

KESAR ENTERPRISES LTD.  
KESAR ENTERPRISES LTD.

CONTENTS

ANNUAL REPORT

73<sup>rd</sup>

2006-2007



**KESAR ENTERPRISES LTD.**



## CONTENTS

Company Information .....	1
Notice .....	2
Directors' Report .....	9
Management Discussion and Analysis Report.....	15
Corporate Governance Report.....	18
Report of the Auditors to the Members .....	25
Balance Sheet.....	28
Profit & Loss Account.....	29
Schedules to the Balance Sheet.....	30
Schedules to the Profit & Loss Account .....	37
Notes forming part of Accounts .....	42
Quantitative Information .....	50
Cash Flow Statement.....	52
General Business Profile.....	54
Financial Statistics .....	56

# **KESAR ENTERPRISES LTD.**

(Incorporated under the Indian Companies Act VII of 1913)

## **COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	: H. R. KILACHAND (Chairman & Managing Director) A. S. RUIA K. KANNAN K. D. SHETH SMT. M. H. KILACHAND N. J. VAKIL SMT. S. VENKATARAMAN (Nominee of GIC upto 31.10.2007) I. S. PHUKELA (Nominee of GIC from 31.10.2007)
<b>VICE PRESIDENT (LEGAL) &amp; COMPANY SECRETARY</b>	: D. J. SHAH
<b>BANKERS</b>	: Allahabad Bank Uttar Pradesh Co-operative Bank Limited
<b>AUDITORS</b>	: M/s. N. N. Jambusaria & Co. Chartered Accountants
<b>SUGAR AND SPIRITS DIVISIONS</b>	: Baheri Dist. Bareilly, U.P.
<b>STORAGE INSTALLATIONS</b>	: Kandla (Gujarat)
<b>REGISTERED OFFICE</b>	: Oriental House 7, Jamshedji Tata Road, Churchgate, Mumbai - 400 020
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	: SHAREX DYNAMIC (INDIA) PVT. LTD. 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400 001
<b>AUDIT COMMITTEE MEMBERS</b>	: K. D. SHETH (Chairman of the Committee) A. S. RUIA SMT. S. VENKATARAMAN (upto 31.10.2007) K. KANNAN (from 31.10.2007)

# Annual Report 2006-2007

## NOTICE

**NOTICE** is hereby given that the 73rd Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Thursday the 20th December 2007 at 3:30 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 2007 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri A. S. Ruia, who retires by rotation but being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri I. S. Phukela, who retires by rotation but being eligible offers himself for reappointment.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

### **SPECIAL BUSINESS:**

5. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **SPECIAL RESOLUTION:**

(A) **"RESOLVED THAT** subject to the provisions of Section 17 of the Companies Act, 1956 and subject to the confirmation by the Central Government, the Memorandum of Association of the Company be and is hereby altered as follows:

In Clause III of the Memorandum of Association of the Company, after the existing Sub-Clause (7g), the under mentioned Sub-Clauses numbered as (7h) and (7i) be added.

(7h) To carry on the business of establishing, commissioning, setting up, operating and maintaining electric power generating stations based on conventional/non-conventional resources, tie-lines, sub-stations and transmission lines on build, own and transfer (BOT), and/or build, own, lease and transfer (BOLT) and/or build, own, operate and transfer (BOOT) basis and to carry on the business of acquiring, operating, managing and maintaining existing power generation stations, tie-lines, sub-stations and transmission lines, either owned by the private sector or public sector or the Government or Governments or other public authorities and for any or all of the aforesaid purposes, to do all the necessary or ancillary activities as may be considered necessary or beneficial or desirable.

(7i) To generate, acquire, accumulate, purchase in bulk, develop, supply, distribute, employ or transmit all types and forms of energy whether conventional or non-conventional, for the purpose of light, heat, motive power or otherwise, and to manufacture and to buy all types of plant, apparatus and other equipment of any kind or description capable of being used in connection with the generation, acquisition, accumulation, development, supply, distribution, employment of transmission of such energy.

(B) **"RESOLVED FURTHER THAT** the approval pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act 1956 be and is hereby accorded to the Company for commencing and carrying on the business in terms of Sub-Clauses (7h) & (7i) of Clause III of the Memorandum of Association of the Company."

6. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **SPECIAL RESOLUTION:**

**"RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification thereto or any re-enactment thereof for the time being in force) the Articles of Association of the Company be and are hereby altered in the following manner :

Substitute the existing Article 53 by the following Article 53:

#### **Shares to be transferred by an instrument in writing;**

"53. The instrument of transfer of any share shall be in writing in a form as shall, from time to time have been approved and adopted as per the Companies Act, 1956."



7. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **SPECIAL RESOLUTION**:

**“RESOLVED THAT** pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment 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 Indian Rupees 125 crores (approximately) or equivalent Foreign Currency 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;

## Annual Report 2006-2007

- (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)."

**"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."

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

**"RESOLVED THAT** subject to the necessary directions/exemption/permission/approval of the Securities and Exchange Board of India (SEBI), approval be and is hereby granted to the Company either:

- (i) to refund the amount of Rs. 67,90,000/- ; or
- (ii) to adjust the said Rs. 67,90,000/- against issue of additional 70,000 equity shares of Rs.10/- each fully paid with premium of Rs. 87/- per equity share to the respective allottees;

the said amount of Rs. 67,90,000/- being 10% amount paid by the persons acting in concert on 7,00,000 warrants allotted on 6.9.2005 under the Preferential Issue of SEBI (Disclosure & Investor Protection) Guidelines, which could not be subscribed by them under the compulsion of Law i.e. to meet with the requirements of keeping their post-issue shareholding percentage below the prescribed limit of 55% under the SEBI Takeover Regulations.

**"RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot such number of equity shares, as may be approved by SEBI, ranking pari passu with the existing equity shares of the Company in all respects and to take such other steps as may be required in the matter."

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

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including, any statutory amendment, modification or re-enactment thereof and other requisite approvals as may be necessary, approval of the Members of the Company, be and is hereby accorded for the reappointment of Shri H. R. Kilachand as Chairman & Managing Director of the Company for a period of 3 years from 14.8.2007 to 13.8.2010, on a remuneration and on the terms and conditions as per Schedule XIII to the Act, and as specifically set out below:



## I. SALARY:

Rs. 1,50,000/- per month (same as previous year) which may be increased by such amount as the Board of Directors may determine from time to time subject to a maximum of Rs. 3,50,000/- per month as per Schedule XIII to the Companies Act, 1956 as amended from time to time.

## II. COMMISSION:

In case of adequate Profits of the Company, Commission at the rate of (1%) one percent of the Net Profits of the Company for each financial year or part thereof computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956.

## III. PERQUISITES:

1. House Rent Allowance not exceeding 60% of the salary.
2. Reimbursement of expenses incurred by Shri Kilachand on electricity, water and furnishings as per the Income-Tax Rules, 1962.
3. Reimbursement of Medical expenses incurred for Shri Kilachand and his family, namely his wife, dependent children and dependent parents.
4. Leave Travel Concession for Shri Kilachand and his family namely his wife, dependent children and dependent parents as per Company Rules.
5. Club expenses, which will not include admission/life membership fees.
6. Premium on Personal Accident Policy.
7. Free use of Company's car with driver and telephone at residence for the business of the Company. Charges for personal long distance calls on telephone and use of car for private purpose shall be borne by Shri Kilachand.

The Annual value of the above perquisites shall be restricted to the overall limit of Minimum Remuneration as prescribed under Schedule XIII from time to time. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any applicable rules, perquisites shall be evaluated at actual cost. Provision of use of Company Car for official duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

8. The following perquisites shall not be included in the computation of the ceiling limit on remuneration.
  - (i) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund.
  - (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
  - (iii) Encashment of leave at the end of the tenure.

**"RESOLVED FURTHER THAT** Shri H. R. Kilachand shall not be regarded as a Director liable to retire by rotation."

**"RESOLVED FURTHER THAT** the aforesaid remuneration shall nevertheless be paid and allowed to Shri H. R. Kilachand as the Chairman & Managing Director as the minimum remuneration, but not exceeding overall ceiling limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto from time to time, notwithstanding that in any financial year of the Company during the tenure of office of Shri H. R. Kilachand, the Company may have made no profits or its profits may be inadequate."

### Registered Office:

Oriental House,  
7, Janshedji Tata Road,  
Churchgate,  
Mumbai - 400 020.

19th November 2007

By Order of the Board of Directors

**D. J. SHAH**

Vice President (Legal) & Company Secretary

### 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.**

## Annual Report 2006-2007

- (b) The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, the 18th December 2007 to Thursday, the 20th December 2007**, 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 1998** 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.
- (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 (East), 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:** As per Clause 49(IV)(G) of the Listing Agreement, the information in detail about Shri A. S. Ruia and Shri I. S. Phukela, the retiring Directors at the ensuing Annual General Meeting, 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. 5:

The Company has plans to set up a Co-generation power plant at Baheri for captive consumption as well as to sell the excess power. It is therefore proposed to alter the Memorandum of Association of the Company to add the relevant object clauses (7h) & (7i) after the Clause III, sub-clause (7g) as required under Section 17 of the Companies Act, 1956, subject to the confirmation by the Central Government.

Section 149 (2A) of the Companies Act, 1956, requires the approval of the Members by a Special Resolution to commence any new business hence this Special Resolution is proposed for your approval.

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

##### Item No. 6:

As advised by National Stock Exchange of India Limited (NSE) while granting approval for listing of equity shares of the Company on NSE with effect from 2nd January 2007, a Special Resolution is proposed pursuant to Section 31 of the Companies Act, 1956 to alter Article 53 of Articles of Association of the Company by replacing words "by the Bombay Stock Exchange" with the words "as per the Companies Act, 1956" after the words "approved and adopted".

Your Directors, therefore, recommend the Special Resolution for your approval.

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

##### Item No. 7:

The proposed resolution is an enabling resolution, which was approved earlier by the Shareholders at the last Annual General Meeting held on 27.10.2006 but could not be implemented due to changed projections of the Modernisation/Expansion plans. As the said resolution was valid for one year the same is proposed once again for your approval.

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) or 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 Indian Rupees 125 crores (approximately) or equivalent Foreign Currency 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 Indian Rupees 125 crores (approximately) or equivalent Foreign Currency.

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 the 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 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;
- (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 the 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 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 Stock Exchanges 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 a *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.

## Item No. 8:

You are aware that under the Preferential Issue of SEBI (Disclosure & Investor Protection) Guidelines, on 6.9.2005 the Company had allotted 16,60,000 warrants of Rs. 97/- each with an option to apply for one equity share of the face value of Rs. 10/- at a price of Rs. 97/- (including a premium of Rs. 87/-) per equity share (being the price with respect to the relevant date i.e. 25th July 2005 as per the Guidelines) to the Promoters / Persons acting in concert and to a Private Corporate Body (an Independent Party) as Non-Promoter on a Preferential Basis, to augment the long term resources, to strengthen the financial position and for general corporate purposes.

As per the terms of the warrants, the Company had received from all the allottees 10% of the warrant price of Rs. 97/- i.e. Rs. 9.70 per warrant aggregating to Rs.1,61,02,000/-. The balance 90% was to be paid within a period of 18 months from the date of allotment i.e. on or before 5th March 2007. Thereafter, the Private Corporate Body did not exercise option to convert its warrants into equity shares and therefore did not pay the balance 90% amount on the warrants allotted to it. Whereas, the Promoters/Persons acting in concert were ready to pay the balance 90% amount in respect of the entire 11,51,600 warrants and wanted to opt for conversion of the said warrants into equity shares. In view of the same, the Company recalculated the post-issue shareholding, considering that the promoters/persons acting in concert would opt for conversion of the entire 11,51,600 warrants into equity shares and found that the percentage of post-issue shareholding of the Promoters/Persons acting in concert would increase to 59.14%, thus exceeding the limit of 55% as prescribed under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Hence, the promoters/ persons acting in concert could not contribute for the remaining shares. The persons acting in concert are agreeable either for refund of 10% amount of Rs. 67,90,000/- or to accept the equity shares against the said amount, if allotted.

## Annual Report 2006-2007

In the circumstances, a further calculation was made, whereby the promoters/persons acting in concert could get converted approximately 4,51,600 warrants only so as to keep the percentage of post-issue shareholding below 55% as per the SEBI Regulations. Accordingly, the Promoters/Persons acting in concert paid the balance 90% amount only for 4,51,600 warrants and opted for conversion thereof into equity shares.

Thereafter, on 5.3.2007 the Board passed a resolution approving the following:

- i. Conversion of 4,51,600 warrants into 4,51,600 shares of Rs. 10/- each at a premium of Rs. 87/- per share.
- ii. Forfeiture of Rs. 49,31,480/- paid by the Private Corporate Body on 5,08,400 warrants, and transfer the said amount to the Share Application Money Forfeited A/c; and
- iii. keep in a Suspense A/c Rs. 67,90,000/-, being the 10% amount paid by the Persons acting in concert on 7,00,000 warrants, which could not be subscribed by them under the compulsion of Law i.e. to meet with the requirements of keeping their post-issue shareholding percentage below the prescribed limit of 55% under the SEBI Takeover Regulations, till such time the Company obtains the necessary directions/exemption/permission/approval of SEBI either:
  - (i) to refund the amount of Rs. 67,90,000/- paid on allotment of 7,00,000 warrants for the reason mentioned above; or in the alternative
  - (ii) to adjust the said Rs. 67,90,000/- against issue and allotment of additional 70,000 equity shares of Rs. 10/- each fully paid with premium of Rs. 87/- per equity share to the respective allottees, which will result into the post-issue shareholding of 56.03% with a marginal increase by approximately 1.03%.

Accordingly, the Company had written a letter requesting SEBI for the above to which SEBI has advised the Company to make a formal application in the prescribed format in that respect. However, the Company has been advised by its consultant that the Company should obtain first the approval of the shareholders and then make such application.

In case, the above shares are issued then the percentage holding of promoters/persons acting in concert will exceed 55% i.e. to 56.03%, which will be diluted over a period of time as may be granted by SEBI.

Your Directors, therefore, recommend the Special Resolution for your approval.

None of the Directors of the Company except Shri H. R. Kilachand & Smt. M. H. Kilachand is, in any way, concerned or interested in the resolution.

### Item No. 9:

Shri H. R. Kilachand was appointed as Chairman & Managing Director of the Company for a period of 5 years w.e.f. 14.8.2002 on remuneration within the ceiling limits provided in Schedule XIII to the Companies Act, 1956.

Before the expiry of his term of office on 13.8.2007, on 31.7.2007, a Remuneration Committee, consisting of three Non-Executive Independent Directors viz. Shri K. D. Sheth, Shri A. S. Ruia & Smt. S. Venkataraman, had recommended the reappointment of Shri H. R. Kilachand as Chairman & Managing Director as mentioned in the Special Resolution, for a period of 3 years w.e.f. 14.8.2007, on a remuneration as specifically mentioned in the Special Resolution, which is within the ceiling limits provided in Schedule XIII to the Companies Act, 1956 subject to the necessary approval of the concerned authorities as may be required. Subsequently, at the meeting held on 31.7.2007, the Board of Directors had reappointed Shri H. R. Kilachand as Chairman and Managing Director and had approved the salary of Rs. 1,50,000/- per month, the same as that paid in the last year. The same may be increased by the Board only after the proposed resolution is passed by the Shareholders.

Your Directors, therefore, recommend the Special Resolution for your approval.

The abstract of the terms and Memorandum of interest under Section 302(7) of the Companies Act, 1956 with respect to the reappointment of Shri H. R. Kilachand as Chairman & Managing Director of the Company was sent earlier to all the Members of the Company.

Shri H. R. Kilachand shall not be regarded as a Director liable to retire by rotation.

None of the Directors of the Company except Shri H. R. Kilachand & Smt. M. H. Kilachand is in any way concerned or interested in the aforesaid resolution.

### Registered Office:

Oriental House,  
7, Janshedji Tata Road,  
Churchgate,  
Mumbai - 400 020.

19th November 2007

By Order of the Board of Directors

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



## DIRECTORS' REPORT

To  
The Shareholders  
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 73rd Annual Report and Audited Statement of Accounts for the year ended 30th June 2007.

### FINANCIAL RESULTS:

	(Rs. in Lacs)	
	<b>2006-2007</b>	<b>2005-2006</b>
Profit/(Loss) before interest, depreciation & taxation	(95.85)	3,310.46
<b>Less : Interest and Finance Charges</b>	952.45	947.80
Profit/(Loss) before Depreciation & taxation (Cash Profit)	(1,048.30)	2,362.66
<b>Less : Depreciation</b>	607.76	537.97
<b>Profit/(Loss) before tax</b>	(1,656.06)	1,824.69
<b>Provision for Taxation</b>		
(i) Income Tax – Current	45.33	377.63
(ii) Income Tax – Deferred	144.99	335.11
(iii) Wealth Tax	1.33	0.95
Profit/(Loss) after tax	(1,847.71)	1,111.00
<b>Add/(Less):</b>		
Balance brought forward from previous year.	1,057.75	1,452.78
Prior period adjustments	35.86	(23.04)
Profit available for appropriation	(754.10)	2,540.74
<b>Appropriation:</b>		
(i) Transferred to General Reserve	—	1,300.00
(ii) Proposed Preference Shares Dividend	—	2.00
(iii) Interim Dividend on Equity Share	—	95.09
(iv) Proposed Final Dividend on Equity Share	—	63.39
(v) Corporate Tax on Dividend	—	22.51
(vi) Balance carried forward to Balance Sheet	(754.10)	1,057.75
<b>Total</b>	(754.10)	2,540.74

There is loss of Rs. 1,847.71 lacs as against a profit of Rs. 1,111.00 lacs in the previous year. This was due to a substantial increase in the basic cost of sugarcane by U. P. Government coupled with a much higher overall production of sugar in the Country resulting into a substantial decrease in sugar prices, falling from a peak of over Rs. 1,900 per quintal to less than Rs. 1,300 per quintal. The combination of increase in input cost and reduction in the sale prices of sugar has adversely affected the profitability of the Company as well as the entire Sugar Industry during the year under review.

### DIVIDEND:

In view of the loss during the year, your Directors have not been able to recommend any Dividend for the year 2006-2007.

### WORKING OF THE DIVISIONS:

#### Sugar Division:

The Crushing Season 2006-2007 started on 14.11.2006 as against 4.11.2005 in the previous season and ended on 27.5.2007 as against 12.4.2006, 45 days later than the previous season. During the season, the plant crushed

## Annual Report 2006-2007

114.88 lac quintals of sugar cane, the highest ever in the history of the Company in 194 days as against 83.85 lac quintals crushed in 155 days in the previous year. The overall crushing was much higher due to the installation of a Two Roller mill and Grooved Roller Pressurised Feeder as well as excessive sugarcane production this season. The sugar recovery was higher at 9.90% as against 9.43% in the previous season. The production of sugar was much higher at 11.48 lac quintals again the highest ever produced as against 7.91 lac quintals in the previous season.

During the season 2006-2007, Molasses produced was the highest at 5.89 lac quintals as against 3.95 lac quintals and surplus Baggasse produced was also the highest at 38.71 lacs quintals as against 28 lac quintals in the previous season.

The Central Government had increased the Statutory Minimum Price (SMP) of sugar cane by Re. 0.75 per quintal over the last year's price to Rs. 79.50 per quintal for the season 2006-2007 based on a recovery of 9.00% with Re. 0.90 increase in price for every 0.10% increase in recovery. It has also taken certain steps to give relief to the Sugar Industry such as creation of buffer stock, but such steps have been inadequate.

For the crushing season 2006-2007, the U. P. Government had directed the sugar mills to pay Rs. 125 per quintal for general variety and Rs. 130 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 out centres.

The Levy sugar price for the season 2006-2007 is not yet announced by the Central Government, which was Rs. 1,330.77 per quintal in the previous season.

### **Agrotech Division:**

The tissue culture laboratory is used for rapid multiplication of different sugarcane varieties. Efforts have also been made to develop Open Pollinated Variety (OPV) of seeds for wheat, paddy, mustard, toria and urd. The investment in plant and machinery for coating the certified seeds and a warehouse was also made to stock these seeds. These seeds are registered and sold under the brand name of Kesar Seeds.

### **Spirits Division:**

During the year under review the production of Rectified Spirit (RS) was the highest ever produced by the Company at 164.13 lacs bulk litres as against 147.65 lacs bulk litres in the previous year. The production of Extra Neutral Alcohol (ENA) was higher at 16.26 lacs bulk litres as against 14.42 lacs bulk litres in the previous year.

The quantity of Country Liquor supplied was lower at 60.55 lacs bulk litres as compared to 63.55 lacs bulk litres in the previous year. This was mainly due to unhealthy competition, low margins and restriction on supplies. The production and sales of IMFL was higher at 6.82 lacs cases as against the sale of 5.86 lacs 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 marginally lower due to lower imports/exports volumes.

## **SUBSEQUENT FINANCIAL YEAR 2007-2008:**

### **Sugar Division:**

The Sugar Factory, for the season 2007-2008, is expected to start in the last week of November 2007.

The Central Government has hiked the SMP of sugar cane from Rs. 80.25 per quintal at a base recovery of 9.00% to Rs. 81.18 per quintal for the season 2007-2008. The Levy sugar price for the season 2007-2008 is yet to be announced by the Central Government.

### **Spirits Division:**

The sugar cane crushing is expected to be good and therefore the prices of molasses are likely to come down. The production of Rectified Spirit/Special Denatured Spirit is expected to be at the full installed licence capacity of the Company.

The sale of Country Liquor is expected to be the same as the 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.



## **Storage Division:**

With the completion of expansion by December end the revenues of the Storage Division will substantially go up in the current financial year. The division is expected to do better as overall services are going up due to greater demand.

## **EXPANSION:**

### **Sugar Division:**

The Company has plan to install a 25-30 MW Co-generation of Power Plant 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 also the benefit of carbon trading rights. The Sugar Development Fund loan has been approved and the Company is pushing for a financial closure soon.

### **Spirits Division:**

The Cabinet Committee of Economic Affairs in the month of October 2007 approved the recommendation made by Group of Ministers (GoM) that 10% ethanol doping in fuel is to be mandated in all major states of India by October 2008. The revival of the Gasohol Programme will be a major boost for the Distillery as there will be an assured demand of ethanol to the tune of 100 crore litres per annum beginning from October 2008.

Considering the current market scenario, the Company is considering to expand the Distillery and also to set up a fuel alcohol plant of 55,000 litres per day capacity so that we are able to grow and encash upon the opportunity arising from the revival of the Gasohol programme which is currently at 5% optional for individual states.

## **Storage Division:**

As reported earlier, the Company's expansion plans are in full swing. The addition of 25,000 Kl. Capacity comprising of 10 tanks has been added in August 2007 and put in operation. Ten (10) more tanks of a combined capacity of 12,000 Kl. will be ready for commissioning by December 2007. Further expansion of about 8,000 to 12,000 Kl. is being planned in Terminal I after completion of expansion of Terminal II. The Company is also exploring opportunities for putting up additional storage terminals at other ports and also examining putting up other port based facilities such as Container Freight Station, Inland Container Depots at different locations.

## **WARRANTS:**

During the year under review, as per the Preferential Issue Guidelines of SEBI, 4,51,600 warrants were converted into 4,51,600 equity shares of Rs. 10/- each at a premium of Rs. 87/- per share. The details of conversion of warrants are mentioned in the Corporate Governance Report forming part of this Report.

## **DIRECTORS:**

Smt. S. Venkataraman ceased to be a Director upon withdrawal of her nomination by General Insurance Corporation of India and in her place Shri I. S. Phukela, General Manager, The New India Assurance Co. Ltd., Mumbai was nominated as Director w.e.f. 31st October 2007. The Board has placed on record the valuable services rendered and able guidance given by Smt. S. Venkataraman during the tenure of her office.

Shri H. R. Kilachand was reappointed as Chairman & Managing Director of the Company for a further period of 3 years w.e.f. 14th August 2007 on a remuneration, which is within the ceiling limits provided in Schedule XIII to the Companies Act, 1956 subject to the approval of the Members of the Company at the ensuing Annual General Meeting.

Shri A. S. Ruia and Shri I. S. Phukela (as he was appointed on withdrawal of Nomination of Smt. S. Venkataraman, who was due for retirement by rotation) retire by rotation and being eligible, offer themselves for reappointment.

## **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 2007, 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 2007 and of the loss for that period;

# Annual Report 2006-2007

- (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 30th June 2007 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.

## 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. 50,000/- due for repayment on or before 30th June 2007 were not claimed by 8 depositors as on that date.

## SUBSIDIARY COMPANY:

In July 2006, the Company had sold its entire investment of 1,40,000 equity shares of Amber Distilleries Ltd. (ADL) to 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 73rd Annual General Meeting, being eligible, offer themselves for reappointment.

## 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 below.

Name of employee	Designation	Age (Yrs.)	Qualification	Experience (Yrs.)	Commencement Date	Remuneration (Rs.)	Last Employment
Shri H. R. Kilachand	Chairman & Managing Director	46	B.Com., C.B.M. & P.D.B.M. from U.S.A	22	8.8.1985	36,80,000/-	—

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

19th November 2007

## 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. Economiser coil heating surface was increased in 40 TPH (New) boiler & thereby reducing loss of heat in fuel gas and increasing boiler efficiency as well as reduction in consumption of bagasse.
2. In 30 TPH boiler secondary air curtain was modified to improve fuel burning rate as well as complete combustion. This also helps in utilising cane trash as fuel.
3. 40 TPH boiler feed water tank and de-aerator height was increased by 3 mtr. which enable us to use flash vapour of feed water tank as steam inlet for de-aerator so that live steam consumption was eliminated and allowing to raise feed water temperature upto 107°C which increases boiler efficiency & generation.
4. Two roller mill was installed as crusher before 1st mill which requires less power than mill but increases crushing rate & mill extraction.
5. Excess exhaust steam is being vented out was stopped and venting out of vapour generated so that steam is utilised fully and evaporation rate will also increase.
6. Cold water recirculation system is adopted at all stations which enable us to reduce water consumption.

		2006-2007	2005-2006
<b>A. Power and Fuel Consumption</b>			
1. Electricity			
a. Purchased			
Unit	Kwh	598810	833818
Total Amount	Rs.	3364617	4402558
Rate/Unit	Rs.	5.62	5.28
b. Own Generation			
(i) Through Diesel Generator			
Unit	Kwh	135676	173360
Units Per Ltr. of Diesel Oil	Kwh	3.58	3.72
Rate/Unit	Rs.	9.91	8.38
(ii) Through Steam Turbine			
Unit	Kwh	34405035	24117794
Units Per M. T. of Steam	Kwh	50.34	48.84
Rate/Unit	Rs.	3.92	4.48
2. Coal			
Quantity	M.T.	0	0
Cost	Rs.	0	0
Average Rate	Rs.	0	0
3. Other Fuel Bagasse (Own)			
Quantity	M.T.	312880	240227
Cost	Rs.	**	**
Average Rate	Rs.	**	**
4. Rice Husk			
Quantity	M.T.	15711	18376
Cost	Rs.	30045545	30233446
Average Rate	Rs.	1912.39	1645.27
5. Bagasse PITH (Purchased)			
Quantity	M.T.	7878	15907
Cost	Rs.	4893543	7411720
Average Rate	Rs.	621.17	465.94
6. H. S. Diesel			
Quantity.	Ltr.	37848	46663
Cost	Rs.	1343929	1452146
Average Rate	Rs.	35.51	31.12

\*\* Not applicable as this is a By-product

# Annual Report 2006-2007

		2006-2007	2005-2006
<b>B. Consumption per unit of production</b>			
Product (Sugar)			
Electricity	Kwh/M.T.	231.78	234.45
Bagasse	M.T/M.T.	2.72	3.04
Diesel Oil	Ltr./M.T.	0.04	0.25
<b>Product (Industrial Alcohol) (In 000' Ltrs.)</b>			
Electricity	Kwh/000'Ltrs.	147.91	149.68
Coal	Qtls./000'Ltrs.	0	0
Bagasse (PITH)	M.T./000'Ltrs.	0.48	1.07
Rice Husk	M.T./000'Ltrs.	0.96	1.25
Diesel Oil	Ltr./000'Ltrs.	2.04	1.85

## FORM B

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

#### A. RESEARCH AND DEVELOPMENT:

1. **Tissue culture:** Rapid multiplication of new promising varieties of Sugar Cane & Rejuvenation of existing prominent varieties. Production of disease free sugar cane plant.
2. **Insects Biological Control Laboratory:** Production of Tricho-cards to control Sugar Cane borers.
3. **Bio-fertiliser:** Production of Trichoderma viridi on trial basis for the control of soil born diseases as wilt root rot etc. It also enhance the soil fertility.
4. **Varietal Trial:** Varietal trial & field observations of new promising sugarcane varieties.
5. Cane trash which is having higher calorific value (3200 k.cal/kg.approx) which is going waste was purchased and after preparation of fine pieces it was used as a fuel in boilers thereby saving of bagasse has increased. The machines has been developed inside the factory which is giving good output.
6. Boiler blow down water is going waste alongwith steam with considerable heat. A direct contact heater was developed in factory was modified to heat the D. M. Plant water heating up from 36°C to 65°C steam available from blow down water of boilers.
7. Hot and cold water re-circulation management system was implemented.

#### B. BENEFITS DERIVED:

1. Installation of Zero Mill & Grooved Roller Pressurised Feeder (GRPF) in 4th Mill has reduced moisture in bagasse by more than 1.5% which increases calorific value of bagasse & resulted in higher bagasse saving.
2. Boiler efficiency has increased due to less moisture in bagasse.
3. Results of other R & D activities are awaited.

#### Expenditure on R & D:

	2006-07	2005-06
	(Rs. In Lacs)	(Rs. In Lacs)
(a) Capital	—	—
(b) Recurring	20.81	21.30
	20.81	21.30
	20.81	21.30

The information on Foreign Exchange Earnings and Outgo is furnished in the Notes to the Account.  
(Please refer to Note No. 20 Annexure I, Item D, E & F).





## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### GLOBAL SCENARIO

#### Sugar & Spirits

World sugar production during October–September 2006-07 was higher at 160.60 million tones as against 147.60 million tones in the previous period and for October–September 2007-08, it is expected at 169.60 million tones. The world sugar consumption in 2006-07 was at 158.80 million tones. With an increase in production, global sugar stock is expected to be higher.

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

India is the second largest producer of sugar and 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 no 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.

#### Storage

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 with secondary and tertiary drying of wash and new Reverse Osmosis.

#### Storage

The Company has 2 bulk Liquid Chemical Terminals with a combined capacity of 115,000 KL of storage, which will be increased further to 127,000 KL by December 2007 at Kandla, Gujarat, which include specialised tanks, such as stainless tanks and tanks equipped with heating and insulation facilities.

# Annual Report 2006-2007

## OPPORTUNITIES & THREATS

### Sugar & Spirits

The Indian Government proposes to make mandatory to mix 10% ethanol with petrol from October 2008. 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.

### 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 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 in CRZ area. 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, which can easily be processed in to energy production as a substitute for motor fuel and for the co-generation of power. Ethanol produced from molasses/sugarcane juice will be used for blending in motor fuel. Therefore, many companies have announced major investments in the areas of 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 year due to excess availability of cane.

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 with available land at their disposals. Similarly, the Company has increased its capacity from 90,000 KL to 115,000 KL comprising of additional 10 tanks, which will further be increased to 127,000 KL comprising of other 10 tanks by December 2007.

## RISKS & CONCERNS

Sugar Industry is 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/excess 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 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 cane.
2. **Sugar Price Risk:** The market price of sugar fluctuates due to 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 its 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**

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

# Annual Report 2006-2007

## 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. M. H. Kilachand	: Non-Executive Director
Shri N. J. Vakil	: Non-Executive Independent Director
Smt. S. Venkataraman	: Nominee Director – GIC (upto 31.10.2007)
Shri I. S. Phukela	: Nominee Director – GIC (w.e.f. 31.10.2007)

Attendance of each Director at the 8 Board Meetings held during 1.7.2006 to 30.6.2007, the last Annual General Meeting held on 27.10.2006 and Number of other Directorship and Chairmanship/Membership of Committees of each Director in various companies are as follows:

Name of the Directors	Attendance Particulars						No. of other Directorships and Committee Member/Chairmanships		
	Out of 8 Board Meetings	Out of 5 Audit Committee Meetings	Investors Grievance Committee Meeting	Out of 9 Share Transfer Committee Meetings	Sitting Fees paid (Rs.)	Last AGM	Other Directorships	Committee Member	Chairmanships
Shri H. R. Kilachand	8	5	1	9	—	Yes	1	—	1
Shri A. S. Ruia	7	5	1	8	100000	Yes	1	—	—
Shri K. Kannan	7	—	—	—	35000	Yes	8	6	5
Shri K. D. Sheth	8	5	1	9	110000	Yes	—	—	2
Smt. M. H. Kilachand	7	—	—	—	35000	Yes	—	—	—
Smt. S. Venkataraman	6	4	—	—	50000	Yes	—	—	—
Shri. N. J. Vakil	6	—	—	—	30000	Yes	1	—	—

The Non-Executive Directors were paid Sitting Fees of Rs. 3,60,000/-, for attending the Board Meetings and the Committee Meetings held during 1.7.2006 to 30.6.2007, as stated above.

### Information on reappointment of Directors:

- Shri A. S. Ruia will be retiring by rotation at the ensuing Annual General Meeting. Shri A. S. Ruia is on the Board as an Independent Director since 25.3.1985. He is 63 years of age. He is an Industrialist having a vast experience in Sugar and Distillery Industries. He holds 1000 Equity Shares of the Company. He is on the Board of The Kolhapur Sugar Mills Ltd.; Ruarco Investments Pvt. Ltd.; Ruia & Ruia Pvt. Ltd.; Rodal Investments Pvt. Ltd.
- Shri I. S. Phukela will be retiring by rotation at the ensuing Annual General Meeting and is eligible for reappointment. He is representing General Insurance Corporation of India (GIC) being non-promoter shareholder and has been nominated as Director in place of Smt. S. Venkataraman who has been replaced by GIC. He is



working as General Manager in The New India Assurance Co. Ltd., Mumbai. He is not Director of any other Company.

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

In all 8 Board Meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are 31st July 2006, 25th September 2006, 27th October 2006, 24th November 2006, 31st January 2007, 5th March 2007, 19th April 2007 and 27th April 2007. The necessary information was made available to the Board from time to time.

### **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 Audit Committee comprised 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 till 30.6.2007. 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.

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 31st July 2006, 25th September 2006, 27th October 2006, 31st January 2007 and 27th April 2007 to review the internal audit reports, the Annual Accounts as on 30-6-2007 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 comprised of Shri A. S. Ruia (Non-Executive Director), Shri K. D. Sheth (Non-Executive Director) and Smt. S. Venkataraman (Nominee of GIC) till 30.6.2007.

Shri H. R. Kilachand, Chairman & Managing Director of the Company was paid remuneration @ Rs. 1,50,000/- per month plus Commission and Perquisites as approved by the Central Government.

# Annual Report 2006-2007

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 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 2007.

## 6. Asset Management Committee:

The Asset Management Committee comprised of Directors viz. Shri A. S. Ruia, Shri K. D. Sheth and Smt. S. Venkataraman till 31.10.2007.

## 7. Shareholders/Investors Grievance Committee:

The Shareholders/Investors 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 2007 and till the date of this report, the Company had received one complaint from the shareholder, which was replied appropriately and the same was recorded in the minutes of the Grievance Committee Meeting held on 27th April 2007.

## 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:

AGM/EGM	Financial Year ended	Date of AGM/EGM	Location	Time
AGM	30-6-2006	27-10-2006	M. C. Ghia Hall	3:00 p.m.
EGM	30-6-2006	20-06-2006	M. C. Ghia Hall	11:00 a.m.
EGM	30-6-2006	24-08-2005	M. C. Ghia Hall	3:30 p.m.
AGM	30-6-2005	26-10-2005	M. C. Ghia Hall	3:30 p.m.
AGM	30-6-2004	31-03-2005	M. C. Ghia Hall	3:30 p.m.

## 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 Bombay Stock Exchange and National 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 Annual Report.



## 12. General Shareholders information:

- a. Registered Office : Oriental House, 7, Jamshedji Tata Road, Churchgate, Mumbai-400 020
- 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 : 20.12.2007  
Time : 3:30 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 2008
- e. Next Annual General Meeting : By 31st December 2008
- f. **Financial Reporting for the year 2007-2008**  
For the 1st quarter ended 30th September 2007 : 31st October 2007  
For the 2nd quarter ended 31st December 2007 : 31st January 2008  
For the 3rd quarter ended 31st March 2008 : 30th April 2008  
For the 4th quarter ended 30th June 2008 : 31st July 2008
- g. Date of Book Closure : 18.12.2007 to 20.12.2007
- h. Listing on Stock Exchange : BSE & NSE
- i. Stock Exchange Code Number : BSE Scrip Code : 507180 NSE Symbol : KESARENT
- j. Demat ISIN numbers in NSDL & CDSL : INE133B01019

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

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

- |  |  |   |
|--|--|---|
| (1) Registrar & Share Transfer Agents,<br>17/B, Dena Bank Building,<br>2nd Floor, Horniman Circle,<br>Fort, Mumbai-400 001<br>Tel : 2264 1376/22702485<br>Fax : 2264 13 49 | (2) Registrar & Share Transfer Agents<br>Luthra Indl. Premises,<br>Andheri-Kurla Road, Safed Pool,<br>Andheri (E), Mumbai-400 072<br>Tel.: 2851 5606/28515644<br>Fax: 2851 28 85 | Kesar Enterprises Ltd.<br>Oriental House, 7,<br>J. Tata Road, Churchgate,<br>Mumbai-400020<br>Tel: 22042396 / 22851737<br>Fax : 22876162<br>Email: <a href="mailto:kesar@bom3.vsnl.net.in">kesar@bom3.vsnl.net.in</a> |
|--|--|---|

### Share Transfer System:

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

### Demat Information:

As on 30.06.2007 about 85.95% of the total shareholding in the Company representing 58,36,545 shares have been converted into demat.

### Stock Market Data:

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

#### Bombay Stock Exchange

Month	High	Low
July 2006	124.00	93.10
August 2006	120.80	96.50
September 2006	133.00	98.70
October 2006	133.00	111.50
November 2006	117.50	80.20
December 2006	149.70	94.00
January 2007	138.65	104.15
February 2007	125.00	94.15
March 2007	100.40	81.50
April 2007	93.00	70.55
May 2007	92.50	69.60
June 2007	76.00	57.20

#### Distribution of shareholding as on 30th June 2007:

Shareholding in Nominal Value of	Share Holders		Share Amount	
	Rs.	Rs.	In Rs.	% to Total
Upto – 5,000	5335	89.23	7187890	10.58
5,001 – 10,000	348	5.82	2769170	4.08
10,001 – 20,000	148	2.48	2141190	3.15
20,001 – 30,000	43	0.72	1068450	1.57
30,001 – 40,000	26	0.43	916780	1.35
40,001 – 50,000	18	0.30	819190	1.21
50,001 – 1,00,000	20	0.33	1546490	2.28
1,00,001 – and above	41	0.69	51459990	75.78
<b>Total</b>	<b>5979</b>	<b>100.00</b>	<b>67909150</b>	<b>100.00</b>

# Annual Report 2006-2007

## Categories of Shareholders as on 30th June 2007:

Sr. No.	Category	No. of Shares Held	% of Shareholding
<b>A.</b>	<b>PROMOTERS HOLDING</b>		
1.	Promoters: – Indian Promoters	2470747	36.383
	– Foreign Promoters	Nil	Nil
2.	Persons acting in concert	1259304	18.544
	<b>Sub Total:</b>	3730051	54.927
<b>B.</b>	<b>NON-PROMOTERS HOLDING INSTITUTIONAL</b>		
a.	Mutual Funds & UTI	1200	0.018
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Govt. Institutions)	817962	12.045
c.	FIs	Nil	Nil
	<b>Sub Total:</b>	819162	12.063
<b>C.</b>	<b>OTHERS:</b>		
a.	Private Corporate Bodies	582882	8.583
b.	Indian Public	1597761	23.528
c.	NRI's/OCB's	41937	0.618
d.	Clearing Members	19122	0.282
	<b>Sub Total:</b>	2241702	33.010
	<b>GRAND TOTAL:</b>	6790915	100.00

## Warrants and its conversion

Under Guidelines for Preferential Issue of SEBI (Disclosure & Investor Protection) Guidelines, on 6.9.2005, the Company had allotted 16,60,000 warrants of Rs. 97/- each with an option to apply for one equity share of the face value of Rs. 10/- at a price of Rs. 97/- (including a premium of Rs. 87/-) per equity share (being the price with respect to the relevant date i.e. 25th July 2005 as per the Guidelines) to the Promoters/Persons acting in concert and to a Private Corporate Body (an Independent Party) as Non-Promoter on a Preferential Basis, to augment the long term resources, to strengthen the financial position and for general corporate purposes.

As per the terms of the warrants, the Company had received from all the allottees 10% of the warrant price of Rs. 97/- i.e. Rs. 9.70 per warrant aggregating to Rs. 1,61,02,000/-. The balance 90% was to be paid within a period of 18 months from the date of allotment i.e. on or before 5th March 2007. Thereafter, the Private Corporate Body did not exercise option to convert its warrants into equity shares and therefore did not pay the balance 90% amount on the warrants allotted to it. Whereas, the Promoters/Persons acting in concert were ready to pay the balance 90% amount in respect of the entire 11,51,600 warrants and wanted to opt for conversion of the said warrants into equity shares. In view of the same, the Company recalculated the post-issue shareholding, considering that the Promoters/Persons acting in concert would opt for conversion of the entire 11,51,600 warrants in to equity shares and found that the percentage of post-issue shareholding of the Promoters/ Persons acting in concert would increase to 59.14%, thus exceeding the limit of 55% as prescribed under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Hence, the Promoters/Persons acting in concert could not contribute for the remaining shares. However, persons acting in concert are agreeable either for refund of 10% amount of Rs. 67,90,000/- or to accept the equity shares against the said amount, if allotted. In the circumstances, a further calculation was made, whereby the promoters/persons acting in concert could get converted approximately 4,51,600 warrants only so as to keep the percentage of post-issue shareholding below 55% as per the SEBI Regulations. Accordingly, the Promoters/ Persons acting in concert paid the balance 90% amount only for 4,51,600 warrants and opted for conversion thereof in to equity shares.

Thereafter, on 5.3.2007 the Board passed a resolution approving the following:

- Conversion of 4,51,600 warrants into 4,51,600 shares of Rs. 10/- each at a premium of Rs. 87/- per share.
- Forfeiture of Rs. 49,31,480/- paid by the Private Corporate Body on 5,08,400 warrants, and transfer the said amount to the Share Application Money Forfeited A/c; and



- iii. Keep in a Suspense A/c Rs. 67,90,000/-, being the 10% amount paid by the Persons acting in concert on 7,00,000 warrants, which could not be subscribed by them under the compulsion of Law i.e. to meet with the requirements of keeping their post-issue shareholding percentage below the prescribed limit of 55% under the SEBI Takeover Regulations, till such time the Company obtains the necessary directions/exemption/permission/approval of SEBI either:
- (i) to refund the amount of Rs. 67,90,000/- paid on allotment of 7,00,000 warrants for the reason mentioned above; or in the alternative;
  - (ii) to adjust the said Rs. 67,90,000/- against issue and allotment of additional 70,000 equity shares of Rs. 10/- each fully paid with premium of Rs. 87/- per equity share to the respective allottees, which will result into the post-issue shareholding of 56.03% with a marginal increase by approximately 1.03%.

Accordingly, the Company had written a letter requesting SEBI for the above to which SEBI has advised the Company to make a formal application in the prescribed format in that respect.

### 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 loss/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 may please note that the Company had not declared any dividend for the financial years 1998-1999 to 2003-2004. Shareholders, who have not encashed their divided warrants in respect of the dividend declared for the financial years 2004-2005 onwards, are requested to contact the Company and surrender their warrants for revalidation for payment. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years. The details of declared dividends are as under:

Date of declaration	For the Year	Rate of Dividend	Due date of transfer to IEPF
19.8.2005	2004 -2005	Interim @ 15%	17.10.2012
26.10.2005	2004 -2005	Final @ 5%	24.12.2012
10.2.2006	2005-2006	Interim @ 15%	10.4.2013
26.10.2006	2005-2006	Final @ 10%	24.12.2013

10. Shareholders may 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.

# Annual Report 2006-2007

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

To the Members of  
Kesar Enterprises Ltd.

1. We have examined the compliance of conditions of Corporate Governance by Kesar Enterprises Ltd. for the year ended June 30, 2007 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 30th June 2007.
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.

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

**N. N. JAMBUSARIA**

Partner

Membership No. 35520

Mumbai  
19th November 2007

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## DECLARATION BY THE MANAGING DIRECTOR

To the Members of  
Kesar Enterprises 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 30.6.2007.

For KESAR ENTERPRISES LTD.

**H. R. KILACHAND**

Chairman & Managing Director

Mumbai  
19th November 2007



## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Kesar Enterprises Limited as at 30th June, 2007, 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 30th June, 2007 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, 2007;
  - (b) in the case of Profit & Loss Account of the Loss 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.
  - 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, 2007.
    - 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.
    - c. The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.

## Annual Report 2006-2007

- iii. a. 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, 2007 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	78.56	High Court, Allahabad.
Sales Tax	30.44	Dy. Commissioner (A) – Trade Tax Bareilly.
Sales Tax	38.96	Tribunal – Trade Tax Bareilly.
Sales Tax	8.13	Jt. Commissioner – Trade Tax Bareilly.
Entry Tax	430.11	High Court Allahabad.
Excise Duty	67.28	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
Lease Rent	3.77	High Court, Allahabad

- x. The financial statements of the Company as on 30th June, 2007 do not show accumulated losses. The Company has incurred cash losses during the financial year covered by our report. There is no cash loss 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 Bank loans 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. On 6th September, 2005, the Company had made a Preferential allotment of 16,60,000 warrants to Promoters and Persons acting in concert and a private body corporate as referred to in Note No.14 of Notes to Accounts. Out of the said warrants, 4,51,600 warrants have been converted into equity shares of Rs.10/- each during the year. The price at which the warrants were issued and thereafter converted into equity shares are not prejudicial to the interest of the Company, and are in accordance with the Guidelines for Preferential Issues contained in Chapter XIII of the SEBI (Disclosure & Investor Protection) Guidelines 2000.
- 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

Place: Mumbai  
Date : November 19, 2007

# Annual Report 2006-2007

## BALANCE SHEET as at 30th June, 2007

	Schedule No.	(Rs. in Lacs) As at 30th June, 2006	
<b>Sources of Funds :</b>			
1. Shareholders' Funds :			
(a) Share Capital	1	946.99	994.95
(b) Reserves and Surplus	2	2,504.27	3,864.07
		<u>3,451.26</u>	<u>4,859.02</u>
2. Deferred Tax Liability (Net)		897.26	752.27
3. Loan Funds :			
(a) Secured Loans	3	11,731.91	9,383.40
(b) Unsecured Loans	4	149.98	198.03
		<u>11,881.89</u>	<u>9,581.43</u>
Total		<u><u>16,230.41</u></u>	<u><u>15,192.72</u></u>
<b>Application of Funds :</b>			
1. Fixed Assets :	5		
(a) Gross Block		15,557.89	14,552.40
(b) Less: Depreciation/Land Premium written off		9,061.32	8,473.59
(c) Net Block		<u>6,496.57</u>	<u>6,078.81</u>
(d) Capital Work-in-Progress		1,235.61	394.53
		<u>7,732.18</u>	<u>6,473.34</u>
2. Investments	6	2.00	455.60
3. Current Assets, Loans and Advances :			
(a) Inventories	7	13,509.83	8,481.32
(b) Sundry Debtors	8	1,113.62	1,594.39
(c) Cash and Bank Balances	9	978.17	468.04
(d) Other Current Assets	10	5.34	8.90
(e) Loans and Advances	11	1,968.11	1,660.09
		<u>17,575.07</u>	<u>12,212.74</u>
Less : Current Liabilities and Provisions :	12		
(a) Current Liabilities		8,502.81	3,001.57
(b) Provisions		588.81	968.39
		<u>9,091.62</u>	<u>3,969.96</u>
Net Current Assets		8,483.45	8,242.78
4. Miscellaneous Expenditure to the extent not written off :			
Deferred Revenue Expenditure		12.78	21.00
Total		<u><u>16,230.41</u></u>	<u><u>15,192.72</u></u>

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, November 19, 2007

Mumbai, November 19, 2007

## PROFIT AND LOSS ACCOUNT for the year ended 30th JUNE, 2007

	Schedule No.		(Rs. in Lacs) Previous Year
<b>1. Income :</b>			
Sales and Services	13	27,951.98	27,955.41
Other Income	14	260.26	407.35
Income from Property under Development	17	—	38.51
Increase/(Decrease) in Stocks	15	4,728.14	1,414.45
Total		32,940.38	29,815.72
<b>2. Expenditure :</b>			
Raw Materials Consumed	16	17,434.61	12,144.49
Trading Goods Purchased		1,010.69	743.30
Expenses on Sugarcane Plantations	18	275.84	268.87
Manufacturing and Other Expenses	19	14,315.09	13,348.60
Interest and Finance Charges	20	952.45	947.80
Depreciation (including Land Lease Premium written off Rs.0.19 Lac (Previous Year Rs. 0.19 Lac)		607.76	537.97
Total		34,596.44	27,991.03
<b>3. Profit/(Loss) Before Tax</b>		(1,656.06)	1,824.69
<b>4. Provision for Taxation</b>			
(i) Income Tax - Current		45.33	377.63
(ii) Income Tax - Deferred		144.99	335.11
(iii) Wealth Tax		1.33	0.95
<b>5. Profit/(Loss) After Tax</b>		(1,847.71)	1,111.00
Add/(Less): Balance brought forward from previous year		1,057.75	1,452.78
Prior period adjustments	21	35.86	(23.04)
<b>6. Profit available for appropriation</b>		(754.10)	2,540.74
<b>7. Appropriations :</b>			
(i) Transferred to General Reserve		—	1,300.00
(ii) Proposed Preference Shares Dividend		—	2.00
(iii) Interim Dividend on Equity Shares		—	95.09
(iv) Proposed Final Dividend on Equity Shares		—	63.39
(v) Corporate Tax on Dividend		—	22.51
(vi) Balance Carried Forward to Balance Sheet		(754.10)	1,057.75
Total		(754.10)	2,540.74
Basic and diluted earnings per share		(28.53)	17.49

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, November 19, 2007

Mumbai, November 19, 2007

# Annual Report 2006-2007

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 30TH JUNE, 2007

### SCHEDULE : 1

#### SHARE CAPITAL

(Rs. in Lacs)

As at

30th June, 2006

#### 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 :

67,90,915 (Pr. Yr. 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].	679.09	633.93
20,00,000	1% Cumulative 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	Share Warrants at a price of Rs. 97/- per warrant of the face value of Rs. 10/- (including premium of Rs. 87/-) issued to promoters and/or persons acting in concert with the promoters of the Company and also to private corporate body on preferential basis — Application Money Received	—	161.02
	Share Warrant Application Money Suspense Account (See Note 14)	67.90	—
	Total	<u>946.99</u>	<u>994.95</u>



## SCHEDULE : 2

### RESERVES AND SURPLUS

(Rs. in Lacs)  
As at  
30th June, 2006

#### Securities Premium :

On Shares allotted on Conversion of Fully Convertible Debentures

& conversion of share warrants

971.70

578.81

Less : Amount in arrears

0.11

0.11

971.59

578.70

#### General Reserve :

Balance as per last Balance Sheet

2,139.70

1,083.15

Additions : Transfers from :

Capital Reserve

—

75.91

Transferred from Profit & Loss A/c.

—

1,300.00

Deductions :

Provision for Diminution in value of investment

—

319.36

2,139.70

2,139.70

#### Storage and Effluent Disposal Funds :

(i) Storage Fund for Alcohol :

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet

10.40

9.80

Add : Set aside this year

0.68

0.60

11.08

10.40

(ii) Storage Fund for Molasses :

(Earmarked from Sale of Molasses)

Balance as per last Balance Sheet

68.80

63.46

Add : Set aside this year

8.44

5.34

77.24

68.80

(iii) Effluent Disposal Fund :

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet

8.72

8.07

Add : Set aside this year

0.73

0.65

9.45

8.72

#### Capital Reserve :

Balance as per last Balance Sheet

—

75.91

Add : Profit on Forfeiture of Share Warrant (See Note 14)

49.31

—

Less : Transferred to General Reserve

—

75.91

49.31

—

#### Surplus/(Deficit) as per Profit and Loss Account

(754.10)

1,057.75

Total

2,504.27

3,864.07

# Annual Report 2006-2007

## SCHEDULE : 3

### SECURED LOANS

(Rs. in Lacs)  
As at  
30th June, 2006

#### (A) TERM LOANS :

Allahabad Bank (Term Loan – Takeover of Yes Bank) (See Note No. 7)	1,478.49	1,937.91
Allahabad Bank (Term Loan – Storage Expansion) (See Note No. 7)	788.00	50.00

#### (B) VEHICLE LOANS :

(Secured by way of hypothecation of the vehicles purchased out of the said loans)	83.54	119.10
--	-------	--------

#### (C) BORROWINGS FROM BANKS :

Cash Credit from Banks (Secured by hypothecation/pledge of stocks of Sugar, Stores, Spares, Spirit and Book Debts of Sugar Division, Current Assets of Distillery Division) (See Note No. 7)	9,374.55	7,276.39
---	----------	----------

#### (D) INTEREST ACCRUED AND DUE ON DEBENTURES & TERM LOANS

	7.33	—
Total	<u>11,731.91</u>	<u>9,383.40</u>

## SCHEDULE : 4

### UNSECURED LOANS

#### (A) Fixed Deposits :

[Includes Rs. 5.00 Lacs (Previous Year Rs. 5.00 Lacs) due to Chairman & Managing Director]	149.98	189.52
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#### (B) Short Term Loans, Advances & Deposits :

From Others	—	—
Interest accrued and due	—	8.51
	<u>—</u>	<u>8.51</u>
Total	<u>149.98</u>	<u>198.03</u>



## SCHEDULE : 5

### FIXED ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	At Cost or book value as on 01-Jul-06	Additions during the Year	Sales/ deductions and adjustments during the Year	At Cost or book value as on 30-Jun-07	Upto 30-Jun-06	For the Year	Written back on assets sold or discarded	Total Depreciation/ Land Premium written off	As on 30-Jun-07	As on 30-Jun-06
<b>Land</b>										
Freehold Land Premium	168.10	24.35	—	192.45	—	—	—	—	192.45	168.10
Lease hold Land Premium	5.73	—	—	5.73	3.74	0.19	—	3.93	1.80	1.99
Bhoomidari Land	—	—	—	—	—	—	—	—	—	—
Leasehold Land	30.71	—	0.01	30.70	1.82	0.13	—	1.95	28.75	28.89
	204.54	24.35	0.01	228.88	5.56	0.32	—	5.88	223.00	198.98
<b>Building, Roads etc. (Exclusive of Labour Quarters erected out of Molasses Fund)</b>										
Plant and Machinery	2,936.76	75.35	—	3,012.11	1,184.98	101.12	—	1,286.10	1,726.01	1,751.78
Electric Installations	9,840.91	758.10	—	10,599.01	6,313.41	368.81	—	6,682.22	3,916.79	3,527.50
Laboratory Equipments	137.99	1.73	—	139.72	82.15	6.42	—	88.57	51.15	55.84
Weigh Bridges	15.54	0.10	—	15.64	11.71	0.60	—	12.31	3.33	3.83
Railway Siding and Light Railway	132.29	10.73	—	143.02	70.79	8.56	—	79.35	63.67	61.50
Tube and Artisan Wells and Water Supply	4.69	—	—	4.69	4.34	0.05	—	4.39	0.30	0.35
Tractors, Ploughs, Carts etc.	103.66	6.60	—	110.26	38.67	3.33	—	42.00	68.26	64.99
Motor Cars, Lorries and Cycles	49.89	0.85	—	50.74	36.16	3.93	—	40.09	10.65	13.73
Furniture, Fixtures and Equipments	357.74	122.30	15.44	464.60	145.08	74.42	11.12	208.38	256.22	212.66
Drainage	705.09	32.86	12.03	725.92	554.43	38.37	8.91	583.89	142.03	150.66
Live Stock	62.72	—	—	62.72	26.31	1.83	—	28.14	34.58	36.41
	0.58	—	—	0.58	—	—	—	—	0.58	0.58
<b>Total</b>	14,552.40	1,032.97	27.48	15,557.89	8,473.59	607.76	20.03	9,061.32	6,496.57	6,078.81
<i>Previous Year Total</i>	13,660.10	921.55	29.25	14,552.40	7,962.12	537.97	26.50	8,473.59	6,078.81	—

Note: Cost of Buildings and Plant & Machinery includes Buildings of Rs. 140.67 Lacs and Plant & Machinery of Rs. 1,999.66 Lacs constructed on Leasehold Land.

# Annual Report 2006-2007

## SCHEDULE : 6

### LONG TERM INVESTMENTS (AT COST)

(Rs. in Lacs)  
As at  
30th June, 2006

#### (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 Bhojeeepura 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 0.87

(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

(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

3,000 Equity Shares of Rs. 10/- 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

2.00 455.60

Aggregate cost of Investments :

Quoted

0.68 0.68

Unquoted

1.32 454.92

Total

2.00 455.60

Market Value of Quoted Investments

105.98 25.91



**SCHEDULE : 7**

**INVENTORIES**

	<i>(Rs. in Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2006</i>	
Stores and Spares (At Cost)	625.25	498.51
Scrap Materials (At estimated realisable value)	4.81	5.03
By Products (At estimated realisable value)	225.67	443.89
Stock in trade :		
Raw Materials (At Cost)	645.49	441.94
Finished Goods (At lower of Cost or Market value)	11,864.77	6,945.77
Trading Goods (At lower of Cost or Market value)	19.31	0.11
Work-in-Process (At Cost)	50.53	42.15
Crop-in-Progress (At Cost) (including preparation of land, irrigation etc.)	74.00	103.92
Total	<u>13,509.83</u>	<u>8,481.32</u>

**SCHEDULE : 8**

**SUNDRY DEBTORS (UNSECURED)**

(A) Debts outstanding for a period exceeding six months :		
Considered Good	228.99	132.07
Considered Doubtful	12.19	31.20
(B) Other Debts Considered Good	884.63	1,462.32
	<u>1,125.81</u>	<u>1,625.59</u>
Less : Provision for Doubtful Debts	12.19	31.20
Total	<u>1,113.62</u>	<u>1,594.39</u>

**SCHEDULE : 9**

**CASH AND BANK BALANCES**

Cash/Cheques/Drafts on Hand	12.58	20.44
Bank Balances with Scheduled Banks :		
In Current Accounts	709.97	193.44
In Fixed Deposit Accounts	250.55	247.50
In Post Office Savings Bank Account (Maximum Balance during the year Rs. 0.17 Lac, Previous Year Rs. 0.17 Lac)	0.17	0.17
In Dividend Accounts with Scheduled Banks	4.90	6.49
Total	<u>978.17</u>	<u>468.04</u>

**SCHEDULE : 10**

**OTHER CURRENT ASSETS**

Interest Accrued on Fixed Deposits with Banks	4.77	8.39
Interest Accrued on Investments	0.57	0.51
Total	<u>5.34</u>	<u>8.90</u>

# Annual Report 2006-2007

## SCHEDULE : 11 LOANS AND ADVANCES

	<i>(Rs. in Lacs)</i>	
	<i>As at</i>	
	<i>30th June, 2006</i>	
(Unsecured, Considered Good unless otherwise stated)		
Advances to Subsidiary Company	—	40.00
Advances recoverable in cash or in kind or for value to be received		
Considered Good	1,144.15	1,292.18
Considered Doubtful	8.09	8.09
Loans & Advances to Employees [Inclusive of Rs. 9.34 Lacs (Previous Year Rs. 11.07 Lacs) secured by charge on assets against which loans are granted]	33.81	36.38
	<u>1,186.05</u>	<u>1,376.65</u>
Less : Provision for Doubtful Advances	8.09	8.09
	<u>1,177.96</u>	<u>1,368.56</u>
Advance Payment of Income-Tax (Including Tax Deducted at Source)	686.77	186.66
Deposit with Government & Others	103.38	104.87
	<u>1,968.11</u>	<u>1,660.09</u>
Total		

## SCHEDULE : 12 CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities :		
Acceptances	3.35	3.35
Sundry Creditors [Includes Rs. Nil (Previous year Rs. 18.90 lacs) due to Directors]	8,057.12	2,408.66
Interest accrued but not due on Loans, Deposits & Debentures	10.93	12.05
Advances and Deposits from Dealers/Customers	330.11	474.62
Deposit against Lease Rentals	96.40	96.40
Unclaimed Dividends	4.90	6.49
	<u>8,502.81</u>	<u>3,001.57</u>
(B) Provisions :		
Corporate Tax on Dividend	—	9.17
Provision for Income Tax	464.36	454.98
Provision for Wealth Tax	8.05	6.72
Provision for Gratuity & Leave Encashment	116.40	112.77
Proposed Dividend on Preference Shares	—	2.00
Proposed Final Dividend on Equity Shares	—	63.39
Provision for Diminution in value of investment (See Note 5 )	—	319.36
	<u>588.81</u>	<u>968.39</u>
Total	<u>9,091.62</u>	<u>3,969.96</u>

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007**

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

**SCHEDULE : 13**

**SALES AND SERVICES**

**SALES**

Manufacturing Goods (Inclusive of Excise Duty)	26,671.77	26,795.56
Less : Intra Division transfer of ENA	46.20	—
	26,625.57	26,795.56
Less : Transferred to Molasses and Alcohol Storage Funds and Effluent Disposal Fund	9.85	6.59
Less : Value of Molasses supplied to Own Division	815.44	681.10
Less : Value of Bagasse supplied to Own Division	15.65	44.69
	25,784.63	26,063.18
Trading Goods	1,102.12	761.93
Agricultural Products (After adjusting Opening & Closing Stock)	409.32	348.36
Less : Value of Seed supplied to Own Division	80.97	102.91
Less : Value of Cane supplied to Own Factory	229.51	156.64
	98.84	88.81
<b>SERVICES</b>		
Storage and Handling	966.39	1,041.49
<b>Total</b>	27,951.98	27,955.41

**SCHEDULE : 14**

**OTHER INCOME :**

Dividends	0.42	2.08
Interest (Gross) [Tax Deducted at Source Rs. 2.96 Lacs, (Previous Year Rs. 0.99 Lac)]		
On Fixed Deposits	21.02	8.51
Others	0.95	1.70
Rent	3.84	4.05
Sundry Receipts	164.44	142.11
Credit Balances written back	22.88	10.92
Profit on Sale of Fixed Assets	14.82	69.91
Insurance Claims	23.38	8.36
Other Interest & Finance Charges written back	8.51	159.53
Provision for Expenses no longer required	—	0.18
<b>Total</b>	260.26	407.35

# Annual Report 2006-2007

## SCHEDULE : 15

### INCREASE/(DECREASE) IN STOCKS

(Rs. in Lacs)  
Previous Year

Closing Stock :		
Finished Goods	11,864.77	6,945.77
Trading Goods	19.31	0.11
Work-in-Process	50.53	42.15
By Products	225.67	443.89
Scrap Materials	4.81	5.03
		12,165.09
		7,436.95
Opening 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	5.03	2.95
		7,436.95
		6,022.50
INCREASE/(DECREASE)	Total	4,728.14
		1,414.45

## SCHEDULE : 16

### RAW MATERIALS CONSUMED

Sugar Cane (inclusive of Transport, Commission and Other Expenses)	15,623.95	10,827.45
Less : Value of Cane supplied by Own Farm	229.51	156.64
		15,394.44
Sugar Cane Purchase Tax		229.38
Raw Seeds	238.85	171.10
Less : Value of Seeds supplied by Own Farm	80.97	102.91
		157.88
Molasses and Spirits	2,514.55	1,921.86
Less : Intra Division transfer of ENA	46.20	-
		2,468.35
Less : Value of Molasses supplied by Own Division	815.44	681.10
		1,652.91
		17,434.61
	Total	12,144.49





**SCHEDULE : 17**

**INCOME FROM PROPERTY UNDER DEVELOPMENT**

Property under Development :

		<i>(Rs. in Lacs)</i>
		<i>Previous Year</i>
Opening Stock	—	76.49
Add : Expenses incurred during the year	—	—
	—	76.49
Less : During the year transaction including sale	—	115.00
	—	38.51
Add : Closing Stock	—	—
Total	—	38.51

**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	103.92	96.53
Sowing, Harvesting, Irrigation, Seeds, Manures and Transport	131.82	175.28
Stores Consumed	47.86	32.72
Power & Fuel	0.97	2.02
Machinery Repairs	3.50	4.25
Building Repairs	0.36	0.71
Sundry Repairs	2.20	1.83
Rates and Taxes	1.35	1.20
Salaries and Wages	33.87	36.14
Contribution to Provident Fund	3.45	2.94
Workmen and Staff Welfare Expenses	1.47	0.97
Miscellaneous Expenses	19.07	18.20
	349.84	372.79
Less : Crop-in-Progress at close	74.00	103.92
Total	275.84	268.87

# Annual Report 2006-2007

## SCHEDULE : 19 MANUFACTURING AND OTHER EXPENSES

		<i>(Rs. in Lacs)</i>
		<i>Previous Year</i>
Storage and Handling Charges	58.54	42.60
Stores and Spares Consumed	2,492.57	2,221.10
Power and Fuel	474.64	653.56
Less : Value of Bagasse supplied by Own Division	15.65	44.69
	<hr/>	<hr/>
	458.99	608.87
Repairs :		
Plant and Machinery	409.17	492.90
Buildings	52.62	47.69
Others	68.57	64.48
Rent	80.75	50.59
Salaries, Wages & Bonus	1,452.40	1,376.29
Company's Contribution to Provident and Other Funds	172.34	157.72
Workmen and Staff Welfare Expenses	29.13	24.34
Insurance	79.70	71.74
Rates and Taxes	267.12	194.04
Excise Duty	7,262.77	6,551.64
Selling Agents' Commission & Brokerage	38.06	39.32
Legal and Professional Charges	109.47	83.59
Discount given to dealers	317.51	244.56
Miscellaneous Expenses	938.36	1,046.69
Charity and Donations	0.68	2.59
Directors' Fees	3.60	3.88
Auditors' Remuneration :		
Audit Fees	3.00	2.75
In Other Capacities :		
For Certification	0.83	0.45
For Tax Matters	0.68	0.68
For Other Matters	1.37	0.97
Out of Pocket Expenses	0.59	1.44
Cost Audit Fees	0.32	0.33
Bad Debts/Advances written off	1.66	1.64
Loss on Assets discarded/scrapped	1.75	0.87
Deferred Revenue Expenditure written off [See Note No. 9]	12.54	14.84
	<hr/>	<hr/>
Total	14,315.09	13,348.60
	<hr/> <hr/>	<hr/> <hr/>



**SCHEDULE : 20**

**INTEREST & FINANCE CHARGES**

		<i>(Rs. in Lacs)</i>
		<i>Previous Year</i>
On Fixed Deposits [Includes Rs. 0.46 Lacs (Previous Year Rs. 0.49 Lacs) paid to Chairman & Managing Director]	20.09	21.32
On Fixed Loans	176.35	208.90
On Cash Credit	639.33	587.11
Others	116.68	130.47
Total	<u>952.45</u>	<u>947.80</u>

**SCHEDULE : 21**

**PRIOR PERIOD ADJUSTMENTS**

CREDITS :

1. Excess Provision of Bonus	—	0.10
2. Excess Provision Income Tax	35.93	—
Total	<u>35.93</u>	<u>0.10</u>

DEBITS :

1. Expenses of Previous Year	—	23.14
2. Short Provision of Bonus	0.07	—
Total	<u>0.07</u>	<u>23.14</u>
Net	<u>35.86</u>	<u>(23.04)</u>

# Annual Report 2006-2007

## 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.

**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. (a) Contingent Liabilities on account of Demands/Claims against the Company not acknowledged as debts and not provided for Rs. 805.67 Lacs (*Previous Year Rs. 834.68 Lacs*).
- (b) Arrears of Dividend on Cumulative Preference Shares Rs. 2.00 lacs (*Previous Year Rs. Nil*).
3. The estimated amount of contracts remaining to be executed on Capital Account (net of advances) Rs. 293.70 Lacs (*Previous Year Rs. 379.20 Lacs*).
4. Alcohol and Molasses Storage Funds and Effluent Disposal Fund amounting to Rs. 97.77 Lacs are not deposited with a Scheduled Bank as required by the said Orders, under legal advice.
5. The Company had 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. In the year ended 30th June 2006, the company had made a provision for Rs. 319.36 lacs for diminution in the value of investments against which the loss on sale of investments made is adjusted during the year.
6. (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 :

	2006-07	(Rs. in Lacs) 2005-06
I. Salary	18.00	18.00
II. Contribution to Provident Fund & Superannuation Fund	4.86	4.86
III. Perquisites	13.94	12.81
IV. Commission payable pertaining to the year 2005-2006	—	18.15
<b>Total</b>	<b>36.80</b>	<b>53.82</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 motor car and telephone.

The above remuneration is as per Central Government approval dated 30th January 2006.

## Annual Report 2006-2007

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

	<b>2006-2007</b>	<b>(Rs. in Lacs) 2005-2006</b>
Profit before Tax as per Profit & Loss Account	<b>(1,656.06)</b>	<b>1824.69</b>
Add :		
Depreciation (as per Accounts)	607.76	537.97
Net Profit on Fixed assets sold/discarded other than immovable property as per Section 349 of the Companies Act, 1956)	5.83	7.68
Net Loss on Fixed assets sold/discarded (as per Accounts)	1.75	0.87
Remuneration paid/payable to Chairman & Managing Director (including Rs. 18.15 Lacs commission payable pertaining to the year 2005-2006)	36.80	53.82
Commission @ 1% paid pertaining to the year 2004-2005	—	17.50
Directors' Fees	3.60	3.88
	<b>655.74</b>	<b>621.72</b>
Less :		
Excess of expenses over income of earlier years	0.07	23.04
Depreciation (under Section 350 of the Companies Act, 1956)	607.76	537.97
Net profit on Fixed assets sold/discarded including immovable property (as per Accounts)	14.82	69.91
	<b>622.65</b>	<b>630.92</b>
Net Profit/(Loss) under Section 349 of the Companies Act, 1956	<b>(1,622.97)</b>	<b>1815.49</b>
Commission @ 1% on the Net Profits	<b>N.A.</b>	<b>18.15</b>

7. 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 for Storage Expansion Term Loan 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 for Yes Bank Loan taken over.

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 on the fixed assets of the Sugar Division and Spirits (Distillery) Division of the Company situated at Baheri, U.P.

8. In the absence of confirmations, the balances in respect of Loans and Advances, Sundry Debtors, Sundry Creditors, Acceptances, Deposits 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.

9. A sum of Rs. 114.21 Lacs paid under Voluntary Retirement Scheme (VRS) including Rs. 4.32 Lacs paid during the year is treated as Deferred Revenue Expenditure. Accordingly, a sum of Rs. 12.54 Lacs has been written-off during the year.

10. 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 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.

11. The Company's Accounting Year for the purpose of compliance with the provisions of the Companies Act, 1956 ended on 30th June, 2007 and the previous year for tax purpose ended on 31st March, 2007. The income if any for the period from 1/4/2007 to 30/6/2007 forming part of the annexed accounts will be assessed as a part of the composite income relevant to previous year ending 31st March, 2008 i.e. Assessment Year 2008-2009.

The Company has made provision for Current Income Tax of Rs. 45.33 Lacs and Deferred Tax Liability of Rs. 144.99 Lacs for the financial year 2006-2007 pertaining to Assessment Year 2007-2008. Current Income Tax of Rs. 45.33 Lacs includes Rs. 36.28 Lacs for provision of Fringe Benefit Tax for the period July 2006 to June 2007.

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

Particulars	As on 30th June, 2007	(Rs. in Lacs) As on 30th June, 2006
<b>Deferred Tax Liability</b>		
Accumulated depreciation	932.99	842.31
Total Deferred Tax Liability	<b>932.99</b>	<b>842.31</b>
<b>Deferred Tax Assets</b>		
Expenses deductible on payment	26.91	—
Losses Carried Forward	8.82	—
Capital Losses Carried Forward	—	90.04
Total Deferred Tax Assets	<b>35.73</b>	<b>90.04</b>
<b>Net Deferred Tax Liability</b>	<b>897.26</b>	<b>752.27</b>

12. Sundry Creditors include Rs.13.71 Lacs (*Previous year Rs. 3.21 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. 3.71 Lacs |
| 2. M/s. Atul Electri Formers Pvt. Ltd. | Rs. 2.53 Lacs |
| 3. M/s. Deepak Chemical Lime Works     | Rs. 5.26 Lacs |
| 4. M/s. Dehra mineral Corporation      | Rs. 2.21 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'.

13. Sundry Debtors of Rs. 48.94 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.
14. On 6th September, 2005, the Company had 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. Out of these warrants 5,08,400 warrants allotted to a private corporate body on which an amount of Rs. 49,31,480/- was paid as Warrants application money was forfeited due to the failure of the allottee to pay the balance amount on the said warrants. The amount so forfeited has been transferred to the capital reserve account. The Promoters and the Persons acting in concert were ready to pay the balance 90% of the 11,51,600 warrants held by them. However, only 4,51,600 warrants could be converted into shares in order to comply with the provisions of the SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 1997 which prescribed the post conversion percentage holding by the Promoters and the persons acting in concert below 55%. The Company has requested SEBI for their approval either to refund the application money received on 7,00,000 share warrants held by the promoters and the persons acting in concert or to adjust the share warrant application money amounting to

## Annual Report 2006-2007

Rs. 67, 90,000/- against the allotment of additional 70,000 equity shares of Rs. 10/- each at a premium of Rs. 87/- per equity share to the respective applicants. SEBI has advised the Company to make an application in respect of the same. Accordingly, the application money received on 700,000 share warrants held by the promoters and the persons acting in concert amounting to Rs. 67,90,000/- has been transferred to "Share warrant Application money Suspense Account" pending the approval of SEBI.

15. 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.

16. 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, 2007 indicated in <b>bold</b> . Previous year figures indicated in the row therebelow:					
<b>Segmental Revenue</b>					
<b>Sales (Net of intra division/segment revenue)</b>	<b>13,880.92</b> <i>14,790.03</i>	<b>13,356.50</b> <i>12,544.25</i>	<b>966.39</b> <i>1,041.49</i>	<b>889.74</b> <i>564.97</i>	<b>29,093.55</b> <i>28,940.74</i>
<b>Other Income</b>	<b>92.96</b> <i>56.09</i>	<b>73.84</b> <i>78.38</i>	<b>15.63</b> <i>15.54</i>	<b>41.69</b> <i>15.45</i>	<b>224.12</b> <i>165.46</i>
<b>Less: Inter Segment/Division Revenue</b>	<b>831.09</b> <i>725.79</i>	— —	— —	<b>310.48</b> <i>259.55</i>	<b>1,141.57</b> <i>985.34</i>
<b>Add: Unallocable Income</b>					<b>36.14</b> <i>280.41</i>
<b>Total Revenue</b>					<b>28,212.24</b> <i>28,401.27</i>
<b>Segmental Result before Interest &amp; Taxation</b>	<b>(1,352.78)</b> <i>2,022.75</i>	<b>462.88</b> <i>289.08</i>	<b>549.49</b> <i>656.74</i>	<b>213.23</b> <i>86.42</i>	<b>(127.18)</b> <i>3,054.99</i>
<b>Less: Segmental Interest</b>	<b>689.90</b> <i>612.40</i>	<b>7.30</b> <i>5.78</i>	<b>0.15</b> <i>0.46</i>	<b>1.01</b> <i>0.05</i>	<b>698.36</b> <i>618.69</i>
<b>Segmental Result before Taxation</b>	<b>(2,042.68)</b> <i>1,410.35</i>	<b>455.58</b> <i>283.30</i>	<b>549.34</b> <i>656.28</i>	<b>212.22</b> <i>86.37</i>	<b>(825.54)</b> <i>2,436.30</i>
<b>Less: Unallocable Expenses Net of Unallocable Income</b>					<b>830.52</b> <i>611.61</i>



# KESAR ENTERPRISES LTD.



	Sugar	Spirits	Storage & Handling	Others	(Rs. in Lacs) Total
Figures for the Year ended 30th June, 2007 indicated in <b>bold</b> . Previous year figures indicated in the row therebelow:					
<b>Profit /(Loss) Before Taxation</b>					<b>(1,656.06)</b> 1,824.69
<b>Less: Provision for Tax</b>					<b>46.66</b> 378.58
<b>Less: Deferred Tax</b>					<b>144.99</b> 335.11
<b>Profit/( Loss) after Tax</b>					<b>(1,847.71)</b> 1,111.00
<b>Segmental Assets</b>	<b>15,667.65</b>	<b>4,727.07</b>	<b>2,318.43</b>	<b>803.02</b>	<b>23,516.17</b>
	11,079.81	4,209.67	1,512.27	573.75	17,375.50
<b>Unallocable Assets/ Investments</b>					<b>1,793.08</b> 1,766.18
<b>Total Assets</b>					<b>25,309.25</b> 19,141.68
<b>Segmental Liabilities</b>	<b>16,065.86</b>	<b>892.10</b>	<b>899.37</b>	<b>78.73</b>	<b>17,936.06</b>
	7,912.26	998.05	87.78	61.89	9,059.98
<b>Share Capital &amp; Reserves Less Miscellaneous Expenditure</b>					<b>3,438.48</b> 4,838.02
<b>Unallocable Liabilities</b>					<b>3,934.71</b> 5,243.68
<b>Total Liabilities</b>					<b>25,309.25</b> 19,141.68
<b>Capital Expenditure including Capital Work in Progress</b>	<b>637.86</b>	<b>193.76</b>	<b>884.85</b>	<b>35.14</b>	<b>1,751.61</b>
	180.13	463.46	119.19	64.63	827.41
<b>Unallocable</b>					<b>122.44</b> 181.87
<b>Total</b>					<b>1,874.05</b> 1,009.28
<b>Depreciation</b>	<b>230.63</b>	<b>142.29</b>	<b>106.07</b>	<b>15.81</b>	<b>494.80</b>
	213.76	126.77	105.43	13.15	459.11
<b>Unallocable Depreciation</b>					<b>112.96</b> 78.86
<b>Total Depreciation</b>					<b>607.76</b> 537.97
<b>Non Cash Expenditure other than depreciation</b>	<b>10.76</b>	<b>1.78</b>	—	—	<b>12.54</b>
	13.06	1.78	—	—	14.84

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 2006-2007

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

Names of related parties and nature of related party relationships:

(a) Subsidiary Companies:

Amber Distilleries Limited (Upto 25th July 2006)

(b) Associates:

N.A.

(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 2007 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>15.36</b>	15.75
Rent Paid				<b>15.65</b>	15.65
Interest on Inter Corporate Deposits				—	6.53
Interest on Fixed Deposits			<b>0.46</b>	0.49	
Car Purchase				<b>96.09</b>	—
Advances refunded by Subsidiary Companies	—				18.06
Interest on Car loan paid				<b>1.56</b>	—
Managerial Remuneration			<b>36.80</b>	71.32	
Inter Corporate Deposits Refunded				—	153.27



				(Rs. in Lacs)
Nature of Transaction	Subsidiary Companies	Associates	Key Managerial Personnel and Relatives	Enterprises over which influence exists
Fixed Deposits Accepted / Renewed			<b>5.00</b>	
			5.00	
Fixed Deposits Refunded			—	
			18.00	
Balance Outstanding as on 30th June, 2007 indicated in <b>bold</b> . Previous year figures indicated in the row therebelow:				
Advances to Subsidiary Company	—			
	40.00			
Sundry Creditors				<b>72.95</b>
				3.09
Investments	—			
	453.60			
Fixed Deposits			<b>5.00</b>	
			5.00	

**18. 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:

				(Rs. in Lacs)
Sr. No.	Name	Balance as at 30th June 2007	Maximum amount outstanding during the year	No. of shares of the Company held by the loanee as at 30th June 2007
1.	Amber Distilleries Limited	—	40.00	—

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

	2006-2007	2005-2006
Profit/(Loss) after Tax & Preference Dividend (Rs. in Lacs)	(1,850.05)	1,108.72
No. of Equity Shares	67,90,915	63,39,315
Basic and diluted earnings per share – Rupees (Face value of share – Rs. 10 each) (based on 64,85,312/-weighted average no. of equity shares)	(28.53)	17.49

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

**21. 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, November 19, 2007

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, November 19, 2007

**Annexure to Note No. 20**

**Annexure I**

Quantitative Information of Manufacturing and Trading activities :

Figures for the Year ended 30th June, 2007 indicated in **Bold**. Previous year figures indicated in the row therebelow in brackets.

	* Licenced Capacity		Installed Capacity		Actual Production		Opening Stock		Closing Stock		Sales	
	Capacity	Capacity	Capacity	Capacity	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
(A) Manufacturing activities of the Company :												
(1) Sugar	Sugar Cane Crushing	Sugar Cane Crushing										
(LOI)-	<b>6500 TCD</b>	<b>6500 TCD</b>			<b>1,148,430</b>	<b>6,507.00</b>	<b>397,692</b>	<b>11,327.44</b>	<b>799,033</b>	<b>11,327.44</b>	<b>745,699</b>	<b>12,170.18</b>
(LOI)-	(6500 TCD)	(6500 TCD)	(791,140)	(5,061.24)	(367,694)	(6,507.00)	(397,692)	(6,507.00)	(759,762)	(13,748.20)	(759,762)	(13,748.20)
(II) Distillery Division :	K.L.	K.L.										
(1) Rectified Spirit	<b>16,365</b>	<b>16,365</b>	<b>129,96</b>	<b>23.68</b>	<b>129,96</b>	<b>140.35</b>	<b>850.62</b>	<b>140.35</b>	<b>3,905.21</b>	<b>875.09</b>	<b>3,905.21</b>	<b>875.09</b>
	(16,365)	(16,365)	(311.73)	(64.03)	(311.73)	(23.68)	(129.96)	(23.68)	(3,321.18)	(662.59)	(3,321.18)	(662.59)
(2) Denatured Spirit			<b>233.72</b>	<b>8.60</b>	<b>45.29</b>	<b>7.44</b>	<b>36.31</b>	<b>7.44</b>	<b>241.91</b>	<b>58.11</b>	<b>241.91</b>	<b>58.11</b>
			(283.49)	(9.36)	(44.59)	(8.60)	(45.29)	(8.60)	(280.95)	(62.18)	(280.95)	(62.18)
(3) Special Denatured Spirit			<b>6,573.15</b>	<b>1.69</b>	<b>9.54</b>	<b>4.23</b>	<b>22.46</b>	<b>4.23</b>	<b>6,543.50</b>	<b>1,413.15</b>	<b>6,543.50</b>	<b>1,413.15</b>
			(5,955.06)	(1.14)	(7.58)	(1.69)	(9.54)	(1.69)	(5,938.00)	(1,157.92)	(5,938.00)	(1,157.92)
(4) Country Liquor			<b>5,987.60</b>	<b>256.13</b>	<b>275.54</b>	<b>208.15</b>	<b>188.05</b>	<b>208.15</b>	<b>6,049.30</b>	<b>7,078.78</b>	<b>6,049.30</b>	<b>7,078.78</b>
			(6,251.01)	(458.53)	(481.57)	(256.13)	(275.54)	(256.13)	(6,410.33)	(6,896.03)	(6,410.33)	(6,896.03)
(5) Extra Neutral Alcohol	<b>6,000</b>	<b>6,000</b>	<b>1,626.00</b>	<b>12.02</b>	<b>55.72</b>	<b>34.43</b>	<b>143.47</b>	<b>34.43</b>	<b>899.56</b>	<b>176.19</b>	<b>899.56</b>	<b>176.19</b>
	(6,000)	(6,000)	(1,442.37)	(5.10)	(20.90)	(12.02)	(55.72)	(12.02)	(518.60)	(116.26)	(518.60)	(116.26)
(6) Indian Made Foreign Liquor (IMFL)	<b>3,070</b>	<b>2,160</b>	<b>6,029.10</b>	<b>104.22</b>	<b>243.57</b>	<b>132.19</b>	<b>267.45</b>	<b>132.19</b>	<b>5,972.99</b>	<b>2,766.54</b>	<b>5,972.99</b>	<b>2,766.54</b>
	(3,070)	(2,160)	(6,112.86)	(140.25)	(392.22)	(104.22)	(243.57)	(104.22)	(6,216.70)	(2,863.94)	(6,216.70)	(2,863.94)
(7) CO 2			<b>1,789,000.00</b>	<b>0.40</b>	<b>20,407.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,809,407.00</b>	<b>35.51</b>	<b>1,809,407.00</b>	<b>35.51</b>
			(1,300,000.00)	(0.38)	(19,203.00)	(0.40)	(20,407.00)	(0.40)	(1,298,796.00)	(25.82)	(1,298,796.00)	(25.82)
(8) Miscellaneous			<b>0.31</b>	<b>0.31</b>	<b>0.31</b>	<b>0.31</b>	<b>0.31</b>	<b>0.31</b>	<b>0.42</b>	<b>0.42</b>	<b>0.42</b>	<b>0.42</b>
			(0.09)	(0.09)	(0.09)	(0.31)	(0.31)	(0.31)	(0.42)	(0.42)	(0.42)	(0.42)
(III) Processed Seeds			<b>28,731.76</b>	<b>31.74</b>	<b>1,945.21</b>	<b>10.00</b>	<b>438.21</b>	<b>10.00</b>	<b>30,176.92</b>	<b>330.43</b>	<b>30,176.92</b>	<b>330.43</b>
			(19,526.61)	(4.57)	(250.31)	(31.74)	(438.21)	(10.00)	(17,839.51)	(213.37)	(17,839.51)	(213.37)
(IV) Agricultural Products									<b>409.32</b>	<b>409.32</b>	<b>409.32</b>	<b>409.32</b>
									(348.36)	(348.36)	(348.36)	(348.36)

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. 20 (Contd.)

Figures for the Year ended 30th June, 2007 indicated in **Bold**. Previous year figures indicated in the row therebelow in brackets.

(Rs. in Lacs)

(B) Trading activities of the Company

	C L		SEEDS	
	Quantity K.L.	Amount	Quantity QTLS.	Amount
Opening Stock	<b>0.09</b> (—)	<b>0.11</b> (—)	— (—)	— (—)
Purchase	<b>780.22</b> (669.43)	<b>933.74</b> (739.80)	<b>2,020.80</b> (272.77)	<b>76.95</b> (3.50)
Sales	<b>780.31</b> (668.96)	<b>952.13</b> (758.69)	<b>1,854.08</b> (272.37)	<b>149.98</b> (3.24)
Closing Stock	— (0.09)	— (0.11)	<b>166.72</b> (—)	<b>19.31</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 1,83,877 Qtls. from Own Farm (Previous Year 1,31,396 Qtls.)]	<b>1,14,87,996 Qtls.</b> (83,84,688 Qtls.)	<b>15,853.33</b> (10,992.18)
(2) Distillery Division	Molasses [Inclusive of 4,56,062 Qtls. from Sugar Division (Previous Year 3,56,130 Qtls.)]	<b>706,980 Qtls.</b> (6,42,495 Qtls.)	<b>2,157.04</b> (1,829.25)
	Malt Spirit	<b>2,943.40 K.L.</b> (4,544.00 K.L.)	<b>2.43</b> (2.37)
	Spirit [Inclusive of 220 KL from Distillery Division (Previous Year 309 KL)]	<b>1,187.91 K.L.</b> (328.68 K.L.)	<b>355.08</b> (90.24)
(3) Seeds Division	Seeds [Inclusive of 8,961 Qtls. from Own Farm (Previous Year 13,495 Qtls.)]	<b>28,751 Qtls.</b> (19,739 Qtls.)	<b>238.85</b> (171.10)

Value and Percentage of Consumption of Raw Materials, Stores and Spares	Raw Materials		Stores and Spares	
	Rs.in Lacs	Percentage	Rs. in Lacs	Percentage
Imported	— (—)	— (—)	— (—)	— (—)
Indigenous (including canallised items & cane supplied from Own Farms)	<b>18,606.73</b> (13,085.16)	<b>100.00</b> (100.00)	<b>2,492.57</b> (2,221.10)	<b>100.00</b> (100.00)

(D) Expenditure in Foreign Currency on account of travelling

**12.23**  
(6.57)

(E) Value of Imports on C.I.F basis:

(i) Spare Parts

—  
(—)

(ii) Capital Items

**15.47**  
(10.74)

(F) Earnings in foreign exchange:

Export of goods on F.O.B. basis

**Nil**  
(Nil)

# Annual Report 2006-2007

## Cash Flow Statement for the year ended 30th June, 2007

(Rs in Lacs)  
Previous Year

### A. CASH FLOW FROM OPERATING ACTIVITIES :

<b>NET PROFIT/(LOSS) BEFORE TAX</b>	(1,656.06)	1,824.69
<b>Adjustments for :</b>		
Depreciation	607.76	537.97
Dividend Income	(0.42)	(2.08)
Interest Income	(21.97)	(10.21)
Interest and Finance Charges	952.45	947.80
Transferred to Molasses and Alcohol Storage Fund & Effluent Disposal Fund	9.85	6.59
Profit on sale of Fixed Assets/ Investments	(14.82)	(69.91)
Profit on sale of Property under Development	—	(38.51)
Assets Discarded/Scrapped	1.75	0.87
Miscellaneous Expenditure written off	12.54	14.84
Other Interest & Finance Charges written back	(8.51)	(159.53)
Credit Balances Written Back	(22.88)	(10.92)
Bad Debts/Advances written off	1.66	1.64
Provision for expenses no longer required	—	(0.18)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(138.65)</b>	<b>3,043.06</b>
<b>Adjustments for :</b>		
Inventories	(5,028.51)	(1,489.57)
Trade and Other Receivables	479.11	(661.26)
Loans & Advances	192.09	(441.72)
Trade Payables	5,671.34	(626.15)
Other Current Liabilities	(140.88)	(538.42)
<b>CASH (USED IN)/GENERATED FROM OPERATIONS</b>	<b>1,034.50</b>	<b>(714.06)</b>
Taxes (Paid)/Refunds	(536.06)	(80.32)
Prior Period Adjustments	35.86	(23.04)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>534.30</b>	<b>(817.42)</b>

### B. CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets/Capital Work-in-Progress	(1,874.05)	(1,009.29)
Sale/Scrap of Fixed Assets	20.52	110.30
(Purchase) of Investments	—	(0.50)
Sale of investments	134.24	—
Interest Received	25.53	6.80
Dividend Received	0.42	2.08
Deferred Revenue Expenditure	(4.32)	(2.72)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(1,697.66)</b>	<b>(893.33)</b>



**Cash Flow Statement for the year ended 30th June, 2007 (Contd.)**

	<b>(Rs in Lacs)</b>	
	<b>Previous Year</b>	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayment of Term Loans	278.58	(378.63)
Increase/ (Decrease) in Bank Borrowings	2,098.16	2,534.48
Increase/ (Decrease) in Short Term Borrowings	(75.10)	(81.01)
Dividends Paid	(76.15)	(253.29)
Issue of Share Warrant/Shares	394.24	161.02
Arrears of Share Premium Received	—	0.16
Interest Paid	(946.24)	(793.70)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>1,673.49</b>	<b>1,189.03</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>510.13</b>	<b>(521.72)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>468.04</b>	<b>989.76</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>	<b>978.17</b>	<b>468.04</b>

**Note: Figures in brackets are outflows.**

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

N. N. Jambusaria  
*Partner*

*Mumbai, November 19, 2007*

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, November 19, 2007*

# Annual Report 2006-2007

## 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 7  
DATE MONTH YEAR

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

PUBLIC ISSUE  
NIL

RIGHT ISSUE  
NIL

BONUS ISSUE  
NIL

PRIVATE PLACEMENT  
4 5 . 1 6

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

#### SOURCES OF FUNDS

TOTAL LIABILITIES  
1 6 2 3 0 . 4 1

PAID-UP CAPITAL  
8 7 9 . 0 9

SECURED LOANS  
1 1 7 3 1 . 9 1

#### APPLICATION OF FUNDS

NET FIXED ASSETS  
7 7 3 2 . 1 8

ACCUMULATED LOSSES  
NIL

TOTAL ASSETS  
1 6 2 3 0 . 4 1

RESERVES AND SURPLUS  
2 5 0 4 . 2 7

DEFERRED TAX LIABILITY  
8 9 7 . 2 6

UNSECURED LOANS  
1 4 9 . 9 8

INVESTMENTS  
2 . 0 0

NET CURRENT ASSETS  
8 4 8 3 . 4 5

MISCELLANEOUS EXPENDITURE  
1 2 . 7 8

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

TOTAL INCOME  
3 2 9 4 0 . 3 8

PROFIT/(LOSS) BEFORE TAX  
( 1 6 5 6 . 0 6 )

EARNING PER SHARE (IN Rs.)  
( 2 8 . 5 3 )

TOTAL EXPENDITURE  
3 4 5 9 6 . 4 4

PROFIT/(LOSS) AFTER TAX  
( 1 8 4 7 . 7 1 )

DIVIDEND RATE  
-

### 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 SUGAR

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





## STATEMENT OF FIGURES FROM SEASON 1986-87 TO 2006-2007 (Sugar Factory)

SEASON	DURATION DAYS	CANE CRUSHED M. TONS	SUGAR PRODUCED M. TONS	RECOVERY % OF CANE CRUSHED
1986-87	226	406,353.76	36,635.80	9.02
1987-88	212	422,531.80	37,389.08	8.85
1988-89	155	306,745.14	30,905.41	10.08
1989-90	222	569,131.22	52,390.95	9.21
1990-91	180	547,654.71	52,247.42	9.54
1991-92	203	746,941.45	72,961.77	9.77
1992-93	162	605,853.44	60,586.41	10.00
1993-94	142	582,473.61	57,287.22	9.84
1994-95	184	801,761.65	80,458.15	10.04
1995-96	194	871,869.00	84,386.84	9.68
1996-97	179	805,563.32	81,913.41	10.17
1997-98	164	747,149.95	74,985.32	10.04
1998-99	144	663,221.08	60,055.05	9.06
1999-2000	159	716,949.60	68,395.00	9.41
2000-2001	143	644,521.60	64,298.00	9.89
2001-2002	184	834,412.60	81,970.40	9.82
2002-2003	189	938,038.60	93,863.00	10.00
2003-2004	150	808,601.17	79,866.50	9.88
2004-2005	158	852,942.80	84,010.00	9.90
2005-2006	155	838,468.80	79,114.00	9.43
2006-2007	194	1,148,799.60	114,843.00	10.00

## STATEMENT SHOWING PRODUCTION AND YIELD IN DISTILLERY

Year	Production (Litres)	Yield per Quintal of Molasses (Litres)
1986-87	5,118,458	25.60
1987-89 (17 months)	6,216,600	24.90
1989-90	7,424,689	23.80
1990-91	6,477,165	24.80
1991-92	7,248,330	24.80
1992-93	10,868,023	23.20
1993-94	8,850,660	21.30
1994-95	8,142,169	21.70
1995-96 (15 months)	13,355,146	21.70
1996-97	11,798,172	22.00
1997-98	11,419,540	20.90
1998-99	8,545,420	19.70
1999-2000	11,701,670	20.40
2000-2001	12,835,127	21.40
2001-2002	12,280,300	21.00
2002-2003	12,954,000	21.16
2003-2004	11,552,050	24.12
2004-2005	11,274,630	22.58
2005-2006	14,765,450	22.98
2006-2007	16,412,783	23.22

# Annual Report 2006-2007

Year end position	(Rs. in lacs)										
	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-99	1997-98	
Share Capital	746.99	794.95	633.93	633.93	633.93	633.93	633.93	633.93	633.93	633.93	
Reserves and Surplus	2,504.27	3,864.07	3,271.71	3,409.50	3,327.16	4,664.49	5,039.56	4,997.50	4,956.95	4,985.26	
Deferred Tax Liability	897.26	752.27	417.15	277.28	262.86	383.29	—	—	—	—	
Borrowings	11,881.89	9,581.43	7,507.10	6,958.04	7,547.44	8,196.31	9,551.34	9,634.38	9,941.49	9,549.92	
Working Capital	8,483.45	8,242.78	5,536.90	4,836.65	5,551.90	6,268.15	8,705.80	8,582.54	8,855.32	8,580.25	
Capital Employed	16,230.41	15,192.72	12,029.89	11,478.75	11,771.39	13,878.02	15,224.83	15,265.81	15,532.37	15,169.11	
Gross Block	15,557.89	14,552.40	13,660.10	13,292.96	11,918.23	11,208.64	10,645.42	10,452.35	10,217.39	9,797.59	
Net Block	6,496.57	6,078.81	5,697.98	5,765.89	4,774.26	4,470.78	4,371.92	4,587.55	4,793.94	4,847.75	
Investments	2.00	455.60	455.10	455.10	455.39	2,039.49	896.44	896.43	896.52	896.56	
<b>Equity Shares</b>											
Book Value (Rs.) @	46.69	73.16	59.89	28.15	25.78	46.71	52.38	51.82	52.03	51.95	
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	27,951.98	27,955.41	25,044.67	24,555.65	28,080.17	30,930.40	15,223.63	12,194.88	14,168.85	14,999.92	
Depreciation	607.76	537.97	512.96	500.43	444.53	478.61	431.41	473.82	532.36	743.6	
Profit Before Tax	(1,656.06)	1,824.69	1,863.44	157.23	(1,487.62)	20.59	61.56	92.13	85.47	304.11	
Profit After Tax	(1,847.71)	1,111.00	1,661.73	128.49	(1,367.80)	100.97	40.49	90.68	30.47	285.36	
Equity Dividend %	—	25.00	20.00	—	—	—	—	—	—	15.00	
Equity Dividend Amount	—	158.48	126.79	—	—	—	—	—	—	95.09	

@ Excluding Capital Reserve other than profit on forfeiture of Share Warrants.