



**KESAR ENTERPRISES LTD.**

72nd

ANNUAL REPORT 2005-2006

# **KESAR ENTERPRISES LTD.**

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# **KESAR ENTERPRISES LTD.**

(Incorporated under the Indian Companies Act VII of 1913)

## **COMPANY INFORMATION**

**BOARD OF DIRECTORS** : H. R. KILACHAND (Chairman & Managing Director)  
A. S. RUIA  
K. KANNAN  
K. D. SHETH  
SMT. S. VENKATARAMAN (Nominee of GIC)  
SMT. M. H. KILACHAND  
NIMISH J. VAKIL (w.e.f. 25.9.2006)

**VICE PRESIDENT (LEGAL)  
& COMPANY SECRETARY** : D. J. SHAH

**BANKERS** : Allahabad Bank  
Uttar Pradesh Co-operative Bank Limited

**AUDITORS** : M/s. N. N. Jambusaria & Co.  
Chartered Accountants

**SUGAR AND SPIRITS DIVISIONS** : Baheri  
Dist. Bareilly, U.P.

**STORAGE INSTALLATIONS** : Kandla (Gujarat)

**REGISTERED OFFICE** : Oriental House  
7, Jamshedji Tata Road,  
Churchgate,  
Mumbai - 400 020

**REGISTRAR & TRANSFER AGENTS** : SHAREX DYNAMIC (INDIA) PVT. LTD.  
17/B, Dena Bank Building,  
2nd Floor, Horniman Circle,  
Fort, Mumbai - 400 001

**AUDIT COMMITTEE MEMBERS** : K. D. SHETH (Chairman of the Committee)  
A. S. RUIA  
SMT. S. VENKATARAMAN

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## NOTICE

**NOTICE** is hereby given that the **72nd** Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Friday, the 27th October 2006** at **3:00 p.m.** at **M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2006 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and Auditors thereon.
2. To declare dividend on 1% Cumulative Redeemable Preference Shares.
3. To declare final dividend on Ordinary (Equity) Shares.
4. To appoint a Director in place of Shri K. D. Sheth, who retires by rotation but being eligible offers himself for reappointment.
5. To appoint a Director in place of Shri K Kannan, who retires by rotation but being eligible offers himself for reappointment.
6. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

### **SPECIAL BUSINESS:**

7. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as an **ORDINARY RESOLUTION:**

To appoint a Director in place of Shri Nimish J. Vakil who is appointed as an Additional Director of the Company pursuant to Article 161 of the Articles of Association of the Company and whose term of office expires under Section 260 of the Companies Act, 1956, at this Annual General Meeting but who is eligible for appointment and in respect of whom the Company has received notices in writing from some members specifying their intention to move the following resolution as an Ordinary Resolution proposing the candidature of Shri Nimish J. Vakil for office of Director:

**"RESOLVED THAT** Shri Nimish J. Vakil be and is hereby appointed as Director of the Company."

8. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as a **Special Resolution:**

**"RESOLVED THAT** in supersession of the Special Resolution passed earlier by the Members at the Extraordinary General Meeting held on 20th June 2006 and pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or reenactment thereof) and the provisions of the Foreign Exchange Management Act (FEMA), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended, the Securities and Exchange Board of India (SEBI) Regulations and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by the Government of India (GOI), the Reserve Bank of India (RBI), SEBI and any other competent or concerned authority and the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges on which the Company's shares are listed and subject to necessary approvals, permissions, consent and sanctions of the concerned statutory and other authority(ies) and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consent and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board"), which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution, the Board be and is hereby authorised on behalf of the company with powers to delegate such authority to such person or persons as the Board may deem fit, to offer, issue and allot either in India or in the course of international offering(s), in one or more foreign markets, such number of Equity Shares, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), Qualified Institutional Placements (QIPs), Equity Shares (through Depository Receipt Mechanism), any other Financial Instruments convertible into Equity Shares or otherwise, in the registered or bearer form, any security convertible in or linked to Equity Shares and/or securities with or without detachable warrants with right exercisable by the warrant holders to convert or subscribe to Equity Shares (hereinafter collectively referred to as "Securities") or any one or combination of such Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, to foreign/resident investors

(whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Foreign Institutional Investors, Indian/Multilateral Financial Institutions, Mutual Funds, Banks, Insurance Companies, Pension Funds, Qualified Institutional Buyers (QIB's) Non-Resident Indians and/or any other eligible investors, whether they be holders of shares of the Company or not (collectively called the "Investors") through public issue(s), preferential issue, private placement(s) or a combination thereof through prospectus, offer document, offer letter, offer circular or otherwise, at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of all other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with Lead Managers, upto an amount not exceeding US\$ 20 million (United States Dollars Twenty Million only) or equivalent Indian Rupees 91 crores (approximately) inclusive of such premium as the Board at its absolute discretion may deem fit and appropriate."

**"RESOLVED FURTHER THAT** without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combination of terms in accordance with international practice and to provide for the tradability or free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever including terms for issue of additional Equity Shares or variation of the conversion price of the GDRs during the duration of the Depository Receipts and the Board be and is hereby authorised at its absolute discretion, in such manner as it may deem fit, to dispose off such of the Securities as are not subscribed."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any Securities or as may be necessary in accordance with the terms of the offering(s), all such shares ranking *pari passu* with the existing Equity Shares of the Company in all respects."

**"RESOLVED FURTHER THAT** the pricing of the Securities shall be made subject to compliance with applicable laws and regulations and, further that the pricing of any GDRs/FCCBs/ADRs that may be issued, shall be made at a price not less than the higher of the following two averages:

- i. The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the six months preceding the relevant date;
- ii. The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date;

The "relevant date" means the date thirty days prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue.

**"RESOLVED FURTHER THAT** the issue to the holders of the Securities of the Equity Shares underlying the Securities shall be, *inter alia*, subject to the following terms and conditions:

- (a) in the event of the Company making a bonus issue by way of capitalisation of its profits or reserves prior to the allotment of the Equity Shares, the number of Equity Shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro tanto;
- (b) in the event of the Company making a rights offer by issue of Equity Shares prior to the allotment of the Equity Shares, the entitlement to the Equity Shares will stand increased in the same proportion as that of the rights offer and such additional Equity Shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders and
- (c) in the event of merger, amalgamation, takeover or any other re-organisation or restructuring, the number of shares, the price and the time period as aforesaid shall be suitably adjusted."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to appoint Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Trustees, Bankers, Advisors and all such Agencies as may be involved or concerned in such offering(s) of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of such Securities on one or more National and/or International Stock Exchange(s)."

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“RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue and allotment of Securities or Equity Shares, as aforesaid, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary, desirable or expedient including the obtaining of permissions/approvals from various authorities as may be required and to settle any questions, difficulties or doubts that may arise in regard to any such offer, issue and allotment.”

“RESOLVED FURTHER THAT the acts, deeds, and things already done by the Board, or any persons designated by the Board, in this regard be and are hereby confirmed, approved and ratified.”

By Order of the Board of Directors

**D J SHAH**

Vice President (Legal) & Company Secretary

## Registered Office:

Oriental House  
7, Jamshedji Tata Road  
Churchgate  
Mumbai 400 020

25th September 2006

## Notes:

- (a) **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member. The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- (b) The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, the 24th October 2006 to Friday, the 27th October 2006**, both days inclusive. The shareholders are requested to inform of change in address, if any, at the earliest.
- (c) The Unclaimed Dividends upto the financial year ended **30th June 1997** of the Company, have been transferred to the Investor Education and Protection Fund set up by the Central Government pursuant to Section 205C of the Companies Act, 1956. Similarly, the Unclaimed Dividend for the financial year ended **30th June 1998** of the Company, will be transferred to the said fund **by 30th November 2006**.
- (d) The Members may lodge their shares for transfer/transmission with the office of **M/s. SHAREX DYNAMIC (INDIA) PVT. LTD.** the Registrar and Share Transfer Agents, at 17/B Dena Bank Building, 2nd floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai 400 072 or with the Company.
- (e) The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 setting out the material facts is annexed hereto.
- (f) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Sundays between 11:00 a.m. and 1:00 p.m. up to the date of the ensuing Meeting.
- (g) Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
- (h) Members/Proxies should fill the Attendance Slip for attending the Meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification for attendance at the Meeting.
- (i) Reappointment/Appointment of Directors: In terms of Clause 49 of the Listing Agreement, the information in detail about Shri K. D. Sheth and Shri K. Kannan, the retiring Directors at the ensuing Annual General Meeting and also about the Appointment of Shri Nimish J. Vakil as Director of the Company, is given in para 2 of the Corporate Governance Report.

## **ANNEXURE TO THE NOTICE**

**Explanatory Statement as required under Section 173 of the Companies Act, 1956.**

**Item No. 7:**

The present strength of the Board of Directors of the Company is seven, which includes two Directors from the Promoters and five Independent Directors including one Nominee of GIC representing Shareholders.

The Directors have appointed Shri Nimish J. Vakil as an Additional Director on 25.9.2006 as per Article 161 of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956, Shri Nimish J. Vakil holds office only up to this Annual General Meeting.

As required by Section 257 of the said Act, notices have been received from some members signifying their intention to propose Shri Nimish J. Vakil as a Director.

Shri Nimish J. Vakil is an Advocate and Solicitor. He is 42 years of age. He is a partner of M/s Tyabji Dayabhai, Advocate, Solicitors and Notary, Mumbai, one of the oldest and well reputed firm established in the year 1872. After having qualified as Solicitor in Mumbai in the year 1991 and thereafter in London in the year 1992, he has been actively associated with aircraft transactions in India. He deals in matters relating to banking, finance, real estate, litigation and arbitration. He has represented various domestic and international banks, aircraft leasing Companies, aircraft manufacturers and airlines. He also holds Directorship in Johnson Pump (India) Limited.

Shri Nimish J. Vakil does not hold any equity shares of the Company.

None of the Directors of the Company is in any way concerned or interested in the aforesaid resolution.

**Item No. 8:**

The proposed resolution is an enabling resolution, which was approved earlier by the Shareholders at the Extraordinary General Meeting held on 20.6.2006. However, in view of the changed projections of the Modernisation/Expansion plans, the said resolution is proposed once again for your approval and the earlier resolution be treated as lapsed.

Thus, this resolution relates to the proposal of the Company to offer, issue and allot either in India or in the course of an international offering in one or more foreign markets, by way of Equity Shares/Depository Receipts/Foreign Currency Convertible Bonds (FCCB)/Fully Convertible Debentures/Partly Convertible Debentures/Qualified Institutional Placements (QIP's) any other financial instruments convertible into or linked to equity shares or otherwise, or any one or combination of such securities, in one or more tranches and on the terms and conditions as may be decided by the Board of Directors or any Committee thereof, at its absolute discretion, for an amount not exceeding US \$ 20 million (United State Dollars Twenty Million only) or equivalent Indian Rupees 91 crores (approximately) inclusive of premium payable on conversion, if any.

The objects of this issue is to enhance financial flexibility of the Company to fund the capital expenditure plans of the Company and/or to part finance expansion/modernisation of the Sugar Factory/Cogeneration projects at Baheri and/or acquisition/investments in similar facilities and also expansion of the Storage Terminals at Kandla. The Company is exploring alternatives to mobilise resources from various available sources. Presently, it is proposed to raise a sum upto US \$ 20 million (United States Dollars Twenty Million only) or equivalent Indian Rupees 91 crores (approximately).

The detailed terms and conditions for the offer will be determined in consultation with Advisors, Lead Managers, Underwriters and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors. The pricing of the international offering(s), if any, will be free market pricing and may be at a premium or discount to market price in accordance with international practice, subject to applicable rules, regulations etc. As the pricing of the offering(s) will be decided at a later stage, the exact number of securities or shares to be issued will depend upon the price so decided. For the aforesaid reasons, an enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. However it may be noted that according to the recent amendment to the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, (the FCCB Scheme) the pricing of GDR/FCCB issues should be made at a price not less than the higher of the following two averages:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;

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- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during two weeks preceding the relevant date.

The relevant date means the date thirty days prior to the date of this Annual General Meeting.

Securities issued pursuant to the international offering(s), if any, will be listed on Luxembourg Stock Exchange and/or London Stock Exchange and/or Singapore Stock Exchange and/or other Exchange(s) outside India and may be represented by Securities outside India.

The Special Resolution seeks to give to the Board powers to issue Securities in one or more tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies, individuals or otherwise as the Board may at its absolute discretion deem fit. Section 81(1A) of the Companies Act, 1956 provides, *inter alia*, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81(1A) unless the shareholders in a general meeting decide otherwise.

The Listing Agreement entered into by the Company with the Bombay Stock Exchange on which the Company's shares are listed provides, *inter alia*, that the Company in the first instance should offer all the shares to be issued by the Company for subscription on pro rata basis to the equity shareholders unless the shareholders in a general meeting decide otherwise.

The said Special Resolution, if passed, shall have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Securities otherwise than on pro rata basis to the existing shareholders.

The Board of Directors believes that such issue is in the interest of the Company and therefore recommends the resolution for your approval. No Director of the Company is interested or concerned in the said resolution.

By Order of the Board of Directors

**D J SHAH**

Vice President (Legal) & Company Secretary

### Registered Office:

Oriental House  
7, Jamshedji Tata Road  
Churchgate  
Mumbai 400 020

25th September 2006



**DIRECTORS' REPORT**

To  
The Members  
KESAR ENTERPRISES LTD.

Dear Members,

Your Directors present to you the 72nd Annual Report and Audited Statement of Accounts for the year ended 30th June 2006.

**FINANCIAL RESULTS:**

	<u>2005-2006</u>	<u>2004-2005</u>
		(Rs. in Lacs)
Profit before interest, depreciation & taxation	3,310.46	3,238.86
<b>Less:</b> Interest and Finance Charges	947.80	862.46
Profit before Depreciation & taxation (Cash Profit)	2,362.66	2,376.40
<b>Less:</b> Depreciation	537.97	512.96
<b>Profit/(Loss ) before tax</b>	1,824.69	1,863.44
Provision for Taxation		
(i) Income Tax – Current	377.63	61.00
(ii) Income Tax – Deferred	335.11	139.88
(iii) Wealth Tax	0.95	0.83
<b>Profit/(Loss) after tax</b>	1,111.00	1,661.73
<b>Add/(Less):</b>		
Balance brought forward from previous year.	1,452.78	74.79
Prior period adjustments.	(23.04)	(11.41)
Profit available for appropriation	2,540.74	1,725.11
<b>Appropriation:</b>		
(i) Transferred to General Reserve	1,300.00	123.45
(ii) Proposed Preference Shares Dividend	2.00	3.78
(iii) Interim Dividend on Equity Share	95.09	95.09
(iv) Proposed Final Dividend on Equity Share	63.39	31.70
(v) Corporate Tax on Dividend	22.51	18.31
(vi) Balance carried forward to Balance Sheet	1,057.75	1,452.78
<b>Total</b>	2,540.74	1,725.11

The Profit before interest, depreciation and tax for the year ended 30th June 2006, is Rs. 3310.46 lac as against Rs. 3238.86 lac in the previous year. However, the Net Profit is Rs. 1111.00 lac as against Rs. 1661.73 lac in the previous year, due to a substantial increase in the provision for current taxation from Rs. 61 lac last year to Rs. 377.63 lac. Additionally, provision for Deferred Tax has also increased from Rs. 139.88 lac last year to Rs. 335.11 lac. The Operating Profit before tax is higher by Rs.124.35 lac to Rs.1,786.18 lac as against Rs.1,661.83 lac in the previous year.

**DIVIDEND**

The Board recommends dividend for the year 2005-06 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each issued to IDBI Ltd. under the One Time Settlement Scheme, amounting to Rs. 2,00,000/- plus dividend tax as applicable.

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During the year, on 10th February 2006, the Board had declared an Interim Dividend @ 15% i.e. Rs. 1.50 per share on 63,39,315 equity shares of Rs. 10/- each amounting to Rs. 95.09 lac plus dividend tax as applicable. Further to this, the Directors recommend a final dividend @ 10% i.e. Re. 1.00 per share amounting to Rs. 63.39 lac plus dividend tax as applicable for the year 2005 - 2006. Thus, the total dividend for the year for your approval is 25% i.e. Rs. 2.50/- per share aggregating to Rs. 158.48 lac plus dividend tax as applicable (Previous year 20%).

## WORKING OF THE DIVISIONS

### Sugar Division

The Crushing Season 2005-2006 started on 4.11.2005, the same as that in the previous season and ended on 12.4.2006 as against 11.4.2005, one day later than the previous season. During the season, the plant crushed 83.85 lac quintals of sugar cane in 155 days as against 84.88 lac quintals crushed in 158 days. The overall crushing would have been much higher had it not been for various sugar factories in the vicinity of Baheri sourcing cane from areas not allocated to them including the area allocated to the Company. Poor climatic condition resulted in poor cane quality etc. The sugar recovery was lower at 9.43% as against 9.90% in the previous season. The production of sugar was slightly lower at 7.91 lac quintals as against 8.41 lac quintals in the previous season.

During the season 2005-2006, Molasses produced was marginally higher at 3.95 lac quintals as against 3.76 lac quintals in the previous season and surplus Bagasse produced was also higher at 28 lac quintals as against 25 lac quintals.

The Central Government had raised the Statutory Minimum Price (SMP) of sugar cane by Re. 5.00 per quintal over the last year's one time price to Rs. 79.50 per quintal for the season 2005-2006 based on a recovery of 9.00%. Accordingly, the cane price for the Company for the season 2005-2006 was fixed as under.

(Rs. Per Qtl)

	SMP for the Season 2005-2006		SMP for the Season 2004-2005	
	At Gate	At Centre	At Gate	At Centre
Ordinary Varieties	87.42	81.67	86.82	81.07
Early Varieties	92.42	86.67	91.82	86.07

For the crushing season 2005-2006, the U. P. Government had directed the sugar mills to pay Rs. 115 per quintal for general variety and Rs. 120 per quintal for early variety of sugar cane to farmers. There was a transportation rebate of Rs. 5.75 per quintal for cane supplied at outcentres.

The Levy sugar price for the season 2005-2006 was announced by the Central Government at Rs. 1,330.77 per quintal, the same as that in the previous season.

### Union Budget 2005 -2006:

- (1) The following financial package was passed for the revitalisation of the Sugar Industry, which was under financial stress since 2001 & the position had become worse due to two successive droughts in certain parts of the country:
  - Sugar Factories that were operational in 2002-2003 sugar season would be assisted to restructure by devising a scheme for providing financial package.
  - Reduction of interest by 2% below the Bank rate on loans from the Sugar Development Fund, which were outstanding as on 21.10.2004.
- (2) Central Excise Duty on Molasses was increased from Rs. 500/- to Rs. 750/- per ton.
- (3) Customs Duty on Molasses and Industrial (Denatured) Ethyl Alcohol was reduced from 15% to 10%.

### Spirits Division

During the year under review the production of Rectified Spirit (RS) was the highest ever at 147.65 lac bulk litres as against 113.82 lac bulk litres in the previous year. The production of Extra Neutral Alcohol (ENA) was lower at 14.42 lac bulk litres as against 15.48 lac bulk litres in the previous year. This was due to high prices and shortage of molasses and also modifications of the plant.

The quantity of Country Liquor supplied was lower at 63.55 lac bulk litres as compared to 67.43 lac bulk litres in the previous year. This was mainly due to unhealthy competition, low margins and non issuance of licence by the U.P. Excise Department for a few months. The production and sales of IMFL was lower at 5.86 lac cases as against the sale of 7.61 lac cases in the previous year. The Company has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduction in operating overheads. New semi-premium and premium brands were introduced in the various markets.

## **Storage Division**

The Storage Division at Kandla has done reasonably well during the year. The revenue generated was almost the same as that in the previous year.

## **SUBSEQUENT FINANCIAL YEAR 2006-2007**

### **Union Budget 2006 – 2007**

The additional excise duty on sugar has been merged with basic excise duty, without increase in the total duty as compared to that of the previous year. The excise duty on molasses continues to be Rs. 750 per ton.

### **Sugar Division**

The Sugar Factory, for the season 2006-2007, is expected to start in the first week of November 2006. The Central Government has hiked the SMP of sugar cane from Rs. 79.50 per quintal at a base recovery of 9.00% to Rs. 80.25 per quintal for the season 2006-2007 based on a recovery of 9.00% subject to a premium of Re. 0.90 for every 0.1% increase in the recovery above that level, taken for the whole season's average. The Levy sugar price for the season 2006-2007 was announced by the Central Government at Rs. 1,330.77 per quintal, the same as that in the previous season.

By notification dated 4.7.06, the Central Government has prohibited export of sugar upto 31.3.2007.

### **Spirits Division**

As the last sugar season was short, a shortage of molasses was experienced by the industry as a whole, which has resulted into an increase in the prices of molasses. The business prospects of the Spirits Division for the year 2006-07 is expected to be better as production levels of RS & ENA will be higher as availability of molasses is likely to improve. The prices of molasses are likely to come down.

The sale of Country Liquor is expected to be the same as previous year. IMFL sales should further improve. The contract bottling arrangements with a few reputed parties continue to do well.

The overall performance of the Spirits Division for the current year is likely to be better as compared to the previous year.

### **Storage Division**

The Storage Division at Kandla is expected to continue to do well during the current financial year and with the revival of the industrial climate, the tankage occupancy will further improve.

## **EXPANSION**

The Company envisages de-bottlenecking of the existing capacities, modernising the plant and adding substantial capacities in the various divisions as follows:

### **Sugar Division**

The Company is undertaking a modernisation programme in its existing Sugar Plant in order to achieve higher efficiency/recovery at a cost of Rs. 11.93 Crores.

Installation of a 25-30 MW Co-generation of Power Plant by March 2007, at a cost of Rs. 90.75 crores. The Company will partially export power to the grid and will benefit from the well established government policies related to renewable energy and carbon trading rights.

### **Storage Division**

The Company plans to add 37,000 Kilo Litre storage capacity at Kandla by constructing additional 20 tanks of mild steel along with ancilliary facilities at an aggregate cost of Rs. 15.04 crores. The Company is also exploring opportunities for putting up additional storage terminals at other ports.

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Thus, the total investment contemplated by the Company will be Rs. 117.72 Crores and the above projects are expected to be fully operational starting March 2007. Hence, the benefits of the above projects will be reflected in the working of the financial year 2007-08. Partial benefits will come in the financial year 2006-07, since some part of the modernization, will be operational by June 2007. The funding for the above projects will be by borrowings from Banks/ Financial Institutions up to Rs. 56.77 Crores, from Sugar Development Fund up to Rs. 40.77 Crores and the balance from internal accruals and conversion of warrants into equity shares issued last year. The Company will have a very low borrowing cost in view of Sugar Development Fund funding at 4% p.a. interest rate.

## WARRANTS

As approved by the Shareholders at their meeting held on 24.8.2005, the Company has allotted during the year, 16,60,000 warrants of Rs.97/- each with a right (to be exercised on or before 5th March 2007) to apply for one equity share of Rs.10/- each at a premium of Rs.87/- per share aggregating to Rs.16.10 crores to the promoters, the persons acting in concert with the promoters and to a private corporate body on preferential basis to augment the long term resources of the Company.

## DIRECTORS

Shri K. D. Sheth and Shri K. Kannan retire by rotation and being eligible, offers themselves for reappointment.

As approved by the shareholders at the last Annual General Meeting, on 30.1.2006 the Central Government had approved the increase in remuneration of Shri H. R. Kilachand, as Chairman & Managing Director of the Company for the period from 1.7.2005 to 13.8.2007.

Shri Nimish J. Vakil has joined the Board of the Company as an Additional Director w.e.f. 25.9.2006. Shri Vakil is an Advocate and Solicitor. He is a partner of M/s Tyabji Dayabhai, Advocate, Solicitors and Notary, Mumbai, one of the oldest and well reputed firm established in the year 1872. After having qualified as Solicitor in Mumbai in the year 1991 and thereafter in London in the year 1992, he has been actively associated with aircraft transactions in India. He deals in matters relating to banking, finance, real estate, litigation and arbitration. He has represented various domestic and international banks, aircraft leasing Companies, aircraft manufacturers and airlines. He also holds Directorship in Johnson Pump (India) Limited.

## DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

- (i) that in preparation of the annual accounts for the financial year ended on 30th June 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors 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 at the end of the financial year 30th June 2006 and of the profit for that period;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the Annual Accounts for the financial year ended on 30th June 2006 on a going concern basis.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

As per Clause 49 of the Listing Agreement, the Management Discussion & Analysis Report and the Corporate Governance Report are annexed, which forms part of this report.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21, your Directors attach the Consolidated Financial Statements, which form part of this Report and Accounts. These Statements have been prepared on the basis of audited financial statements received from the subsidiary company M/s. Amber Distilleries Ltd., as approved by its Board.

## INSURANCE

The Company has taken adequate insurance for all its properties.

## CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Particulars with respect to conservation of energy, technology absorption and foreign exchange earning and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 are given in the Appendix 'A' forming part of this Report.

## FIXED DEPOSITS

Fixed Deposits of Rs. 2,90,000/- due for repayment on or before 30th June 2006, were not claimed by 8 depositors as on that date.

## SUBSIDIARY COMPANY

The information including Annual Accounts, Directors' Report and Auditor's Report in respect of the subsidiary viz. Amber Distilleries Ltd. (ADL) as on 31st March 2006 is annexed as required under Section 212 of the Companies Act, 1956.

In July 2006, the Company has sold its entire investment of 1,40,000 equity shares of ADL for a total consideration of Rs. 120 Lacs, plus repayment of the interest free loan of Rs. 50 lacs given earlier by the Company to ADL. Hence, with effect from 25.7.2006, ADL has ceased to be a wholly owned Subsidiary of the Company.

## AUDITORS

M/s. N. N. Jambusaria & Co., Chartered Accountants, Mumbai, the Auditors of the Company who hold office until the conclusion of the 72nd Annual General Meeting, being eligible, offer themselves for re-appointment.

## EMPLOYEES

Relation with the employees remained cordial throughout the year. The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is given as under:

Name of Employee	Designation	Age (Yrs.)	Qualification	Experience (Yrs.)	Commencement Date	Remuneration (Rs.)	Last Employment
Shri H. R. Kilachand	Chairman & Managing Director	45	B.Com.; C.B.M. & P.D.B.M. from U.S.A.	21	8.8.1985	53,82,000/-	—

Remuneration includes salary, commission, allowances and taxable values of perquisites. The appointment of Shri H. R. Kilachand is contractual.

## ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Banks, Financial Institutions and the U. P. Government, during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the employees of the Company for its success.

By Order of the Board of Directors

**H. R. KILACHAND**

Chairman & Managing Director

25th September 2006

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Appendix 'A' pursuant to Section 217(1)(e) of the Companies Act, 1956 Forming part of the Directors' Report

## FORM A

### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

#### CONSERVATION OF ENERGY

1. We have increased the Economiser heating surface of existing 40TPH, 32 Kg/cm<sup>2</sup> New boiler to enhance the boiler efficiency and to reduce the bagasse consumption.
2. We have introduced Secondary air curtain in our existing 30 TPH, 21 kg/cm<sup>2</sup> boiler to enable the complete combustion of pith of bagasse and cane trash.
3. We have raised the feed tank and de-arreator height of 40 TPH boiler to utilise flash vapours for increasing the feed water temperature.

		2005-2006	2004-2005
<b>A. Power and Fuel Consumption</b>			
1.	Electricity		
	a. Purchased		
	Unit	Kwh	833818
	Total Amount	Rs.	4402558
	Rate/Unit	Rs.	5.28
	b. Own Generation		
	(i) Through Diesel Generator		
	Unit	Kwh	173360
	Units Per Ltr. of Diesel Oil	Kwh	3.72
	Rate/Unit	Rs.	8.38
	(ii) Through Steam Turbine		
	Unit	Kwh	24117794
	Units Per M. T. of Steam	Kwh	48.84
	Rate/Unit	Rs.	4.48
2.	Coal		
	Quantity	M.T.	NIL
	Cost	Rs.	—
	Average Rate	Rs.	—
3.	Other Fuel Bagasse (Own)		
	Quantity	M.T.	240227
	Cost	Rs.	**
	Average Rate	Rs.	**
4.	Rice Husk		
	Quantity	M.T.	18376
	Cost	Rs.	30233446
	Average Rate	Rs.	1645.27
5.	Bagasse PITH (Purchased)		
	Quantity	M.T.	15907
	Cost	Rs.	7411720
	Average Rate	Rs.	465.94
6.	H. S. Diesel		
	Quantity	Ltr.	46663
	Cost	Rs.	1452146
	Average Rate	Rs.	31.12
**	Not applicable as this is a By-product		



		2005-2006	2004-2005
<b>B. Consumption per unit of production</b>			
Product (Sugar)			
Electricity	Kwh/M.T.	234.45	224.76
Bagasse	M.T/M.T.	3.04	2.61
Diesel Oil	Ltr./M.T.	0.25	1.60
<b>Product (Industrial Alcohol)</b>			
Electricity	Kwh/000'Ltrs	149.68	138.79
Coal	Qtls./000'Ltrs	Nil	0.002
Bagasse (PITH)	M.T./000'Ltrs	1.07	1.08
Rice Husk	M.T./000'Ltrs	1.25	0.70
Diesel Oil	Ltr./000'Ltrs	1.85	12.17

**FORM B**

**FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT**

**A. RESEARCH AND DEVELOPMENT**

1. Tissue culture studies for the multiplication of high yielding cane varieties and to reduce the cost of production of plantlets.
2. Activities of Biocontrol of Sugarcane insects in Biological Laboratory.
3. Ferti-irrigation method by using Distillery treated spentwash in the production of agriculture Crops namely Sugarcane, Wheat and Paddy in Tarai region.
4. Improvement in the quality of Biocompost by using certain micro-organisms.
5. Experimentation, development of technologies and commercial utilisation of cane trash as a boiler fuel.
6. Development of direct contact heater to increase the D. M. make up feed water temperature by waste blow down steam.
7. Total water management in Sugar and Distillery Units.

**B. BENEFITS DERIVED**

1. Reduction in fuel consumption of boilers had resulted in bagasse saving.
2. Result of other R& D activities are awaited.

**Expenditure on R & D**

	2005-06 (Rs. In Lac)	2004-05 (Rs. In Lac)
(a) Capital	Nil	Nil
(b) Recurring	21.30	17.90

The information on Foreign Exchange Earnings and Outgo is furnished in the Notes to the Account (Please refer to Note No. 21 Annexure 1, Item D, E & F).

# Annual Report 2005-2006

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### GLOBAL SCENARIO

#### Sugar & Spirits

World sugar production during October–September 2005-06 is expected slightly higher at 148.90 million tones as against 144.70 million tones in the previous period. The world sugar consumption in 2005-06 is expected to 147.55 million tones. Despite an increase in production, global sugar stocks is expected to be lower. (Source ISMA). Brazil is the largest sugar producer and the largest consumer of ethanol. With European Union agreeing to reduce the subsidy on white sugar in compliance with the World Trade Organisation (WTO) ruling, the demand for sugar in the international market is likely to increase.

The rising crude oil prices have compelled many countries including India to consider, as an alternate energy source for automotive purposes, use of ethanol from molasses, a by product of sugar industry, blending it with petrol. Thus, the demand for sugarcane in many countries may increase from ethanol as well as sugar manufacturers.

#### Storage

Due to the steady rise of crude price and consequent demand for storage space for strategic reserve for crude oil and finished petroleum products, the Storage Industry has come in to focus. Every country is planning to have minimum 90 to 180 days storage capacity to absorb oil price volatilities. Additionally, the on-going globalisation has lead to creation of several new trading centers for chemicals and petroleum products in different geographical locations increasing the demand for storage tanks.

### SCENARIO IN INDIA

#### Sugar & Spirits

The Indian sugar industry is on the threshold of structural changes with ever increasing consumption level and depleting stocks of sugar. The sugar production fell in the last two crushing seasons due to various factors like crop switching due to non payment of cane dues, adverse rainfall in several sugar producing states etc. India is one of the largest consumers of sugar in the world.

The sugar industry in India is dominated by the co-operative sector in terms of number of units. However, with private players going in for major expansions the gap between the private and co-operative sector is expected to narrow down in the future in terms of installed capacity.

The industry is highly regulated by the Central and State Governments. The Government allocates sugarcane zones for cane plantation to the sugar mills, stipulates the minimum cane price and releases mill-wise monthly sugar quota to sell sugar in the free market. The present levy and free sale sugar ratio is 10:90. The decontrol of release mechanism slated for the sugar season 2005-06 has been postponed by one year by the Central Government.

#### Storage

Today India has a large exportable surplus of petrol and naphtha but has shortage of diesel and kerosene. The private refineries have to use storage tanks for distribution to the domestic market as well as for export to avoid investments in tank terminals at various locations. There is an increase in domestic manufacture of petrochemicals and chemicals and export thereof, resulting in to an additional demand for tankage from this sector.

### INDUSTRY STRUCUTRE & DEVELOPMENT

#### Sugar & Spirits

The sugar factory is located at Baheri, Dist. Bareilly, Uttar Pradesh, a State which is the largest producer of sugarcane in the country. It started with an initial crushing capacity of 1,200 tones of cane per day (TCD), which has been increased to 6,500 TCD from time to time. The Company has one of the most modern and efficient sugar factory in the country. Through constant investment in Cane Research & Development, the Company has successfully developed high yielding and early maturing varieties of sugarcane.

In 1949, the Company had set up a Distillation Plant in order to effectively harness molasses, a by-product generated by its sugar factory. It had an initial capacity of 11,000 litres per day (LPD), which is increased to 45,000 litres (LPD) over a period of time. It has one of the most modern and highly sophisticated processes of continuous fermentation of molasses, which gives higher yields and produces finest quality of spirit. The Company is manufacturing Rectified Spirit, Extra Neutral Alcohol, Country Liquor, IMFL like whisky, rum, gin, vodka etc.



The Company has an Effluent Treatment Plant to treat the distillery waste water, which is based on the state-of-the-art technology developed by Bacardi Corporation, USA. In the process, it generates methane rich gas (Bio-gas), which is burnt in boilers generating power steam.

## Storage

The Company has 2 bulk Liquid Chemical Terminals with a combined capacity of 90,000 KL of storage at Kandla, Gujarat, which include specialised tanks, such as stainless steel tanks and tanks equipped with heating and insulation facilities.

## OPPORTUNITIES & THREATS

### Sugar & Spirits

The Indian Government proposes to make mandatory to mix 5% ethanol with petrol from October 2006. Hence, the demand for ethanol is expected to increase.

Similarly, with increased focus on renewable source of energy and availability of carbon credit, the use of co-generation of power from bagasse and other bio-mass has increased substantially. The trading in carbon credit will create a new revenue generating stream for the sugar industry.

The liquor industry is a highly regulated and taxed industry. Excise duty on liquor being a State subject, the industry is affected by the excise policy announced by the States on a year to year basis and it has to be compliant with the multiplicity of laws and regulations legislated by the different State Governments. Many multinational Companies are trying to enter the Indian market, which will lead to competition.

## Storage

Whilst the demand for storage tanks is on the rise, the biggest impediment in creating new tankage is restricted availability of land at port locations. All the ports are going for SEZ complexes which need large tracts of land and infrastructural facilities in terms of rail and road connectivity, warehouses for dry cargo and container terminals. The delay in announcement of new Coastal regulatory Zone policy is also an impediment in developing tankage for chemicals at port location, as the existing policy permits new tankage for only a handful of petroleum products. The industry needs to be recognised as a part of infrastructure and should be encouraged.

## OUTLOOK

### Sugar & Spirits

The sugar industry will be a major player in seeking fuel and energy sources as its by-products i.e. bagasse & molasses can easily be processed in to energy production as a substitute motor fuel and for the co-generation of power. Ethanol produced from molasses/sugarcane juice will be used for blending in motor fuel. The shift from sugar production to ethanol may cause a reduction in domestic/international sugar production causing the sugar prices to remain buoyant. Hence, the outlook for sugar industry in the country looks good at least for the next two years. Therefore, many companies have announced major investments in the area of sugar production expansion, ethanol production through molasses and co-generation of power using bagasse as fuel.

The sugar production in the country is likely to increase in the coming years due to continuous focus on the cane development by the mill owners as well as major expansion projects taken up by private sector mills.

The liquor industry is growing rapidly and constantly for the past decade.

## Storage

The existing Companies in this business, expecting the demand to boom in the near future, are trying to increase capacities.

## RISKS & CONCERNS

Sugar Industry is a highly cyclical in nature and primarily faces the following risks:

1. **Raw Material Risk:** Sugarcane is the principal raw material used for the production of sugar. The performance of the Company depends on the availability of sugarcane. Any shortage of sugarcane adversely affects the results of operations. The shortage of sugarcane could be due to the reasons like adverse weather conditions, crop disease, competition, switch over to other profitable crops, manufacture of jaggery and khandsari etc. The State

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Government increases the sugarcane procurement price every year which is known as the State Advisory Price (SAP). This is the minimum price the Company is forced to pay to the sugarcane growers for sugarcane as against the Statutory Minimum Price (SMP) announced every year by the Central Government which is linked to the recovery of unit.

2. **Sugar Price Risk:** The market price of sugar fluctuates due to the reasons like increase/decrease in demand and supply of sugar, variations in the release of monthly quota for sale of sugar by the Company, general weather/ economic conditions etc.
3. **Regulatory Risk:** It includes environmental regulations, central/state government policies and regulations affecting the agricultural sector related industries, which could adversely affect the operations and profitability of the Company.

### FINANCIAL PERFORMANCE

The information relating to the financial performance of the Company is provided in the Directors' Report.

### INTERNAL CONTROL SYSTEM

The Company has an appropriate internal control system for its various functions with the ultimate objective of improving the efficiency of the operations, better financial management and compliance with all regulations and applicable laws. The Company has an internal Audit Cell and has also appointed an external Internal Auditor. All operating parameters are well defined and monitored periodically. The detail internal audit reports are discussed at length at various levels and thereafter the said reports are also placed in the Audit Committee.

### CAUTIONARY STATEMENT

The above Management Discussion and Analysis Report contains "forward looking statements" within the meaning of applicable laws, and regulations and is futuristic in nature. All statements that address expectations or projections about the future, including, but not limited to statements about the Company's strategy for growth, market position, expenditures and financial results are forward looking statements. The Company's actual results, performance or achievement could thus differ materially from those projected in any such forward looking statements. Investors are requested to make their own independent judgments before taking any investment decisions and the Company assumes no responsibility

## CORPORATE GOVERNANCE REPORT

### 1. Company's philosophy on Code of Governance:

The Company's philosophy on Corporate Governance aims at attainment of the highest levels of transparency, accountability and equity in the functioning of the Company and in all interactions with employees, shareholders, creditors, depositors and customers. The Company believes that its systems and actions must be endeavoured for enhancing corporate performance and maximizing shareholder value in the long term.

### 2. Board of Directors:

The Board of Directors consists of the following Directors. The Composition and Category of Directors is as follows:

Name of Directors	Category
Shri H. R. Kilachand	Chairman & Managing Director
Shri A. S. Ruia	Non-Executive Independent Director
Shri K. Kannan	Non-Executive Independent Director
Shri K. D. Sheth	Non-Executive Independent Director
Smt. S. Venkataraman	Nominee Director – GIC
Smt. M. H. Kilachand	Non-Executive Director
Shri Nimish J. Vakil (w.e.f. 25.9.2006)	Non-Executive Independent Director

Attendance of each Director at the Board Meetings held during 1-7-2005 to 30-6-2006, the last Annual General Meeting held on 26.10.2005 and Number of other Directorship and Chairmanship/Membership of Committees of each Director in various companies are as follows:

Name of the Director	Attendance Particulars							No. of other directorships and committee member/ chairmanship		
	Out of 10 Board Meetings	Out of 5 Audit Committee Meetings	1 Asset Committee Meeting	Out of 1 Remuneration Committee Meeting	Out of 13 Share Transfer Committee Meetings	Sitting Fees paid (Rs.)	Last AGM	Other Directorships*	Committee Member#	Chairman-ships#
Shri H. R. Kilachand	10	5	-	-	13	-	Yes	1	-	1
Shri A. S. Ruia	8	4	1	1	10	116000	Yes	1	-	-
Shri K. Kannan	9	-	-	-	-	39000	Yes	6	5	4
Shri K. D. Sheth	10	5	1	1	13	136000	Yes	1	-	-
Smt. S. Venkataraman	8	4	1	1	-	62000	No	-	-	-
Smt. M. H. Kilachand	7	-	-	-	-	35000	Yes	-	-	-

The Non-Executive Directors were paid Sitting Fees of Rs.3,88,000/-, for attending the Board Meetings and the Committee Meetings held during 1-7-2005 to 30-6-2006, as stated above.

\* Excludes Directorships in Pvt. Ltd. Companies and Section 25 Companies.

# Includes only Audit Committee and Shareholders' Grievance Committee of Public Limited Companies.

### Information on reappointment/appointment of Directors:

- Shri K. D. Sheth will be retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. Shri K. D. Sheth is on the Board as an Independent Director since 29th November 1996. He is 84 years of age. He is B.Com. & a Fellow Member of the Institute of Company Secretaries of India. He had joined the Company in September 1943. He worked for 52 years continuously and gave dedicated service to the Company as the Chief Accountant and the Secretary of the Company. He holds 1350 equity shares of the Company. He was also on the Board of the Subsidiary Company viz. Amber Distilleries Ltd.
- Shri K. Kannan will be retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. He is 67 years of age. He is a fellow member of the Institute of Chartered Accountants of India, a Member of the Institute of Cost & Works Accountants of India and also Hon. Fellow of Indian Institute of Banking and Finance. He has 38 years of vast experience in the field of banking & finance and was the Chairman and Managing Director of Bank of Baroda. He holds 250 equity shares of the Company.

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He holds other Directorships/Chairmanship/Membership in the following Companies :

- (a) Advani Hotels and Resorts (India) Ltd. [Chairman & Member of Audit Committee & Remuneration Committee and Member of Shareholders' Grievance Committee]
  - (b) Patel Engineering Ltd. [Chairman & Member of Audit Committee and Member of Shareholders' Grievance Committee]
  - (c) Consolidated Construction Ltd. [Member of Audit Committee]
  - (d) Indo-Tech Transformers Ltd. [Chairman & Member of Audit Committee and Remuneration Committee]
  - (e) Murli Agro Products Ltd. [Chairman & Member of Audit Committee]
  - (f) Andhra Pradesh State Finance Corporation Ltd.
  - (g) Advani Pleasure Cruise Company Pvt. Ltd.
3. Shri Nimish J. Vakil was appointed as an Additional Director on 25.9.2006 as per Article 161 of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956, Shri Vakil holds office only up to this Annual General Meeting. As required by Section 257 of the said Act, notices have been received from some members signifying their intention to propose Shri Vakil as a Director.

Shri Nimish J. Vakil is an Advocate and Solicitor. He is 42 years of age. He is a partner of M/s Tyabji Dayabhai, Advocate, Solicitors and Notary, Mumbai, one of the oldest and well reputed firm established in the year 1872. He is qualified as Solicitor from Mumbai in the year 1991 and from London in the year 1992. He has been actively associated with aircraft transactions in India. He deals in matters relating to banking, finance, real estate, litigation and arbitration. He has represented various domestic and international banks, aircraft leasing Companies, aircraft manufacturers and airlines. He also holds Directorship in Johnson Pump (India) Limited. Shri Vakil does not hold any equity shares of the Company.

### **Number of Board Meetings held and the dates on which held:**

In all 10 Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are 29th July 2005, 19th August 2005, 6th September 2005, 23rd September 2005, 26th October 2005, 31st January 2006, 10th February 2006, 30th April 2006, 18th May 2006 and 20th June 2006. The necessary information was made available to the Board.

### **3. Audit Committee:**

Pursuant to Section 292A of the Companies (Amendment) Act 2000, the role and responsibility of the Audit Committee includes inter alia :

- a. Overseeing the Companies financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending appointment/removal of external Auditor, fixation of Audit Fee and payment for any other services.
- c. Reviewing with the Management the annual and quarterly financial statements before submission to the Board for approval with particular reference to the matters specified in the Listing Agreement.
- d. Reviewing with the Management external & internal Auditors and adequacy of internal control systems.
- e. Reviewing adequacy of internal Audit function, including structure of internal audit department, staffing and seniority of official heading the Department, reporting structure, coverage and frequency of internal audit.
- f. Discussing with internal Auditors any significant findings and follow up thereon.
- g. Reviewing findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussing with external auditors before the audit commences nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. Looking into the reasons for substantial defaults in payment to the depositors, debenture holders, shareholders and creditors.
- k. Other matters as set out in the Listing Agreement as and when required.

The present Audit Committee comprises of (1) Shri K. D. Sheth, Chairman of the Audit Committee (Non-Executive Independent Director); (2) Shri Anilkumar S. Ruia, Non-Executive Independent Director; (3) Smt. S. Venkataraman, Nominee of GIC.

The said Directors are financially literate and have accounting or related financial management expertise. Shri D. J. Shah, Vice President (Legal) & Company Secretary is the Secretary to the Audit Committee also.

As per the Listing Agreement, the Audit Committee should meet atleast thrice in a year. As against that 5 meetings were held i. e. on 29th July 2005, 23rd September 2005, 26th October 2005, 31st January 2006 and 30th April 2006 to review the internal audit reports, the Annual Accounts as on 30-6-2006 and the quarterly unaudited financial results of the Company, which were attended by the Committee Members, the Internal Auditor and the Senior Executives of the Company.

The Company has a full-fledged Internal Audit Department headed by Asst. General Manager, which performs periodical internal audit of the various functions of the Company. The reports of the Internal Audit Department are placed before the Audit Committee along with the comments of the Management on the action taken to remedy any deficiencies that may be observed on the working of the various departments of the Company.

**4. Remuneration Committee:**

The Remuneration Committee consists of Shri A. S. Ruia (Non-Executive Director), Shri K. D. Sheth (Non-Executive Director) and Smt. S. Venkataraman (Nominee of GIC).

Shri H. R. Kilachand was reappointed as Chairman & Managing Director of the Company by the members at their meeting held on 30.12.2002 for a period of 5 years w.e.f. 14.8.2002, on the terms and conditions in accordance with Schedule XIII of the Companies Act, 1956. The remuneration paid to Shri H. R. Kilachand, during the financial year 2005-2006 is mentioned in the Note No. 7 to the Accounts. On 30.1.2006, the Central Government had approved the increase in remuneration of Shri H. R. Kilachand for the period from 1.7.2005 to 13.8.2007.

The Non-Executive Directors were paid sitting fees of an aggregate amount of Rs. 3,88,000/- as stated in para 2 above.

**5. Share Transfer Committee:**

The present Share Transfer Committee of the Company consists of Shri H. R. Kilachand, Chairman of the Committee, Shri K. D. Sheth (Non-Executive Director) and Shri A. S. Ruia (Non-Executive Director) to review and approve the transfer of shares, issue of duplicate share certificates and requests regarding transmission of shares received from the heirs of deceased shareholders. The Committee meets regularly from time to time for the above purpose, to ensure a prompt return of securities to the shareholders. Neither any share transfers nor any requests for demat was pending as on 30th June 2006.

**6. Asset Management Committee:**

The Asset Management Committee consists of Directors viz. Shri A. S. Ruia, Shri K. D. Sheth and Smt. S. Venkataraman. One meeting was held on 10.2.2006.

**7. Shareholders/Shareholders Grievance Committee:**

The Shareholders/Shareholders Grievance Committee consists of Shri K. D. Sheth (Non-Executive Director) as Chairman of the Committee, Shri H. R. Kilachand (Executive Director), Shri A. S. Ruia (Non-Executive Director). During the Financial Year ended 30th June 2006 and till the date of this report, the Company had received two complaints from the shareholders, which were replied appropriately.

**8. Compliance Officer:**

The Board has designated Shri D. J. Shah, Vice President (Legal) & Company Secretary, as the Compliance Officer of the Company.

**9. General Body Meetings:**

Location and time where the last Annual General Meetings were held:

Financial Year ended	Date of AGM	Location	Time
30-6-2005	26-10-2005	M. C. Ghia Hall	3:30 p.m.
30-6-2004	31-03-2005	M. C. Ghia Hall	3:30 p.m.
30-6-2003	26-12-2003	M. C. Ghia Hall	3:00 p.m.

A Special Resolution was passed on 26.12.2003 under section 80, 81(1A) of the Companies Act, for issue of cumulative redeemable preference shares of Rs.2 crores to IDBI under one time settlement scheme.

Date of EGM	Location	Time
20-06-2006	M. C. Ghia Hall	11:00 a.m.
24-08-2005	M. C. Ghia Hall	3:30 p.m.

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- (i) A Special Resolution was passed on 20.6.2006 under section 81(1A) of the Companies Act, for issue of securities on preferential basis for expansion, modernisation plans etc.
- (ii) A Special Resolution was passed on 24.8.2005 under section 81(1A) of the Companies Act, for issue of warrants with a right to apply for equity share to the promoters and a private corporate body on preferential basis to augment the financial resources of the Company.

## 10. Disclosures:

- i. No transaction of material nature has been entered into by the Company with its Promoters, the Directors, the Management, their subsidiaries or relatives, etc. that may have a potential conflict with the interests of the Company. However, the Company has given in the notes to accounts, a list of related parties as per Accounting Standard 18 and the transactions entered into with them.
- ii. There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges or any Statutory Authority does not arise.

## 11. Means of communication:

The Board takes on record, the unaudited quarterly financial results in the prescribed Proforma of the stock exchange, within one month of the close of the quarter and announces forthwith the results to the Mumbai Stock Exchange where the shares of the Company are listed. The quarterly unaudited financial results are also published in Free Press Journal and Nav Shakti within 48 hours of the conclusion of the meeting of the Board in which they are approved.

Management Discussion & Analysis report has been included as a part of the Annual Report.

## 12. General Shareholders information:

- a. Registered Office : Oriental House, 7, Jamshedji Tata Road, Churchgate, Mumbai-400020
- b. Plant Locations : Sugar Factory, Spirits & Bottling at Baheri, Dist. Bareilly, U. P.  
Storage Terminals I & II at Kandla, Gujarat.
- c. Annual General Meeting
  - Date : 27.10.2006
  - Time : 3.00 p.m.
  - Venue : M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001.
- d. Next Financial Year ending : 30th June 2007
- e. Next Annual General Meeting : By 31st December 2007
- f. **Financial Reporting for the year 2006-2007**
  - For the 1st quarter ending 30th September 2006 : By 31st October 2006
  - For the 2nd quarter ending 31st December 2006 : By 31st January 2007
  - For the 3rd quarter ending 31st March 2007 : By 30th April 2007
  - For the 4th quarter ending 30th June 2007 : By 31st July 2007
- g. Date of Book Closure : 24.10.2006 to 27.10.2006
- h. Listing on Stock Exchange : Mumbai
- i. Stock Exchange Code Number : 507180
- j. Demat ISIN numbers in NSDL & CDSL : INE133BO1019

### Address for correspondence by the Shareholders of the Company:

#### M/s. Sharex Dynamic (India) Pvt. Ltd.

Registrar & Share Transfer Agents

- (1) 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400 001  
Tel.: 2264 1376/2264 13 49  
Fax: 2264 13 40

- (2) Luthra Indl. Premises, Andheri Kurla Road, Safed Pool Andheri (E), Mumbai – 400 072  
Tel.: 2851 28 85  
Fax: 2851 78 85

Kesar Enterprises Ltd.

- Oriental House, 7, J. Tata Road, Churchgate, Mumbai-400020  
Tel.: 22042396/22851737  
Fax: 22876162  
Email: [Kesar@bom3.vsnl.net.in](mailto:Kesar@bom3.vsnl.net.in)

**Share Transfer System:**

The shares sent for transfer are generally registered & returned within the time limits.

**Demat Information:**

As on 30.06.2006 about 91.65% of the total shareholding in the Company representing 58,10,007 shares have been converted into demat.

**Stock Market Data:**

The monthly high/low quotation of shares traded on Mumbai Stock Exchange is as follows:

**Mumbai Stock Exchange**

Month	High	Low
July 2005	150.90	82.00
August 2005	221.80	138.60
September 2005	238.40	169.65
October 2005	180.50	119.70
November 2005	166.45	131.25
December 2005	208.35	144.00
January 2006	245.20	188.10
February 2006	233.80	188.25
March 2006	232.00	191.70
April 2006	279.75	232.00
May 2006	272.00	165.70
June 2006	165.00	94.90

**Distribution of shareholding as on 30th June 2006:**

Shareholding in Nominal Value of	Share Holders		Share Amount	
	Rs	Rs	In Rs.	% to Total
Upto - 5,000	5137	89.52	7035850	11.10
5,001 - 10,000	328	5.72	2564830	4.05
10,001 - 20,000	126	2.20	1853010	2.92
20,001 - 30,000	42	0.73	1060360	1.67
30,001 - 40,000	23	0.40	815860	1.29
40,001 - 50,000	19	0.33	895530	1.41
50,001 - 1,00,000	31	0.54	2271130	3.58
1,00,001 - and above	32	0.56	46896580	73.98
<b>Total</b>	<b>5738</b>	<b>100.00</b>	<b>63393150</b>	<b>100.00</b>

**Categories of Shareholders as on 30th June 2006:**

Sr.No. Category	No. of Shares Held	% of Shareholding
<b>A. PROMOTERS HOLDING</b>		
1. Promoters — Indian Promoters	2088883	32.951
— Foreign Promoters	Nil	Nil
2. Persons acting in concert	1159054	18.284
<b>Sub Total:</b>	<b>3247937</b>	<b>51.235</b>
<b>B. NON-PROMOTERS HOLDING INSTITUTIONAL</b>		
a. Mutual Funds & UTI	1200	0.019
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	817962	12.902
c. FIs	74839	1.181
<b>Sub Total:</b>	<b>894001</b>	<b>14.102</b>
<b>C. OTHERS:</b>		
a. Private Corporate Bodies	498967	7.871
b. Indian Public	1621601	25.580
c. NRI's/OCB's	51248	0.808
d. Clearing Members	25561	0.404
<b>Sub Total:</b>	<b>2197377</b>	<b>34.663</b>
<b>GRAND TOTAL:</b>	<b>6339315</b>	<b>100.00</b>

**WARRANTS:**

As approved by the Shareholders at their meeting held on 24.8.2005, the Company has allotted 16,60,000 warrants of Rs. 97/- each with a right to apply for one equity share of Rs. 10/- each at a premium of Rs. 87/- per share aggregating to Rs. 16.10 crores to the promoters, the persons acting in concert with the promoters and to a private corporate body on preferential basis. The said conversion right is to be exercised by the warrant holders on or before 5th March 2007. On conversion of the said warrants, the equity share capital will increase to Rs. 7,99,93,150 and the post issue shareholding of the promoters will increase to 54.99%.

# Annual Report 2005-2006

## Guidance to Shareholders:

1. The shareholders are requested to communicate bank details, the change of address, if any, directly to M/s. Sharex Dynamic (India) Pvt. Ltd., the Registrar & Share Transfer Agent of the Company located at the addresses mentioned in para 12 above.
2. In case of lost/misplacement of share certificates, shareholders should immediately lodge a FIR/Complaint with the police and submit with the Company original/certified copy of FIR/acknowledged copy of the complaint and inform the Company to stop transfer of the said shares.
3. For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of power of attorney should also be quoted in the transfer deed at the appropriate place.
4. The Shareholder, whose signature has undergone any change over a period of time, is requested to lodge their new specimen signature duly attested by a bank manager.
5. Any Shareholder of the Company who has multiple folios in identical names are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.
6. **Nomination:** Section 109A of the Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the process of obtaining succession certificate/probate of the will etc. it would therefore be in the best interests of shareholders holding shares in physical form registered as a sole holder to make such nominations. Shareholders who have not availed of the nomination facility, are requested to avail the same by submitting the nomination form. This form will be made available on request. Shareholders holding shares in demat form are advised to contact their DP's for making nominations.
7. As required by SEBI, shareholders may furnish details of their bank account number and name and address of the bank for incorporating the same in the dividend warrants. This would avoid wrong credits being obtained by unauthorized persons.
8. Shareholders, holding shares in electronic format are requested to deal only with their depository participants in respect of any change of address, nomination facility and furnishing bank account number etc.
9. Shareholders, who have not encashed their dividend warrants in respect of dividend declared from the financial year ended 31st March 1998 onwards, are requested to contact the Company and surrender their warrants for revalidation for payment. Shareholders may please note that the Company had not declared any dividend for the financial years 1998-1999 to 2003-2004.
10. Shareholders are requested to note that unclaimed dividend for a period of seven years from the date it becomes due for payment, shall be transferred to "Investor Education and Protection Fund" (IEPF) in terms of Section 205C of the Companies Act, 1956. Thereafter, the shareholders will not be able to get the same.

## AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of  
Kesar Enterprise Ltd.

1. We have examined the compliance of conditions of Corporate Governance by Kesar Enterprises Ltd. for the year ended June 30, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange in India.
2. The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the review of procedures and implementations 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.
3. In our opinion and to the best of our information and explanations given to us, and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
4. As required by the Guidance Note issued by the Institute of Chartered Accounts of India and based on the certificate received from the share transfer agent, we state that no investor grievances were pending for a period exceeding one month against the Company as on 30<sup>th</sup> June 2006.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Mumbai  
25th September 2006

For and on behalf of  
For N. N. JAMBUSARIA & CO.  
Chartered Accounts  
N. N. Jambusaria  
Partner  
Membership No.35520

## DECLARATION BY THE MANAGING DIRECTOR

To the Members of  
Kesar Enterprise Ltd.

In compliance with the requirements of Clause 49 of the Listing Agreement with Stock Exchanges relating to Corporate Governance and on the basis of confirmations/declarations received, all the Directors and Senior Management personnel of the Company have complied with the Code of Conduct and Ethics for the financial year ended 30.6.2006.

Mumbai  
25th September 2006

For KESAR ENTERPRISES LTD.  
**H. R. KILACHAND**  
Chairman & Managing Director



## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Kesar Enterprises Limited as at 30th June, 2006, the Profit and Loss Account for the year ended on that date and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We further report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. 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. A firm of Chartered Accountants has certified the Sales of Country Liquor at the various Depots in Uttar Pradesh on which we have relied.
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
4. On the basis of written representation received from the directors as on 30th June, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 30th June, 2006 from being appointed as a director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and other notes thereon 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 :-
  - (a) in the case of the Balance Sheet of the state of the Company's affairs as at 30th June, 2006;
  - (b) in the case of Profit & Loss Account of the profit for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
7. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we further state that:-
  - i.
    - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
    - b. We are informed that the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed in respect of assets so verified during the year. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
    - c. The Company has disposed off remaining portion of Land at Goregaon as stated in Note No. 6. This has not affected the going concern.
  - ii. In our opinion, based on the information and explanations given and records maintained:
    - a. The inventories have been physically verified by the management at reasonable intervals. In respect of sugar stock pledged with the banks, confirmations have been received as on June 30, 2006.
    - b. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

## Annual Report 2005-2006

- c. The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- iii. a. The Company has given interest free advances in the nature of loans to its wholly owned Subsidiary Company, Amber Distilleries Limited amounting to Rs. 40.00 Lacs as on 30th June, 2006. These advances has been received back after end of the year.  
Subject to above, the Company has not given any loans, secured or unsecured, to the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods.  
During the course of our audit, no major weakness has been noticed in the internal controls.
- v. In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register maintained under section 301 have been so entered. These transactions have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder, with regard to the deposits accepted from the public.
- vii. The Company has internal audit system commensurate with the size and nature of its business.
- viii. In case of Sugar and Alcohol manufacturing activities at Baheri, we have broadly reviewed the books of account maintained by the Company pursuant to the order 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 maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix. a. According to the information and explanations given to us and the records of the Company examined by us, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax, wealth tax and other statutory dues applicable to it.
- b. According to the information and explanations given to us, no undisputed dues payable in respect of income tax, sales tax, wealth tax, customs duty and cess were outstanding as at 30th June, 2006 for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us, details of dues of Sales Tax, Income Tax, Excise duty and other statutory dues which have not been deposited on account of any dispute are as under:

Nature of the Dues	Amount (Rs. In Lacs)	Forum where dispute is pending.
Sales Tax	72.24	High Court Allahabad.
Sales Tax	30.43	Dy. Commissioner (A) – Trade Tax Bareilly.
Sales Tax	38.95	Tribunal – Trade Tax Bareilly.
Sales Tax	0.73	Jt. Commissioner – Trade Tax Bareilly.
Entry Tax	405.99	High Court Allahabad.
Excise Duty	65.65	High Court, Allahabad
Employee State Insurance	1.23	Civil Judge, Bareilly.
Purchase Tax on Sugarcane	1.81	High Court Allahabad
Society Commission on Sugarcane	4.25	High Court Allahabad

- x. The financial statements of the Company as on 30th June, 2006 do not show accumulated losses. The Company has not incurred any cash losses during the financial year covered by our report and in the immediately preceding financial year.
- xi. According to the information and explanations given to us and based on the records examined by us, there is no default in respect of repayment to Banks/Financial Institutions.
- xii. According to the information and explanations given to us and the records of the Company examined by us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. The Company does not deal or trade in shares and securities. Therefore, clause 4(xiv) of the Companies (Auditor's Report) order 2003 is not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. According to the information and explanations given to us the Company has taken car loans and a term loan during the year which 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 and Cash Flows of the Company, we report that the Company has not utilized the funds raised on short term basis for long term investment and vice versa.
- xviii. The Company has during the year made preferential allotment of 16,60,000 warrants of Rs 97/- each with a right to apply for 1[one] equity share of Rs 10/- each at a premium of Rs 87/- per share to be exercised on or before 5.3.2007, out of which 11,51,600 warrants are allotted to parties and companies covered in the Register maintained under section 301 of the Act and 5,08,400 warrants are allotted to a private body corporate, which is in accordance with the Guidelines for Preferential Issues contained in Chapter XIII of the SEBI (Disclosure & Investor Protection) Guidelines, 2000 and the price at which the warrants have been allotted is not prejudicial to the interest of the Company.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of  
N.N. JAMBUSARIA & CO.  
Chartered Accountants  
N.N.JAMBUSARIA  
Partner

Mem. No. 35520

Mumbai,  
25th September 2006

# Annual Report 2005-2006

## BALANCE SHEET

as at 30th June, 2006

	Schedule No.		<i>(Rs. in Lacs)</i> As at 30th June, 2005
<b>Sources of Funds :</b>			
1. Shareholders' Funds :			
(a) Share Capital	1	994.95	833.93
(b) Reserves and Surplus	2	3,864.07	3,271.71
		4,859.02	4,105.64
2. Deferred Tax Liability (Net)		752.27	417.15
3. Loan Funds :			
(a) Secured Loans	3	9,383.40	7,146.91
(b) Unsecured Loans	4	198.03	360.19
		9,581.43	7,507.10
Total		15,192.72	12,029.89
<b>Application of Funds :</b>			
1. Fixed Assets :	5		
(a) Gross Block		14,552.40	13,660.10
(b) Less : Depreciation/Land Premium written off		8,473.59	7,962.12
(c) Net Block		6,078.81	5,697.98
(d) Capital Work-in-Progress		394.53	306.79
		6,473.34	6,004.77
2. Investments	6	455.60	455.10
3. Current Assets, Loans and Advances :			
(a) Inventories	7	8,481.32	6,991.75
(b) Sundry Debtors	8	1,594.39	934.77
(c) Cash and Bank Balances	9	468.04	989.76
(d) Other Current Assets	10	8.90	5.49
(e) Loans and Advances	11	1,660.09	1,138.04
		12,212.74	10,059.81
Less : Current Liabilities and Provisions :	12		
(a) Current Liabilities		3,001.57	3,860.75
(b) Provisions		968.39	662.16
		3,969.96	4,522.91
Net Current Assets		8,242.78	5,536.90
4. Miscellaneous Expenditure to the extent not written off :			
Deferred Revenue Expenditure		21.00	33.12
Total		15,192.72	12,029.89
Notes forming part of the Accounts	22		

As per our Report attached.

For and on behalf of  
N. N. Jambusaria & Company  
*Chartered Accountants*  
N. N. Jambusaria  
*Partner*

Mumbai, 25th September, 2006

For and on behalf of the Board of Directors

H. R. KILACHAND  
*Chairman & Managing Director*

D. J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K. D. SHETH  
*Director*

Mumbai, 25th September, 2006



## PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2006

	Schedule No.		<i>(Rs. in Lacs)</i> <i>Previous Year</i>
<b>1. Income :</b>			
Sales and Services	13	27,955.41	25,044.67
Other Income	14	447.20	472.18
Income from Property under Development	17	38.51	201.61
Increase/(Decrease) in Stocks	15	1,414.45	2,584.11
<b>Total</b>		29,855.57	28,302.57
<b>2. Expenditure :</b>			
Raw Materials Consumed	16	12,144.49	11,206.14
Trading Goods Purchased		743.30	—
Expenses on Sugarcane Plantations	18	268.87	299.04
Manufacturing and Other Expenses	19	13,388.45	13,558.53
Interest and Finance Charges	20	947.80	862.46
Depreciation [including Land Lease Premium written off Rs. 0.19 Lacs (Previous Year Rs. 0.19 Lacs)]		537.97	512.96
<b>Total</b>		28,030.88	26,439.13
<b>3. Profit before Tax &amp; Extra Ordinary Items</b>		1,824.69	1,863.44
<b>4. Extra Ordinary Items — Cane Price Difference &amp; Gratuity Arrears earlier years</b>		—	1,644.77
<b>Less : Withdrawn from General Reserve</b>		—	(1,644.77)
<b>5. Profit/(Loss) Before Tax</b>		1,824.69	1,863.44
<b>6. Provision for Taxation</b>			
(i) Income Tax — Current		377.63	61.00
(ii) Income Tax — Deferred		335.11	139.88
(iii) Wealth Tax		0.95	0.83
<b>7. Profit/(Loss) After Tax</b>		1,111.00	1,661.73
Add/(Less) : Balance brought forward from previous year		1,452.78	74.79
Prior period adjustments	21	(23.04)	(11.41)
<b>8. Profit available for appropriation</b>		2,540.74	1,725.11
<b>9. Appropriations :</b>			
(i) Transferred to General Reserve		1300.00	123.45
(ii) Proposed Preference Shares Dividend		2.00	3.78
(iii) Interim Dividend on Equity Shares		95.09	95.09
(iv) Proposed Final Dividend on Equity Shares		63.39	31.70
(v) Corporate Tax on Dividend		22.51	18.31
(vi) Balance Carried Forward to Balance Sheet		1,057.75	1,452.78
<b>Total</b>		2,540.74	1,725.11
Basic and diluted earnings per share		17.49	26.21
Notes forming part of the Accounts	22		

As per our Report attached.

For and on behalf of the Board of Directors

For and on behalf of  
N. N. Jambusaria & Company  
*Chartered Accountants*  
N. N. Jambusaria  
*Partner*

H. R. KILACHAND  
*Chairman & Managing Director*

D. J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K. D. SHETH  
*Director*

Mumbai, 25th September, 2006

Mumbai, 25th September, 2006

# Annual Report 2005-2006

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 30TH JUNE, 2006

### SCHEDULE : 1

#### SHARE CAPITAL

(Rs. In Lacs)  
As at  
30th June, 2005

##### Authorised :

1,20,00,000	Equity Shares of Rs. 10/- each	1,200.00	1,200.00
60,00,000	Redeemable Preference Shares of Rs. 10/- each	600.00	600.00
	Total	<u>1,800.00</u>	<u>1,800.00</u>

##### Issued Subscribed and Paid Up :

63,39,315	Equity Shares of Rs. 10/- each fully paid up [of the above 31,30,280 Equity Shares of Rs. 10/- each are allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve]	633.93	633.93
20,00,000	1% Cummulative Redeemable Preference Shares of Rs. 10/- each fully paid up redeemable in 3 Annual Installments of Rs. 67.00 Lacs, Rs. 67.00 Lacs, Rs. 66.00 Lacs on 10th August 2011, 10th August 2012 and 10th August 2013 respectively.	200.00	200.00
16,60,000	Warrants of Rs. 97/- each, with a right to apply for 1 (one) Equity Share, allotted on preferential basis to the promoters, the persons acting in concert with the promoters and a private corporate body — Application Money Received @ Rs. 9.70 per warrant (See Note 15)	161.02	—
	Total	<u>994.95</u>	<u>833.93</u>



## SCHEDULE : 2

### RESERVES AND SURPLUS

(Rs. In Lacs)

As at

30th June, 2005

**Share Premium :**

On Shares allotted on Conversion of Fully Convertible Debentures	578.81		578.81
Less : Amount in arrears	0.11		0.27
		578.70	578.54

**General Reserve :**

Balance as per last Balance Sheet	1,083.15		11.61
<b>Additions : Transfers from :</b>			
Debenture Redemption Reserve	—		410.00
Capital Reserve (See Note 6)	75.91		2,182.86
Transferred from Profit & Loss A/c	1,300.00		123.45
<b>Deductions : Provision for Diminution in value of investment (See Note 5)</b>			
Extra Ordinary Items Cane Price Arrears & Gratuity of earlier years	319.36		—
	—	2,139.70	1,644.77
			1,083.15

**Storage and Effluent Disposal Funds :**

**(i) Storage Fund for Alcohol :**

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	9.80		9.51
Add : Set aside this year	0.60		0.29
		10.40	9.80

**(ii) Storage Fund for Molasses :**

(Earmarked from Sale of Molasses)

Balance as per last Balance Sheet	63.46		58.52
Add : Set aside this year	5.34		4.94
		68.80	63.46

**(iii) Effluent Disposal Fund :**

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	8.07		7.76
Add : Set aside this year	0.65		0.31
		8.72	8.07

**Debenture Redemption Reserve :**

Balance as per last Balance Sheet	—		410.00
Less : Transferred to General Reserve	—		410.00
		—	—

**Capital Reserve :**

Balance as per last Balance Sheet	75.91		2,258.77
Less : Transferred to General Reserve (See Note 6)	75.91		2,182.86

Amount credited on conversion of freehold land into Stock-in-Trade

	—		75.91
--	---	--	-------

<b>Surplus as per Profit and Loss Account</b>		1,057.75	1,452.78
---	--	----------	----------

Total

	3,864.07		3,271.71
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## SCHEDULE : 3

### SECURED LOANS

(Rs. In Lacs)  
As at  
30th June, 2005

#### (A) TERM LOANS :

Yes Bank Ltd. (Term Loan)	—	2,366.54
Allahabad Bank (Term Loan Takeover of Yes Bank) (See Note 8)	1,937.91	—
Allahabad Bank (Term Loan — Storage Expansion) (See Note 8)	50.00	—

#### (B) VEHICLE LOANS :

(Secured by way of hypothecation of the vehicles purchased out of the said loans)	119.10	38.46
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#### (C) BORROWINGS FROM BANKS :

Cash Credit from Banks (Secured by pledge of Sugar stocks & hypothecation of Current Assets of Sugar & Spirits Division) (See Note 8)	<u>7,276.39</u>	<u>4,741.91</u>
Total	<u>9,383.40</u>	<u>7,146.91</u>

## SCHEDULE : 4

### UNSECURED LOANS

#### (A) Fixed Deposits

[Includes Rs. 5.00 Lacs (Previous Year Rs. 20.00 Lacs) due to Chairman & Managing Director]	189.52	178.18
--	--------	--------

#### (B) Short Term Loans, Advances & Deposits :

From Others	—	172.99
Interest accrued and due	<u>8.51</u>	<u>9.02</u>
Total	<u>8.51</u>	<u>182.01</u>
	<u>198.03</u>	<u>360.19</u>





**SCHEDULE : 5**

**FIXED ASSETS**

(Rs. in Lacs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	At Cost or book value as on 01-Jul-05	Additions during the Year	Sales/ deductions and adjustments during the Year	At Cost or book value as on 30-Jun-06	Upto 30-Jun-05	For the Year	Written back on assets sold or discarded	Total Depreciation/ Land Premium written off	As on 30-Jun-06	As on 30-Jun-05
Land										
Freehold	119.53	48.57	—	168.10	—	—	—	—	168.10	119.53
Land Premium	—	—	—	—	—	—	—	—	—	—
Lease hold Land Premium	5.73	—	—	5.73	3.55	0.19	—	3.74	1.99	2.18
Bhoomidari Land	—	—	—	—	—	—	—	—	—	—
Leasehold Land	30.75	—	0.04	30.71	1.69	0.13	—	1.82	28.89	29.06
	156.01	48.57	0.04	204.54	5.24	0.32	—	5.56	198.98	150.77
Building, Roads etc. (Exclusive of Labour Quarters erected out of Molasses Fund)	2,875.61	61.15	—	2,936.76	1,083.00	101.98	—	1,184.98	1,751.78	1,792.61
Plant and Machinery	9,273.97	575.91	8.97	9,840.91	5,986.31	336.00	8.90	6,313.41	3,527.50	3,287.66
Electric Installations	137.99	—	—	137.99	75.39	6.76	—	82.15	55.84	62.60
Laboratory Equipments	14.98	0.56	—	15.54	11.04	0.67	—	11.71	3.83	3.94
Weigh Bridges	125.35	6.94	—	132.29	62.30	8.49	—	70.79	61.50	63.05
Railway Siding and Light Railway	4.69	—	—	4.69	4.28	0.06	—	4.34	0.35	0.41
Tube and Artisan Wells and Water Supply	92.80	10.86	—	103.66	35.33	3.34	—	38.67	64.99	57.47
Tractors, Ploughs, Carts etc.	42.51	9.03	1.65	49.89	33.79	4.02	1.65	36.16	13.73	8.72
Motor Cars, Lorries and Cycles	208.40	164.05	14.71	357.74	120.46	37.20	12.58	145.08	212.66	87.94
Furniture, Fixtures and Equipments	664.49	44.48	3.88	705.09	520.59	37.21	3.37	554.43	150.66	143.90
Drainage	62.72	—	—	62.72	24.39	1.92	—	26.31	36.41	38.33
Live Stock	0.58	—	—	0.58	—	—	—	—	0.58	0.58
<b>Total</b>	<b>13,660.10</b>	<b>921.55</b>	<b>29.25</b>	<b>14,552.40</b>	<b>7,962.12</b>	<b>537.97</b>	<b>26.50</b>	<b>8,473.59</b>	<b>6,078.81</b>	<b>5,697.98</b>
<b>Previous Year Total</b>	<b>13,292.96</b>	<b>456.11</b>	<b>88.97</b>	<b>13,660.10</b>	<b>7,527.07</b>	<b>512.96</b>	<b>77.91</b>	<b>7,962.12</b>	<b>5,697.98</b>	<b>—</b>

Note : Cost of Buildings and Plant & Machinery includes Buildings of Rs. 133.67 Lacs and Plant & Machinery of Rs. 1,956.54 Lacs constructed on Leasehold Land.

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## SCHEDULE : 6

### LONG TERM INVESTMENTS (AT COST)

*Rs. In Lacs)*  
*As at*  
*30th June, 2005*

#### (A) TRADE INVESTMENTS :

(Unquoted) In fully paid Equity Shares :

300	Shares of Rs. 100/- each of U.P. Seeds & Tarai Development Corporation Ltd.	0.30	0.30
5	Shares of Rs. 10/- each of Baheri Co-operative Cane Development Union Ltd. [Rs. 50 (Previous Year Rs. 50)]	—	—
17	Shares of Rs. 20/- each of Sahakari Ganna Vikas Samiti Ltd. [Rs. 340 (Previous Year Rs. 340)]	—	—
1	Share of Rs. 100/- of Ganna Beej Nigam, Bareilly [Rs. 100 (Previous Year Rs. 100)]	—	—
1	Share of Rs. 20/- of Bhojeepera Co-operative Cane Development Union Ltd. [Rs. 20 (Previous Year Rs. 20)]	—	—
	Total	<u>0.30</u>	<u>0.30</u>

#### (B) OTHER INVESTMENTS :

(i) In Government Securities :

(Unquoted)

National Savings Certificates

(Deposited as security with Government Departments)

0.87

0.37

(ii) In fully paid Equity Shares of Subsidiary Companies : (Unquoted)

1,40,000 Equity Shares of Rs. 100/- each of  
Amber Distilleries Ltd. (See Note 5)

453.60

453.60

(iii) In fully paid Equity Shares of other Joint Stock Companies : (Quoted)

4,320 Equity Shares of Rs. 10/- each  
of Walchandnagar Industries Ltd.

0.27

0.27

9,230 Equity Shares of Rs. 10/- each  
of The Shervan Industrial  
Syndicate Ltd.

0.23

0.23

180 Equity Shares of Rs. 100/- each  
of Indian Hume Pipe Co. Ltd.

0.18

0.18

0.68

0.68

(iv) In fully paid Equity Shares

of Co-operative Bank : (Unquoted)

200 Shares of Rs. 25/- each of  
Jain Sahakari Bank Ltd.

0.05

0.05

(v) In fully paid Equity Shares of

Antophill Warehousing Company Ltd: (Unquoted)

10 Shares of Rs. 1,000/- each

0.10

0.10

Total

455.60

455.10

Aggregate cost of Investments :

Quoted

0.68

0.68

Unquoted

454.92

454.42

Total

455.60

455.10

Market Value of Quoted Investments

25.91

25.83

## SCHEDULE : 7

### INVENTORIES

	<i>Rs. In Lacs)</i> <i>As at</i> <i>30th June, 2005</i>	
Stores and Spares (At Cost)	498.51	568.95
Scrap Materials (At estimated realisable value)	5.03	2.95
By Products (At estimated realisable value)	443.89	242.77
Stock in trade :		
Raw Materials (At Cost)	441.94	225.87
Finished Goods (At lower of Cost or Market value)	6,945.77	5,744.68
Trading Goods (At Cost)	0.11	—
Work-in-Process (At Cost)	42.15	32.10
Crop-in-Progress (At Cost) (including preparation of land, irrigation etc.)	103.92	97.94
Property under Development (See Note 6)	—	76.49
Total	8,481.32	6,991.75

## SCHEDULE : 8

### SUNDRY DEBTORS (UNSECURED)

(A) Debts outstanding for a period exceeding six months :		
Considered Good	132.07	160.88
Considered Doubtful	31.20	31.20
(B) Other Debts Considered Good	1,462.32	773.89
	1,625.59	965.97
Less : Provision for Doubtful Debts	31.20	31.20
Total	1,594.39	934.77

## SCHEDULE : 9

### CASH AND BANK BALANCES

Cash/Cheques/Drafts on Hand	20.44	16.04
Bank Balances with Scheduled Banks :		
In Current Accounts	193.44	897.72
In Fixed Deposit Accounts	247.50	73.53
In Post Office Savings Bank Account [Maximum Balance during the year Rs. 0.17 Lacs (Previous Year Rs. 0.17 Lacs)]	0.17	—
In Dividend Accounts with Scheduled Banks	6.49	2.47
Total	468.04	989.76

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## SCHEDULE : 10

### OTHER CURRENT ASSETS

	<i>(Rs. In Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2005</i>	
Interest Accrued on Fixed Deposits with Banks	8.39	5.12
Interest Accrued on Investments	0.51	0.37
Total	<u>8.90</u>	<u>5.49</u>

## SCHEDULE : 11

### LOANS AND ADVANCES

(Unsecured, Considered Good unless otherwise stated)

Advances to Subsidiary Company	40.00	58.06
Advances recoverable in cash or in kind or for value to be received :		
Considered Good	1,292.18	817.81
Considered Doubtful	8.09	8.26
Loans & Advances to Employees [Inclusive of Rs. 11.07 Lacs [(Previous Year Rs. 14.17 Lacs) secured by charge on assets against which loans are granted.]	<u>36.38</u>	<u>37.28</u>
	1,376.65	921.41
Less : Provision for Doubtful Advances	<u>8.09</u>	<u>8.26</u>
	1,368.56	913.15
Advance Payment of Income-Tax (Including Tax Deducted at Source)	186.66	106.33
Deposit with Government & Others	<u>104.87</u>	<u>118.56</u>
Total	<u>1,660.09</u>	<u>1,138.04</u>

## SCHEDULE : 12

### CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :

Acceptances	3.35	3.35
Sundry Creditors [Includes Rs. 18.90 Lacs (Previous year Rs. Nil) due to Directors]	2,408.66	3,045.91
Interest accrued but not due on Loans, Deposits & Debentures	12.05	16.97
Advances and Deposits from Dealers/Customers	474.62	695.65
Deposit against Lease Rentals	96.40	96.40
Unclaimed Dividends	<u>6.49</u>	<u>2.47</u>
	3,001.57	3,860.75

(B) Provisions :

Corporate Tax on Dividend	9.17	18.31
Provision for Income Tax	454.98	77.35
Provision for Wealth Tax	6.72	5.77
Provision for Gratuity & Leave Encashment	112.77	430.16
Proposed Dividend on Preference Shares	2.00	3.78
Interim Dividend on Equity Shares	—	95.09
Proposed Final Dividend on Equity Shares	63.39	31.70
Provision for Diminution in value of investment (See Note 5)	<u>319.36</u>	<u>—</u>
	968.39	662.16
Total	<u>3,969.96</u>	<u>4,522.91</u>

## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

### SCHEDULE : 13

#### SALES AND SERVICES

*(Rs. In Lacs)*  
*Previous Year*

##### SALES

Manufacturing Goods (Inclusive of Excise Duty)	26,795.56	24,811.33
Less : Transferred to Molasses and Alcohol Storage Funds and Effluent Disposal Fund	6.59	5.54
Less : Value of Molasses supplied to Own Division	681.10	852.32
Less : Value of Bagasse supplied to Own Division	44.69	62.47
	26,063.18	23,891.00
Trading Goods	761.93	5.97
Agricultural Products (After adjusting Opening & Closing Stock)	348.36	426.21
Less : Value of Seed supplied to Own Division	102.91	52.01
Less : Value of Cane supplied to Own Division	156.64	287.34
	88.81	86.86
<b>SERVICES</b>		
Storage and Handling	1,041.49	1,060.84
Total	27,955.41	25,044.67

### SCHEDULE : 14

#### OTHER INCOME :

Dividends	2.08	0.48
Interest (Gross) (Tax Deducted at Source Rs. 0.99 Lacs) (Previous year Rs. 0.83 Lacs)		
On Fixed Deposits	8.51	3.55
Others	1.70	3.31
Rent	4.05	2.57
Buffer Stock Subsidy	—	35.51
Sundry Receipts	181.96	133.79
Credit Balances written back	10.92	5.99
Govt. Subsidy for Cane Development	—	144.72
Profit on Sale of Fixed Assets	69.91	127.08
Insurance Claims	8.36	15.18
Other Interest & Finance Charges written back	159.53	—
Provision for Expenses no longer required	0.18	—
Total	447.20	472.18

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## SCHEDULE : 15

### INCREASE/(DECREASE) IN STOCKS

(Rs. In Lacs)  
Previous Year

Closing Stock :			
Finished Goods	6,945.77		5,744.68
Trading Goods	0.11		—
Work-in-Process	42.15		32.10
By Products	443.89		242.77
Scrap Materials	<u>5.03</u>		<u>2.95</u>
		7,436.95	6,022.50
Opening Stock :			
Finished Goods	5,744.68		3,162.89
Trading Goods	—		3.10
Work-in-Process	32.10		30.50
By Products	242.77		215.17
Scrap Materials	<u>2.95</u>		<u>26.73</u>
		6,022.50	3,438.39
INCREASE/(DECREASE)	Total	<u>1,414.45</u>	<u>2,584.11</u>

## SCHEDULE : 16

### RAW MATERIALS CONSUMED

Sugar Cane (inclusive of Transport,Commission and Other Expenses)	10,827.45		9,901.20
Less : Value of Cane supplied by Own Division	<u>156.64</u>		<u>287.34</u>
		10,670.81	9,613.86
Sugar Cane Purchase Tax		164.73	165.40
Raw Seeds	171.10		147.80
Less : Value of Seeds supplied by Own Division	<u>102.91</u>		<u>52.01</u>
		68.19	95.79
Molasses and Spirits	1,921.86		2,183.41
Less : Value of Molasses supplied by Own Division	<u>681.10</u>		<u>852.32</u>
		1,240.76	1,331.09
	Total	<u>12,144.49</u>	<u>11,206.14</u>

**SCHEDULE : 17****INCOME FROM PROPERTY UNDER DEVELOPMENT***(Rs. In Lacs)  
Previous Year*

Property under Development :

Opening Stock	76.49	2,961.91
Add : Expenses incurred during the year	—	—
	<u>76.49</u>	<u>2,961.91</u>
Less : During the year transaction including sale (See Note 6)	115.00	3,087.03
	<u>38.51</u>	<u>125.12</u>
Add : Closing Stock	—	76.49
	<u>38.51</u>	<u>201.61</u>
Total	<u><u>38.51</u></u>	<u><u>201.61</u></u>

**SCHEDULE : 18****EXPENSES ON SUGAR CANE PLANTATION**(Inclusive of Crop-in-Progress at Commencement and  
Exclusive of Crop-in-Progress at Close)

Crop-in-Progress at Commencement	96.53	111.37
Sowing, Harvesting, Irrigation, Seeds, Manures and Transport	175.28	201.73
Stores Consumed	32.72	19.05
Power & Fuel	2.02	1.78
Machinery Repairs	4.25	4.34
Building Repairs	0.71	0.41
Sundry Repairs	1.83	1.29
Rates and Taxes	1.20	1.30
Salaries and Wages	36.14	37.52
Contribution to Provident Fund	2.94	2.58
Workmen and Staff Welfare Expenses	0.97	1.44
Miscellaneous Expenses	18.20	14.17
	<u>372.79</u>	<u>396.98</u>
Less : Crop-in-Progress at close	103.92	97.94
Total	<u><u>268.87</u></u>	<u><u>299.04</u></u>

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## SCHEDULE : 19

### MANUFACTURING AND OTHER EXPENSES

(Rs. In Lacs)  
Previous Year

Storage and Handling Charges	42.60	47.00
Stores and Spares Consumed	2,221.10	2,339.34
Power and Fuel	693.41	498.55
Less : Value of Bagasse supplied by Own Division	<u>44.69</u>	<u>62.47</u>
	648.72	436.08
Repairs :		
Plant and Machinery	492.90	338.87
Buildings	47.69	27.25
Others	64.48	34.94
Rent	50.59	51.30
Salaries, Wages & Bonus	1,376.29	1,210.21
Company's Contribution to Provident and Other Funds	157.72	136.93
Workmen and Staff Welfare Expenses	24.34	34.32
Insurance	71.74	70.86
Rates and Taxes	194.04	255.46
Excise Duty	6,551.64	7,111.32
Selling Agents' Commission & Brokerage	39.32	33.62
Legal and Professional Charges	83.59	105.57
Discount given to dealers	244.56	64.69
Miscellaneous Expenses	1,046.69	1,221.63
Charity and Donations	2.59	1.61
Directors' Fees	3.88	1.92
Auditors' Remuneration :		
Audit Fees	2.75	2.92
In Other Capacities :		
For Certification	0.45	0.47
For Tax Matters	0.68	1.62
For Other Matters	0.97	1.08
Out of Pocket Expenses	1.44	1.60
Cost Audit Fees	0.33	0.32
Bad Debts/Advances written off	1.64	3.05
Loss on Assets discarded/scrapped	0.87	3.12
Deferred Revenue Expenditure written off [See Note 10]	<u>14.84</u>	<u>21.43</u>
Total	<u>13,388.45</u>	<u>13,558.53</u>



**SCHEDULE : 20****INTEREST & FINANCE CHARGES***(Rs. In Lacs)  
Previous Year*

On Fixed Deposits [Includes Rs. 0.49 Lacs (Previous Year Rs. 2.74 Lacs) paid to Chairman & Managing Director]	21.32	25.11
On Fixed Loans and Debentures	208.90	157.81
On Cash Credit	587.11	563.03
Others	130.47	116.51
Total	<u>947.80</u>	<u>862.46</u>

**SCHEDULE : 21****PRIOR PERIOD ADJUSTMENTS**

## CREDITS :

Excess Provision of Bonus	0.10	—
Total	<u>0.10</u>	<u>—</u>

## DEBITS :

Expenses of Previous Year	23.14	11.41
Total	<u>23.14</u>	<u>11.41</u>
Net	<u>(23.04)</u>	<u>(11.41)</u>

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## SCHEDULE : 22

### NOTES FORMING PART OF THE ACCOUNTS

#### 1. Significant Accounting Policies

##### A. Accounting Concepts

The Company follows the Mercantile System of Accounting and recognises Income and Expenditure on an accrual basis.

The Accounts are prepared on a historical cost basis and as a going concern. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

##### B. Revenue Recognition

Income is generally recognised only when its collection or receipt is reasonably certain. Insurance Claims are recognised only when the claim is passed.

##### C. Fixed Assets

(a) Fixed Assets except Freehold Land are stated at cost of acquisition less accumulated depreciation. Cost includes interest on borrowings, specific or otherwise, used for funding of Fixed Assets till the date of commissioning.

(b) Leasehold Land and Premium on Leasehold Land is amortised over the period of lease.

##### D. Depreciation

(a) Depreciation on the Bio-Gas Plant, Plant & Machinery installed for Expansion and Modernisation and Assets given on lease has been provided on a Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

(b) For all other assets, depreciation is provided on a Written Down Value Method at the rates specified in Schedule XIV of the Companies Act, 1956.

(c) For assets added/disposed off during the year, depreciation has been provided on a pro-rata basis with reference to the period, at the applicable rates.

(d) Depreciation on Assets, whose actual cost does not exceed Rs. 5,000/- is provided at the rate of hundred percent.

##### E. Capital Work-in-Progress

These are stated at cost to date relating to items or projects in progress, incurred during construction/pre-operative period. Cost includes allocable interest.

##### F. Investments

Long term Investments are stated at cost.

##### G. Inventories

Raw Materials, Work-in-Process, Crop-in-Progress and Stores and Spares are valued at cost.

Finished Goods and Trading Goods are valued at lower of cost or market value. Cost includes applicable overheads.

By-Products and Scrap Materials are valued at estimated realisable value.

Property under development includes Freehold land valued at Fair Market Value as on the date of conversion into Stock in Trade and expenses incurred thereon.

##### H. Miscellaneous Expenditure

(a) Expenses on new projects on hand are carried forward for capitalisation upon completion of the projects.

(b) Deferred Revenue Expenditure is being written off over a period of five years.

**I. Foreign Currency Transactions**

Transactions arising in foreign currency are converted at the rates ruling on the transaction dates. Liabilities payable in foreign currency are reinstated at year-end exchange rates. All exchange differences arising from conversion are charged to Profit and Loss Account except exchange differences on liabilities for purchase of Fixed Assets which are capitalised.

**J. Research & Development Expenditure**

Revenue Expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred. Capital Expenditure on Research and Development is shown as an addition to Fixed Assets.

**K. Retirement Benefits**

The Company has various schemes of retirement benefits such as Provident Fund, Superannuation Fund, Leave Encashment and Gratuity. The Company's contribution to the Provident Fund and Superannuation Fund is charged against revenue every year. The Company has an arrangement with Life Insurance Corporation of India to administer its Superannuation and Gratuity Schemes. Provision for Leave Encashment is made on the basis of actuarial valuation. Provision for Gratuity is made on the basis of actuarial valuation made by Life Insurance Corporation of India for every financial year which is pro rated upto 30th June.

**L. Income-tax**

Income tax expenses comprise of current tax including Fringe Benefit Tax (FBT) and deferred tax charge or credit. The deferred tax charge or credit is recognized at the tax rates enacted on the Balance Sheet date. Where there is an unabsorbed depreciation or carry forward loss, deferred tax Assets are recognized only if there is virtual certainty of realization of such Assets. Other deferred tax Assets are recognised only to the extent when there is reasonable certainty of realization in future. Deferred tax Assets/liabilities are reviewed as at each Balance Sheet date based on developments during the year.

2. Contingent Liabilities on account of Demands/Claims against the Company not acknowledged as debts and not provided for Rs. 834.68 Lacs (*Previous Year Rs. 761.87 Lacs*).
3. The estimated amount of contracts remaining to be executed on Capital Account (net of advances) Rs. 379.20 Lacs (*Previous Year Rs. 3.93 Lacs*).
4. Alcohol and Molasses Storage Funds and Effluent Disposal Fund amounting to Rs. 87.92 Lacs are not deposited with a Scheduled Bank as required by the said Orders, under legal advice.
5. The Company has an investment of Rs. 453.60 Lacs as on 30th June 2006 in Amber Distilleries Limited (ADL) a wholly owned Subsidiary. The accumulated losses of ADL stood at Rs. 147.14 Lacs as at 31st March 2006. In July 2006, the Company has sold its entire investment in its 100% Subsidiary — Amber Distilleries Limited and thus it ceases to be its subsidiary with effect from 25th July 2006. During the year the Company has made the necessary provision of Rs. 319.36 Lacs for diminution in value of investment in Amber Distilleries Limited and an equal amount has been withdrawn from General Reserve. Necessary accounting effect for sale will be given in the books in the year 2006-2007 being the year of actual sale.
6. The Company has sold during the year, the remaining portion of its land at Goregaon, Mumbai for Rs. 115 Lacs The Capital Reserve of Rs. 75.91 Lacs pertaining to the land sold is now transferred to General Reserve in view of the above sale.
7. (a) Managerial Remuneration paid/payable to Chairman & Managing Director as per approval under Sections 310 & 198 (4)/309 (3) of the Companies Act, 1956, is as under:

	2005-2006	(Rs. in Lacs) 2004-2005
I. Salary	18.00	4.80
II. Contribution to Provident Fund & Superannuation Fund	4.86	1.30
III. Perquisites	12.81	2.90
IV. Commission payable pertaining to the year 2005-2006	18.15	—
<b>Total</b>	<b>*53.82</b>	<b>9.00</b>

- V. Commission paid pertaining to the year 2004-2005 \*17.50 —  
 The Company has recovered from the Chairman & Managing Director (CMD) for personal use of motorcar and telephone.

\* The above remuneration is as per Central Government approval dated 30th January, 2006

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(b) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956.

	2005-2006	(Rs. in Lacs) 2004-2005
Profit before Tax as per Profit & Loss Account	1,824.69	1,863.44
Add :		
Depreciation (as per Accounts)	537.97	512.96
Net Profit on Fixed assets sold/discarded other than immovable property (as per Section 349 of the Companies Act, 1956)	7.68	—
Net Loss on Fixed assets sold/discarded (as per Accounts)	0.87	3.12
Remuneration paid/payable to Chairman & Managing Director (including Rs. 18.15 Lacs commission paid pertaining to the year 2005-2006)	53.82	9.00
Commission @ 1% paid pertaining to the year 2004-2005	17.50	—
Directors' Fees	3.88	1.92
	<b>621.72</b>	<b>527.00</b>
Less :		
Excess of expenses over income of earlier years	23.04	—
Depreciation (under Section 350 of the Companies Act, 1956)	537.97	512.96
Net profit on Fixed assets sold/discarded including immovable property (as per Accounts)	69.91	127.08
	<b>630.92</b>	<b>640.04</b>
Net Profit/(Loss) under Section 349 of the Companies Act, 1956	<b>1,815.49</b>	<b>1,750.40</b>
Commission @ 1% on the Net Profits	<b>18.15</b>	<b>17.50</b>

8. Term Loans from Allahabad Bank are secured by way of First hypothecation charge on all plant & machinery and Current Assets both present & Future of Storage & Handling Division at Kandla and First *pari passu* charge on all Fixed Assets of the Sugar Division and Spirits (Distillery) Division at Baheri and is further secured by second hypothecation charge on current assets, both present & future of the Sugar division & Spirits (Distillery) division at Baheri.

Cash Credit facility from U.P. Co-operative Bank Limited, is secured by way of Pledge of sugar stock. Cash Credit facility from Allahabad Bank is secured by way of Pledge of sugar stock and joint first hypothecation charge on *pari passu* basis over Current Assets of Sugar Division and Spirits (Distillery) Division at Baheri, State of Uttar Pradesh (U.P.) and is further secured by joint second hypothecation/mortgage charge on the fixed assets of the Sugar Division and Spirits (Distillery) Division of the Company situated at Baheri, U.P.

9. In the absence of confirmations, the balances in respect of Loans and Advances, Sundry Debtors, Sundry Creditors, Acceptances, Deposits, Secured and Unsecured Loans, Other Accounts and National Savings Certificates deposited with the Government Authorities are taken as shown by the books of account and are subject to adjustments and reconciliations, if any.

10. A sum of Rs. 108.77 Lacs paid under Voluntary Retirement Scheme (VRS) including Rs. 2.72 Lacs paid during the year is treated as Deferred Revenue Expenditure. Accordingly, a sum of Rs. 14.84 Lacs has been written-off during the year.

11. The Company has entered into arrangements with third Parties for Manufacture of its Indian Made Foreign liquor (IMFL) products for which the Company provides them necessary technical know-how, working capital and marketing services. The advances given to third parties under this arrangement primarily constitutes Bank Balances, Stocks and Sundry Debtors in their Books of account.

The Company has tied up with third parties for manufacture of their IMFL brands in its plant at Baheri for which necessary technical know-how, working capital and marketing services are provided by them. Transactions pertaining to such activities are included in the accounts of the company.

12. The Company's Accounting Year for the purpose of compliance with the provisions of the Companies Act, 1956 ended on 30th June 2006 and the previous year for tax purpose ended on 31st March 2006. The income if any for the period from 1/4/2006 to 30/6/2006 forming part of the annexed accounts will be assessed as a part of the composite income relevant to previous year ending 31st March, 2007 i.e. Assessment Year 2007-2008.

The Company has made provision for Current Income Tax of Rs. 377.63 Lacs and Deferred Tax of Rs. 335.11 Lacs for the financial year 2005-2006 pertaining to Assessment Year 2006-2007. Current Income Tax of Rs. 377.63 Lacs includes Rs. 40.52 Lacs for provision of Fringe Benefit Tax for the period July 2005 to June 2006.

**Details of Deferred Tax are as under:**

Particulars	As on 30th June, 2006	(Rs. in Lacs) As on 30th June, 2005
<b>Deferred Tax Liability</b>		
Accumulated depreciation	842.31	809.29
Deferred revenue expenditure	—	—
<b>Total Deferred Tax Liability</b>	<b>842.31</b>	<b>809.29</b>
<b>Deferred Tax Assets</b>		
Expenses deductible on payment	—	57.58
Losses Carried Forward	—	—
Capital Losses Carried Forward	90.04	334.56
MAT Credit	—	—
<b>Total Deferred Tax Assets</b>	<b>90.04</b>	<b>392.14</b>
<b>Net Deferred Tax Liability</b>	<b>752.27</b>	<b>417.15</b>

The Company has recognized a Deferred Tax Asset of Rs. 90.04 Lacs on capital losses carried forward.

13. Sundry Creditors include Rs. 3.21 Lacs (*Previous year Rs. 9.72 Lacs*) due to Small Scale and Ancillary Industrial Undertakings.

Small Scale and Ancillary Industrial Undertaking to whom an amount of Rs. 1.00 lac or more was payable and outstanding for more than 30 days (as per the terms & conditions of the orders) are as under:

- |                              |               |
|------------------------------|---------------|
| 1 M/s. Rajukesh Industries   | Rs. 1.72 Lacs |
| 2 M/s. Shree Ganesh Bhandhar | Rs. 1.49 Lacs |

This disclosure is on the basis of information available with the Company regarding the status of Suppliers as defined under the "Interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act, 1993."

14. Sundry Debtors of Rs. 50.34 Lacs and advances of Rs. 28.39 Lacs are outstanding since a long time. The Company has initiated legal proceedings against some of the Parties. In the opinion of the management, the same are considered good and recoverable. Hence, no provision has been made in the accounts.
15. During the year the Company has allotted 16,60,000 warrants of Rs. 97/- each with a right to apply for 1 (one) Equity Share of Rs. 10/- each at a premium of Rs. 87/- per share to be exercised on or before 5th March, 2007, allotted on preferential basis to the promoters, the persons acting in concert with the promoters and a private corporate body.
16. The Company had given Bank Guarantees to Government of India in respect of Levy Price realization. Subsequently the Government has adjusted the amounts from the Buffer Stock Subsidy receivable by the Company and has also encashed the Bank Guarantees, which has resulted in excess payment of Rs. 16.80 Lacs to the Government of India. The Company is following up with Government Authorities for refund.

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## 17. Segmental Reporting Disclosures under Accounting Standard 17

### Business Segments:

Based on the guiding principles given in Accounting Standard 17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary business segments are

- (a) Sugar
- (b) Spirits
- (c) Storage and Handling

### Geographical Segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risk and returns are same and as such there are no geographical segments.

Financial Information about the primary business segment is presented in the table below:

	Sugar	Spirits	Storage & Handling	Others	(Rs. in Lacs) Total
Figures for the Year ended 30th June, 2006 indicated in <b>Bold</b> . Previous year figures indicated in the row therebelow:					
<b>Segmental Revenue</b>					
<b>Sales</b>	<b>14,790.03</b>	<b>12,544.25</b>	<b>1,041.49</b>	<b>564.97</b>	<b>28,940.74</b>
	<i>13,728.92</i>	<i>11,756.93</i>	<i>1,060.84</i>	<i>666.91</i>	<i>27,213.60</i>
<b>Other Income</b>	<b>56.09</b>	<b>118.23</b>	<b>15.54</b>	<b>15.45</b>	<b>205.31</b>
	<i>246.18</i>	<i>74.35</i>	<i>3.49</i>	<i>11.40</i>	<i>335.42</i>
<b>Less: Inter Segment Revenue</b>	<b>725.79</b>			<b>259.55</b>	<b>985.34</b>
	<i>914.79</i>			<i>339.35</i>	<i>1,254.14</i>
<b>Add: Unallocable Income</b>					<b>280.41</b>
					<i>338.37</i>
<b>Total Revenue</b>					<b>28,441.12</b>
					<i>26,633.25</i>
<b>Segmental Result before Interest &amp; Taxation</b>	<b>2,022.75</b>	<b>289.08</b>	<b>656.74</b>	<b>86.42</b>	<b>3,054.99</b>
	<i>2,071.88</i>	<i>85.02</i>	<i>664.33</i>	<i>109.94</i>	<i>2,931.17</i>
<b>Less: Segmental Interest</b>	<b>612.40</b>	<b>5.78</b>	<b>0.46</b>	<b>0.05</b>	<b>618.69</b>
	<i>597.44</i>	<i>13.06</i>	<i>0.76</i>	<i>0.17</i>	<i>611.43</i>
<b>Segmental Result before Taxation</b>	<b>1,410.35</b>	<b>283.30</b>	<b>656.28</b>	<b>86.37</b>	<b>2,436.30</b>
	<i>1,474.44</i>	<i>71.96</i>	<i>663.57</i>	<i>109.77</i>	<i>2,319.74</i>
<b>Less: Unallocable Expenses Net of Unallocable Income</b>					<b>611.61</b>
					<i>456.30</i>
<b>Profit/(Loss) Before Taxation</b>					<b>1,824.69</b>
					<i>1,863.44</i>
<b>Less: Provision for Tax</b>					<b>378.58</b>
					<i>61.83</i>
<b>Less: Deferred Tax</b>					<b>335.11</b>
					<i>139.88</i>
<b>Profit/(Loss) after Tax</b>					<b>1,111.00</b>
					<i>1,661.73</i>

# KESAR ENTERPRISES LTD.



	Sugar	Spirits	Storage & Handling	Others	(Rs. in Lacs) Total
Figures for the Year ended 30th June, 2006 indicated in <b>Bold</b> . Previous year figures indicated in the row therebelow:					
Segmental Assets	<b>11,079.81</b>	<b>4,209.67</b>	<b>1,512.27</b>	<b>573.75</b>	<b>17,375.50</b>
	<i>8,189.92</i>	<i>4,258.55</i>	<i>1,563.61</i>	<i>387.40</i>	<i>14,399.48</i>
Unallocable Assets/Investments					<b>1,766.18</b>
					<i>2,120.17</i>
Total Assets					<b>19,141.68</b>
					<i>16,519.65</i>
Segmental Liabilities	<b>7,912.26</b>	<b>998.05</b>	<b>87.78</b>	<b>61.89</b>	<b>9,059.98</b>
	<i>6,257.09</i>	<i>1,642.68</i>	<i>85.31</i>	<i>64.26</i>	<i>8,049.34</i>
Share Capital & Reserves Less Miscellaneous Expenditure					<b>4,838.02</b>
					<i>4,072.51</i>
Unallocable Liabilities					<b>5,243.68</b>
					<i>4,397.80</i>
Total Liabilities					<b>19,141.68</b>
					<i>16,519.65</i>
Capital Expenditure including Capital Work in Progress	<b>180.13</b>	<b>463.46</b>	<b>119.19</b>	<b>64.63</b>	<b>827.41</b>
	<i>129.80</i>	<i>196.05</i>	<i>37.13</i>	<i>19.56</i>	<i>382.54</i>
Unallocable					<b>181.87</b>
					<i>6.35</i>
Total					<b>1,009.28</b>
					<i>388.89</i>
Depreciation	<b>213.76</b>	<b>126.77</b>	<b>105.43</b>	<b>13.15</b>	<b>459.11</b>
	<i>209.27</i>	<i>117.09</i>	<i>104.75</i>	<i>10.91</i>	<i>442.02</i>
Unallocable Depreciation					<b>78.86</b>
					<i>70.94</i>
Total Depreciation					<b>537.97</b>
					<i>512.96</i>
Non Cash Expenditure other than depreciation	<b>13.06</b>	<b>1.78</b>			<b>14.84</b>
	<i>18.15</i>	<i>1.78</i>			<i>19.93</i>
Unallocable Non Cash Expenditure other than depreciation					-
					<i>1.51</i>
Total					<b>14.84</b>
					<i>21.44</i>

Segment revenue, results, Assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

## 18. Related party disclosures under Accounting Standard 18

Names of related parties and nature of related party relationships:

### (a) Subsidiary Companies:

Amber Distilleries Limited

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(b) Associates:

Mahindra Gesco Developers Limited (upto previous year ended 30th June 2005)

(c) Key Management Personnel and relatives of such personnel :

Mr. H R Kilachand Chairman & Managing Director

Mrs. Madhavi Kilachand Director

Relatives of Key Management Personnel

Mr. Rohan Kilachand Son

Ms. Rohita Kilachand Daughter

(d) Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence:

Kesar Corporation Pvt. Ltd.

Kilachand Devchand & Co. Pvt. Ltd.

Indian Commercial Co. Pvt. Ltd.

India Carat Pvt. Ltd.

Kilachand Devchand Commercial Pvt. Ltd..

Duracell Investments & Finance Pvt. Ltd.

Seel Investments Pvt. Ltd.

Skyline Chem-Trade Pvt. Ltd.

Disclosure of transactions between the Company and related parties and the status of outstanding balance as on 30th June 2006 indicated in **bold**. Previous year figures indicated in the row therebelow:

Nature of Transaction	Subsidiary Companies	Associates	Key Managerial Personnel and Relatives	(Rs. In Lacs)
				Enterprises over which influence exists
Expenses Reimbursed				<b>15.75</b> 15.97
Rent Paid				<b>15.65</b> 15.65
Interest on Inter Corporate Deposits				<b>6.53</b> 15.17
Interest on Fixed Deposits			<b>0.49</b> 2.74	
Advances to Subsidiary Companies (Net)	- 8.00			
Advances refunded by Subsidiary Companies	<b>18.06</b>			
Sundry Receipts	- 0.06			
Stores Purchased	- 0.81			
Sale of Property		- 2,475.00		
Managerial Remuneration			<b>71.32</b> 9.00	
Inter Corporate Deposits Accepted				- 4.00



# KESAR ENTERPRISES LTD.



Nature of Transaction	Subsidiary Companies	Associates	Key Managerial Personnel and Relatives	(Rs. In Lacs) Enterprises over which influence exists
Inter Corporate Deposits Refunded				<b>153.27</b>
				-
Fixed Deposits Accepted/Renewed			5.00	
			8.00	
Fixed Deposits Refunded			<b>18.00</b>	
				-
Balance Outstanding as on 30th June, 2006 indicated in <b>bold</b> . Previous year figures indicated in the row therebelow:				
Advances to Subsidiary Company	<b>40.00</b>			
	58.06			
Sundry Creditors				<b>3.09</b>
				36.52
Investments	<b>453.60</b>			
	453.60			
Fixed Deposits			<b>5.00</b>	
			23.00	
Inter Corporate Deposits				-
				153.27

19. Additional Disclosure as required by the amended clause 32 of the listing agreement with Bombay Stock Exchange: Loans and advances in the nature of loans to Subsidiaries, Associates and companies in which Directors are interested:

Name	Balance as at 30th June 2006	Maximum amount outstanding during the year	No. of shares of the Company held by the loanee as at 30th June 2006	(Rs. in Lacs)
Amber Distilleries Limited	40.00	58.06	—	

20. Earnings per share has been calculated as under

	2005-2006	2004-2005
Profit/(Loss) after Tax & Preference dividend (Rs. in Lacs)	1,108.72	1,661.73
No of Equity Shares	63,39,315	63,39,315
Basic and diluted earnings per share – Rupees (Face value of share – Rs. 10 each)	17.49	26.21

21. Quantitative information of Manufacturing and Trading activities is given in Annexure I.

22. Previous year figures have been regrouped and recasted wherever necessary.

As per our Report attached.

For and on behalf of  
N. N. Jambusaria & Company  
*Chartered Accountants*  
N. N. Jambusaria  
*Partner*

Mumbai, 25th September, 2006

For and on behalf of the Board of Directors

H. R. KILACHAND  
*Chairman & Managing Director*

D. J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K. D. SHETH  
*Director*

Mumbai, 25th September, 2006

Annexure I

Annexure to Note No. 21

Quantitative Information of Manufacturing and Trading activities:

Figures for the Year ended 30th June, 2006 indicated in **Bold**. Previous year figures indicated in the row therebelow.

	*Licenced Capacity	Installed Capacity	Actual Production	Opening Stock		Closing Stock		Sales	
				Quantity	Value	Quantity	Value	Quantity	Value
(A) Manufacturing activities of the Company:									
(I) Sugar Division :									
(1) Sugar	Sugar Cane Crushing	Sugar Cane Crushing		Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs
(LOI)-	<b>6500 TCD</b>	<b>6500 TCD</b>	<b>791,140</b>	<b>367,694</b>	<b>5,061.24</b>	<b>397,692</b>	<b>6,507.00</b>	<b>759,762</b>	<b>13,748.20</b>
(LOI)-	(6500 TCD)	(6500 TCD)	(840,100)	(220,030)	(2,787.27)	(367,694)	(5,061.24)	(692,436)	(11,595.09)
(II) Spirits Division :	K.L.	K.L.	K.L.	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs
(1) Rectified Spirit	<b>16,365</b>	<b>16,365</b>	<b>14,765.45</b>	<b>311.73</b>	<b>64.03</b>	<b>129.96</b>	<b>23.68</b>	<b>3,321.18</b>	<b>662.59</b>
(2) Denatured Spirit	(16,365)	(16,365)	(11,274.63)	(125.06)	(14.43)	(311.73)	(64.03)	(11,041.27)	(710.81)
(3) Special Denatured Spirit			<b>283.49</b>	<b>44.59</b>	<b>9.36</b>	<b>45.29</b>	<b>8.60</b>	<b>280.95</b>	<b>62.18</b>
			(377.82)	(18.72)	(3.74)	(44.59)	(9.36)	(350.25)	(84.05)
(4) Country Liquor			<b>5,955.06</b>	<b>7.58</b>	<b>1.14</b>	<b>9.54</b>	<b>1.69</b>	<b>5,938.00</b>	<b>1,157.92</b>
			(423.01)	(7.48)	(0.75)	(7.58)	(1.14)	(422.00)	(80.70)
(5) Extra Neutral Alcohol	<b>6,000</b>	<b>6,000</b>	<b>1,442.37</b>	<b>20.90</b>	<b>5.10</b>	<b>55.72</b>	<b>12.02</b>	<b>518.60</b>	<b>116.26</b>
	(6,000)	(6,000)	(1,970.76)	(3.21)	(0.51)	(20.90)	(5.10)	(1,941.09)	(210.60)
(6) Indian Made Foreign Liquor (IMFL)	<b>3,070</b>	<b>2,160</b>	<b>6,112.86</b>	<b>392.22</b>	<b>140.25</b>	<b>243.57</b>	<b>104.22</b>	<b>6,216.70</b>	<b>2,863.94</b>
	(3,070)	(2,160)	(14,339.52)	(141.13)	(44.31)	(392.22)	(140.25)	(14,033.37)	(3,627.35)
(7) CO 2			<b>1,300,000.00</b>	<b>19,203.00</b>	<b>0.38</b>	<b>20,407.00</b>	<b>0.40</b>	<b>1,298,796.00</b>	<b>25.82</b>
			(1,016,085.00)	(—)	(—)	(19,203.00)	(0.38)	(996,882.00)	(19.71)
(8) Miscellaneous					<b>0.09</b>		<b>0.31</b>		<b>0.42</b>
					(0.09)		(0.09)		(—)
(III) Processed Seeds				Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs
			<b>19,526.61</b>	<b>250.31</b>	<b>4.57</b>	<b>1,945.21</b>	<b>31.74</b>	<b>17,839.51</b>	<b>213.37</b>
			(19,594.64)	(7,730.02)	(61.26)	(250.31)	(4.57)	(27,193.44)	(240.70)
(IV) Agricultural Products									<b>348.36</b>
									(426.21)

Quantitative figures shown are exclusive of Reprocessing, Wastages, Shortages & Excesses and Captive consumption

\* As certified by the Managers of the Company on which the Auditors have relied.

TCD = Tonnes Cane per day

Qtls. = Quintals

K.L. = Kilo Litres

K.G. = Kilo Grams

## Annexure to Note No. 21 (Contd.)

Figures for the Year ended 30th June, 2006 indicated in **Bold**. Previous year figures indicated in the row therebelow.  
(Rs. in Lacs)

(B) Trading activities of the Company	IMFL		C L		SEEDS	
	Quantity K.L.	Amount Rs.	Quantity K.L.	Amount Rs.	Quantity QTLS.	Amount Rs.
Opening Stock	- (13.50)	- (3.10)	- (-)	- (-)	- (-)	- (-)
Purchase	- (-)	- (-)	<b>669.43</b> (-)	<b>739.80</b> (-)	<b>272.77</b> (-)	<b>3.50</b> (-)
Sales	- (13.50)	- (5.97)	<b>668.96</b> (-)	<b>758.69</b> (-)	<b>272.37</b> (-)	<b>3.24</b> (-)
Closing Stock	- (-)	- (-)	<b>90.00</b> (-)	<b>0.11</b> (-)	- (-)	- (-)
Quantitative figures shown are exclusive of Reprocessing, Wastages, Shortages & Excesses and Captive consumption						
(C) Information regarding						
Raw Materials Consumed	Product	Quantity		Amount		
(1) Sugar Division	Sugar Cane (Inclusive of 1,31,396 Qtls. from Own Division [Previous Year 2,59,503 Qtls.]	<b>83,84,688 Qtls.</b> (85,29,428 Qtls.)		<b>10,992.18</b> (10,066.61)		
(2) Spirits Division	Molasses (Inclusive of 3,56,130 Qtls. from Sugar Division [Previous Year 3,29,358 Qtls.]	<b>6,42,495 Qtls.</b> (4,99,245 Qtls.)		<b>1,829.25</b> (1,912.80)		
	Malt Spirit	<b>4.544 K.L.</b> (7.196 K.L.)		<b>2.37</b> (3.54)		
	Spirit (Inclusive of 309 KL from Spirits Division [Previous Year 409 KL])	<b>328.68 K.L.</b> (621.04 K.L.)		<b>90.24</b> (267.08)		
(3) Seed Division	Seeds (Inclusive of 13,495 Qtls. from Own Division [Previous Year 7,740 Qtls.]	<b>19,739 Qtls.</b> (20,078 Qtls.)		<b>171.10</b> (147.80)		
	Value and Percentage of Consumption of Raw Materials, Stores and Spares	Raw Materials Rs. in Lacs      Percentage		Stores and Spares Rs. in Lacs      Percentage		
	Imported	-		-		
		(-)		(-)		
	Indigenous (including canalised items & cane supplied from Own Division)	<b>13,085.13</b> (12,397.83)		<b>2,221.10</b> (2,339.34)		
		<b>100.00</b> (100.00)		<b>100.00</b> (100.00)		
(D) Expenditure in Foreign Currency on account of travelling	<b>6.57</b> (13.92)					
(E) Value of Imports on C.I.F basis :						
(i) Spare Parts	-					
	(-)					
(ii) Capital Items	<b>10.74</b> (-)					
(F) Earnings in foreign exchange : Export of goods on F.O.B. basis	<b>Nil</b> (Nil)					

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## Cash Flow Statement for the year ended 30th June, 2006

(Rs. in Lacs)  
Previous Year

<b>A CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	1,824.69	1,863.44
<b>Adjustments for :</b>		
Depreciation	537.97	512.96
Dividend Income	(2.08)	(0.48)
Interest Income	(10.21)	(6.86)
Interest and Finance Charges	947.80	862.46
Transferred to Molasses and Alcohol Storage Fund & Effluent Disposal Fund	6.59	5.54
Extraordinary Items set off against General Reserve	-	(1,644.77)
Profit on sale of Fixed Assets/Investments	(69.91)	(127.08)
Profit on sale of Property under Development	(38.51)	(201.61)
Assets Discarded/Scrapped	0.87	3.12
Miscellaneous Expenditure written off	14.84	21.43
Other Interest & Finance Charges written back	(159.53)	-
Credit Balances Written Back	(10.92)	(5.99)
Bad Debts/Advances written off	1.64	3.05
Provision for expenses no longer required	(0.18)	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>3,043.06</b>	<b>1,285.21</b>
<b>Adjustments for :</b>		
Inventories	(1,489.57)	313.38
Trade and Other Receivables	(661.26)	(307.13)
Loans & Advances	(441.72)	(145.69)
Trade Payables	(626.15)	(309.93)
Other Current Liabilities	(538.42)	299.04
<b>CASH (USED IN)/GENERATED FROM OPERATIONS</b>	<b>(714.06)</b>	<b>1,134.88</b>
Interest Paid	(793.70)	(1,226.23)
Taxes (Paid)/ Refunds	(80.32)	(38.85)
Prior Period Adjustments	(23.04)	(11.41)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(1,611.12)</b>	<b>(141.61)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets/Capital Work-in-Progress	(1,009.29)	(388.90)
Sale/Scrap of Fixed Assets	110.30	336.63
Sale/(Purchase) of Investments	(0.50)	-
Interest Received	6.80	5.53
Dividend Received	2.08	0.48
Deferred Revenue Expenditure	(2.72)	(7.44)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(893.33)</b>	<b>(53.70)</b>

## Cash Flow Statement for the year ended 30th June, 2006 (Contd.)

(Rs. in Lacs)  
Previous Year

**C. CASH FLOW FROM FINANCING ACTIVITIES :**

Repayment of Term Loans	(378.63)	1,468.70
Increase/ (Decrease) in Bank Borrowings	2,534.48	760.35
Increase/ (Decrease) in Short Term Borrowings	(81.01)	(1,338.34)
Dividends Paid	(253.29)	(0.01)
Share Warrant Money Received	161.02	-
Arrears of Share Premium Received	0.16	-
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>1,982.73</b>	<b>890.70</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(521.72)</b>	<b>695.39</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>989.76</b>	<b>294.37</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>468.04</b>	<b>989.76</b>

Note : Figures in brackets are outflows.

For and on behalf of  
N. N. Jambusaria & Company  
*Chartered Accountants*  
N. N. Jambusaria  
*Partner*

Mumbai, 25th September, 2006

For and on behalf of the Board of Directors  
H. R. KILACHAND  
*Chairman & Managing Director*

D. J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K. D. SHETH  
*Director*

Mumbai, 25th September, 2006

# Annual Report 2005-2006

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in items of Part IV of Schedule VI to the Companies Act, 1956)

### I. REGISTRATION DETAILS

REGISTRATION NO.: 1 9 9 6

STATE CODE: 1 1

BALANCE SHEET DATE: 3 0 0 6 2 0 0 6  
DATE MONTH YEAR

### II. CAPITAL RAISED DURING THE YEAR (Rs. In Lacs)

PUBLIC ISSUE  
N I L

RIGHT ISSUE  
N I L

BONUS ISSUE  
N I L

PRIVATE PLACEMENT  
1 6 1 . 0 2

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Rs. in Lacs)

#### SOURCES OF FUNDS

TOTAL LIABILITIES  
1 5 1 9 2 . 7 2

PAID-UP CAPITAL  
9 9 4 . 9 5

SECURED LOANS  
9 3 8 3 . 4 0

#### APPLICATION OF FUNDS

NET FIXED ASSETS  
6 4 7 3 . 3 4

ACCUMULATED LOSSES  
N I L

#### TOTAL ASSETS

1 5 1 9 2 . 7 2

RESERVES AND SURPLUS  
3 8 6 4 . 0 7

DEFERRED TAX LIABILITY  
7 5 2 . 2 7

UNSECURED LOANS  
1 9 8 . 0 3

#### INVESTMENTS

4 5 5 . 6 0

NET CURRENT ASSETS  
8 2 4 2 . 7 8

#### MISCELLANEOUS EXPENDITURE

2 1 . 0 0

### IV. PERFORMANCE OF THE COMPANY (Rs. In Lacs)

TOTAL INCOME  
2 9 8 5 5 . 5 7

PROFIT/(LOSS) BEFORE TAX  
1 8 2 4 . 6 9

EARNING PER SHARE (IN RS.)  
1 7 . 4 9

TOTAL EXPENDITURE  
2 8 0 3 0 . 8 8

PROFIT/(LOSS) AFTER TAX  
1 1 1 1 . 0 0

DIVIDEND RATE%  
2 5

### V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As per monetary terms)

ITEM CODE NO. (ITC CODE) 1 7 0 1 9 9 . 0 2

PRODUCT DESCRIPTION S U G A R

ITEM CODE NO. (ITC CODE) N O T A V A I L A B L E

PRODUCT DESCRIPTION S T O R A G E & H A N D L I N G S E R V I C E S  
O F L I Q U I D C H E M I C A L S

ITEM CODE NO. (ITC CODE) 2 2 0 7 1 0 . 0 1

PRODUCT DESCRIPTION R E C T I F I E D S P I R I T

## CONSOLIDATED STATEMENT OF FIGURES FROM SEASON 1986-87 TO 2005-2006 (Sugar Factory)

SEASON	DURATION DAYS	CANE CRUSHED M. TONS	SUGAR PRODUCED M. TONS	RECOVERY % OF CANE CRUSHED
1986-87	226	4,06,353.76	36,635.86	9.02
1987-88	212	4,22,531.80	37,389.08	8.85
1988-89	155	3,06,745.14	30,905.41	10.08
1989-90	222	5,69,131.22	52,390.95	9.21
1990-91	180	5,47,654.71	52,247.42	9.54
1991-92	203	7,46,941.45	72,961.77	9.77
1992-93	162	6,05,853.44	60,586.41	10.00
1993-94	142	5,82,473.61	57,287.22	9.84
1994-95	184	8,01,761.65	80,458.15	10.04
1995-96	194	8,71,869.00	84,386.84	9.68
1996-97	179	8,05,563.32	81,913.41	10.17
1997-98	164	7,47,149.95	74,985.32	10.04
1998-99	144	6,63,221.08	60,055.05	9.06
1999-2000	159	7,16,949.60	68,395.00	9.41
2000-2001	143	6,44,521.60	64,298.00	9.89
2001-2002	184	8,34,412.60	81,970.40	9.82
2002-2003	189	9,38,038.60	93,863.00	10.00
2003-2004	150	8,08,601.17	79,866.50	9.88
2004-2005	158	8,52,942.80	84,010.00	9.90
2005-2006	155	8,38,468.80	79,114.00	9.43

### STATEMENT SHOWING PRODUCTION AND YIELD IN DISTILLERY

Year	Production (Litres)	Yield per Quintal of Molasses (Litres)
1986-87	51,18,458	25.6
1987-89 (17 months)	62,16,600	24.9
1989-90	74,24,689	23.8
1990-91	64,77,165	24.8
1991-92	72,48,330	24.8
1992-93	1,08,68,023	23.2
1993-94	88,50,660	21.3
1994-95	81,42,169	21.7
1995-96 (15 months)	1,33,55,146	21.7
1996-97	1,17,98,172	22.0
1997-98	1,14,19,540	20.9
1998-99	85,45,420	19.7
1999-2000	1,17,01,670	20.4
2000-2001	1,28,35,127	21.4
2001-2002	1,22,80,300	21.00
2002-2003	1,29,54,000	21.16
2003-2004	1,15,52,050	24.12
2004-2005	1,12,74,630	22.58
2005-2006	1,47,65,450	22.98

# Annual Report 2005-2006

## FINANCIAL STATISTICS

	(Rs. in lacs)									
Year end position	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97
Share Capital	794.95	633.93	633.93	633.93	633.93	633.93	633.93	633.93	633.93	633.93
Reserves & Surplus	3864.07	3271.71	3409.50	3327.16	4664.49	5039.56	4997.50	4956.95	4985.26	4876.55
Deferred Tax Liability	752.27	417.15	277.28	262.86	383.29	-	-	-	-	-
Borrowings	9581.43	7507.10	6958.04	7547.44	8196.31	9551.34	9634.38	9941.49	9549.92	9555.19
Working Capital	8242.78	5536.90	4836.65	5551.90	6268.15	8705.80	8582.54	8855.32	8580.25	8207.90
Capital Employed	15192.72	12029.89	11478.75	11771.39	13878.02	15224.83	15265.81	15532.37	15169.11	15065.67
Gross Block	14552.40	13660.10	13292.96	11918.23	11208.64	10645.42	10452.35	10217.39	9797.59	9403.45
Net Block	6078.81	5697.98	5765.89	4774.26	4470.78	4371.92	4587.55	4793.94	4847.75	5195.46
Investments*	455.60	455.10	455.10	455.39	2039.49	896.44	896.43	896.52	896.56	808.13
<b>Equity Shares</b>										
Book Value (Rs.) @	73.16	59.89	28.15	25.78	46.71	52.38	51.82	52.03	51.95	49.70
Face Value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
<b>For the Year</b>										
Sales Including										
Excise Duty	27955.41	25044.67	24555.65	28080.17	30930.40	15223.63	12194.88	14168.85	14999.92	12119.80
Depreciation	537.97	512.96	500.43	444.53	478.61	431.41	473.82	532.36	743.60	626.67
Profit before Tax	1824.69	1863.44	157.23	(1487.62)	20.59	61.56	92.13	85.47	304.11	276.28
Profit After Tax	1111.00	1661.73	128.49	(1367.80)	100.97	40.49	90.68	30.47	285.36	275.03
Equity Dividend %	25	20	-	-	-	-	-	-	15.00	15.00
Equity Dividend	158.48	126.79	-	-	-	-	-	-	95.09	95.09

@ Excluding Capital Reserve



To,  
The Board of Directors,  
Kesar Enterprises Limited,

We have examined the attached Consolidated Balance Sheet of Kesar Enterprises Limited as at 30th June, 2006 and its subsidiary as at 31st March, 2006, and also the related Consolidated Profit & Loss Account and the Consolidated Cash Flow statement for the year ended on that date, annexed thereto. These consolidated 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. The financial statements of the subsidiary company were audited by other auditors whose report has been furnished to us, and our opinion, so far as it relates to the subsidiary company is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating, the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

We did not audit the financial statements of Amber Distilleries Limited for the year ended March 31, 2006. However, since the financial statements, were not compiled by the management of the subsidiary company, for the accounting year ended 30th June, 2006, any adjustments to their balances, could have consequential effect on the attached consolidated financial statements.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS)21 on Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Kesar Enterprises Limited and its subsidiary included in the consolidated financial statements.

*Attention is invited to the following note in Schedule 22:*

*(i) Note No. 5 in respect of amortization/write off of goodwill.*

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Kesar Enterprises Limited and its aforesaid subsidiary and subject to paragraph (i) above, in our opinion and to the best of our information and according to the explanations given to us, we are of the opinion that the said financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 30th June, 2006.
- (b) in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
- (c) In case of the Consolidated Cash Flow Statement, of the consolidated cash flow of the Company and its subsidiary for the year then ended.

For and on behalf of  
N. N. JAMBUSARIA & CO.  
*Chartered Accountants*

N. N. JAMBUSARIA  
*Partner*  
Membership No. 35520

Mumbai:  
25th September, 2006

# Annual Report 2005-2006 — Consolidated Accounts

## CONSOLIDATED BALANCE SHEET

as at 30th June, 2006

	Schedule No.	<i>(Rs. in Lacs)</i> As at 30th June, 2005	
<b>Sources of Funds :</b>			
1. Shareholders' Funds :			
(a) Share Capital	1	994.95	833.93
(b) Reserves and Surplus	2	3,710.29	3,146.61
		<u>4,705.24</u>	<u>3,980.54</u>
2. Deferred Tax Liability (Net)		702.72	369.00
3. Loan Funds :			
(a) Secured Loans	3	9,383.40	7,146.91
(b) Unsecured Loans	4	198.03	360.19
		<u>9,581.43</u>	<u>7,507.10</u>
Total		<u><u>14,989.39</u></u>	<u><u>11,856.64</u></u>
<b>Application of Funds :</b>			
1. Fixed Assets :	5		
(a) Gross Block		14,929.03	14,036.83
(b) Less: Depreciation/Land Premium written off		8,555.63	8,040.64
(c) Net Block		6,373.40	5,996.19
(d) Capital Work-in-Progress		394.53	306.79
		<u>6,767.93</u>	<u>6,302.98</u>
2. Investments	6	2.25	1.75
3. Current Assets, Loans and Advances :			
(a) Inventories	7	8,506.59	7,032.12
(b) Sundry Debtors	8	1,653.05	979.94
(c) Cash and Bank Balances	9	507.03	1,004.16
(d) Other Current Assets	10	8.95	5.52
(e) Loans and Advances	11	1,636.25	1,113.77
		<u>12,311.87</u>	<u>10,135.51</u>
Less: Current Liabilities and Provisions :	12		
(a) Current Liabilities		3,137.94	3,949.29
(b) Provisions		975.72	667.43
		<u>4,113.66</u>	<u>4,616.72</u>
Net Current Assets		8,198.21	5,518.79
4. Miscellaneous Expenditure to the extent not written off : Deferred Revenue Expenditure		21.00	33.12
Total		<u><u>14,989.39</u></u>	<u><u>11,856.64</u></u>
Notes forming part of the Accounts	22		

As per our Report attached.  
For and on behalf of  
N. N. Jambusaria & Company  
*Chartered Accountants*

N. N. Jambusaria  
*Partner*

Mumbai, 25th September 2006

For and on behalf of the Board of Directors

H. R. KILACHAND  
*Chairman & Managing Director*

D. J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K. D. SHETH  
*Director*

Mumbai, 25th September 2006



## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30th June, 2006

	Schedule No.		(Rs. in Lacs) Previous Year
<b>1. Income :</b>			
Sales and Services	13	28,296.53	25,359.74
Other Income	14	460.19	490.97
Income from Property under Development	17	38.51	201.61
Increase/(Decrease) in Stocks	15	1,407.33	2,586.43
Total		30,202.56	28,638.75
<b>2. Expenditure :</b>			
Raw Materials Consumed	16	12,222.87	11,347.60
Trading Goods Purchased		743.30	—
Expenses on Sugarcane Plantations	18	268.87	299.04
Manufacturing and Other Expenses	19	13,669.62	13,750.71
Interest and Finance Charges	20	948.45	862.79
Depreciation [including Land Lease Premium written off Rs. 0.19 Lacs (Previous Year Rs. 0.19 Lacs)]		541.52	516.99
Total		28,394.63	26,777.13
<b>3. Profit before Tax &amp; Extra Ordinary Items</b>		1,807.93	1,861.62
<b>4. Extra Ordinary Items – Cane Price Difference &amp; Gratuity Arrears earlier years</b>		—	1,644.77
Less: Withdrawn from General Reserve		—	(1,644.77)
<b>5. Profit/(Loss) Before Tax</b>		1,807.93	1,861.62
<b>6. Provision for Taxation</b>			
(i) Income Tax – Current		377.63	61.00
(ii) Income Tax – Deferred		333.72	144.00
(iii) Wealth Tax		0.95	0.83
<b>7. Profit/(Loss) After Tax</b>		1,095.63	1,655.79
Add/(Less): Balance brought forward from previous year		1,339.29	(32.76)
Prior period adjustments	21	(36.35)	(11.41)
<b>8. Profit available for appropriation</b>		2,398.57	1,611.62
<b>9. Appropriations :</b>			
(i) Transferred to General Reserve		1,300.00	123.45
(ii) Proposed Preference Shares Dividend		2.00	3.78
(iii) Interim Dividend on Equity Shares		95.09	95.09
(iv) Proposed Final Dividend on Equity Shares		63.39	31.70
(v) Corporate Tax on Dividend		22.51	18.31
(vi) Balance Carried Forward to Balance Sheet		915.58	1,339.29
Total		2,398.57	1,611.62
Basic and diluted earnings per share		17.25	26.12
Notes forming part of the Accounts	22		

As per our Report attached.  
For and on behalf of  
N. N. Jambusaria & Company  
*Chartered Accountants*

N. N. Jambusaria  
*Partner*

Mumbai, 25th September 2006

For and on behalf of the Board of Directors

H. R. KILACHAND  
*Chairman & Managing Director*

D. J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K. D. SHETH  
*Director*

Mumbai, 25th September 2006

# Annual Report 2005-2006 — Consolidated Accounts

## SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2006

### SCHEDULE : 1

#### SHARE CAPITAL

(Rs. in Lacs)  
As at  
30th June, 2005

##### Authorised :

1,20,00,000	Equity Shares of Rs. 10/- each	1,200.00	1,200.00
60,00,000	Redeemable Preference Shares of Rs. 10/- each	600.00	600.00
	Total	<u>1,800.00</u>	<u>1,800.00</u>

##### Issued Subscribed and Paid up :

63,39,315	Equity Shares of Rs. 10/- each fully paid up [of the above 31,30,280 Equity Shares of Rs. 10/- each are allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve]	633.93	633.93
20,00,000	1% Cummulative Redeemable Preference Shares of Rs. 10/- each fully paid up redeemable in 3 Annual Installments of Rs. 67.00 Lacs, Rs. 67.00 Lacs, Rs. 66.00 Lacs on 10th August 2011, 10th August 2012 and 10th August 2013 respectively.	200.00	200.00
16,60,000	Warrants of Rs. 97/- each, with a right to apply for 1 (one) Equity Share, allotted on preferential basis to the promoters, the persons acting in concert with the promoters and a private corporate body — Application Money Received @ Rs. 9.70 per warrant (See Note 15)	161.02	—
	Total	<u>994.95</u>	<u>833.93</u>



## SCHEDULE : 2

### RESERVES AND SURPLUS

*(Rs. in Lacs)*  
As at  
30th June, 2005

**Share Premium :**

On Shares allotted on Conversion of

Fully Convertible Debentures	578.81		578.81
Less : Amount in arrears	0.11		0.27
		578.70	578.54

**General Reserve :**

Balance as per last Balance Sheet	1,071.54		—
Additions : Transfers from :			
Debenture Redemption Reserve	—		410.00
Capital Reserve (See Note 6)	75.91		2,182.86
Transferred from Profit & Loss A/c	1,300.00		123.45
Deductions : Provision for Diminution in value of investment (See Note 5)	319.36		—
Extra Ordinary Items Cane Price Arrears & Gratuity of earlier years	—		1,644.77
		2,128.09	1,071.54

**Storage and Effluent Disposal Funds :**

**(i) Storage Fund for Alcohol :**

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	9.80		9.51
Add: Set aside this year	0.60		0.29
		10.40	9.80

**(ii) Storage Fund for Molasses :**

(Earmarked from Sale of Molasses)

Balance as per last Balance Sheet	63.46		58.52
Add: Set aside this year	5.34		4.94
		68.80	63.46

**(iii) Effluent Disposal Fund :**

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	8.07		7.76
Add: Set aside this year	0.65		0.31
		8.72	8.07

**Debenture Redemption Reserve :**

Balance as per last Balance Sheet	—		410.00
Less: Transferred to General Reserve	—		410.00
		—	—

**Capital Reserve :**

Balance as per last Balance Sheet	75.91		2,258.77
Less: Transferred to General Reserve (See Note 6)	75.91		2,182.86
		—	75.91

Amount credited on conversion of freehold  
land into Stock-in-Trade

			75.91
<b>Surplus as per Profit and Loss Account</b>		915.58	1,339.29
			75.91
<b>Total</b>		3,710.29	3,146.61

# Annual Report 2005-2006 — Consolidated Accounts

## SCHEDULE : 3

### SECURED LOANS

	<i>(Rs. in Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2005</i>	
<b>(A) TERM LOANS :</b>		
Yes Bank Ltd. (Term Loan)	—	2,366.54
Allahabad Bank (Term Loan Takeover of Yes Bank) (See Note 8)	1,937.91	—
Allahabad Bank (Term Loan — Storage Expansion) (See Note 8)	50.00	—
<b>(B) VEHICLE LOANS :</b>		
(Secured by way of hypothecation of the vehicles purchased out of the said loans)	119.10	38.46
<b>(C) BORROWINGS FROM BANKS :</b>		
Cash Credit from Banks (Secured by pledge of Sugar stocks and hypothecation of Current Assets of Sugar & Spirits Division) (See Note 8)	7,276.39	4,741.91
Total	<u>9,383.40</u>	<u>7,146.91</u>

## SCHEDULE : 4

### UNSECURED LOANS

<b>(A) Fixed Deposits :</b>		
[Includes Rs. 5.00 Lacs (Previous Year Rs. 20.00 Lacs) due to Chairman & Managing Director]	189.52	178.18
<b>(B) Short Term Loans, Advances &amp; Deposits :</b>		
From Others	—	172.99
Interest accrued and due	<u>8.51</u>	<u>9.02</u>
Total	<u>198.03</u>	<u>360.19</u>



**Schedule: 5**

**FIXED ASSETS**

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	At Cost or book value as on 01-Jul-05	Additions during the Year	Sales/ deductions and adjustments during the Year	At Cost or book value as on 30-Jun-06	Upto 30-Jun-05	For the Year	Written back on assets sold or discarded	Total Depreciation/ Land Premium written off	As on 30-Jun-06	As on 30-Jun-05
Goodwill	263.41	—	—	263.41	—	—	—	—	263.41	263.41
Land	120.50	48.57	—	169.07	—	—	—	—	169.07	120.50
Freehold Land Premium	—	—	—	—	—	—	—	—	—	—
Lease hold Land Premium	5.73	—	—	5.73	3.55	0.19	—	3.74	1.99	2.18
Bhoomidari Land	—	—	—	—	—	—	—	—	—	—
Leasehold Land	30.75	—	0.04	30.71	1.69	0.13	—	1.82	28.89	29.06
	420.39	48.57	0.04	468.92	5.24	0.32	—	5.56	463.36	415.15
Building, Roads etc. (Exclusive of Labour Quarters erected out of Molasses Fund)	2,939.63	61.15	—	3,000.78	1,120.05	104.46	—	1,224.51	1,776.27	1,819.58
Plant and Machinery	9,318.88	575.91	8.96	9,885.83	6,024.83	336.98	8.89	6,352.92	3,532.91	3,294.05
Electric Installations	137.99	—	—	137.99	75.38	6.76	—	82.14	55.85	62.61
Laboratory Equipments	14.98	0.56	—	15.54	11.04	0.67	—	11.71	3.83	3.94
Weigh Bridges	125.35	6.94	—	132.29	62.30	8.49	—	70.79	61.50	63.05
Railway Siding and Light Railway	4.69	—	—	4.69	4.28	0.06	—	4.34	0.35	0.41
Tube and Artisan Wells and Water Supply	92.80	10.86	—	103.66	35.34	3.34	—	38.68	64.98	57.46
Tractors, Ploughs, Carts etc.	42.51	9.03	1.65	49.89	33.79	4.02	1.65	36.16	13.73	8.72
Motor Cars, Lorries and Cycles	208.40	164.05	14.71	357.74	120.46	37.20	12.58	145.08	212.66	87.94
Furniture, Fixtures and Equipments	667.91	44.48	3.99	708.40	523.54	37.30	3.41	557.43	150.97	144.37
Drainage	62.72	—	—	62.72	24.39	1.92	—	26.31	36.41	38.33
Live Stock	0.58	—	—	0.58	—	—	—	—	0.58	0.58
<b>Total</b>	<b>14,036.83</b>	<b>921.55</b>	<b>29.35</b>	<b>14,929.03</b>	<b>8,040.64</b>	<b>541.52</b>	<b>26.53</b>	<b>8,555.63</b>	<b>6,373.40</b>	<b>5,996.19</b>
<b>Previous Year Total</b>	<b>13,669.06</b>	<b>456.74</b>	<b>88.97</b>	<b>14,036.83</b>	<b>7,601.56</b>	<b>516.99</b>	<b>77.91</b>	<b>8,040.64</b>	<b>5,996.19</b>	<b>—</b>

Note : Cost of Buildings and Plant & Machinery includes Buildings of Rs.133.67 Lacs and Plant & Machinery of Rs.1,956.54 Lacs constructed on Leasehold Land.

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## SCHEDULE : 6

### LONG TERM INVESTMENTS (AT COST)

*(Rs. in Lacs)*  
As at  
30th June, 2005

#### (A) TRADE INVESTMENTS :

(Unquoted)

In fully paid Equity Shares :

300	Shares of Rs. 100/- each of U.P. Seeds & Tarai Development Corporation Ltd.	0.30	0.30
5	Shares of Rs. 10/- each of Baheri Co-operative Cane Development Union Ltd. [Rs. 50 (Previous Year Rs. 50)]	—	—
17	Shares of Rs. 20/- each of Sahakari Ganna Vikas Samiti Ltd. [Rs. 340 (Previous Year Rs. 340)]	—	—
1	Share of Rs. 100/- of Ganna Beej Nigam, Bareilly [Rs. 100 (Previous Year Rs. 100)]	—	—
1	Share of Rs. 20/- of Bhojeepera Co-operative Cane Development Union Ltd. [Rs. 20 (Previous Year Rs. 20)]	—	—
<b>Total</b>		0.30	0.30

#### (B) OTHER INVESTMENTS :

(i) In Government Securities :

(Unquoted)

National Savings Certificates

(Deposited as security with Government Departments)

1.12      0.62

(ii) In fully paid Equity Shares of other

Joint Stock Companies : (Quoted)

4,320	Equity Shares of Rs. 10/- each of Walchandnagar Industries Ltd.	0.27	0.27
9,230	Equity Shares of Rs. 10/- each of The Shervan Industrial Syndicate Ltd.	0.23	0.23
180	Equity Shares of Rs. 100/- each of Indian Hume Pipe Co. Ltd.	0.18	0.18
		0.68	0.68

(iii) In fully paid Equity Shares  
of Co-operative Bank : (Unquoted)

200 Shares of Rs. 25/- each of Jain  
Sahakari Bank Ltd.

0.05      0.05

(iv) In fully paid Equity Shares of Antophill  
Warehousing Company Ltd: (Unquoted)

10 Shares of Rs. 1,000/- each

0.10      0.10

**Total**      **2.25**      **1.75**

Aggregate cost of Investments :

Quoted

0.68      0.68

Unquoted

1.57      1.07

**Total**      **2.25**      **1.75**

Market Value of Quoted Investments

25.91      25.83



## SCHEDULE : 7

### INVENTORIES

	<i>(Rs. in Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2005</i>	
Stores and Spares (At Cost)	503.32	581.68
Scrap Materials (At estimated realisable value)	5.03	2.95
By Products (At estimated realisable value)	443.89	242.77
Stock in trade :		
Raw Materials (At Cost)	454.08	238.08
Finished Goods (At lower of Cost or Market value)	6,954.09	5,760.11
Trading Goods (At Cost)	0.11	—
Work-in-Process (At Cost)	42.15	32.10
Crop-in-Progress (At Cost) (including preparation of land, irrigation etc.)	103.92	97.94
Property under Development (See Note 6)	—	76.49
Total	8,506.59	7,032.12

## SCHEDULE : 8

### SUNDRY DEBTORS (UNSECURED)

(A) Debts outstanding for a period exceeding six months :		
Considered Good	137.60	160.98
Considered Doubtful	31.20	31.20
(B) Other Debts Considered Good	1,515.45	818.96
	1,684.25	1,011.14
Less: Provision for Doubtful Debts	31.20	31.20
Total	1,653.05	979.94

## SCHEDULE : 9

### CASH AND BANK BALANCES

Cash/Cheques/Drafts on Hand	20.54	16.08
Bank Balances with Scheduled Banks :		
In Current Accounts	232.33	912.08
In Fixed Deposit Accounts	247.50	73.53
In Post Office Savings Bank Account [Maximum Balance during the year Rs. 0.17 Lacs, (Previous Year Rs. 0.17 Lacs)]	0.17	—
In Dividend Accounts with Scheduled Banks	6.49	2.47
Total	507.03	1,004.16

## SCHEDULE : 10

### OTHER CURRENT ASSETS

Interest Accrued on Fixed Deposits with Banks	8.39	5.12
Interest Accrued on Investments	0.56	0.40
Total	8.95	5.52

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## SCHEDULE : 11

### LOANS AND ADVANCES

(Rs. in Lacs)  
As at  
30th June, 2005

(Unsecured, Considered Good unless otherwise stated)

Advances to Subsidiary Company	—	—
Advances recoverable in cash or in kind or for value to be received		
Considered Good	1,308.19	851.45
Considered Doubtful	8.09	8.26
Loans & Advances to Employees Inclusive of Rs. 11.07 Lacs (Previous Year Rs. 14.17 Lacs) secured by charge on assets against which loans are granted.)	36.38	37.28
	<u>1,352.66</u>	<u>896.99</u>
Less: Provision for Doubtful Advances	8.09	8.26
	<u>1,344.57</u>	<u>888.73</u>
Advance Payment of Income-Tax (Including Tax Deducted at Source)	186.66	106.33
Deposit with Government & Others	105.02	118.71
Total	<u><u>1,636.25</u></u>	<u><u>1,113.77</u></u>

## SCHEDULE : 12

### CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :

Acceptances	3.35	3.35
Sundry Creditors [Includes Rs. 18.90 Lacs (Previous year Rs. Nil) due to Directors]	2,545.03	3,134.45
Interest accrued but not due on Loans, Deposits & Debentures	12.05	16.97
Advances and Deposits from Dealers/Customers	474.62	695.65
Deposit against Lease Rentals	96.40	96.40
Unclaimed Dividends	6.49	2.47
	<u>3,137.94</u>	<u>3,949.29</u>

(B) Provisions :

Corporate Tax on Dividend	9.17	18.31
Provision for Income Tax	454.98	77.35
Provision for Wealth Tax	6.72	5.77
Provision for Gratuity & Leave Encashment	120.10	435.43
Proposed Dividend on Preference Shares	2.00	3.78
Interim Dividend on Equity Shares	—	95.09
Proposed Final Dividend on Equity Shares	63.39	31.70
Provision for Diminution in value of investment (See Note 5)	319.36	—
	<u>975.72</u>	<u>667.43</u>
Total	<u><u>4,113.66</u></u>	<u><u>4,616.72</u></u>

## SCHEDULES FORMING PART OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2006

### SCHEDULE : 13

#### SALES AND SERVICES

*(Rs. in Lacs)*  
*Previous Year*

#### SALES

Manufacturing Goods (Inclusive of Excise Duty)	27,136.68	25,126.40
Less : Transferred to Molasses and Alcohol Storage Funds and Effluent Disposal Fund	6.59	5.54
Less : Value of Molasses supplied to Own Division	681.10	852.32
Less : Value of Bagasse supplied to Own Division	44.69	62.47
	26,404.30	24,206.07
Trading Goods	761.93	5.97
Agricultural Products (After adjusting Opening & Closing Stock)	348.36	426.21
Less : Value of Seed supplied to Own Division	102.91	52.01
Less : Value of Cane supplied to Own Division	156.64	287.34
	88.81	86.86

#### SERVICES

Storage and Handling	1,041.49	1,060.84
Total	28,296.53	25,359.74

### SCHEDULE : 14

#### OTHER INCOME

Dividends	2.08	0.48
Interest (Gross) (Tax Deducted at Source Rs. 0.99 Lacs) (Previous year Rs. 0.83 Lacs)		
On Fixed Deposits	8.51	3.55
Others	3.45	3.63
Rent	4.05	2.57
Buffer Stock Subsidy	—	35.51
Sundry Receipts	190.32	152.26
Credit Balances written back	10.92	5.99
Govt Subsidy for Cane Development	—	144.72
Profit on Sale of Fixed Assets	69.91	127.08
Insurance Claims	11.24	15.18
Other Interest & Finance Charges written back	159.53	—
Provision for Expenses no longer required	0.18	—
Total	460.19	490.97

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## SCHEDULE : 15

### INCREASE/(DECREASE) IN STOCKS

(Rs. in Lacs)  
Previous Year

Closing Stock :			
Finished Goods	6,954.09		5,760.12
Trading Goods	0.11		—
Work-in-Process	42.15		32.10
By Products	443.89		242.77
Scrap Materials	5.03		2.95
		7,445.27	6,037.94
Opening Stock :			
Finished Goods	5,760.12		3,176.01
Trading Goods	—		3.10
Work-in-Process	32.10		30.50
By Products	242.77		215.17
Scrap Materials	2.95		26.73
		6,037.94	3,451.51
INCREASE/(DECREASE)	Total	1,407.33	2,586.43

## SCHEDULE : 16

### RAW MATERIALS CONSUMED

Sugar Cane(inclusive of Transport, Commission and Other Expenses)	10,827.45		9,901.20
Less: Value of Cane supplied by Own Division	156.64		287.34
		10,670.81	9,613.86
Sugar Cane Purchase Tax		164.73	165.40
Raw Seeds	171.10		147.80
Less: Value of Seeds supplied by Own Division	102.91		52.01
		68.19	95.79
Molasses and Spirits	2,000.24		2,324.87
Less: Value of Molasses supplied by Own Division	681.10		852.32
		1,319.14	1,472.55
Total		12,222.87	11,347.60

## SCHEDULE : 17

### INCOME FROM PROPERTY UNDER DEVELOPMENT

Property under Development :			
Opening Stock	76.49		2,961.91
Add: Expenses incurred during the year	—		—
	76.49		2,961.91
Less: During the year transaction including sale (See Note 6)	115.00		3,087.03
	38.51		125.12
Add: Closing Stock	—		76.49
		38.51	201.61
Total		38.51	201.61

**SCHEDULE : 18****EXPENSES ON SUGAR CANE PLANTATION***(Rs. in Lacs)  
Previous Year*(Inclusive of Crop-in-Progress at Commencement and  
Exclusive of Crop-in-Progress at Close)

Crop-in-Progress at Commencement	96.53	111.37
Sowing, Harvesting, Irrigation, Seeds, Manures and Transport	175.28	201.73
Stores Consumed	32.72	19.05
Power & Fuel	2.02	1.78
Machinery Repairs	4.25	4.34
Building Repairs	0.71	0.41
Sundry Repairs	1.83	1.29
Rates and Taxes	1.20	1.30
Salaries and Wages	36.14	37.52
Contribution to Provident Fund	2.94	2.58
Workmen and Staff Welfare Expenses	0.97	1.44
Miscellaneous Expenses	18.20	14.17
	<u>372.79</u>	<u>396.98</u>
Less: Crop-in-Progress at close	103.92	97.94
Total	<u><u>268.87</u></u>	<u><u>299.04</u></u>

**SCHEDULE : 19****MANUFACTURING AND OTHER EXPENSES**

Storage and Handling Charges	42.60	47.00
Stores and Spares Consumed	2,281.75	2,426.96
Power and Fuel	694.30	499.39
Less: Value of Bagasse supplied by Own Division	<u>44.69</u>	<u>62.47</u>
	649.61	436.92
Repairs :		
Plant and Machinery	492.95	338.91
Buildings	47.69	27.25
Others	64.53	35.02
Rent	50.59	51.30
Salaries, Wages & Bonus	1,398.83	1,230.61
Company's Contribution to Provident and Other Funds	159.66	138.77
Workmen and Staff Welfare Expenses	24.63	34.66
Insurance	72.66	72.11
Rates and Taxes	208.04	269.26
Excise Duty	6,679.14	7,130.86
Selling Agents' Commission & Brokerage	39.32	33.62
Legal and Professional Charges	83.88	105.73
Total C/F	<u><u>12,295.88</u></u>	<u><u>12,378.98</u></u>

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## SCHEDULE : 19

### MANUFACTURING AND OTHER EXPENSES (Contd.)

		<i>(Rs. in Lacs)</i>	
			<i>Previous Year</i>
	Total B/F	12,295.88	12,378.98
Discount given to dealers		244.56	64.69
Miscellaneous Expenses		1,098.52	1,267.67
Charity and Donations		2.59	1.61
Directors' Fees		3.88	1.92
Auditors' Remuneration :			
Audit Fees		2.85	3.02
In Other Capacities :			
For Certification		0.45	0.47
For Tax Matters		0.78	1.72
For Other Matters		0.97	1.11
Out of Pocket Expenses		1.46	1.60
Cost Audit Fees		0.33	0.32
Bad Debts/Advances written off		1.64	3.05
Loss on Assets discarded/scrapped		0.87	3.12
Deferred Revenue Expenditure written off [See Note 10]		14.84	21.43
	Total	<u>13,669.62</u>	<u>13,750.71</u>

## SCHEDULE : 20

### INTEREST & FINANCE CHARGES

On Fixed Deposits [Includes Rs. 0.49 Lacs (Previous Year Rs. 2.74 Lacs) paid to Chairman & Managing Director]		21.32	25.11
On Fixed Loans and Debentures		208.90	157.81
On Cash Credit		587.11	563.03
Others		131.12	116.84
	Total	<u>948.45</u>	<u>862.79</u>

## SCHEDULE : 21

### PRIOR PERIOD ADJUSTMENTS

#### CREDITS :

Excess Provision of Bonus		0.10	—
	Total	<u>0.10</u>	<u>—</u>

#### DEBITS :

Expenses of Previous Year		36.45	11.41
	Total	<u>36.45</u>	<u>11.41</u>
	Net	<u>(36.35)</u>	<u>(11.41)</u>

## SCHEDULE: 22

### NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

#### 1. A. Basis of Consolidation

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

The subsidiary considered in the preparation of these consolidated financial statements is:

Name	:	Amber Distilleries Ltd. (ADL)
Country of Incorporation	:	India
Date of becoming Subsidiary	:	15th March, 1995
Ownership Interest as on 30th June, 2006	:	100 %

It is not practicable to draw up the financial Statements of ADL for the same reporting date as that of the parent. Hence, the financial statements of ADL considered for consolidation are for the year ended 31st March, 2006.

The consolidation of financial statements of the parent company and its subsidiary is done on line by line basis by adding together similar items of Assets, liabilities, income and expenses. All inter-group transactions and balances have been eliminated in the course of consolidation.

#### B. Significant Accounting Policies

##### A. Accounting Concepts

The Company follows the Mercantile System of Accounting and recognises Income and Expenditure on an accrual basis.

The Accounts are prepared on a historical cost basis and as a going concern. Accounting policies not referred to otherwise are consistent with the generally accepted accounting principles.

##### B. Revenue Recognition

Income is generally recognised only when its collection or receipt is reasonably certain. Insurance Claims are recognised only when the claim is passed.

##### C. Fixed Assets

- Fixed Assets except Freehold Land are stated at cost of acquisition less accumulated depreciation. Cost includes interest on borrowings, specific or otherwise, used for funding Fixed Assets till the date of commissioning.
- Leasehold Land and Premium on Leasehold Land is amortised over the period of lease.
- The excess of the cost to the parent company of its Investments in the subsidiary over its share of equity on the initial acquisition date is recognised as Goodwill and it is not amortised.

##### D. Depreciation

- Depreciation on the Bio-Gas Plant, Plant & Machinery installed for Expansion and Modernisation and Assets given on lease has been provided on a Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.
- For all other assets, depreciation is provided on a Written Down Value Method at the rates specified in Schedule XIV of the Companies Act, 1956.
- For assets added / disposed off during the year, depreciation has been provided on a pro-rata basis with reference to the period, at the applicable rates.
- Depreciation on Assets, whose actual cost does not exceed Rs. 5,000/- is provided at the rate of hundred percent.

##### E. Capital Work-in-Progress

These are stated at cost to date relating to items or projects in progress, incurred during construction/ pre-operative period. Cost includes allocable interest.

##### F. Investments

Long term Investments are stated at cost.

##### G. Inventories

Raw Materials, Work-in-Process, Crop-in-Progress and Stores and Spares are valued at cost.

Finished Goods and Trading Goods are valued at lower of cost or market value. Cost includes applicable overheads.

By-Products and Scrap Materials are valued at estimated realisable value.

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Property under development includes Freehold land valued at Fair Market Value as on the date of conversion into Stock in Trade and expenses incurred thereon.

### H. Miscellaneous Expenditure

(a) Expenses on new projects on hand are carried forward for capitalisation upon completion of the projects.

(b) Deferred Revenue Expenditure is being written off over a period of five years.

### I. Foreign Currency Transactions

Transactions arising in foreign currency are converted at the rates ruling on the transaction dates. Liabilities payable in foreign currency are reinstated at year-end exchange rates. All exchange differences arising from conversion are charged to Profit and Loss Account except exchange differences on liabilities for purchase of Fixed Assets which are capitalised.

### J. Research & Development Expenditure

Revenue Expenditure on Research and Development is charged to Profit and Loss Account in the year in which it is incurred. Capital Expenditure on Research and Development is shown as an addition to Fixed Assets.

### K. Retirement Benefits

The Company has various schemes of retirement benefits such as Provident Fund, Superannuation Fund, Leave Encashment and Gratuity. The Company's contribution to the Provident Fund and Superannuation Fund is charged against revenue every year. The Company has an arrangement with Life Insurance Corporation of India to administer its Superannuation and Gratuity Schemes. Provision for Leave Encashment is made on the basis of actuarial valuation. Provision for Gratuity is made on the basis of actuarial valuation made by Life Insurance Corporation Of India for every financial year which is pro rated upto 30th June.

### L. Income-tax

Income tax expenses comprise of current tax including Fringe Benefit Tax (FBT) and deferred tax charge or credit. The deferred tax charge or credit is recognised at the tax rates enacted on the Balance Sheet date. Where there is an unobserved depreciation or carry forward loss, deferred tax Assets are recognised only if there is virtual certainty of realization of such Assets. Other deferred tax Assets are recognised only to the extent when there is reasonable certainty of realization in future. Deferred tax Assets/Liabilities are reviewed as at each Balance Sheet date based on developments during the year.

2. Contingent Liabilities on account of Demands/Claims against the Company not acknowledged as debts and not provided for Rs. 834.68 Lacs (*Previous Year Rs. 761.87 Lacs*).
3. The estimated amount of contracts remaining to be executed on Capital Account (net of advances) Rs. 379.20 Lacs (*Previous Year Rs. 3.93 Lacs*).
4. Alcohol and Molasses Storage Funds and Effluent Disposal Fund amounting to Rs. 87.92 Lacs are not deposited with a Scheduled Bank as required by the said Orders, under legal advice.
5. ADL had made bottling arrangement with various parties to utilise the available production capacity and hence Goodwill amounting to Rs. 263.41 Lacs is not amortised. In July 2006, the Company has sold its entire investment in its 100% Subsidiary - Amber Distilleries Limited and thus it ceases to be its subsidiary with effect from 25th July 2006. During the year the Company has made the necessary provision of Rs. 319.36 Lacs for diminution in value of investment in Amber Distilleries Limited and an equal amount has been withdrawn from General Reserve. Necessary accounting effect for sale will be given in the books in the year 2006-2007 being the year of actual sale.
6. The Company has sold during the year, the remaining portion of its land at Goregaon, Mumbai for Rs. 115 Lacs. The Capital Reserve of Rs. 75.91 Lacs pertaining to the land sold is now transferred to General Reserve in view of the above sale.
7. (a) Managerial Remuneration paid/payable to Chairman & Managing Director as per approval under Sections 310 & 198 (4)/309 (3) of the Companies Act, 1956, is as under :

	2005-2006	( <i>Rs. in Lacs</i> ) 2004-2005
I. Salary	18.00	4.80
II. Contribution to Provident Fund & Superannuation Fund	4.86	1.30
III. Perquisites	12.81	2.90
IV. Commission payable pertaining to the year 2005-2006	18.15	-
<b>Total</b>	<b>*53.82</b>	<b>9.00</b>

### V. Commission paid pertaining to the year 2004-2005

\*17.50

-

The Company has recovered from the Chairman & Managing Director (CMD) for personal use of motorcar and telephone.

\* The above remuneration is as per Central Government approval dated 30th January, 2006



# KESAR ENTERPRISES LTD.



(b) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956.

	2005-2006	(Rs. In Lacs) 2004-2005
Profit before Tax as per Profit & Loss Account	1824.69	1863.44
<i>Add :</i>		
Depreciation (as per Accounts)	537.97	512.96
Net Profit on Fixed assets sold/discarded other than immovable property (as per Section 349 of the Companies Act, 1956)	7.68	—
Net Loss on Fixed assets sold/discarded (as per Accounts)	0.87	3.12
Remuneration paid/payable to Chairman & Managing Director (including Rs. 18.15 Lacs commission payable pertaining to the year 2005-2006)	53.82	9.00
Commission @ 1% paid pertaining to the year 2004-2005	17.50	—
Directors' Fees	3.88	1.92
	<u>621.72</u>	<u>527.00</u>
<i>Less :</i>		
Excess of expenses over income of earlier years	23.04	—
Depreciation (under Section 350 of the Companies Act, 1956)	537.97	512.96
Net profit on Fixed assets sold/discarded including immovable property (as per Accounts)	69.91	127.08
	<u>630.92</u>	<u>640.04</u>
Net Profit/(Loss) under Section 349 of the Companies Act, 1956	<u>1815.49</u>	<u>1750.40</u>
Commission @ 1% on the Net Profits	<u>18.15</u>	<u>17.50</u>

8. Term Loans from Allahabad Bank are secured by way of First hypothecation charge on all plant & machinery and Current Assets both present & Future of Storage & Handling Division at Kandla and First pari passu charge on all Fixed Assets of the Sugar Division and Spirits (Distillery) Division at Baheri and is further secured by second hypothecation charge on current assets, both present & future of the sugar division & Spirits (Distillery) division at Baheri..

Cash Credit facility from U.P. Co-operative Bank Limited, is secured by way of Pledge of sugar stock. Cash Credit facility from Allahabad Bank is secured by way of Pledge of sugar stock and joint first hypothecation charge on pari passu basis over Current Assets of Sugar Division and Spirits (Distillery) Division at Baheri, State of Uttar Pradesh (U.P.) and is further secured by joint second hypothecation / mortgage charge on the fixed assets of the Sugar Division and Spirits (Distillery) Division of the Company situated at Baheri, U.P.

9. In the absence of confirmations, the balances in respect of Loans and Advances, Sundry Debtors, Sundry Creditors, Acceptances, Deposits, Secured and Unsecured Loans, Other Accounts and National Savings Certificates deposited with the Government Authorities are taken as shown by the books of account and are subject to adjustments and reconciliations, if any.

10. A sum of Rs. 108.77 Lacs paid under Voluntary Retirement Scheme (VRS) including Rs. 2.72 Lacs paid during the year is treated as Deferred Revenue Expenditure. Accordingly, a sum of Rs. 14.84 Lacs has been written-off during the year.

11. The Company has entered into arrangements with third Parties for Manufacture of its Indian Made Foreign liquor (IMFL) products for which the Company provides them necessary technical know-how, working capital and marketing services. The advances given to third parties under this arrangement primarily constitutes Bank Balances, Stocks and Sundry Debtors in their Books of account.

The Company has tied up with third parties for manufacture of their IMFL brands in its plant at Baheri for which necessary technical know-how, working capital and marketing services are provided by them. Transactions pertaining to such activities are included in the accounts of the company.

12. The Parent Company's Accounting Year for the purpose of compliance with the provisions of the Companies Act, 1956 ended on 30th June, 2006 and the previous year for tax purpose ended on 31st March, 2006. The income if any for the period from 1/4/2006 to 30/6/2006 forming part of the annexed accounts will be assessed as a part of the composite income relevant to previous year ending 31st March, 2007 i.e. Assessment Year 2007-2008.

## Annual Report 2005-2006 — Consolidated Accounts

Details of Deferred Tax are as under:

Particulars	<i>(Rs. in Lacs)</i>	
	As on 30th June, 2006	As on 30th June, 2005
<b>Deferred Tax Liability</b>		
Accumulated depreciation	843.10	810.24
Deferred revenue expenditure	-	-
<b>Total Deferred Tax Liability</b>	<b>843.10</b>	<b>810.24</b>
<b>Deferred Tax Assets</b>		
Expenses deductible on payment	0.72	57.87
Losses Carried Forward	49.62	48.81
Capital Losses Carried Forward	90.04	334.56
MAT Credit	-	-
<b>Total Deferred Tax Assets</b>	<b>140.38</b>	<b>441.24</b>
<b>Net Deferred Tax Liability</b>	<b>702.72</b>	<b>369.00</b>

The Company has recognised a Deferred Tax Asset of Rs. 90.04 Lacs on capital losses carried forward.

13. Sundry Creditors include Rs. 3.21 Lacs (*Previous year Rs. 9.72 Lacs*) due to Small Scale and Ancillary Industrial Undertakings.

Small Scale and Ancillary Industrial Undertaking to whom an amount of Rs. 1.00 lac or more was payable and outstanding for more than 30 days ( as per the terms & conditions of the orders) are as under:-

- |                               |               |
|-------------------------------|---------------|
| 1. M/s. Rajukesh Industries   | Rs. 1.72 Lacs |
| 2. M/s. Shree Ganesh Bhandhar | Rs. 1.49 Lacs |

This disclosure is on the basis of information available with the Company regarding the status of Suppliers as defined under the "Interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act, 1993."

14. Sundry Debtors of Rs 50.34 Lacs and advances of Rs 28.39 Lacs are outstanding since a long time. The Company has initiated legal proceedings against some of the Parties. In the opinion of the management, the same are considered good and recoverable. Hence, no provision has been made in the accounts.
15. During the year the Company has allotted 16,60,000 warrants of Rs. 97/- each with a right to apply for 1 (one) Equity Share of Rs. 10/- each at a premium of Rs. 87/- per share to be exercised on or before 5th March, 2007, allotted on preferential basis to the promoters, the persons acting in concert with the promoters and a private corporate body.
16. The Company had given Bank Guarantees to Government of India in respect of Levy Price realization. Subsequently the Government has adjusted the amounts from the Buffer Stock Subsidy receivable by the Company and has also encashed the Bank Guarantees, which has resulted in excess payment of Rs. 16.80 Lacs to the Government of India. The Company is following up with Government Authorities for refund.
17. Segmental Reporting Disclosures under Accounting Standard 17

Business Segments:

Based on the guiding principles given in Accounting Standard 17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary business segments are :

- a. Sugar
- b. Spirits
- c. Storage and Handling

Geographical Segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risk and returns are same and as such there are no geographical segments.

# KESAR ENTERPRISES LTD.

Financial Information about the primary business segment is presented in the table below:

(Rs. in Lacs)

	Sugar	Spirits	Storage & Handling	Others	Total
Figures for the Year ended 30th June, 2006 indicated in <b>Bold</b> . Previous year figures indicated in the row therebelow:					
<b>Segmental Revenue</b>					
Sales	<b>14,790.03</b>	<b>12,885.37</b>	<b>1,041.49</b>	<b>564.97</b>	<b>29,281.87</b>
	<i>13,728.92</i>	<i>12,072.00</i>	<i>1,060.84</i>	<i>666.91</i>	<i>27,528.67</i>
Other Income	<b>56.09</b>	<b>131.21</b>	<b>15.54</b>	<b>15.45</b>	<b>218.29</b>
	<i>246.18</i>	<i>93.14</i>	<i>3.49</i>	<i>11.40</i>	<i>354.21</i>
Less: Inter Segment Revenue	<b>725.79</b>			<b>259.55</b>	<b>985.34</b>
	<i>914.79</i>			<i>339.35</i>	<i>1,254.14</i>
<b>Add: Unallocable Income</b>					<b>280.41</b>
					<i>338.37</i>
<b>Total Revenue</b>					<b>28,795.23</b>
					<i>26,967.11</i>
<b>Segmental Result before Interest &amp; Taxation</b>	<b>2,022.75</b>	<b>272.97</b>	<b>656.74</b>	<b>86.42</b>	<b>3,038.88</b>
	<i>2,071.88</i>	<i>83.53</i>	<i>664.33</i>	<i>109.94</i>	<i>2,929.68</i>
Less: Segmental Interest	<b>612.40</b>	<b>6.42</b>	<b>0.46</b>	<b>0.05</b>	<b>619.33</b>
	<i>597.44</i>	<i>13.39</i>	<i>0.76</i>	<i>0.17</i>	<i>611.76</i>
<b>Segmental Result before Taxation</b>	<b>1,410.35</b>	<b>266.55</b>	<b>656.28</b>	<b>86.37</b>	<b>2,419.55</b>
	<i>1,474.44</i>	<i>70.14</i>	<i>663.57</i>	<i>109.77</i>	<i>2,317.92</i>
Less: Unallocable Expenses Net of Unallocable Income					<b>611.62</b>
					<i>456.30</i>
<b>Profit /(Loss) Before Taxation</b>					<b>1,807.93</b>
					<i>1,861.62</i>
Less: Provision for Tax					<b>378.58</b>
					<i>61.83</i>
Less: Deferred Tax					<b>333.72</b>
					<i>144.00</i>
<b>Profit /(Loss) after Tax</b>					<b>1,095.63</b>
					<i>1,655.79</i>
<b>Segmental Assets</b>	<b>11,079.81</b>	<b>4,379.98</b>	<b>1,512.27</b>	<b>573.75</b>	<b>17,545.81</b>
	<i>8,189.92</i>	<i>4,427.13</i>	<i>1,563.61</i>	<i>387.40</i>	<i>14,568.06</i>
Unallocable Assets/ Investments					<b>1,536.24</b>
					<i>1,872.18</i>
<b>Total Assets</b>					<b>19,082.05</b>
					<i>16,440.24</i>
<b>Segmental Liabilities</b>	<b>7,912.26</b>	<b>1181.75</b>	<b>87.78</b>	<b>61.89</b>	<b>9,243.68</b>
	<i>6,257.09</i>	<i>1,736.49</i>	<i>85.31</i>	<i>64.26</i>	<i>8,143.15</i>
Share Capital & Reserves Less Miscellaneous Expenditure					<b>4,684.24</b>
					<i>3,947.42</i>
Unallocable Liabilities					<b>5,154.13</b>
					<i>4,349.67</i>
<b>Total Liabilities</b>					<b>19,082.05</b>
					<i>16,440.24</i>
<b>Capital Expenditure including Capital Work in Progress</b>	<b>180.13</b>	<b>566.24</b>	<b>119.19</b>	<b>64.63</b>	<b>930.19</b>
	<i>129.80</i>	<i>196.68</i>	<i>37.13</i>	<i>19.56</i>	<i>383.17</i>
Unallocable					<b>181.87</b>
					<i>6.35</i>
<b>Total</b>					<b>1,112.06</b>
					<i>389.52</i>
<b>Depreciation</b>	<b>213.76</b>	<b>130.32</b>	<b>105.43</b>	<b>13.15</b>	<b>462.66</b>
	<i>209.27</i>	<i>121.12</i>	<i>104.75</i>	<i>10.91</i>	<i>446.05</i>
Unallocable Depreciation					<b>78.86</b>
					<i>70.94</i>
<b>Total Depreciation</b>					<b>541.52</b>
					<i>516.99</i>
<b>Non Cash Expenditure other than depreciation</b>	<b>13.06</b>	<b>1.78</b>			<b>14.84</b>
	<i>18.15</i>	<i>1.78</i>			<i>19.93</i>
Unallocable Non Cash Expenditure other than depreciation					<b>—</b>
					<i>1.51</i>
<b>Total</b>					<b>14.84</b>
					<i>21.44</i>

Segment revenue, results, Assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

## Annual Report 2005-2006 — Consolidated Accounts

### 18. Related party disclosures under Accounting Standard 18

Names of related parties and nature of related party relationships:

- a. Associates:  
Mahindra Gesco Developers Limited ( upto previous year ended 30th June 2005 )
- b. Key Management Personnel and relatives of such personnel :  
Mr. H R Kilachand Chairman & Managing Director  
Mrs. Madhavi Kilachand Director  
Relatives of Key Management Personnel  
Mr. Rohan Kilachand Son  
Ms. Rohita Kilachand Daughter
- c. Enterprises over which Key Management Personnel and their relatives are able to exercise significant influence:  
Kesar Corporation Pvt. Ltd. Kilachand Devchand Commercial Pvt. Ltd.  
Kilachand Devchand & Co. Pvt. Ltd. Duracell Investments & Finance Pvt. Ltd.  
Indian Commercial Co. Pvt. Ltd. Seel Investments Pvt. Ltd.  
India Carat Pvt. Ltd. Skyline Chem-Trade Pvt. Ltd.

Disclosure of transactions between the Company and related parties and the status of outstanding balance as on 30th June 2006 indicated in bold. Previous year figures indicated in the row therebelow:

Nature of Transaction	Associates	Key Managerial Personnel And Relatives	<i>(Rs. In Lacs)</i> Enterprises over which influence exists
Expenses Reimbursed			<b>15.75</b> 15.97
Rent Paid			<b>15.65</b> 15.65
Interest on Inter Corporate Deposits			<b>6.53</b> 15.17
Interest on Fixed Deposits		<b>0.49</b> 2.74	
Sale of Property	-		
	2475.00		
Managerial Remuneration		<b>71.32</b> 9.00	
Inter Corporate Deposits Accepted			-
			4.00
Inter Corporate Deposits Refunded			<b>153.27</b>
			-
Fixed Deposits Accepted/Renewed		<b>5.00</b> 8.00	
Fixed Deposits Refunded		<b>18.00</b>	
		-	
<b>Balance Outstanding as on 30th June, 2006 indicated in bold. Previous year figures indicated in the row therebelow:</b>			
Sundry Creditors			<b>3.09</b> 36.52
Fixed Deposits		<b>5.00</b> 23.00	
Inter Corporate Deposits			-
			153.27

### 19. Earnings per share has been calculated as under

	<b>2005-2006</b>	<b>2004-2005</b>
Profit/(Loss) after Tax & Preferential dividend (Rs. in Lacs)	1093.35	1655.79
No of Equity Shares	63,39,315	63,39,315
Basic and diluted earnings per share – Rupees (Face value of share – Rs. 10 each)	17.25	26.12

### 20. Figures have been regrouped and recasted wherever necessary for the purpose of Consolidation.

<p>For and on behalf of N.N. Jambusaria &amp; Company Chartered Accountants</p> <p>N.N. Jambusaria Partner Mumbai, 25th September, 2006</p>	<p>For and on behalf of the Board of Directors</p> <p>H.R. KILACHAND Chairman &amp; Managing Director</p> <p>D.J. SHAH Vice President (Legal) &amp; Company Secretary</p>	<p>K.D. SHETH Director</p> <p>Mumbai, 25th September, 2006</p>
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## Consolidated Cash Flow Statement for the year ended 30th June, 2006

		<i>Previous Year (Rs. in Lacs)</i>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	1,807.93	1,861.62
<b>Adjustments for :</b>		
Depreciation	541.52	516.99
Dividend Income	(2.08)	(0.48)
Interest Income	(11.96)	(7.18)
Interest and Finance Charges	948.45	862.79
Transferred to Molasses and Alcohol Storage Fund & Effluent Disposal Fund	6.59	5.54
Extraordinary Items set off against General Reserve	-	(1,644.77)
Profit on sale of Fixed Assets/Investments	(69.91)	(127.08)
Profit on sale of Property under Development	(38.51)	(201.61)
Assets Discarded/Scrapped	0.87	3.12
Miscellaneous Expenditure written off	14.84	21.43
Other Interest & Finance Charges written back	(159.53)	-
Credit Balances Written Back	(10.92)	(5.99)
Bad Debts/Advances written off	1.64	3.05
Provision for expenses no longer required	(0.18)	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>3,028.75</b>	<b>1,287.47</b>
<b>Adjustments for :</b>		
Inventories	(1,474.47)	320.74
Trade and Other Receivables	(674.75)	(303.36)
Loans & Advances	(442.15)	(147.13)
Trade Payables	(578.32)	(320.35)
Other Current Liabilities	(536.36)	294.94
<b>CASH (USED IN)/GENERATED FROM OPERATIONS</b>	<b>(677.30)</b>	<b>1,132.27</b>
Interest Paid	(794.35)	(1,226.56)
Taxes (Paid)/ Refunds	(80.33)	(38.85)
Prior Period Adjustments	(36.35)	(11.41)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(1,588.33)</b>	<b>(144.55)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets/Capital Work-in-Progress	(1,009.29)	(389.53)
Sale/Scrap of Fixed Assets	110.37	336.63
Sale/(Purchase) of Investments	(0.50)	-
Interest Received	8.53	5.84
Dividend Received	2.08	0.48
Deferred Revenue Expenditure	(2.72)	(7.44)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(891.53)</b>	<b>(54.02)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Term Loans	(378.63)	1,468.70
Increase/(Decrease) in Bank Borrowings	2,534.48	760.35
Increase/(Decrease) in Short Term Borrowings	(81.01)	(1,338.34)
Dividends Paid	(253.29)	(0.01)
Share Application Money Received	161.02	-
Arrears of Share Premium Received	0.16	-
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>1,982.73</b>	<b>890.70</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(497.13)</b>	<b>692.13</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>1,004.16</b>	<b>312.03</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>507.03</b>	<b>1,004.16</b>

Note : Figures in brackets are outflows.

For and on behalf of the Board of Directors

For and on behalf of  
N.N. Jambusaria & Company  
Chartered Accountants

H.R. KILACHAND  
Chairman & Managing Director

N.N. Jambusaria  
Partner  
Mumbai, 25th September, 2006

D.J. SHAH  
Vice President (Legal)  
& Company Secretary

K.D. SHETH  
Director

Mumbai, 25th September, 2006

## Annual Report 2005-2006

### STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956, RELATING TO THE SUBSIDIARY COMPANY

1. Name of the Subsidiary Company.	AMBER DISTILLERIES LIMITED
2. The Financial Year of the Subsidiary Company ended on	31st March 2006
3. Extent of interest of Kesar Enterprises Ltd. in the Equity Share Capital of the Subsidiary at the end of the Financial Year of the Subsidiary.	100% (Entire Equity Share Capital viz. 1,40,000 Equity Shares of Rs.100/- each fully paid up).
4. The net aggregate Loss of the Subsidiary Company so far as it concerns the members of Kesar Enterprises Ltd.:	
(a) Not dealt with in the Company's Account for the year ended 30th June 2006	
(i) For the Subsidiary's Financial Year ended as in (2) above.	Rs.16.79 Lacs
(ii) For the Previous Financial Years of the Subsidiary since it became the Holding Company's subsidiary.	Rs.118.42 Lacs
(b) Dealt with in the Company's Account for the year ended 30th June 2006 amounted to:	
(i) For the Subsidiary's Financial Year ended as in (2) above.	NIL
(ii) For the Previous Financial Years of the Subsidiary since it became the Holding Company's subsidiary.	NIL
5. (a) Changes in the interest of Kesar Enterprises Ltd. between the end of the Subsidiary's financial year and 30th June 2006.	None
(b) Material changes between the end of the financial year of Subsidiary and that of Kesar Enterprises Ltd., in respect of its Subsidiary's:	
(i) Fixed Assets	NIL
(ii) Investments	NIL
(iii) Money Lent	NIL
(iv) Money Borrowed	NIL

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For and on behalf of the Board of Directors

H. R. KILACHAND  
*Chairman & Managing Director*

D.J. SHAH  
*Vice President (Legal)  
& Company Secretary*

K.D. SHETH  
*Director*

Mumbai, 25th September 2006

## DIRECTORS' REPORT

To,  
The Members,  
Amber Distilleries Limited.

Gentlemen,

Your Directors present to you the Audited Statement of Accounts for the year ended 31st March 2006.

### Financial Results

The working shows a net loss of Rs. 16.79 lacs (previous year Rs. 1.79 lacs) after providing for finance charges of Rs. 0.65 lacs (previous year Rs. 0.33 lacs) and depreciation of Rs. 3.55 lacs (previous year Rs. 4.03 lacs). In view of the loss incurred during the year, the Directors have not recommended payment of any dividend. The Company is continuously making efforts to improve its overall working and to be profitable.

### Conservation of Energy and Technology Absorption

As the Company is primarily engaged in the bottling of IMFL, there is little scope for conservation of energy and hence the question of technology absorption does not arise. The Company has neither used nor earned any foreign exchange.

### DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies (Amendment) Act 2000, the Directors state as under:

- (i) that in preparation of the annual accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) that the Directors 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 at the end of the financial year 31st March 2006 and of the loss for that year;
- (iii) that the Directors 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
- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March 2006, on a "going concern" basis.

### Directors

On 5.6.2006, Mrs. Sadhana Pratap Talwar; Miss Gitika Pratap Talwar; and Mr. Gautam Pratap Talwar were appointed as Additional Directors as per the Articles of Association of the Company and hold office only up to this Annual General Meeting. Mrs. Sadhana Pratap Talwar; Miss Gitika Pratap Talwar; and Mr. Gautam Pratap Talwar are proposed to be appointed as Directors of the Company by the Holding Company.

Shri J. K. Devgupta retires by rotation and being eligible, offers himself for reappointment.

### Deposits

The Company has not accepted any deposits from the Public.

### Personnel

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956.

### Auditors

The Company has received a notice in writing from M/s. Ashok Jayesh & Associates, the Auditors of the Company informing that they do not wish to be reappointed as Auditors of the Company.

The Company, therefore, proposes to appoint M/s B. Y. Srinivasan & Associates, Chartered Accountants, Mumbai, from whom the Company has received a certificate to the effect that appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

### Acknowledgement

Your Directors express their grateful appreciation for the assistance and co-operation extended by the Government Authorities, Banks, Customers and Suppliers during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of all the Employees of the Company during the year under review.

For and on behalf of the Board of Directors

**H. R. Kilachand**  
Chairman

Mumbai, 5th June, 2006.

# Amber Distilleries Limited

## AUDITOR'S REPORT

To,  
The Shareholders,  
Amber Distilleries Ltd.

We have audited the attached Balance Sheet of **M/s. Amber Distilleries Ltd.** as at **31st March 2006** and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies' (Auditors Report) Order, 2003, issued by the Central government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the annexure referred to in paragraph above, we report that:

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit;
- (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of the books of the Company;
- (c) The Balance Sheet and Profit & Loss A/c. dealt with by this report are in agreement with books of accounts of the Company;
- (d) In our opinion, the Profit & Loss A/c. and Balance Sheet comply with the requirements of the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) According to the information and explanations given to us and on the basis of written representation received from the directors taken on record by the Board of Directors, none the Directors are disqualified as on March 31st, 2006 from being appointed as director in terms of section 274(1)(g) of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the accounts read with and subject to notes thereon 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 Balance Sheet of state of Affairs of the Company as at 31st March, 2006; And
  - (ii) In the case of Profit & Loss A/c. of the Loss for the year ended on that date.

**For Ashok Jayesh & Associates**  
*Chartered Accountants*

**Jayesh D. Sangani**  
[Partner - M.No.36041]

Mumbai, 5th June, 2006

## Auditors' Report

1. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
  - (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - (c) In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
  - (a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. The Company has not granted any loans, secured or unsecured during the year to companies, firms or parties covered in the Register maintained under Section 301. 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, we state the following:
  - (i) The Company had taken Loans from one Company (Kesar Enterprises Ltd.), covered in the Register maintained under Section 301 of the Companies' Act, 1956. Maximum amount outstanding during the year was Rs. 58,05,505/- and the year end balance was Rs. 40,00,000/-.
  - (ii) In our opinion the rate of interest and other terms and conditions on which the loans has been taken are not, prima facie, prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.



# Amber Distilleries Limited

5. In respect of transactions covered under Section 301 of the Companies Act, 1956:
  - (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, there are no transactions of Purchase of goods & materials and sale of goods, materials & services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5,00,000/- (Rupees Five Lacs only) or more in respect of each party.
6. The Company has not accepted any deposits from the public.
7. The Company has separate Internal Audit Department which is commensurate with its size and nature of its business.
8. As informed to us, the Central Government has not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 in respect of certain manufacturing activities of the Company.
9. In respect of statutory dues:
  - (a) According to the records of the Company the statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Sales-tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2006 for a period of more than six months from the date of becoming payable.
  - (b) There are no dues of sales tax, income tax, custom duty, wealth tax, excise duty, cess, which have not been deposited on account of any dispute.
10. **The Company has accumulated losses in excess of 50% of its Net-worth. The Company has incurred cash loss during the financial year.**
11. Based on our audit procedures and according to the information and explanation given to us, the Company has not taken any loan from financial institutions or banks. The Company has not raised any funds by issue of debentures.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. The Company has not dealt in any transactions and contracts in respect of trading in securities and other investments.
15. Based on our examination of documents and records we are of the opinion that the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion, and according to the information and explanations given to us, the company has not taken any term loan. Hence the clause of applicability does not apply to the company have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilized funds from any short term sources towards repayment of long-term borrowings and acquisition of fixed assets nor has utilized long term funds on short term investments.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has no debenture capital, as such the question of creation of securities in respect of debentures does not apply.
20. The Company has not raised any money by way of public issue during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Ashok Jayesh & Associates  
Chartered Accountants

Jayesh D. Sangani  
[Partner - M.No.36041]

Mumbai, 5th June, 2006

# Amber Distilleries Limited

## Balance Sheet as at 31st March, 2006

	Sch. No.	Rs.	As at 31.03.2005 Rs.
<b>Sources of Funds</b>			
1. Shareholders' Funds:			
(a) Share Capital	1	14,000,000	14,000,000
(b) Reserves & Surplus	2	4,353,900	4,353,900
2. Loan Funds			
(a) Unsecured Loans	3	4,000,000	5,805,505
<b>Total</b>		<b>22,353,900</b>	<b>24,159,405</b>
<b>Application of Funds</b>			
1. Fixed Assets:	4		
(a) Gross Block		11,322,044	11,333,144
(b) Less: Depreciation		8,203,269	7,852,464
(c) Net Block		3,118,775	3,480,680
2. Investments	5	25,000	25,000
3. Current Assets, Loans and advances:			
(a) Inventories	6	2,528,234	4,036,901
(b) Sundry Debtors	7	5,865,471	4,516,827
(c) Cash and Bank Balances	8	3,898,568	1,440,893
(d) Loans and Advances	9	1,616,310	3,379,030
(e) Interest Accrued on Investment		4,196	3,262
		13,912,779	13,376,913
Less: Current Liabilities and Provisions:			
(a) Current Liabilities	10	13,637,463	8,853,861
(b) Provisions		733,400	526,900
		14,370,863	9,380,761
Net current assets		(458,084)	3,996,152
4. Deferred Tax Assets (Refer Note - 8)		4,954,538	4,815,198
5. Miscellaneous Expenditure: (to the extent not written off)			
Profit and Loss account		14,713,671	11,842,375
<b>Total</b>		<b>22,353,900</b>	<b>24,159,405</b>
Notes forming part of the Accounts	16		

## Profit and Loss Account for the year ended 31st March, 2006

	Sch. No.	Rs.	Previous Year Rs.
<b>1. Income :</b>			
Sales		34,111,758	31,507,202
Other Income	11	1,298,891	543,487
Increase/Decrease in Stock	12	(711,207)	231,389
<b>Total</b>		<b>34,699,442</b>	<b>32,282,078</b>
<b>2. Expenditure :</b>			
Raw Materials Consumed	13	7,837,723	12,806,998
Operating and Other expenses	14	28,120,377	19,218,160
Finance Charges	15	65,311	32,803
Depreciation		354,951	403,154
<b>Total</b>		<b>36,378,362</b>	<b>32,461,115</b>
<b>3. Profit/(Loss) for the year</b>		<b>(1,678,920)</b>	<b>(179,037)</b>
Add/(Less): Provision for Current Tax		—	—
Provision for Deferred Tax		139,340	411,623
<b>Profit/(Loss) After Taxation</b>		<b>(1,539,580)</b>	<b>(590,660)</b>
Add: Balance Brought Forward from the previous year		(11,842,375)	(11,251,715)
Add: Earlier year's provisions reversed		(1,331,716)	—
<b>Balance carried forward to Balance Sheet</b>		<b>(14,713,671)</b>	<b>(11,842,375)</b>
Notes forming part of the Accounts	16		

As per our Report of even date  
For ASHOK JAYESH & ASSOCIATES  
Chartered Accountants

JAYESH D. SANGANI  
Partner (M.No-36041)  
Mumbai,  
Date: 5th June, 2006

For and on behalf of the  
Board of Directors  
H. R. KILACHAND  
Chairman

K.D. SHETH  
Director  
Mumbai,  
Date: 5th June, 2006

As per our Report of even date  
For ASHOK JAYESH & ASSOCIATES  
Chartered Accountants

JAYESH D. SANGANI  
Partner (M.No-36041)  
Mumbai,  
Date: 5th June, 2006

For and on behalf of the  
Board of Directors  
H. R. KILACHAND  
Chairman

K.D. SHETH  
Director  
Mumbai,  
Date: 5th June, 2006

# Amber Distilleries Limited

## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE : 1 SHARE CAPITAL

	Rs.	<i>As at</i> 31.03.2005 Rs.	
Authorised : 550000 Equity Shares of Rs.100/- each	55,000,000	<u>55,000,000</u>	
Issued and Subscribed : 140000 Equity Shares of Rs.100/- each fully paid up	14,000,000	<u>14,000,000</u>	
<b>Total</b>	<b>14,000,000</b>	<b><u>14,000,000</u></b>	

### SCHEDULE : 2 RESERVES & SURPLUS

Share Premium	4,353,900	<u>4,353,900</u>	
<b>Total</b>	<b>4,353,900</b>	<b><u>4,353,900</u></b>	

### SCHEDULE : 3 UNSECURED LOANS

Kesar Enterprises Limited (Holding Company)	4,000,000	<u>5,805,505</u>	
<b>Total</b>	<b>4,000,000</b>	<b><u>5,805,505</u></b>	

### SCHEDULE : 5 INVESTMENTS (At Cost)

In Government Securities : (Unquoted) National Savings Certificates (With Excise & Sales Tax Authorities)	25,000	<u>25,000</u>	
<b>Total</b>	<b>25,000</b>	<b><u>25,000</u></b>	

### SCHEDULE : 6 INVENTORIES

(As valued and certified by the Management)

Stock in Trade:			
Raw Materials	1,214,679	<u>1,221,120</u>	
Finished Goods	831,986	<u>1,543,193</u>	
Packing Materials	358,589	<u>929,263</u>	
Stores & Spares	122,980	<u>343,325</u>	
<b>Total</b>	<b>2,528,234</b>	<b><u>4,036,901</u></b>	

### SCHEDULE : 7 SUNDRY DEBTORS (Unsecured)

	Rs.	<i>As at</i> 31.03.2005 Rs.	
Considered Good:			
Outstanding for a period exceeding six months	552,330	<u>9,740</u>	
Others	5,313,141	<u>4,507,087</u>	
<b>Total</b>	<b>5,865,471</b>	<b><u>4,516,827</u></b>	

### SCHEDULE : 8 CASH AND BANK BALANCES

Cash on hand	9,483	<u>4,465</u>	
With Scheduled Banks in Current Accounts	3,889,085	<u>1,436,428</u>	
<b>Total</b>	<b>3,898,568</b>	<b><u>1,440,893</u></b>	

### SCHEDULE : 9 LOANS AND ADVANCES

(Unsecured, Considered Good)

Advances recoverable in cash or in kind or for value to be received	1,601,250	<u>3,363,970</u>	
Deposits with Government Authorities and Others	15,060	<u>15,060</u>	
<b>Total</b>	<b>1,616,310</b>	<b><u>3,379,030</u></b>	

### SCHEDULE : 10 CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :

Sundry Creditors	1,346,108	<u>1,167,563</u>	
Other Liabilities	12,291,355	<u>7,686,298</u>	
	13,637,463	<u>8,853,861</u>	

(B) Provisions :

Provision for Gratuity	676,600	<u>486,500</u>	
Provision for Leave Salary	56,800	<u>40,400</u>	
<b>Total</b>	<b>14,370,863</b>	<b><u>9,380,761</u></b>	

### SCHEDULE : 4 FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	<i>At Cost</i> <i>as on</i> <i>1-4-2005</i>	Additions during the year	Sales/deductions and adjustments during the year	At Cost upto 31-3-2006	<i>Upto</i> <i>31-3-2005</i>	For the Year	Written back on assets sold or discarded	Total Depreciation	As on 31-3-2006	<i>As on</i> <i>31-3-2005</i>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	97,345	-	-	97,345	-	-	-	-	97,345	97,345
Factory Building	5,706,058	-	-	5,706,058	3,440,591	226,547	-	3,667,138	2,038,920	2,265,467
Staff Quarters	696,082	-	-	696,082	264,557	21,576	-	286,133	409,949	431,525
Plant & Machinery	4,491,842	-	-	4,491,842	3,852,836	97,961	-	3,950,797	541,045	639,006
Furniture & Fixtures	285,017	-	-	285,017	251,748	6,021	-	257,769	27,248	33,269
Office Equipment	11,100	-	11,100	-	4,146	-	4,146	-	-	6,954
Computer	45,700	-	-	45,700	38,586	2,846	-	41,432	4,268	7,114
<b>Total</b>	<b>11,333,144</b>	<b>-</b>	<b>11,100</b>	<b>11,322,044</b>	<b>7,852,464</b>	<b>354,951</b>	<b>4,146</b>	<b>8,203,269</b>	<b>3,118,775</b>	<b>3,480,680</b>
<i>Previous Year Total</i>	<i>11,269,704</i>	<i>63,440</i>	<i>-</i>	<i>11,333,144</i>	<i>7,449,310</i>	<i>403,154</i>	<i>-</i>	<i>7,852,464</i>	<i>3,480,680</i>	<i>-</i>

# Amber Distilleries Limited

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rs.	Previous Year Rs.
<b>SCHEDULE : 11</b>		
<b>OTHER INCOME</b>		
Sale of Scrap/Stores	203,302	32,033
Interest (TDS Rs.Nil)	174,768	—
Insurance Claim	288,197	—
Miscellaneous Income	632,624	511,454
<b>Total</b>	<b>1,298,891</b>	<b>543,487</b>

<b>SCHEDULE : 12</b>		
<b>INCREASE/DECREASE IN STOCK</b>		
Closing Stock		
Finished Goods	831,986	1,543,193
Less: Opening Stock		
Finished Goods	1,543,193	1,311,804
<b>Total</b>	<b>(711,207)</b>	<b>231,389</b>

<b>SCHEDULE : 13</b>		
<b>RAW MATERIALS CONSUMED</b>		
Stock at commencement	1,221,120	1,640,101
Add: Purchases(Net of VAT set offs)	7,831,282	12,388,017
	9,052,402	14,028,118
Less: Stock at Close	1,214,679	1,221,120
<b>Total</b>	<b>7,837,723</b>	<b>12,806,998</b>

<b>SCHEDULE : 14</b>		
<b>OPERATING AND OTHER EXPENSES</b>		
Packing Materials Consumed	5,694,387	8,139,899
Stores & Spares Consumed	369,836	621,800
Power and Fuel	89,580	84,382
Repairs :		
Plant and Machinery	5,075	4,046
Others	5,652	7,514
Salaries, Wages & Bonus	2,064,235	1,933,804
Co's Contribution to PF & Other Funds	193,443	184,412
Employees' Welfare Expenses	28,733	34,083
Gratuity	190,100	106,154
Insurance	91,973	124,993
Licence Fees, Rates and Taxes	1,399,592	1,380,384
Freight on Sales	456,284	434,435
Sales Promotions	—	1,284,910
Excise Duty on Sales	12,750,246	1,954,368
Telephone Charges	14,237	15,276
Printing & Stationery	3,664	8,137
Travelling & Conveyance	27,947	40,580
Legal & Professional Charges	28,564	16,291
Royalties/Marketing Expenses	4,378,605	2,493,701
Excise Supervision Charges	238,470	232,168
Loss on Assets Discarded	6,954	—
Miscellaneous Expenses	60,352	94,183
Auditors' Remuneration :		
Audit Fees	10,000	10,000
Tax Audit	10,000	10,000
Out of Pocket Expenses	2,448	2,640
<b>Total</b>	<b>28,120,377</b>	<b>19,218,160</b>

<b>SCHEDULE : 15</b>		
<b>FINANCE CHARGES</b>		
Interest -Others	25,367	233
Bank Charges	39,944	32,570
<b>Total</b>	<b>65,311</b>	<b>32,803</b>

## SCHEDULE : 16

### NOTES FORMING PART OF THE ACCOUNTS

#### 1. Significant Accounting Policies

##### A: Accounting Concepts :

The Company follows the mercantile system of accounting and recognises Income & Expenditure on Accrual basis.

The Accounts are prepared on historical cost basis and as a going concern. Accounting policies not referred to otherwise, are consistent with generally accepted accounting principles.

##### B : Fixed Assets :

Fixed Assets except freehold land are stated at cost of acquisition or construction less accumulated depreciation.

##### C : Investments :

Investments are stated at cost.

##### D : Inventories :

Inventories are valued at lower of cost or market value.

##### E : Depreciation :

Depreciation has been charged as per the rates applicable as per provisions of the Companies Act 1956, on written down value.

##### F : Provision for Taxation :

Provision for current income tax is made on the basis of the assessable income under the Income Tax Act, 1961.

Deferred Income – Tax is recognized on timing differences, between taxable income and accounting income which originate in one period and are capable of reversal in one or more subsequent periods. The tax effects is calculated on the accumulated timing differences at the year end based on tax rates and laws, enacted or substantially enacted as of the balance sheet date.

#### 2. Information regarding Licensed and Installed Capacity

Product	Licensed Capacity	Installed Capacity
	Bulk Litres	Bulk Litres
Indian Made		
Foreign Liquor	5,00,000 (5,00,000)	2,50,000 (2,50,000)

#### 3. Information regarding Production, Sales and Stocks:

##### A. Production

Product	Quantity Cases
Indian Made	
Foreign Liquor	56,055 (87,734)

##### B. Sales

Product	Quantity Cases	Value Rs.
Indian Made		
Foreign Liquor	59,493 (86,745)	3,41,11,758 (3,15,07,202)

# Amber Distilleries Limited

## C. Stock

Product	Opening Stock		Closing Stock	
	Quantity Cases	Value Rs	Quantity Cases	Value Rs.
Indian Made Foreign Liquor	4,883 (3,894)	15,43,193 (13,11,804)	1,445 (4,883)	8,31,986 (15,43,193)

## 4. Information regarding Raw Materials Consumed:

Raw Materials	Quantity Bulk Litres	Value Rs.
Extra Neutral Alcohol/ Rectified Spirit/Spirits	2,30,573 (3,60,879)	78,37,723 (1,28,06,998)
Total	2,30,573 (3,60,879)	78,37,723 (1,28,06,998)

## 5. Value and percentage of consumption of Raw Materials, Stores & Spares:

	Rupees	Percentage
<b>Indigenous</b>		
Raw Materials	78,37,723 (1,28,06,998)	100 (100)
Stores & Spares	3,69,836 (6,21,800)	100 (100)
<b>Imported</b>		
Raw Materials	— (—)	— (—)
Stores & Spares	— (—)	— (—)
Total	82,07,559 (1,34,28,798)	100 (100)

## 6. Previous year figures have been regrouped and recasted wherever necessary.

## 7. Contingent Liabilities in respect of :

	Rupees	Previous Year Rupees
Claims against the Company not acknowledged as debts not provided for –	Nil	Nil

## 8. Deferred Tax :

The break up of net deferred tax liability is as under:

	As at 31.03.2006	As at 31.03.2005
<b>Deferred Tax Liabilities</b>	(Rupees)	(Rupees)
Difference between Book and Tax Depreciation	79,077	95,422
Total	79,077	95,422
<b>Deferred Tax Asset</b>		
Carried Forward Losses	49,61,766	48,81,437
Expenditure disallowed	71,849	29,183
Total	50,33,615	49,10,620
<b>Deferred Tax Asset</b>	49,54,538	48,15,198

No provision for current income tax has been made in the absence of taxable income.

## 9. Related party disclosure under Accounting Standard -18

Names of related parties and nature of related party relationships :

- Holding Company : Kesar Enterprises Limited,
- Key Management Personnel and relatives of such personnel:  
Mr. H. R. Kilachand : Chairman
- Enterprise over which Key Management Personnel and the relatives are able to exercise significant influence:  
Indian Commercial Co. Pvt. Ltd

Disclosure of transactions between the Company and related parties and the status of outstanding balance as on 31<sup>st</sup> March, 2006

Nature of Transaction	Holding Company	Key Managerial Personnel and Relatives	Enterprise over which influence exists
Purchase of Assets/ Materials	Nil (80,973)	Nil (Nil)	Nil (Nil)
Royalty paid on IMFL Brands	2,650 (9,680)	Nil (Nil)	Nil (Nil)
Unsecured Loans received From Holding Company	Nil (3,00,000)	Nil (Nil)	Nil (Nil)
Unsecured Loans repaid To Holding Company	18,05,505 (Nil)	Nil (Nil)	Nil (Nil)
Outstanding as on 31.03.2006	40,00,000 (58,05,505)	Nil (Nil)	Nil (Nil)

## 10. Sundry Creditors include Rs. 4,165/- (Previous Year Rs. 2,95,261/-) due to Small Scale and Ancillary Industrial Undertaking.

There are no amounts outstanding exceeding Rs. 1,00,000/- for more than 30 days as on 31.03.2006 due to any Small Scale and Ancillary Industrial Undertaking.

- Name of Small Scale Industrial Undertaking is :- Elgee Pet Industries, Silvassa.

This disclosure is on the basis of information available with the Company regarding the status of Suppliers as defined under the "Interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act, 1993"

## 11. Additional information pursuant to the insertion of part IV of Schedule VI to the Companies Act, 1956 :

- Registration No.35072 State Code : 11
- Balance Sheet Date : 31 03 2006  
Date Month Year
- Capital raised during the year (Amount in '000)

Public Issue	Rs.
Rights Issue	Nil
Bonus Issue	Nil
Private Placements	Nil

# Amber Distilleries Limited

d. Position of mobilisation and deployment of funds  
(Amounts in '000)

	Rs.
Total Liabilities	22,354
Total Assets	22,354

#### Sources of Funds

Paid up Capital	14,000
Reserves & Surplus	4,354
Unsecured Loans	4,000

#### Application of Funds

Net Fixed Assets	3,119
Investments	25
Net Current Assets	-458
Deferred Tax Assets	4,954
Accumulated Losses	14,714

e. Performance of the Company (Amount in '000)

	Rs.
Turnover	34,112
Total Expenditure	35,791
Loss before Tax	(1,679)
Loss after Tax	(1,679)
Earning per share	—
Dividend Rate (%)	—

f. Generic names of three products/services of Company  
(as per Monetary Terms)

Item Code No. (ITC Code)	2 2 0 8 3 0
Production Description	Indian Made Foreign Liquor
Item Code No.(ITC Code)	Not applicable as no products manufactured
Production Description	Not applicable as no products manufactured
Item Code No.(ITC Code)	Not applicable as no products manufactured
Production Description	Not applicable as no products manufactured

As per our Report of even date  
For ASHOK JAYESH & ASSOCIATES  
Chartered Accountants

For and on behalf of the  
Board of Directors

H. R. KILACHAND  
Chairman

JAYESH D. SANGANI  
Partner M.No-36041

K.D.SHETH  
Director

Mumbai,  
Date: 5th June, 2006

Mumbai,  
Date : 5th June, 2006

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Current Year Rs.in Lacs	Previous Year Rs.in Lacs
<b>A. CASHFLOW FROM OPERATING ACTIVITIES:</b>		
<b>NET PROFIT BEFORE TAX &amp; EXTRAORDINARY ITEMS</b>	(16.79)	(1.79)
Adjustments for :		
Depreciation	3.55	4.03
Finance Charges	0.65	0.33
Loss on Assets Discarded	0.07	—
Misc.Income	(6.51)	(0.32)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	(19.03)	2.25
Adjustments for :		
Inventories	15.09	7.36
Trade & other Receivables	(13.49)	3.77
Loans & advances	17.62	(10.33)
Trade Payables	47.83	(10.43)
Other Current Liabilities	2.07	0.87
<b>CASH (USED IN)/GENERATED FROM OPERATIONS</b>	50.09	(6.51)
Finance Charges Paid	(0.65)	(0.33)
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>	49.44	(6.84)
Extraordinary items:	—	—
Prior Period Adjustments	(13.32)	—
<b>NET CASH(USED IN)/FROM OPERATING ACTIVITIES</b>	36.12	(6.84)
<b>B CASHFLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	—	—
Misc. income Received	6.51	0.32
Purchases of Fixed Assets	—	(0.64)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	6.51	(0.32)
<b>C CASHFLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Loan	(18.05)	3.91
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	(18.05)	3.91
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	24.58	(3.25)
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENT</b>	14.41	17.66
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENT</b>	38.99	14.41



# KESAR ENTERPRISES LTD.

Registered Office: Oriental House, 7, Jamshedji Tata Road, Churchgate, Mumbai-400 020.

## ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

I hereby record my presence at the 72nd Annual General Meeting held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on Friday, the 27th October, 2006 at 3.00 p.m.

Client ID*	DP ID No.*
------------	------------

Folio No.	No. of Shares
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Signature of Member or Proxy or Representative

\* Applicable for investors holding shares in electronic form.



# KESAR ENTERPRISES LTD.

Registered Office: Oriental House, 7, Jamshedji Tata Road, Churchgate, Mumbai-400 020.

## FORM OF PROXY

(Under Section 176(6) of the Companies Act, 1956)

I/We ..... in the district of .....  
of ..... in the district of .....  
being a Member/Members of Kesar Enterprises Ltd.  
hereby appoint .....  
of ..... in the district of .....  
or failing him/her .....  
or failing him/her .....  
as my/our proxy to vote for me/us on my/our behalf at the  
72nd Annual General Meeting of the Company to be held at M. C. Ghia Hall,  
Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai  
400 001 on 27th October, 2006 at 3.00 p.m. and at any adjournment thereof.

Client ID*	DP ID No.*
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Folio No.	No. of Shares
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Signed this ..... day of October 2006

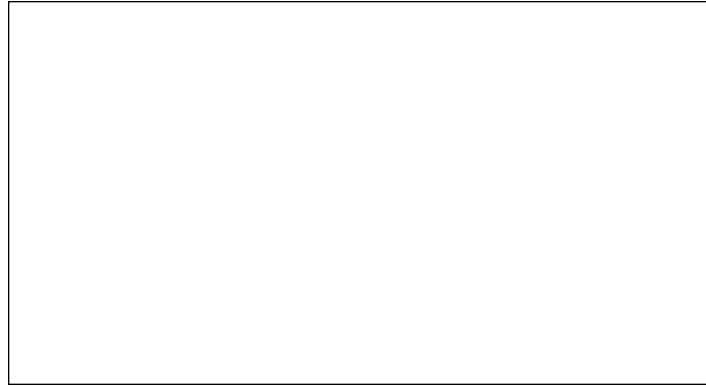


(Signature)

NOTE: The Proxy in order to be effective should be duly filled up, stamped, signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.

\* Applicable for investors holding shares in electronic form.

BOOK-POST



*If undelivered please return to:*

**KESAR ENTERPRISES LTD.**

Oriental House

7, Jamshedji Tata Road

Churchgate, Mumbai 400 020.