<u>565.08</u>
		<u>(5,730.19)</u>	<u>1,739.27</u>
Earnings per share (Rs.)			
Basic		(32.21)	33.11
Diluted		(32.21)	33.05
(Refer note 11 in schedule 17)			
Notes to the accounts	17		

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Gurpal Singh
Dy. Managing Director

Gurmit Singh Mann
Chairman & Managing Director

Sanjay Tapriya
Chief Financial Officer

G S C Rao
Chief Executive Officer

Jaideep Bhargava
Partner
(Membership No. 90295)

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance

Gurgaon
November 29, 2010

New Delhi
November 29, 2010

SIMBHAOLI SUGARS LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Year ended September 30, 2010	Year ended September 30, 2009
	Rs. lacs	Rs. lacs
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit/(loss) before tax	(12,602.89)	6,881.40
Adjustments for:		
Depreciation	4,009.40	3,655.61
Interest expense	8,471.83	6,311.02
Gain on buy back of FCCB	(138.51)	(7,296.02)
Deferred employee compensation expense	37.20	6.19
Profit on sale of fixed assets	(3.64)	(49.88)
Loss on sale of fixed assets	27.35	0.68
Interest income	(485.34)	(123.14)
Transfer from Capital-grant-in-aids'	(1.33)	(2.08)
Operating profit/(loss) before working capital changes	(685.93)	9,383.78
Adjustments for change in :		
Trade and other receivables	(3,322.02)	(8,813.98)
Inventories	2,947.29	(26,175.01)
Trade payables	13,064.75	39,358.64
Cash generated from operations	12,004.09	13,753.43
Direct taxes paid	(1,280.45)	38.79
Net cash (used) / from operating activities	10,723.64	13,792.22
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3,808.04)	(4,730.40)
Sale of fixed assets	122.21	97.58
Investment made	-	(39.94)
Margin money	(7,596.65)	(4,188.24)
Interest received	63.71	115.97
Net cash used in investing activities	(11,218.77)	(8,745.03)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of equity shares/equity warrants	10.97	682.83
Proceeds from long term borrowings	6,718.22	9,074.81
Repayment of long term borrowings	(7,784.84)	(9,532.16)
Changes in cash credit account	10,737.89	1,525.47
Repayments of preference share capital	(216.00)	(596.00)
Interest paid	(8,256.17)	(5,940.61)
Dividend paid	(0.10)	(0.03)
Contribution toward charity reserve received	2.47	1.92
Net cash from financing activities	1,212.44	(4,783.77)
D. Net increase/(decrease) in cash and cash equivalents	717.31	263.42
E. Cash and cash equivalents (opening balance)		
Cash and bank balances	1,098.97	835.55
F. Cash and cash equivalents (closing balance)		
Cash and bank balances (D+E)	1,816.28	1,098.97

The above cash flow statement has been prepared under the "indirect method set out in Accounting Standard-3 prescribed in Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Jaideep Bhargava
Partner
(Membership No. 90295)

Gurgaon
November 29, 2010

Gurpal Singh
Dy. Managing Director

Sanjay Tapriya
Chief Financial Officer

Kamal Samtani
Company Secretary

New Delhi
November 29, 2010

Gurmit Singh Mann
Chairman & Managing Director

G S C Rao
Chief Executive Officer

Sunil K. Gupta
GM-Finance

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As at September 30, 2010 Rs. lacs	As at September 30, 2009 Rs. lacs
SCHEDULE 1A - SHARE CAPITAL		
Authorised		
3,80,00,000 (previous year 3,10,00,000)		
Equity shares of Rs.10 each	3,800.00	3,100.00
2,00,000 (previous year 9,00,000)		
Preference shares of Rs.100 each	200.00	900.00
	4,000.00	4,000.00
Issued		
2,34,00,525 (previous year 2,33,72,385)		
Equity shares of Rs.10 each	2,340.05	2,337.24
Nil (previous year 2,16,000), 8% Cumulative		
Redeemable Preference shares of Rs.100 each	-	216.00
	2,340.05	2,553.24
Subscribed		
Equity shares		
2,31,95,900 (previous year 2,31,67,760)		
Equity shares of Rs.10 each fully paid up	2,319.59	2,316.78
Add: 2,04,625 (previous year 2,04,625) Forfeited shares	13.00	13.00
	2,332.59	2,329.78
Preference shares		
Nil (previous year 2,16,000), 8% Cumulative		
Redeemable Preference shares of Rs.100 each,	-	216.00
	2,332.59	2,545.78

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. 2,16,000 (previous year 2,16,000), 8% Cumulative Redeemable Preference shares of Rs.100 each have been redeemed during the year.
 4. 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 28,140 (previous year 1,75,836) 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.

	As at September 30, 2010 Rs. lacs	As at September 30, 2009 Rs. lacs
SCHEDULE 1B - EMPLOYEE STOCK OPTIONS OUTSTANDING		
Employee stock options outstanding	43.39	43.39
Less: Deferred employee compensation	-	37.20
	43.39	6.19

Note : Refer note 1(xvii) in schedule 17 and footnote 4 in schedule 1A

SCHEDULE 2 - RESERVES AND SURPLUS

	As at September 30, 2009	Additions during the Year	Deductions during the Year	As at September 30, 2010
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
Revaluation reserve	456.06	-	14.58 (1)	441.48
Reconstruction reserve	589.73	-	-	589.73
Capital grant-in-aid	11.74	-	1.33 (2)	10.41
Capital reserve	231.26	-	-	231.26
Securities premium account	6,714.23	81.21 (3)	35.45 (4)	6,759.99
Charity reserve	5.90	2.47 (5)	-	8.37
Surplus being balance in profit and loss account	1,739.27	-	1,739.27	-
	9,748.19	83.68	1,790.63	8,041.24

- (1) - Represents Rs. 14.58 lacs (previous year Rs.49.70 lacs) as additional depreciation transferred to profit and loss account.
 - Represents Nil (previous year Rs. 24.97 lacs) transferred on sale of fixed asset.
- (2) Transferred to profit and loss account.
- (3) - Represents Rs. 8.16 lacs (previous year Rs. 573.09 lacs) received on allotment of equity shares.
 - Represents Rs. 73.05 lacs (Net of Tax of Rs. 37.61 lacs) on account of reversal of premium on buy back and cancellation of 0% Foreign Currency Convertible Bonds aggregating USD \$ 1.5 million. (Also refer note 4(b) in schedule 17).
- (4) Represents premium payable on redemption of securities (refer note 1 (xvi) in schedule 17).
- (5) Received during the year.

As at September 30, 2010	As at September 30, 2009
Rs. lacs	Rs. lacs

SCHEDULE 3 - SECURED LOANS

Banks		
Cash credit	33,433.29	22,695.40
Term loans	27,538.57	31,641.54
Others		
Term loans	8,639.44	5,598.21
	69,611.30	59,935.15

Notes:

- (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 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 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.
- Term loans of Rs. 17,608.89 lacs (previous year Rs. 21,623.23 lacs) from banks and term loans of Rs. Nil (previous year Rs. 471.39 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.
- Term loans of Rs. 1,250.00 lacs (previous year Rs. 592.76 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.
- Term loans of Rs. 2,213.80 lacs (previous year Rs. 3,073.06 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.
- Term loans of Rs. 6,435.87 lacs (previous year Rs. 6,325.00 lacs) from a bank 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. This loan is further secured by way of collateral security on the personal assets of the promoters of the Company.
- Term loans of Rs. 8,539.44 lacs (previous year Rs. 5,022.98 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.
- Term loans of Rs. 100.00 lacs (previous year Rs. 100.00 lacs) from Sugar Technology Mission (STM) is secured by exclusive first charge to be created on sugarcane juice purification project at Simbhaoli Sugar Division by way of hypothecation in favour of Technology Information Forecasting and Assessment Council (TIFAC).
- Term loans of Rs. 30.01 lacs (previous year Rs. 27.49 lacs) from banks and term loan of Rs. Nil (previous year Rs. 3.84 lacs) from others are secured by way of hypothecation of specific vehicles acquired under the scheme.
- Term loans repayable within a year Rs. 6,735.32 lacs (previous year Rs. 4,228.00 lacs).

All the credit facilities other than SDF loan of Rs. 8,539.44 lacs (previous year Rs. 5,022.98 lacs), Sugar technology mission loan of Rs. 100.00 lacs (previous year Rs. 100.00 lacs) and vehicle loan of Rs. 30.01 lacs (previous year Rs. 31.33 lacs) are guaranteed by Chairman & Managing Director and Deputy Managing Director of the Company.

	<u>As at September 30, 2010</u>	<u>As at September 30, 2009</u>
	Rs. lacs	Rs. lacs
SCHEDULE 4 - UNSECURED LOANS		
Short term loans and advances:		
From Directors	256.00	-
From others	-	150.00
	<u>256.00</u>	<u>150.00</u>
Other Loans and advances from :		
0% Foreign Currency Convertible Bonds (FCCB)* (2011)	844.45	1,622.45
	<u>844.45</u>	<u>1,622.45</u>
	<u>1,100.45</u>	<u>1,772.45</u>

* Refer note 4 in schedule 17

SCHEDULE 5 - FIXED ASSETS

(Rs. In lacs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at September 30, 2009	Additions	Deletions #	As at September 30, 2010	Up to September 30, 2009	For the year	On Deletions	As at September 30, 2010	As at September 30, 2010	As at September 30, 2009
Land	1,850.06	282.63	-	2,132.69*	-	-	-	-	2,132.69	1,850.06
Buildings	8,938.22	114.99	64.12	8,989.09	1,969.91	416.76	-	2,386.67	6,602.42	6,968.31
Railway siding	1.60	-	-	1.60	1.51	0.01	-	1.52	0.08	0.09
Plant and machinery	66,592.51	4,115.16	759.96	69,947.71	18,591.51	3,530.63	90.11	22,032.03	47,915.68	48,001.00
Furniture and fixtures	230.16	5.00	-	235.16	167.40	14.56	-	181.96	53.20	62.76
Vehicles	409.87	138.45	30.44	517.88	242.92	62.02	20.10	284.84	233.04	166.95
Live Stock	0.45	-	0.45	-	-	-	-	-	-	0.45
	78,022.87	4,656.23	854.97	81,824.13	20,973.25	4,023.98	110.21	24,887.02	56,937.11	
Previous year	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
Capital work in progress including capital advances Rs.47.86 lacs (previous year Rs. 177.26 lacs)									1,757.45	3,093.18
									58,694.56	60,142.80

* Includes Rs. 8.62 lacs (previous year Rs. 8.62 lacs) pertaining to land situated at Brijnathpur pending registration in favour of the Company.

Refer note 4(b) and note 19 in schedule 17.

	As at September 30, 2010 <u>Rs. lacs</u>	As at September 30, 2009 <u>Rs. lacs</u>
SCHEDULE 6 - PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION		
Raw material consumed	235.54	149.45
Salaries, wages, bonus, commission etc.	15.46	67.29
Contribution to provident and other funds	0.05	1.82
Compensated absences	-	0.33
Staff welfare expenses	-	1.73
Stores, oils and chemicals	-	27.97
Power and fuel	-	55.05
Repairs and maintenance		
-Plant and machinery	-	0.39
-Others	-	2.21
Insurance	0.93	4.65
Rates and taxes	-	2.41
Travelling expenses	-	1.45
Miscellaneous expenses	2.26	80.29
Foreign exchange fluctuation	-	40.12
Depreciation	-	1.04
Interest (fixed)	-	142.44
	<u>254.24</u>	<u>578.64</u>
Less:		
Gross sales	258.38	-
Less: Excise duty on sales	<u>-</u>	<u>-</u>
Interest income	-	0.44
	(4.14)	578.20
Add: Brought forward from previous year	<u>132.56</u>	<u>1,175.32</u>
	<u>128.42</u>	<u>1,753.52</u>
Less: Finished stock transferred to 'Manufacturing and other expenses' on commencement of commercial production in schedule 15	<u>-</u>	<u>151.80</u>
	128.42	1,601.72
Less: Allocated to fixed assets	<u>128.42</u>	<u>1,469.16</u>
	<u>-</u>	<u>132.56</u>

SCHEDULE 7 - INVESTMENTS

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		
Nil (previous year- 300 shares) of AED 1000 each fully paid up of Simbhaoli Global Commodities DMCC.	39.94	39.94
	<u>39.99</u>	<u>39.99</u>
Aggregate book value		
Unquoted	39.99	39.99
	<u>39.99</u>	<u>39.99</u>

	As at September 30, 2010	As at September 30, 2009
	<u>Rs. lacs</u>	<u>Rs. lacs</u>
SCHEDULE 8 - DEFERRED TAX ASSETS (NET)		
Deferred tax liabilities		
Depreciation	8,406.17	7,875.50
	<u>8,406.17</u>	<u>7,875.50</u>
Deferred tax assets		
Unabsorbed depreciation/Brought forward business loss	14,814.13	8,960.05
Foreign Currency Convertible Bonds premium	93.36	84.98
Accrued expenses deductible on payment	421.99	757.23
Others	117.18	-
	<u>15,446.66</u>	<u>9,802.26</u>
Deferred tax assets (net)	<u>(7,040.49)</u>	<u>(1,926.76)</u>
SCHEDULE 9 - INVENTORIES		
Stores and spares (at cost or under)	2,614.47	1,921.15
Tools and appliances (at cost or under)	6.66	7.52
Stock-in-trade (at lower of cost and net realisable value)		
Raw materials	7,992.42	21,128.89
Process stocks	757.03	870.35
Finished goods	28,679.46	19,069.42
	<u>40,050.04</u>	<u>42,997.33</u>
SCHEDULE 10 - SUNDRY DEBTORS		
Unsecured		
Debts over six months		
- considered good	706.83	351.02
- considered doubtful	293.53	224.59
Other debts - considered good	6,566.90	5,343.78
	<u>7,567.26</u>	<u>5,919.39</u>
Less: Provision for doubtful debts	293.53	224.59
	<u>7,273.73</u>	<u>5,694.80</u>
SCHEDULE 11 - CASH AND BANK BALANCES		
Cash on hand	21.71	34.30
Cheques and drafts on hand	25.83	38.19
With scheduled banks:		
On current account	1,705.23	971.15
On fixed deposit account #	12,171.60	4,566.77
	<u>13,924.37</u>	<u>5,610.41</u>

Pledged with excise authorities and civil court Rs.160.79 lacs (previous year Rs. 202.40 lacs);
and pledged with banks Rs. 11,947.30 lacs (previous year Rs. 4,309.04 lacs)

	As at September 30, 2010	As at September 30, 2009
	Rs. lacs	Rs. lacs
SCHEDULE 12 - LOANS AND ADVANCES		
Unsecured and considered good, unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good	11,795.19	9,618.77
Considered doubtful	12.05	4.72
	<u>11,807.24</u>	<u>9,623.49</u>
Less: Provision for doubtful advances	12.05	4.72
	<u>11,795.19</u>	<u>9,618.77</u>
Balances with excise authorities on current accounts	2,228.66	2,240.35
Advance payment of income-tax	1,813.13	530.73
MAT credit entitlement	378.25	1,165.48
	<u>16,215.23</u>	<u>13,555.33</u>

SCHEDULE 13 - CURRENT LIABILITIES AND PROVISIONS

Current liabilities		
Sundry creditors		
Total outstanding dues of micro and small enterprises #	1.01	0.10
Total outstanding dues of creditors other than micro and small enterprises	66,136.90	53,861.60
Interest accrued but not due on loans	771.91	556.25
Unclaimed dividend ##	9.01	9.11
	<u>66,918.83</u>	<u>54,427.06</u>
Provisions		
Taxation	279.40	1,064.68
Compensated absences	197.16	186.85
Gratuity	163.19	5.07
Premium payable on redemption of Foreign Currency	281.05	408.56
Convertible bonds \$	920.80	1,665.16
	<u>67,839.63</u>	<u>56,092.22</u>

Refer note 6 in schedule 17.

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

\$ Refer note 4(b) in schedule 17.

	Year ended September 30, 2010	Year ended September 30, 2009
	Rs. lacs	Rs. lacs
SCHEDULE 14 - OTHER INCOME		
Interest on Bank deposits*	485.34	123.14
Rent	4.34	12.14
Transfer from 'Capital grant-in-aid'	1.33	2.08
Profit on sale of fixed assets	3.64	49.88
Liability/provisions no longer required written back	152.37	50.31
Subsidy on buffer stock	-	-
Foreign exchange fluctuation	2,210.17	623.75
Gain on buy back of FCCB #	138.51	7,220.73
Export incentives	287.50	-
Miscellaneous**	3,061.75	1,160.12
	<u>6,344.95</u>	<u>9,242.15</u>

* Tax deducted at source Rs.31.65 lacs (previous year Rs.9.57 lacs)

Refer note 4(b) in schedule 17.

** Includes income on settlement of contractual obligation Rs. 2,711.97 lacs (previous year Rs. 169.00 lacs)

	Year ended September 30, 2010	Year ended September 30, 2009
	Rs. lacs	Rs. lacs
SCHEDULE 15 - MANUFACTURING AND OTHER EXPENSES		
Raw materials consumed	120,199.38	50,254.91
Purchase for re-sale	58.21	56.15
Sugarcane development expenses	1,141.93	655.09
Stock produced during the trial production	-	151.80
Salaries, wages, bonus, commission etc.	3,446.70	2,807.65
Contribution to provident and other funds	486.68	263.13
Staff welfare expenses	125.68	109.38
Stores, oils and chemicals (all indigenous) #	5,336.03	5,384.99
Power and fuel	4,271.88	1,791.76
Repairs and maintenance		
- Plant and machinery	1,582.90	1,408.50
- Buildings	89.28	131.75
- Others	280.00	232.13
Insurance	202.21	96.51
Rent	246.55	247.44
Lease rent	46.78	41.98
Rates and taxes	359.59	334.38
Donations	1.31	0.68
Travelling expenses	311.88	329.48
Marketing expenses	1,540.56	1,009.76
Commission to selling agents	930.13	574.29
Loss on sale of fixed assets	27.35	0.68
Bad debts and advances	85.30	87.10
Provision for doubtful debts	118.36	109.14
Increase/(decrease) in excise duty on inventory	(283.93)	729.86
Miscellaneous expenses	1,493.63	1,342.08
	<u>142,098.39</u>	<u>68,150.62</u>
(Increase)/decrease in stocks :		
Finished :		
Opening stocks	19,069.42	14,232.88
Less: closing stocks	28,679.46	19,069.42
	<u>(9,610.04)</u>	<u>(4,836.54)</u>
Process:		
Opening stocks	870.35	526.28
Less: closing stocks	757.03	870.35
	<u>113.32</u>	<u>(344.07)</u>
	<u>132,601.67</u>	<u>62,970.01</u>
# Stores, oils and chemicals allocated to other revenue heads Rs. 5,291.85 lacs (previous year Rs.2,505.01 lacs)		
SCHEDULE 16 - INTEREST EXPENSE		
Interest		
On fixed loans	3,928.55	3,046.07
On Others	4,543.28	3,264.95
	<u>8,471.83</u>	<u>6,311.02</u>

SCHEDULE 17 - 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 (iii) below. These statements have been prepared in accordance with the applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

ii) Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Example of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated. Actual results could differ from such estimates.

iii) 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.

iv) Impairment

At each Balance Sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a prediscout rate that reflects the current market assessments of time value of money and the risks specific to the asset.

v) 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.

vi) Investments

Long term investments are stated at cost as reduced by permanent diminution in value, if any.

vii) 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)
- Process stocks/finished goods - FIFO material cost plus appropriate share of labour and manufacturing overheads

viii) State excise duty

The state excise duty payable on finished goods is accounted for on the clearance of goods from the factory premises or bonded warehouses. The amount of state excise duty payable on potable alcohol not cleared from the factory premises and bonded warehouses as at the year end is not determinable as it varies according to the places to which the goods will be dispatched. However, non-provision of this liability does not affect the profit/loss of the year.

ix) 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.

x) 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 a fixed assets.

xi) 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 time proportion basis.

xii) Foreign Currency Transactions and Forward contracts

Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing on the date 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 19).

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 except that the exchange differences, including premium or discount on forward exchange contracts, arising till the commissioning of fixed assets, relating to borrowed funds and liabilities in foreign currency for the acquisition of the fixed assets are adjusted to the cost of fixed assets.

xiii) 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.

xiv) Taxation

The provision for taxation for the period comprises the residual tax liability for the assessment year 2010-11

relevant to the period October 1, 2009 to March 31, 2010 and the liability which has accrued on the profit for the period April 1, 2010 to September 30, 2010, 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. (Refer note 20)

xv) 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.

xvi) 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.

xvii) 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. 707.30 lacs (previous year Rs. 147.66 lacs).

(Rs. in lacs)

Description	As at September 30,2010	As at September 30, 2009
Sales Tax/Trade Tax Act	12.60	9.87
State Excise Act	17.34	9.26
Central Excise Act	239.96	11.89
Income tax	316.73	-
Others	120.67	116.64
Total	707.30	147.66

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

(Rs. in lacs)

	Current Year	Previous Year
Amount guaranteed	-	10,000.00
Amount outstanding	-	-

iii) Consequent to redemption of outstanding preference share capital aggregating Rs. 216.00 lacs, the cumulative preference dividend arrears of Rs. 77.76 lacs stands extinguished.

3. Estimated amount of contracts (net of advances) remaining to be executed on capital account Rs. 304.92 lacs (previous year Rs. 459.40 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\$ 1.50 Million (previous year US\$ 29.61 Million) and cancelled the same. Consequent thereto the Company has:
- (i) written back the premium provision aggregating Rs. 180.83 lacs (previous year Rs. 2,438.33 lacs) attributable to these FCCB by crediting back Rs. 73.05 lacs (previous year Rs. 700.14 lacs) {(net of tax of Rs. 37.61 lacs (previous year Rs. 360.52 lacs)) to securities premium account and Rs. 70.17 lacs (previous year Rs. 1,377.67 lacs) to concerned fixed assets to which it was capitalized in earlier years, and
- (ii) Credited gain amounting to Rs. 138.51 lacs (previous year Rs. 7,220.73 lacs) arising on buy back and cancellation of these FCCB under the head "Other Income" in schedule 14 and Rs. 27.34 lacs (previous year Rs. 1,351.39) to concerned fixed assets to which it was capitalized in earlier years.

5. Category wise quantitative data about Derivative Instruments:

Nature of Derivatives	Number of deals		Purpose		Amount (USD lacs)		Amount (Rs. lacs)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	USD Libor Caps	-	1	-	Hedging of six months libor interest	-	10.50	-

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

Particulars	Current year		Previous year	
	Amount in foreign currency (USD lacs)	Amount (Rs. lacs)	Amount in foreign currency (USD lacs)	Amount (Rs. lacs)
Secured loan	144.04	6,435.87	132.16	6,325.00
Unsecured loan	18.90	844.45	33.90	1,622.45
Sundry Debtors	23.64	1,056.11	0.31	14.88
Sundry Creditors	474.81	21,214.51	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 1.01 lacs (previous year Rs. 0.10 lac). 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:

- Superannuation fund
- Provident fund

During the year, the Company has recognized the following amounts in the profits and loss account:

(Rs. lacs)

	Current Year	Previous Year
- Employers' Contribution to Provident Fund #	282.77	234.88
- Employers' Contribution to Superannuation Fund #	36.99	30.39

Includes Rs. 0.36 lacs (previous year Rs. 0.89 lacs) for Employers' contribution to Provident Fund and Rs. 0.05 lacs (previous year Rs. 0.48 lacs) for Employers' contribution to Superannuation Fund allocated to 'Pre-operative expenditure pending allocation' in schedule 6.

b) Defined benefits plans

- Gratuity
- 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. lacs)

	Gratuity (Funded)			Compensated absences		
	2010	2009	2008	2010	2009	2008
Discount rate (per annum)	8%	8%	8%	8%	8%	8%
Future salary increase	5%	5%	5%	5%	5%	5%
Expected rate of return on plan assets	8%	8%	8%	N/A	N/A	N/A
In service mortality	LIC 1994-96 ULTIMATE	LIC 1994-96 ULTIMATE	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	108.60	45.29	86.34	12.24	160.54	75.49

Interest cost	58.02	52.38	48.39	11.60	4.90	5.95
Expected return on plan assets	(61.18)	(52.27)	(44.21)	-	-	-
Net actuarial (gain)/loss recognized in the year	61.47	(44.05)	42.22	70.12	(21.14)	2.80
Total expense #	166.91	1.35	132.74	93.96	144.30	84.24
II Net asset/(liability) recognized in the balance sheet as at the end of the year						
Present value of Defined benefits obligation	935.90	761.74	682.56	197.16	186.85	127.57
Fair value of plan assets	(772.71)	(756.67)	(550.16)	-	-	-
Funded status (surplus/(deficit))	(163.19)	(5.07)	(132.40)	(197.16)	(186.85)	(127.57)
Net asset/(liability) as at the end of the year	(163.19)	(5.07)	(132.40)	(197.16)	(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	761.74	682.56	647.84	186.85	127.57	78.84
Interest cost	58.02	52.38	48.39	11.60	4.90	5.95
Current service cost	108.61	45.29	86.34	12.24	160.54	75.49
Benefits paid	(72.91)	(61.85)	(65.51)	(83.65)	(85.02)	(35.51)
Actuarial (gains)/ losses on obligation	80.44	43.36	(34.50)	70.12	(21.14)	2.80
Present value of obligation as at the end of the year	935.90	761.74	682.56	197.16	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	756.67	550.16	555.09	-	-	-
Expected return on plan assets	61.18	52.27	44.21	-	-	-
Contributions	8.80	128.68	93.09	-	-	-
Benefits paid	(72.91)	(61.85)	(65.51)	-	-	-
Actuarial gains/(losses)	18.97	87.41	(76.72)	-	-	-
Fair value of plan assets as at the end of the year	772.71	756.67	550.16	-	-	-
V Detail of plan Assets	Funded with ICICI*		NA			

includes Rs. Nil (previous year Rs. 0.44 lacs) for Gratuity and Rs. Nil (previous year Rs. 0.33 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.

The Company's best estimate of contributions expected to be paid during the annual year beginning after balance sheet date is Rs.163.19 lacs for gratuity and Rs.197.16 lacs for Compensated absences.

8. Revenue expenditure on research and development Rs. 7.99 lacs (previous year Rs. 6.71 lacs).

9. Related Party disclosure under Accounting Standard 18

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

Subsidiary: Simbhaoli Global Commodities DMCC

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

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

Enterprise over which key management personnel exercise significant influence: Dholadhar Investments (P) Ltd. (enterprise over which Mr. G M S Mann exercises significant influence), Pritam Singh Sandhu Associates Pvt. Ltd (enterprise over which Mr. Guralp Singh exercises significant influence) and Uniwold Sugars Limited (enterprise over which Mr. G M S Mann, Dr. G S C Rao and Mr. Sanjay Tapiya exercise significant influence).

B. Transactions with the above parties: (Rs. in lacs)

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	-	-	-	-	54.61	40.81	-	-
Mrs. G R Lakshmi	-	-	-	-	16.50	10.20	-	-
Mrs. Mamta Tapiya	-	-	-	-	16.39	8.88	-	-
Mr. Govind Singh Sandhu	-	-	-	-	21.72	21.73	-	-
Salary/stipend	-	-	-	-	1.35	5.62	-	-
Ms. Gursimran Kaur Mann	-	-	-	-	-	5.52	-	-
Mr. Angad Singh	-	-	-	-	1.35	0.10	-	-
Allotment of Share Warrants, Equity Shares	-	-	-	-	9.64	0.50	614.25	-
Mr. Sanjay Tapiya	-	-	-	2.81	-	-	-	-
Dr. G S C Rao	-	-	-	6.83	-	-	-	-
Ms. Gursimran Kaur Mann	-	-	-	-	-	0.50	-	-
Pritam Singh Sandhu Associates Pvt. Ltd	-	-	-	-	-	-	-	459.54
Dholadhar Investment Pvt. Ltd.	-	-	-	-	-	-	-	154.71
Professional Charges	-	-	-	-	0.23	0.22	-	-
Mr. B D Tapiya	-	-	-	-	0.23	0.22	-	-
Managerial Remuneration \$	-	-	205.95	156.51	-	-	-	-
Mr. G M S Mann	-	-	51.47	42.39	-	-	-	-
Mr. Guralp Singh	-	-	47.77	36.86	-	-	-	-
Dr. G S C Rao	-	-	53.74	45.38	-	-	-	-
Mr. Sanjay Tapiya	-	-	52.97	31.88	-	-	-	-
Loan taken	-	-	320.00	-	-	-	-	-
Mr. G M S Mann	-	-	191.00	-	-	-	-	-
Mr. Guralp Singh	-	-	95.00	-	-	-	-	-
Dr. G S C Rao	-	-	17.00	-	-	-	-	-
Mr. Sanjay Tapiya	-	-	17.00	-	-	-	-	-
Loans repaid	-	-	64.00	-	-	-	-	-
Mr. G M S Mann	-	-	60.00	-	-	-	-	-
Dr. G S C Rao	-	-	4.00	-	-	-	-	-
Balance outstanding	-	-	269.32	-	0.11	-	-	-
Mr. G M S Mann	-	-	130.53	-	-	-	-	-
Mr. Guralp Singh	-	-	99.55	-	-	-	-	-
Dr. G S C Rao	-	-	20.66	-	-	-	-	-
Mr. Sanjay Tapiya	-	-	18.58	-	-	-	-	-
Mr. Angad Singh	-	-	-	-	0.11	-	-	-
Sale of finished goods	-	60.16	-	-	-	-	-	-
Expenses recovered	0.31	34.33	-	-	-	-	5.20*	-
Interest Income	-	5.73	-	-	-	-	21.20*	-
Advances given	-	488.00	-	-	-	-	285.00*	-
Advances received back	-	488.00	-	-	-	-	-	-
Other Income	-	96.65	-	-	-	-	-	-
Shares allotted to Company	-	39.94	-	-	-	-	-	-
Amount receivable	6.08	5.77	-	-	-	-	311.40*	-
Guarantee Given on behalf of Company by Mr. G M S Mann & Mr. Guralp Singh	-	-	60,941.86	54,780.84	-	-	-	-

\$ Refer note 14

* Uniwold Sugars Ltd.

10. 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 and Power.

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 policies applicable to the business segments as set out in note 1 of schedule 17 "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 on consolidation.

D. Information About Business Segments

(Rs.lacs)

PARTICULARS	Sugar		Alcohol		Power		Elimination		Unallocated		Total	
	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
Segment revenue												
External sales:	110,592.36	59,626.14	36,146.59	38,924.74	2,467.26	1,528.12	-	-	-	-	149,206.21	100,079.00
Inter segment sales	18,336.95	3,225.95	1,394.88	9.93	15,869.54	6,337.81	(35,601.37)	(9,573.69)	-	-	-	-
Other income	5,166.41	1,773.49	390.87	41.52	148.41	20.16	-	-	639.26	7,406.98	6,344.95	9,242.15
Total revenue	134,095.72	64,625.58	37,932.34	38,976.19	18,485.21	7,886.09	(35,601.37)	(9,573.69)	639.26	7,406.98	155,551.16	109,321.15
Segment results	(5,085.47)	5,684.44	(1,021.96)	(51.25)	2,548.88	1,213.53	-	-	-	-	(3,558.55)	6,846.72
Unallocated expenses (net of income)									572.51	(6,345.70)	572.51	(6,345.70)
Operating profit/(loss)									-	-	(4,131.06)	13,192.42
Interest expenses									8,471.83	6,311.02	8,471.83	6,311.02
Provision for taxes									-	-	-	-
- Deferred tax benefit									(5,133.43)	(316.52)	(5,133.43)	(316.52)
- Fringe benefit tax									-	19.98	-	19.98
Net Profit/(loss)											(7,469.46)	7,177.94
Other information												
Segment assets	91,892.39	85,382.64	18,559.12	18,236.79	20,811.34	20,969.04	-	-	-	-	131,262.85	124,588.47
Unallocated assets									11,935.57	5,471.52	11,935.57	5,471.52
Investment									39.99	39.99	39.99	39.99
Profit and loss account									5,730.19	-	5,730.19	-
Total assets	91,892.39	85,382.64	18,559.12	18,236.79	20,811.34	20,969.04			17,705.75	5,511.51	148,968.60	130,099.98
Segment liabilities	63,074.91	51,604.10	2,216.64	2,028.00	941.80	212.92	-	-	-	-	66,233.35	53,845.02
Shares capital and reserves									10,417.22	12,300.16	10,417.22	12,300.16
Secured and unsecured loans									70,711.75	61,707.60	70,711.75	61,707.60
Unallocated liabilities									1,606.28	2,247.20	1,606.28	2,247.20
Total liabilities	63,074.91	51,604.10	2,216.64	2,028.00	941.80	212.92			82,735.25	76,254.96	148,968.60	130,099.98
Capital expenditure	2,071.03	1,529.74	366.44	798.68	198.11	1,235.94	-	-	552.31	25.43		
Depreciation	2,426.99	2,345.49	702.20	614.06	830.55	706.57	-	-	49.65	39.19		
Non cash expenses other than depreciation	121.52	124.45	107.27	65.87	0.30	-	-	-	0.19	5.22		

11. Earnings per share

	(Rs. in lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
I. Profit/(loss) after tax as per profit and loss account	(7,469.46)	7,177.94
(A) Profit/(loss) for basic earnings per share of Rs.10 each, as per profit and loss account	(7,469.46)	7,177.94
Adjustment for the purpose of diluted earnings per share	-	-
(B) Profit/(loss) for diluted earnings per share of Rs.10 each	<u>(7,469.46)</u>	<u>7,177.94</u>
II. Weighted average number of equity shares for earnings per share computation		
(A) For basic earnings per share	2,31,90,580	2,16,80,330
(B) For diluted earnings per share		
No. of shares for basic earnings per share as per II (A)	2,31,90,580	2,16,80,330
Add: Weighted average of outstanding Equity Warrants/Optionally Convertible Preference shares/FCCB/Employee stock options scheme deemed to be issued for no consideration	11,320	37,223
No. of shares for diluted earnings per share	<u>2,32,01,900</u>	<u>2,17,17,553</u>
III. Earnings per share (Weighted Average)		
Basic (Rs.)	(32.21)	33.11
Diluted (Rs.)	(32.21)	33.05

12. Auditors' remuneration (excluding service tax):

- Statutory audit	25.00	25.00
- Audit of accounts for fiscal year	11.00	9.00
- Limited review of unaudited financial results	28.00	23.25
- Certification for corporate governance & others	5.05	9.97
- Reimbursement of out of pocket expense for statutory audit and others	1.00	0.56
	<u>70.05</u>	<u>67.78</u>

13. Managerial remuneration: #

- Salaries	138.81	77.60
- Other benefits	67.14	78.91
Total managerial remuneration	205.95*	156.51
- Directors' fees	2.15	1.75
Total	<u>208.10</u>	<u>158.26</u>

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

* Includes Rs. 89.03 lacs subject to the approval in ensuing annual general meeting.

14. Value of export on FOB basis 3,536.66 2431.69

15. Value of imports on C I F basis

- Raw Material 63,909.71 33,145.11

16. Expenditure in foreign currency

Traveling 19.67 44.95

Others 0.17 222.08

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

	<u>Current Year</u>	<u>Previous Year</u>
(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	6,32,72,000
(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	6,32,72,000
Power per hour (MW)	78.75	78.75
(c) Actual production		
Sugar (Quintals)	38,24,916	23,89,824
Rectified Spirit and Country Spirit (B.L.)#	4,78,47,848	2,41,98,145
Power (KWH)*	6,29,28,946	4,82,95,255

Includes production during trial run Nil (previous year - 6,20,200 BL).

* Net of captive consumption

(d) Sales

	Unit	Current Year		Previous Year	
		Quantity	Value Rs. In lacs	Quantity	Value Rs. In lacs
Sugar	Qtls.	35,68,612	1,10,401.38	25,22,475	58,909.44
Rectified Spirit and country spirit	BL	4,37,94,237	25,701.39	3,05,82,272	27,077.72
Denatured spirit	BL	97,55,995	2,364.86	2,52,600	76.83
Whisky, brandy and civil rum	BL	1,12,23,845	7,919.81	96,15,924	11,585.20
Power*	KWH	6,34,84,176	2,521.95	4,81,21,683	1,529.59
Others			296.82		900.22
			<u>1,49,206.21</u>		<u>1,00,079.00</u>

* Net of captive consumption.

(e) Stock of goods manufactured: Opening stocks

	Unit	Current Year		Previous Year	
		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	8,54,069	27.28	6,80,497	16.50
Others			219.25		202.71
			<u>19,069.42</u>		<u>14,232.88</u>

* Net of units deducted towards banking and wheeling charges.

2 Closing stocks

	Unit	Current Year		Previous Year	
		Quantity	Value Rs. In lacs	Quantity	Value Rs. In lacs
Sugar	Qtls.	9,76,707	27,889.57	7,20,404	17,456.39
Rectified Spirit and country spirit	BL	15,33,613	417.06	27,95,547	1,024.28
Denatured spirit	BL	31,173	7.73	26,548	7.43
Whisky, brandy and civil rum	BL	3,93,168	138.47	92,666	334.79
Power banked and wheeled*	KWH	2,98,840	7.26	8,54,069	27.28
Others			219.37		219.25
			28,679.46		19,069.42

* Net of units deducted towards banking and wheeling charges.

(f) Raw materials consumed:

	Unit	Current Year		Previous Year	
		Quantity	Value Rs. In lacs	Quantity	Value Rs. In lacs
(i) Indigenous					
Sugar cane	Qtls.	1,72,24,878	45,593.47	1,47,03,469	23,875.02
Raw Sugar	Qtls.	21,750	640.95	3,37,659	6,730.08
Molasses#	Qtls.	11,90,304	5,545.39	10,34,002	2,468.69*
Others			440.30		535.12
			52,220.11		33,608.91
(ii) Imported					
Raw Sugar	Qtls.	2,367,400	67,979.27	8,66,086	16,795.45
			67,979.27		16,795.45
Total			120,199.38		50,404.36

* Includes trial run molasses consumption 33,329 qtls of Rs. 149.45 lacs.

Quantity consumed includes internal transfer.

(g) Goods purchased for re-sale

	Unit	Current Year		Previous Year	
		Quantity	Value Rs. In lacs	Quantity	Value Rs. In lacs
Country Liquor	BL	15,370	58.21	6,443	56.15
Total			58.21		56.15

18. (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, 2010.

Name of the statute	Nature of the dues	Amount involved* (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	0.85	0.85	Deputy Commissioner (Appeals)	2009-10
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	66.78	25.21	Commissioner (Appeals)	2008-09
	Excise duty	11.01	-	Commissioner (Appeals)	1979-80

	Excise duty	1.50	-	Assistant Commissioner	2006-07
	Excise duty	132.71	52.18	Customs, Excise & Service tax Appellate Tribunal	2006-07
	Excise duty	34.22	4.76	Additional Commissioner	2008-09
Service Tax Under the Finance Act, 1994	Service Tax	0.42	-	Assistant Commissioner	2006-07
State Excise Act	Excise duty	9.26	-	High Court, Allahabad	2001-02
	Excise duty	8.08	-	High Court, Allahabad	2009-10

* 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.

19. In the previous year, 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 had chosen to exercise the option under paragraph 46 inserted in the standard by the notification. Accordingly with retrospective effect from 1st October 2007 onwards exchange differences on all long term monetary items to the extent such items were used for financing fixed assets were added to/subtracted from the cost of those fixed assets and depreciated over the balance useful life of the assets. During the year, the Company has deducted from fixed assets Rs. 501.28 lacs (previous year added Rs. 466.27 lacs) being the exchange differences on long term monetary items relating to the acquisition of fixed assets. As a result of such change, net loss before tax and after tax is higher by Rs. 501.28 lacs and Rs. 334.77 lacs respectively (previous year profit before tax and after tax lower by 129.63 lacs).
20. On the basis of future projections taken on record by the Board of Directors of the Company after considering the recent improvements in sugar prices and margins, the sugar inventory available with the Company for disposal, changing government policies, as well as the additional capacities set up in the previous years for production of sugar, power and ethanol resulting in de-risking of the business operations and given the cyclicity of sugar industry and other steps being taken, 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. 7,040.49 lacs will be realized in the future.
21. 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. The Company has also

simultaneously obtained undertaking from the London Steamship Owners' Mutual Insurance Association Limited, London, the P&I club of vessel owner to compensate the loss suffered by the Company to the extent of USD 14.5 million, in case arbitration proceedings will be decided in favour of the Company. The arbitration proceedings have been progressing as per schedule.

The Insurance Company vide letter dated July 30, 2010 has repudiated the aforesaid insurance claim. The Company has initiated legal proceedings against this decision. The management, based on the facts of the case and opinion received from the legal experts, is confident that the insurance claim would be settled in favour of the Company and no loss would arise on settlement thereof.

22. 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.
23. The proceeds of Rs. 10.97 Lacs from 28,140 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.

24. 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 1,06,325 metric tonnes by March 31, 2011 and 19402 metric tones by February 17, 2012. As at September 30, 2010 outstanding export obligation is 40,800 metric tonnes. The management is confident that the export obligation shall be fully met and no loss is foreseen in complying with such obligation.
25. During the second half of the current year, due to a steep decline in the sugar prices on account of change in sugar production estimates in India, the Company's operations were adversely affected due to under recovery of cost of production as well as marking to net realizable value of inventory resulting in significant operating/cash losses to the Company. However, in view of the improved industry outlook on account of better sugar prices accompanied with significant reduction in inputs costs and after considering the remedial measures being taken by the Company for improving the financial position, the management is confident about the operation outlook for the ensuing year.
26. Previous year figures have been regrouped/ recast wherever necessary.

CONSOLIDATED

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF SIMBHAOLI SUGARS LIMITED

1. We have audited the attached Consolidated Balance Sheet of SIMBHAOLI SUGARS LIMITED ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group") as at September 30, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the 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 the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 39.03 lacs as at September 30, 2010, total revenues of Rs. 43.82 lacs and net cash inflows amounting to Rs. 3.76 lacs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion in so far as it relates to the amounts included in respect of this subsidiary is based solely on the report of the other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Without qualifying our opinion, we draw attention to:
 - (i) note 14 in schedule 17 which sets out the position regarding repudiation by the insurance company of the Company's insurance claim amounting to Rs. 4780 lacs on account of sinking of ship carrying raw sugar purchased by the Company. Pending completion of legal proceedings in the matter, the effect thereof in these accounts cannot be determined at this stage.
 - (ii) note 15 in schedule 17 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 cannot be determined at this stage.
6. *As indicated in note 13 of schedule 17, the Company's management is confident that given the cyclicity of sugar industry, steps taken by the management and after considering the future projections taken on record by the Board of Directors, sufficient future taxable income will be available against which deferred tax asset (net) of Rs. 7,040.49 lacs will be realized in the future. Accordingly, the Company has recognized such deferred tax credit in these accounts. However, in our opinion, recognition of such deferred tax credit is not in line with the virtual certainty requirement of Accounting Standard 22 "Accounting for Taxes on Income". Had such deferred tax credit not been recognized, loss after tax and debit balance in profit and loss account would have been higher by Rs. 7,040.49 lacs and deferred tax asset would have been lower by the same amount.*
7. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiary and to the best of our information and according to the explanations given to us, *subject to our comment in paragraph 6 above*, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at September 30, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 015125N)

Jaideep Bhargava
Partner
(Membership No. 90295)

Place: Gurgaon
Date : November 29, 2010

**CONSOLIDATED BALANCE SHEET OF SIMBHAOLI SUGARS LIMITED
AND ITS SUBSIDIARY COMPANY
AS AT SEPTEMBER 30, 2010**

	Schedule No.	As at September 30, 2010 Rs. lacs	As at September 30, 2009 Rs. lacs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1A	2,332.59	2,545.78
Employee stock options outstanding	1B	43.39	6.19
Reserves and surplus	2	8,036.73	9,763.75
		<u>10,412.71</u>	<u>12,315.72</u>
Loan funds			
Secured loans	3	69,611.30	59,935.15
Unsecured loans	4	1,100.45	1,772.45
		<u>70,711.75</u>	<u>61,707.60</u>
TOTAL		<u>81,124.46</u>	<u>74,023.32</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	81,824.13	78,022.87
Less: Depreciation		24,887.02	20,973.25
Net block		<u>56,937.11</u>	<u>57,049.62</u>
Capital work in progress		1,757.45	3,093.18
		<u>58,694.56</u>	<u>60,142.80</u>
Pre-operative expenditure pending allocation	6	-	132.56
		<u>58,694.56</u>	<u>60,275.36</u>
Investments	7	0.05	0.05
Deferred tax assets (net)	8	7,040.49	1,926.76
Current assets, loans and advances			
Inventories	9	40,050.04	42,997.33
Sundry debtors	10	7,273.73	5,713.94
Cash and bank balances	11	13,947.19	5,629.47
Loans and advances	12	16,231.48	13,573.49
		<u>77,502.44</u>	<u>67,914.23</u>
Less: Current liabilities and provisions	13		
Current liabilities		66,918.87	54,427.92
Provisions		920.80	1,665.16
		<u>67,839.67</u>	<u>56,093.08</u>
Net current assets		9,662.77	11,821.15
Profit and loss account		5,726.59	-
TOTAL		<u>81,124.46</u>	<u>74,023.32</u>
Notes to the accounts	17		

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Gurpal Singh
Dy. Managing Director

Gurmit Singh Mann
Chairman & Managing Director

Sanjay Tapriya
Chief Financial Officer

G S C Rao
Chief Executive Officer

Jaideep Bhargava
Partner
(Membership No. 90295)

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance

Gurgaon
November 29, 2010

New Delhi
November 29, 2010

CONSOLIDATED

**CONSOLIDATED PROFIT AND LOSS OF SIMBHAOLI SUGARS LIMITED
AND ITS SUBSIDIARY COMPANY
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Schedule No.</u>	<u>Year ended September 30, 2010 Rs. lacs</u>	<u>Year ended September 30, 2009 Rs. lacs</u>
INCOME			
Sale of products			
Gross sales		149,206.21	100,093.00
Less: Excise duty		<u>23,040.29</u>	<u>29,446.56</u>
Other income	14	<u>6,388.78</u>	<u>9,270.31</u>
		<u>132,554.70</u>	<u>79,916.75</u>
EXPENDITURE			
Manufacturing and other expenses	15	<u>132,658.70</u>	<u>62,995.51</u>
Profit/(loss) before interest, derivative loss, depreciation and tax		(104.00)	16,921.24
Interest expense	16	8,471.83	6,310.88
Derivative loss		<u>30.86</u>	<u>56.55</u>
Profit/(loss) before depreciation and tax		(8,606.69)	10,553.81
Depreciation		<u>4,023.98</u>	<u>3,705.31</u>
Profit/(loss) before transfer from revaluation reserve		<u>(12,630.67)</u>	<u>6,848.50</u>
Transfer from revaluation reserve		<u>14.58</u>	<u>49.70</u>
Profit/(loss) before tax		(12,616.09)	6,898.20
Current tax		-	787.23
Less: MAT credit entitlement		<u>-</u>	<u>(787.23)</u>
Deferred tax (benefit)/ charge		(5,133.43)	(316.52)
Fringe benefit tax		<u>-</u>	<u>19.98</u>
Profit/(loss) after tax		(7,482.66)	7,194.74
Balance brought forward from the previous year		1,756.07	(6,003.75)
Exchange fluctuation adjustments (Refer note 12 in schedule 17)		<u>-</u>	<u>565.08</u>
		<u>(5,726.59)</u>	<u>1,756.07</u>
Earnings per share (Rs.)			
Basic		(32.27)	33.19
Diluted		(32.27)	33.13
(Refer note 11 in schedule 17)			
Notes to the accounts	17		

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Gurpal Singh
Dy. Managing Director

Gurmit Singh Mann
Chairman & Managing Director

Sanjay Tapriya
Chief Financial Officer

G S C Rao
Chief Executive Officer

Jaideep Bhargava
Partner
(Membership No. 90295)

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance

Gurgaon
November 29, 2010

New Delhi
November 29, 2010

SIMBHAOLI SUGARS LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Year ended September 30, 2010	Year ended September 30, 2009
	<u>Rs. lacs</u>	<u>Rs. lacs</u>
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit/(loss) before tax	(12,616.09)	6,898.20
Adjustments for:		
Depreciation	4,009.40	3,655.61
Foreign exchange fluctuation	(3.27)	(1.23)
Profit on sale of investments	-	(7.17)
Interest expense	8,471.83	6,311.02
Gain on buy back of FCCB	(138.51)	(7,296.02)
Deferred employee compensation expense	37.20	6.19
Profit on sale of fixed assets	(3.64)	(49.88)
Loss on sale of fixed assets	27.35	0.68
Interest income	(485.34)	(172.14)
Transfer from Capital-grant-in-aids'	(1.33)	(2.08)
Operating profit/(loss) before working capital changes	(702.40)	9,343.18
Adjustments for change in :		
Trade and other receivables	(3,300.98)	(8,862.82)
Inventories	2,947.29	(26,175.01)
Trade payables	13,063.94	39,371.03
Cash generated from operations	12,007.85	13,676.38
Direct taxes paid	(1,280.45)	38.79
Net cash (used) / from operating activities	10,727.40	13,715.17
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3,808.04)	(4,730.40)
Sale of fixed assets	122.21	97.58
Margin money	(7,596.65)	(4,188.24)
Profit on sale of investments	-	7.17
Interest received	63.71	164.97
Net cash used in investing activities	(11,218.77)	(8,648.92)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of equity shares/equity warrants	10.97	682.83
Proceeds from long term borrowings	6,718.22	9,074.81
Repayment of long term borrowings	(7,784.84)	(9,532.16)
Changes in cash credit account	10,737.89	1,525.47
Repayments of preference share capital	(216.00)	(596.00)
Interest paid	(8,256.17)	(5,940.61)
Dividend paid	(0.10)	(0.03)
Contribution toward charity reserve received	2.47	1.92
Net cash from financing activities	1,212.44	(4,783.77)
D. Net increase/(decrease) in cash and cash equivalents	721.07	282.48
E. Cash and cash equivalents (opening balance)		
Cash and bank balances	1,118.03	835.55
F. Cash and cash equivalents (closing balance)		
Cash and bank balances (D+E)	<u>1,839.10</u>	<u>1,118.03</u>

The above cash flow statement has been prepared under the "indirect method set out in Accounting Standard-3 prescribed in Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Jaideep Bhargava
Partner
(Membership No. 90295)

Gurgaon
November 29, 2010

Gurpal Singh
Dy. Managing Director

Sanjay Tapriya
Chief Financial Officer

Kamal Samtani
Company Secretary

New Delhi
November 29, 2010

Gurmit Singh Mann
Chairman & Managing Director

G S C Rao
Chief Executive Officer

Sunil K. Gupta
GM-Finance

CONSOLIDATED

**SCHEDULES ANNEXED TO AND FORMING PART OF
THE CONSOLIDATED FINANCIAL STATEMENT**

	<u>As at September 30, 2010</u>	<u>As at September 30, 2009</u>
	Rs. lacs	Rs. lacs
SCHEDULE 1A - SHARE CAPITAL		
Authorised		
3,80,00,000 (previous year 3,10,00,000)		
Equity shares of Rs.10 each	3,800.00	3,100.00
2,00,000 (previous year 9,00,000)		
Preference shares of Rs.100 each	200.00	900.00
	<u>4,000.00</u>	<u>4,000.00</u>
Issued		
2,34,00,525 (previous year 2,33,72,385)		
Equity shares of Rs.10 each	2,340.05	2,337.24
Nil (previous year 2,16,000), 8% Cumulative Redeemable Preference shares of Rs.100 each,	-	216.00
	<u>2,340.05</u>	<u>2,553.24</u>
Subscribed		
Equity shares		
2,31,95,900 (previous year 2,31,67,760)		
Equity shares of Rs.10 each fully paid up	2,319.59	2,316.78
Add: 2,04,625 (previous year 2,04,625) Forfeited shares	13.00	13.00
	<u>2,332.59</u>	<u>2,329.78</u>
Preference shares		
Nil (previous year 2,16,000), 8% Cumulative Redeemable Preference shares of Rs.100 each	-	216.00
	<u>2,332.59</u>	<u>2,545.78</u>

Note :-

- 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.
- 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.
- 2,16,000 (previous year 2,16,000), 8% Cumulative Redeemable Preference shares of Rs.100 each have been redeemed during the year.
- Under Simbhaoli Sugars Limited - Employee Stock Option Scheme 2007, the Company has granted :
 - 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 28,140 (previous year 1,75,836) 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.
 - 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.
 - 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.

	<u>As at September 30, 2010</u>	<u>As at September 30, 2009</u>
	Rs. lacs	Rs. lacs
SCHEDULE 1B - EMPLOYEE STOCK OPTIONS OUTSTANDING		
Employee stock options outstanding	43.39	43.39
Less: Deferred employee compensation	-	37.20
	<u>43.39</u>	<u>6.19</u>

Note : Refer note 1(xviii) in schedule 17 and footnote 4 in schedule 1A

SCHEDULE 2 - RESERVES AND SURPLUS

	As at September 30, 2009	Additions during the Year	Deductions during the Year	As at September 30, 2010
	Rs. lacs	Rs. lacs	Rs. lacs	Rs. lacs
Revaluation reserve	456.06	-	14.58 (1)	441.48
Reconstruction reserve	589.73	-	-	589.73
Capital grant-in-aid	11.74	-	1.33 (2)	10.41
Capital reserve	231.26	-	-	231.26
Securities premium account	6,714.23	81.21 (3)	35.45 (4)	6,759.99
Charity reserve	5.90	2.47 (5)	-	8.37
Surplus being balance in profit and loss account	1,756.07	-	1,756.07	-
Foreign currency translation reserve	(1.24)	-	3.27	(4.51)
	<u>9,763.75</u>	<u>83.68</u>	<u>1,810.70</u>	<u>8,036.73</u>

- (1) - Represents Rs. 14.58 lacs (previous year Rs.49.70 lacs) as additional depreciation transferred to profit and loss account.
- Represents Nil (previous year Rs. 24.97 lacs) transferred on sale of fixed asset.
- (2) Transferred to profit and loss account.
- (3) - Represents Rs. 8.16 lacs (previous year Rs. 573.09 lacs) received on allotment of equity shares.
- Represents Rs. 73.05 lacs (Net of Tax of Rs. 37.61 lacs) on account of reversal of premium on buy back and cancellation of 0% Foreign Currency Convertible Bonds aggregating USD \$ 1.5 million. (Also refer note 4(b) in schedule 17).
- (4) Represents premium payable on redemption of securities (refer note 1(xvii) in schedule 17).
- (5) Received during the year.

As at September 30, 2010	As at September 30, 2009
Rs. lacs	Rs. lacs

SCHEDULE 3 - SECURED LOANS

Banks		
Cash credit	33,433.29	22,695.40
Term loans	27,538.57	31,641.54
Others		
Term loans	8,639.44	5,598.21
	<u>69,611.30</u>	<u>59,935.15</u>

Notes:

- (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 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 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.
- Term loans of Rs. 17,608.89 lacs (previous year Rs. 21,623.23 lacs) from banks and term loans of Rs. Nil (previous year Rs. 471.39 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.
- Term loans of Rs. 1,250.00 lacs (previous year Rs. 592.76 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.
- Term loans of Rs. 2,213.80 lacs (previous year Rs. 3,073.06 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.
- Term loans of Rs. 6,435.87 lacs (previous year Rs. 6,325.00 lacs) from a bank 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. This loan is further secured by way of collateral security on the personal assets of the promoters of the Company.
- Term loans of Rs. 8,539.44 lacs (previous year Rs. 5,022.98 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.
- Term loans of Rs. 100.00 lacs (previous year Rs. 100.00 lacs) from Sugar Technology Mission (STM) is secured by exclusive first charge to be created on sugarcane juice purification project at Simbhaoli Sugar Division by way of hypothecation in favour of Technology Information Forecasting and Assessment Council (TIFAC).
- Term loans of Rs. 30.01 lacs (previous year Rs. 27.49 lacs) from banks and term loan of Rs. Nil (previous year Rs. 3.84 lacs) from others are secured by way of hypothecation of specific vehicles acquired under the scheme.
- Term loans repayable within a year Rs. 6,735.32 lacs (previous year Rs. 4,228.00 lacs).

All the credit facilities other than SDF loan of Rs. 8,539.44 lacs (previous year Rs. 5,022.98 lacs), Sugar technology mission loan of Rs. 100.00 lacs (previous year Rs. 100.00 lacs) and vehicle loan of Rs. 30.01 lacs (previous year Rs. 31.33 lacs) are guaranteed by Chairman & Managing Director and Deputy Managing Director of the Company.

CONSOLIDATED

	As at September 30, 2010 Rs. lacs	As at September 30, 2009 Rs. lacs
SCHEDULE 4 - UNSECURED LOANS		
Short term loans and advances:		
From Directors	256.00	-
From others	-	150.00
	<u>256.00</u>	<u>150.00</u>
Other Loans and advances from :		
0% Foreign Currency Convertible Bonds (FCCB)* (2011)	844.45	1,622.45
	<u>844.45</u>	<u>1,622.45</u>
	<u>1,100.45</u>	<u>1,772.45</u>

* Refer note 4 in schedule 17

SCHEDULE 5 - FIXED ASSETS

(Rs. In lacs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at September 30, 2009	Additions	Deletions #	As at September 30, 2010	Up to September 30, 2009	For the year	On Deletions	As at September 30, 2010	As at September 30, 2010	As at September 30, 2009	
Land	1,850.06	282.63	-	2,132.69*	-	-	-	-	2,132.69	1,850.06	
Buildings	8,938.22	114.99	64.12	8,989.09	1,969.91	416.76	-	2,386.67	6,602.42	6,968.31	
Railway siding	1.60	-	-	1.60	1.51	0.01	-	1.52	0.08	0.09	
Plant and machinery	66,592.51	4,115.16	759.96	69,947.71	18,591.51	3,530.63	90.11	22,032.03	47,915.68	48,001.00	
Furniture and fixtures	230.16	5.00	-	235.16	167.40	14.56	-	181.96	53.20	62.76	
Vehicles	409.87	138.45	30.44	517.88	242.92	62.02	20.10	284.84	233.04	166.95	
Live Stock	0.45	-	0.45	-	-	-	-	-	-	0.45	
	78,022.87	4,656.23	854.97	81,824.13	20,973.25	4,023.98	110.21	24,887.02	56,937.11		
Previous year	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	
Capital work in progress including capital advances Rs.47.86 lacs (previous year Rs. 177.26 lacs)									1,757.45	3,093.18	
									58,694.56	60,142.80	

* Includes Rs. 8.62 lacs (previous year Rs. 8.62 lacs) pertaining to land situated at Brijnathpur pending registration in favour of the Company.

Refer note 4(b) and note 12 in schedule 17.

	As at September 30, 2010	As at September 30, 2009
	<u>Rs. lacs</u>	<u>Rs. lacs</u>
SCHEDULE 6 - PRE-OPERATIVE EXPENDITURE PENDING ALLOCATION		
Raw material consumed	235.54	149.45
Salaries, wages, bonus, commission etc.	15.46	67.29
Contribution to provident and other funds	0.05	1.82
Compensated absences	-	0.33
Staff welfare expenses	-	1.73
Stores, oils and chemicals	-	27.97
Power and fuel	-	55.05
Repairs and maintenance		
-Plant and machinery	-	0.39
-Others	-	2.21
Insurance	0.93	4.65
Rates and taxes	-	2.41
Travelling expenses	-	1.45
Miscellaneous expenses	2.26	80.29
Foreign exchange fluctuation	-	40.12
Depreciation	-	1.04
Interest (fixed)	-	142.44
	<u>254.24</u>	<u>578.64</u>
Less:		
Gross sales	258.38	-
Less: Excise duty on sales	<u>-</u>	<u>-</u>
Interest income	-	0.44
	<u>(4.14)</u>	<u>578.20</u>
Add: Brought forward from previous year	132.56	1,175.32
	<u>128.42</u>	<u>1,753.52</u>
Less: Finished stock transferred to 'Manufacturing and other expenses' on commencement of commercial production in schedule 15	-	151.80
	<u>128.42</u>	<u>1,601.72</u>
Less: Allocated to fixed assets	128.42	1,469.16
	<u>-</u>	<u>132.56</u>
	<u><u>128.42</u></u>	<u><u>132.56</u></u>

SCHEDULE 7 - INVESTMENTS

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
	<u>0.05</u>	<u>0.05</u>
Aggregate book value		
Unquoted	0.05	0.05
	<u>0.05</u>	<u>0.05</u>
	<u><u>0.05</u></u>	<u><u>0.05</u></u>

CONSOLIDATED

	As at September 30, 2010	As at September 30, 2009
	<u>Rs. lacs</u>	<u>Rs. lacs</u>
SCHEDULE 8 - DEFERRED TAX ASSETS (NET)		
Deferred tax liabilities		
Depreciation	8,406.17	7,875.50
	<u>8,406.17</u>	<u>7,875.50</u>
Deferred tax assets		
Unabsorbed depreciation/Brought forward business loss	14,814.13	8,960.05
Foreign Currency Convertible Bonds premium	93.36	84.98
Accrued expenses deductible on payment	421.99	757.23
Others	117.18	-
	<u>15,446.66</u>	<u>9,802.26</u>
Deferred tax assets (net)	<u>(7,040.49)</u>	<u>(1,926.76)</u>
SCHEDULE 9 - INVENTORIES		
Stores and spares (at cost or under)	2,614.47	1,921.15
Tools and appliances (at cost or under)	6.66	7.52
Stock-in-trade (at lower of cost and net realisable value)		
Raw materials	7,992.42	21,128.89
Process stocks	757.03	870.35
Finished goods	28,679.46	19,069.42
	<u>40,050.04</u>	<u>42,997.33</u>
SCHEDULE 10 - SUNDRY DEBTORS		
Unsecured		
Debts over six months		
- considered good	706.83	351.02
- considered doubtful	293.53	224.59
Other debts - considered good	6,566.90	5,362.92
	<u>7,567.26</u>	<u>5,938.53</u>
Less: Provision for doubtful debts	293.53	224.59
	<u>7,273.73</u>	<u>5,713.94</u>
SCHEDULE 11 - CASH AND BANK BALANCES		
Cash on hand	21.71	34.30
Cheques and drafts on hand	25.83	38.19
With scheduled banks:		
On current account	1,728.05	990.21
On fixed deposit account #	12,171.60	4,566.77
	<u>13,947.19</u>	<u>5,629.47</u>
#	Pledged with excise authorities and civil court Rs.160.79 lacs (previous year Rs. 202.40 lacs); and pledged with banks Rs. 11,947.30 lacs (previous year Rs. 4,309.04 lacs)	

	As at September 30, 2010	As at September 30, 2009
	Rs. lacs	Rs. lacs
SCHEDULE 12 - LOANS AND ADVANCES		
Unsecured and considered good, unless otherwise stated		
Advances recoverable in cash or in kind or for value to be received		
Considered good	11,811.44	9,636.93
Considered doubtful	12.05	4.72
	11,823.49	9,641.65
Less: Provision for doubtful advances	12.05	4.72
	11,811.44	9,636.93
Balances with excise authorities on current accounts	2,228.66	2,240.35
Advance payment of income-tax	1,813.13	530.73
MAT credit entitlement	378.25	1,165.48
	<u>16,231.48</u>	<u>13,573.49</u>

SCHEDULE 13 - CURRENT LIABILITIES AND PROVISIONS

Current liabilities		
Sundry creditors		
Total outstanding dues of micro and small enterprises #	1.01	0.10
Total outstanding dues of creditors other than micro and small enterprises	66,136.94	53,862.46
Interest accrued but not due on loans	771.91	556.25
Unclaimed dividend ##	9.01	9.11
	<u>66,918.87</u>	<u>54,427.92</u>
Provisions		
Taxation	279.40	1,064.68
Compensated absences	197.16	186.85
Gratuity	163.19	5.07
Premium payable on redemption of Foreign Currency Convertible bonds \$	281.05	408.56
	<u>920.80</u>	<u>1,665.16</u>
	<u>67,839.67</u>	<u>56,093.08</u>

Refer note 6 in schedule 17.

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

\$ Refer note 4(b) in schedule 17.

	Year ended September 30, 2010	Year ended September 30, 2009
	Rs. lacs	Rs. lacs
SCHEDULE 14 - OTHER INCOME		
Interest on Bank deposits*	485.34	117.91
Rent	4.34	12.14
Transfer from 'Capital grant-in-aid'	1.33	2.08
Profit on sale of fixed assets	3.64	49.88
Profit on sale of long term investment - other than trade	-	7.35
Liability/provisions no longer required written back	152.37	50.31
Foreign exchange fluctuation	2,210.17	623.75
Gain on buy back of FCCB #	138.51	7,220.73
Export incentives	287.50	-
Miscellaneous**	3,105.58	1,186.16
	<u>6,388.78</u>	<u>9,270.31</u>

* Tax deducted at source Rs.31.65 lacs (previous year Rs.9.57 lacs)

Refer note 4(b) in schedule 17.

** Includes income on settlement of contractual obligation Rs. 2,711.97 lacs (previous year Rs. 169.00 lacs)

CONSOLIDATED

	Year ended September 30, 2010	Year ended September 30, 2009
	Rs. lacs	Rs. lacs
SCHEDULE 15 - MANUFACTURING AND OTHER EXPENSES		
Raw materials consumed	120,199.38	50,266.64
Purchase for re-sale	58.21	56.15
Sugarcane development expenses	1,141.93	655.09
Stock produced during the trial production	-	151.80
Salaries, wages, bonus, commission etc.	3,446.70	2,807.65
Contribution to provident and other funds	486.68	263.13
Staff welfare expenses	125.68	109.38
Stores, oils and chemicals (all indigenous) #	5,336.03	5,384.99
Power and fuel	4,271.88	1,791.76
Repairs and maintenance		
- Plant and machinery	1,582.90	1,408.50
- Buildings	89.28	131.75
- Others	280.00	232.13
Insurance	202.21	96.51
Rent	270.17	251.34
Lease rent	46.78	41.98
Rates and taxes	361.92	334.38
Donations	1.31	0.68
Travelling expenses	311.88	329.60
Marketing expenses	1,540.56	1,009.76
Commission to selling agents	930.13	574.29
Loss on sale of fixed assets	27.35	0.68
Bad debts and advances	85.30	185.31
Provision for doubtful debts	118.36	109.14
Increase/(decrease) in excise duty on inventory	(283.93)	729.86
Miscellaneous expenses	1,524.71	1,253.62
	<u>142,155.42</u>	<u>68,176.12</u>
(Increase)/decrease in stocks :		
Finished :		
Opening stocks	19,069.42	14,232.88
Less: closing stocks	28,679.46	19,069.42
	<u>(9,610.04)</u>	<u>(4,836.54)</u>
Process:		
Opening stocks	870.35	526.28
Less: closing stocks	757.03	870.35
	<u>113.32</u>	<u>(344.07)</u>
	<u>132,658.70</u>	<u>62,995.51</u>
# Stores, oils and chemicals allocated to other revenue heads Rs. 5,291.85 lacs (previous year Rs.2,505.01 lacs)		

SCHEDULE 16 - INTEREST EXPENSE

Interest		
On fixed loans	3,928.55	3,046.07
On Others	4,543.28	3,264.81
	<u>8,471.83</u>	<u>6,310.88</u>

SCHEDULE 17 - NOTES TO THE CONSOLIDATED 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 (iii) below. These statements have been prepared in accordance with Accounting Standard 21 - "Consolidated Financial Statements" notified by the Companies (Accounting Standard) Rules, 2006.

ii) Principles of consolidation

A) The consolidated financial statements relate to Simbhaoli Sugars Limited ('the Company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

- the financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

B) The financial statement of the subsidiary company is drawn up to the same reporting date as of the Parent Company, i.e. year ended 30th September. Simbhaoli Sugars Limited had acquired the 100% equity share capital of the Simbhaoli Global Commodities DMCC, a Company incorporated in Dubai on November 16, 2008.

C) These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiary on the audited financial statements prepared for consolidation by the concerned subsidiary in accordance with the requirements of AS -21 "Consolidated Financial Statements" notified by the Companies (Accounting Standard) Rules, 2006.

iii) Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Example of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets. Contingencies are recorded when it is probable that a liability will be incurred

and the amount can be reasonably estimated. Actual results could differ from such estimates.

iv) 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 dates of their commissioning.

v) Impairment

At each Balance Sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a prediscout rate that reflects the current market assessments of time value of money and the risks specific to the asset.

vi) 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

CONSOLIDATED

depreciation arising due to revaluation is transferred from the revaluation reserve to the profit and loss account.

vii) Investments

Long term investments are stated at cost as reduced by permanent diminution in value, if any.

viii) 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)
Process stocks/finished	-	FIFO material cost plus goods appropriate share of labour and manufacturing overheads.

ix) State excise duty

The state excise duty payable on finished goods is accounted for on the clearance of goods from the factory premises or bonded warehouses. The amount of state excise duty payable on potable alcohol not cleared from the factory premises and bonded warehouses as at the year end is not determinable as it varies according to the places to which the goods will be dispatched. However, non-provision of this liability does not affect the profit/loss of the year.

x) 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.

xi) 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.

xii) 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 time proportion basis.

xiii) Foreign Currency Transactions and Forward contracts

A) Transactions in foreign currency are recorded on initial recognition at the exchange rate prevailing on the date 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 12).

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 except that the exchange differences, including premium or discount on forward exchange contracts, arising till the commissioning of fixed assets, relating to borrowed funds and liabilities in foreign currency for the acquisition of the fixed assets are adjusted to the cost of fixed assets.

B) In case of foreign subsidiary, the assets and liabilities have been translated into Indian Rupees at the closing exchange rate at the year end whereas revenues and expenses reflected in the profit and loss account have been translated into Indian Rupees at monthly average exchange rate for the reporting period. The resultant translation exchange differences are accumulated in "Foreign currency translation reserve" to be recognised as income or expense in the period in which net investment in concerned foreign subsidiary is disposed off.

xiv) 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.

xv) Taxation

The provision for taxation for the period comprises the residual tax liability for the assessment year 2010-11 relevant to the period October 1, 2009 to March 31, 2010 and the liability which has accrued on the profit for the period April 1, 2010 to September 30, 2010, 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. (Refer note no.13)

xvi) 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.

xvii) 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.

xviii) 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. 707.30 lacs (previous year Rs. 147.66 lacs).

(Rs. in lacs)

Description	As at September 30, 2010	As at September 30, 2009
Sales Tax/Trade Tax Act	12.60	9.87
Slate Excise Act	17.34	9.26
Central Excise Act	239.96	11.89
Income tax	316.73	-
Others	120.67	116.64
Total	707.30	147.66

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

(Rs. in lacs)

	Current Year	Previous Year
Amount guaranteed	-	10,000.00
Amount outstanding	-	-

iii) Consequent to redemption of outstanding preference share capital aggregating Rs. 216.00 lacs, the cumulative preference dividend arrears of Rs. 77.76 lacs stands extinguished.
3. Estimated amount of contracts (net of advances) remaining to be executed on capital account Rs. 304.92 lacs (previous year Rs. 459.40 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\$ 1.50 Million (previous year US\$ 29.61 Million) and cancelled the same. Consequent thereto the Company has:

- written back the premium provision aggregating Rs. 180.83 lacs (previous year Rs. 2,438.33 lacs) attributable to these FCCB by crediting back Rs. 73.05 lacs (previous year Rs. 700.14 lacs) {(net of tax of Rs. 37.61 lacs (previous year Rs. 360.52 lacs)) to securities premium account and Rs. 70.17 lacs (previous year Rs. 1,377.67 lacs) to concerned fixed assets to which it was capitalized in earlier years, and
- Credited gain amounting to Rs. 138.51 lacs (previous year Rs. 7,220.73 lacs) arising on buy back and cancellation of these FCCB under the head "Other Income" in schedule 14 and Rs. 27.34 lacs (previous year Rs. 1,351.39) to concerned fixed assets to which it was capitalized in earlier years.

5. Category wise quantitative data about Derivative Instruments:

Nature of Derivatives	Number of deals		Purpose		Amount (USD lacs)		Amount (Rs. lacs)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
USD Libor Caps	-	1	-	Hedging of six months libor interest	-	10.50	-	502.53

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

Particulars	Current Year		Previous Year	
	Amount in foreign currency (USD lacs)	Amount (Rs. lacs)	Amount in foreign currency (USD lacs)	Amount (Rs. lacs)
Secured loan	144.04	6,435.87	132.16	6,325.00
Unsecured loan	18.90	844.45	33.90	1,622.45
Sundry Debtors	23.64	1,056.11	0.31	14.88
Sundry Creditors	474.81	21,214.51	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 1.01 lacs (previous year Rs. 0.10 lac). 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:-

CONSOLIDATED

- a) Defined contribution plans:
i) Superannuation fund
ii) Provident fund

During the year, the Company has recognized the following amounts in the profits and loss account:

	(Rs. lacs)	
	Current Year	Previous Year
- Employers' Contribution to Provident Fund #	282.77	234.88
- Employers' Contribution to Superannuation Fund #	36.99	30.39

Includes Rs. 0.36 lacs (previous year Rs. 0.89 lacs) for Employers' contribution to Provident Fund and Rs. 0.05 lacs (previous year Rs. 0.48 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. lacs)

	Gratuity (Funded)			Compensated absences		
	2010	2009	2008	2010	2009	2008
Discount rate (per annum)	8%	8%	8%	8%	8%	8%
Future salary increase	5%	5%	5%	5%	5%	5%
Expected rate of return on plan assets	8%	8%	8%	N/A	N/A	N/A
In service mortality	LIC 1994-96 ULTIMATE	LIC 1994-96 ULTIMATE	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	108.60	45.29	86.34	12.24	160.54	75.49
Interest cost	58.02	52.38	48.39	11.60	4.90	5.95
Expected return on plan assets	(61.18)	(52.27)	(44.21)	-	-	-
Net actuarial (gain)/loss recognized in the year	61.47	(44.05)	42.22	70.12	(21.14)	2.80
Total expense #	166.91	1.35	132.74	93.96	144.30	84.24
II Net asset/(liability) recognized in the balance sheet as at the end of the year						
Present value of Defined benefits obligation	935.90 (772.71)	761.74 (756.67)	682.56 (550.16)	197.16	186.85	127.57
Fair value of plan assets	-	-	-	-	-	-
Funded status [surplus/(deficit)]	(163.19)	(5.07)	(132.40)	(197.16)	(186.85)	(127.57)
Net asset/(liability) as at the end of the year	(163.19)	(5.07)	(132.40)	(197.16)	(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	761.74	682.56	647.84	186.85	127.57	78.84
Interest cost	58.02	52.38	48.39	11.60	4.90	5.95
Current service cost	108.61	45.29	86.34	12.24	160.54	75.49
Benefits paid	(72.91)	(61.85)	(65.51)	(83.65)	(85.02)	(35.51)
Actuarial (gains)/ losses on obligation	80.44	43.36	(34.50)	70.12	(21.14)	2.80
Present value of obligation as at the end of the year	935.90	761.74	682.56	197.16	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	756.67	550.16	555.09	-	-	-
Expected return on plan assets	61.18	52.27	44.21	-	-	-
Contributions	8.80	128.68	93.09	-	-	-
Benefits paid	(72.91)	(61.85)	(65.51)	-	-	-
Actuarial gains/(losses)	18.97	87.41	(76.72)	-	-	-
Fair value of plan assets as at the end of the year	772.71	756.67	550.16	-	-	-
V Detail of plan Assets	Funded with ICICI*		NA			

includes Rs. Nil (previous year Rs. 0.44 lacs) for Gratuity and Rs. Nil (previous year Rs. 0.33 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.

The Company's best estimate of contributions expected to be paid during the annual year beginning after balance sheet date is Rs.163.19 lacs for gratuity and Rs.197.16 lacs for Compensated absences.

8. Revenue expenditure on research and development Rs. 7.99 lacs (previous year Rs. 6.71 lacs).
9. **Related Party disclosure under Accounting Standard 18**

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

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

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

Enterprise over which key management personnel exercise significant influence: Dholadhar Investments (P) Ltd. (enterprise over which Mr. G M S Mann exercises significant influence), Pritam Singh Sandhu Associates Pvt. Ltd (enterprise over which Mr. Guralp Singh exercises significant influence) and Uniworld Sugars Limited (enterprise over which Mr. G M S Mann, Dr. G S C Rao and Mr. Sanjay Tapiya exercise significant influence).

B. Transactions with the above parties: (Rs. in lacs)

Description	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
Rent	-	-	54.61	40.81	-	-
Mrs. G R Lakshmi	-	-	16.50	10.20	-	-
Mrs. Mamta Tapiya	-	-	16.39	8.88	-	-
Mr. Govind Singh Sandhu	-	-	21.72	21.73	-	-
Salary/stipend	-	-	1.35	5.62	-	-
Ms. Gursimran Kaur Mann	-	-	-	5.52	-	-
Mr. Angad Singh	-	-	1.35	0.10	-	-
Allotment of Share Warrants, Equity Shares	-	9.64	-	0.50	-	614.25
Mr. Sanjay Tapiya	-	2.81	-	-	-	-

Dr. G S C Rao	-	6.83	-	-	-	-	-	-	-	-	-	-
Ms. Gursimran Kaur Mann	-	-	-	-	0.50	-	-	-	-	-	-	-
Pritam Singh Sandhu Associates Pvt. Ltd.	-	-	-	-	-	-	-	-	-	-	459.54	-
Dholadhar Investment Pvt. Ltd.	-	-	-	-	-	-	-	-	-	-	154.71	-
Professional Charges	-	-	0.23	0.22	-	-	-	-	-	-	-	-
Mr. B D Tapiya	-	-	0.23	0.22	-	-	-	-	-	-	-	-
Managerial Remuneration \$	205.96	156.51	-	-	-	-	-	-	-	-	-	-
Mr. G M S Mann	51.47	42.39	-	-	-	-	-	-	-	-	-	-
Mr. Gurpal Singh	47.77	36.86	-	-	-	-	-	-	-	-	-	-
Dr. G S C Rao	53.74	45.38	-	-	-	-	-	-	-	-	-	-
Mr. Sanjay Tapiya	52.98	31.88	-	-	-	-	-	-	-	-	-	-
Loan taken	320.00	-	-	-	-	-	-	-	-	-	-	-
Mr. G M S Mann	191.00	-	-	-	-	-	-	-	-	-	-	-
Mr. Gurpal Singh	95.00	-	-	-	-	-	-	-	-	-	-	-
Dr. G S C Rao	17.00	-	-	-	-	-	-	-	-	-	-	-
Mr. Sanjay Tapiya	17.00	-	-	-	-	-	-	-	-	-	-	-
Loans repaid	64.00	-	-	-	-	-	-	-	-	-	-	-
Mr. G M S Mann	60.00	-	-	-	-	-	-	-	-	-	-	-
Dr. G S C Rao	4.00	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding	269.32	-	0.11	-	-	-	-	-	-	-	-	-
Mr. G M S Mann	130.53	-	-	-	-	-	-	-	-	-	-	-
Mr. Gurpal Singh	99.55	-	-	-	-	-	-	-	-	-	-	-
Dr. G S C Rao	20.66	-	-	-	-	-	-	-	-	-	-	-
Mr. Sanjay Tapiya	18.58	-	-	-	-	-	-	-	-	-	-	-
Mr. Angad Singh	-	-	0.11	-	-	-	-	-	-	-	-	-
Expenses recovered	-	-	-	-	-	5.20*	-	-	-	-	-	-
Interest Income	-	-	-	-	-	21.20*	-	-	-	-	-	-
Advances given & received back	-	-	-	-	-	285.00*	-	-	-	-	-	-
Amount receivable	-	-	-	-	-	311.40*	-	-	-	-	-	-
Guarantee Given on behalf of Company by Mr. G M S Mann & Mr. Gurpal Singh	60,941.86	54,780.84	-	-	-	-	-	-	-	-	-	-

§ Refer note 14

* Uniwold Sugars Ltd.

10. 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 and Power.

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 policies applicable to the business segments as set out in note 1 of schedule 17 "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 on consolidation.

D. Information About Business Segments

(Rs.lacs)

PARTICULARS	Sugar		Alcohol		Power		Elimination		Unallocated		Total	
	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
Segment revenue												
External sales:												
Inter segment sales	110,592.36	59,640.14	36,146.59	38,924.74	2,467.26	1,528.12	-	-	-	-	149,206.21	100,093.00
Other income	18,336.95	3,286.11	1,394.88	9.93	15,869.54	6,337.81	(35,601.37)	(9,633.85)	-	-	-	-
Total revenue	134,139.55	64,727.90	37,932.34	38,976.19	18,485.21	7,886.09	(35,601.37)	(9,633.85)	639.26	7,406.98	155,594.99	109,363.31
Segment results												
Unallocated expenses (net of income)	(5,098.67)	5,701.10	(1,021.96)	(51.25)	2,548.88	1,213.53	-	-	572.51	(6,345.70)	572.51	(6,345.70)
Operating profit/(loss)												
Interest expenses									8,471.83	6,310.88	8,471.83	6,310.88
Provision for taxes												
- Deferred tax benefit									(5,133.43)	(316.52)	(5,133.43)	(316.52)
- Fringe benefit tax										19.98		19.98
Net Profit/(loss)											(7,482.66)	7,194.74
Other information												
Segment assets	91,931.46	85,439.00	18,559.12	18,236.79	20,811.34	20,969.04	-	-	-	-	131,301.92	124,644.83
Unallocated assets									11,935.57	5,471.52	11,935.57	5,471.52
Investment									0.05	0.05	0.05	0.05
Profit and loss account									5,726.59	-	5,726.59	-
Total assets	91,931.46	85,439.00	18,559.12	18,236.79	20,811.34	20,969.04			17,662.21	5,471.57	148,964.13	130,116.40
Segment liabilities												
Shares capital and reserves	63,074.96	51,604.96	2,216.63	2,028.00	941.80	212.92	-	-	-	-	66,233.39	53,845.88
Secured and unsecured loans									10,412.71	12,315.72	10,412.71	12,315.72
Unallocated liabilities									70,711.75	61,707.60	70,711.75	61,707.60
Total liabilities	63,074.96	51,604.96	2,216.63	2,028.00	941.80	212.92			82,730.74	76,270.52	148,964.13	130,116.40
Capital expenditure	2,071.03	1,529.74	366.44	798.68	198.11	1,235.94	-	-	552.31	25.43		
Depreciation	2,426.99	2,345.49	702.20	614.06	830.55	706.57	-	-	49.65	39.19		
Non cash expenses other than depreciation	121.52	222.66	107.27	65.87	0.30	-	-	-	0.19	5.22		

CONSOLIDATED

11. Earnings per share

	(Rs. in lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
I. Profit/(loss) after tax as per profit and loss account	(7,482.66)	7,194.74
(A) Profit/(loss) for basic earnings per share of Rs.10 each, as per profit and loss account	(7,482.66)	7,194.74
Adjustment for the purpose of diluted earnings per share	-	-
(B) Profit/(loss) for diluted earnings per share of Rs.10 each	<u>(7,482.66)</u>	<u>7,194.74</u>
II. Weighted average number of equity shares for earnings per share computation		
(A) For basic earnings per share	2,31,90,580	2,16,80,330
(B) For diluted earnings per share		
No. of shares for basic earnings per share as per II (A)	2,31,90,580	2,16,80,330
Add: Weighted average of outstanding Equity Warrants / Optionally Convertible Preference shares / FCCB / Employee stock options scheme deemed to be issued for no consideration	11,320	37,223
No. of shares for diluted earnings per share	<u>2,32,01,900</u>	<u>2,17,17,553</u>
III. Earnings per share (Weighted Average)		
Basic (Rs.)	(32.27)	33.19
Diluted (Rs.)	(32.27)	33.13

12. In the previous year, 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 had chosen to exercise the option under paragraph 46 inserted in the standard by the notification. Accordingly with retrospective effect from 1st October 2007 onwards exchange differences on all long term monetary items to the extent such items were used for financing fixed assets were added to/subtracted from the cost of those fixed assets and depreciated over the balance useful life of the assets. During the year, the Company has deducted from fixed assets Rs. 501.28 lacs (previous year added Rs. 466.27 lacs) being the exchange differences on long term monetary items relating to the acquisition of fixed assets. As a result of such change, net loss before tax and after tax is higher by Rs. 501.28 lacs and Rs. 334.77 lacs respectively (previous year profit before tax and after tax lower by Rs. 129.63 lacs).

13. On the basis of future projections taken on record by the Board of Directors of the Company after considering the recent improvements in sugar prices and margins, the sugar inventory available with the Company for disposal, changing government policies, as well as the additional capacities set up in the previous years for production of sugar, power and ethanol resulting in de-risking of the business operations and given the cyclical nature of sugar industry and other steps being taken, 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. 7,040.49 lacs will be realized in the future.

14. 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. The Company has also simultaneously obtained undertaking from the London Steamship Owners' Mutual Insurance Association Limited, London, the P&I club of vessel owner to compensate the loss suffered by the Company to the extent of USD 14.5 million, in case arbitration proceedings will be decided in favour of the Company. The arbitration proceedings have been progressing as per schedule.

The Insurance Company vide letter dated July 30, 2010 has repudiated the aforesaid insurance claim. The Company has initiated legal proceedings against this decision. The management, based on the facts of the case and opinion received from the legal experts, is confident that the insurance claim would be settled in favour of the Company and no loss would arise on settlement thereof.

15. 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.

16. The proceeds of Rs. 10.97 Lacs from 28,140 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.

17. 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 1,06,325 metric tonnes by March 31, 2011 and 19,402 metric tonnes by February 17, 2012. As at September 30, 2010 outstanding export obligation is 40,800 metric tonnes. The management is confident that the export obligation shall be fully met and no loss is foreseen in complying with such obligation.

18. During the second half of the current year, due to a steep decline in the sugar prices on account of change in sugar production estimates in India, the Company's operations were adversely affected due to under recovery of cost of production as well as marking to net realizable value of inventory resulting in significant operating/cash losses to the Company however, in view of the improved industry outlook on account of better sugar prices accompanied with significant reduction in inputs costs and after considering the remedial measures being taken by the Company for improving the financial position, the management is confident about the operation outlook for the ensuing year.

19. Previous year figures have been regrouped/ recast wherever necessary.

**INFORMATION OF SUBSIDIARY COMPANY
SIMBHAOLI GLOBAL COMMODITIES DMCC**

	September 30, 2010		September 30, 2009	
	US\$	Rupees	US\$	Rupees
Share Capital	81,744	3,994,400	81,744	3,994,400
Reserve & Surplus	5,601	(91,871)	34,238	1,677,320
Total Assets	101,073	4,515,971	129,825	6,360,127
Total Liabilities	13,728	613,367	13,843	678,169
Investment	-	-	-	-
Turnover	-	-	151,096	7,415,792
Profit before taxation	(28,637.00)	(1,321,090)	34,238	1,680,401
Provision for Taxation	-	-	-	-
Profit after taxation	(28,637.00)	(1,321,090)	34,238	1,680,401
Proposed dividend	-	-	-	-

Exchange rate as on 30.09.2010 is Rs.44.92 per US\$

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS ON SEPTEMBER 30, 2010**

1. Registration Details
 Registration No.
 CIN No.
 Balance Sheet Date
 State Code

2. Capital raised during the year (amount in Rs. thousand)
 Public Issue
 Bonus Issue
 Equity Warrants
 Right Issue
 Private Placement
 Stock Options

3. Position of mobilization and deployment of fund (amount in Rs. thousand)
TOTAL LIABILITIES

SOURCE OF FUNDS
 Paid up capital
 Secured Loan
APPLICATION OF FUND
 Net fixed Assets
 Investment
 Miscellaneous Expenditure
TOTAL ASSETS

 Reserve and Surplus
 Unsecured Loan
 Deferred tax Assets
 Net Current Assets
 Accumulated Losses

4. Performance of Company (amount in Rs. thousand)
 Turnover & Other Income
 Profit/Loss Before Tax +/-
 Profit/Loss after Tax +/-
 Earning per share in Rs.
 Dividend rate %

5. Generic names of three principal product/services of the Company (as per monetary terms)
 Item Code No. (ITC Code)
 Item Code No. (ITC Code)
 Product Description
 Product Description

Gurmit Singh Mann
Chairman & Managing Director

Gurpal Singh
Dy. Managing Director

G S C Rao
Chief Executive Officer

New Delhi
November 29, 2010

Sanjay Tapriya
Chief Financial Officer

Kamal Samtani
Company Secretary

Sunil K. Gupta
GM-Finance



SIMBHAOLI SUGARS LIMITED

Registered Office: Simbhaoli-245 207, District Ghaziabad (U.P.)

PROXY FORM

DP Id*	
Client ID*	

No. of Shares	
Master Folio No.	

I/We.....of.....being the member(s) of SIMBHAOLI SUGARS LIMITED hereby appoint.....of.....or failing him.....of.....as my/our proxy to attend and vote for me/us and on my/our behalf at 74th annual general meeting of the members of Simbhaoli Sugars Limited to be held on Monday, January 10, 2011 at 10.00 A.M. at the registered office of the Company at Simbhaoli-245 207, District Ghaziabad (U.P.) and at any adjournment thereof. Signed thisday of2011.

.....
Signature of the Member(s)

.....
Signature of Proxy (ies)

Affix
Revenue
Stamp

*Applicable for Investors holding shares in electronic form.

NOTE: The proxy form duly signed across the revenue stamp should reach the Company's registered office at least 48 hours before the time of the meeting.

SIMBHAOLI SUGARS LIMITED

Registered Office: Simbhaoli-245 207, District Ghaziabad (U.P.)

ATTENDANCE SLIP

DP Id*	
Client ID*	

No. of Shares	
Master Folio No.	

I hereby record my presence at 74th annual general meeting of the members of Simbhaoli Sugars Limited on Monday, January 10, 2011 at 10.00 A.M. at Simbhaoli 245 207, District Ghaziabad (U.P.).

Full Name(s) of Member(s)

Full Name(s) of attending member/proxy.....

*Applicable for Investors holding shares in electronic form.

Signature of the Members/Proxy
(To be done at the Entry Point)

NOTE: Please fill in block letters, except signatures. Please bring your copy of notice in the meeting.

Members' Particulars

Name: _____ Fathers' Name _____
 Address: _____
 e-mail id: _____
 Telephone no: _____

Please send the above particulars to Company Secretary at the registered office of the Company or through e-mail at kamal@simbhaolisugars.com for updating of our records.

Signature of the Member



India's largest integrated sugar refinery

• Simbhaoli • Chilwaria • Brijnathpur

To

If undelivered please return to:
Registered Office

SIMBHAOLI SUGARS LIMITED

Simbhaoli, District Ghaziabad
Uttar Pradesh, 245 207 India