

Statement of the Chairman Shri H R Kilachand for the 80th Annual General Meeting of the Members of the Company

Ladies and Gentlemen,

I welcome you all to the 80th Annual General Meeting of the Company.

Alignment of Financial Year

The Financial Year of the Company was from 1st July to 30th June of the following year. As per Section 2(41) of the Companies Act, 2013, to follow a homogeneous Financial Year starting from 1st April to 31st March of the following year within a transition period of 2 years from the date of commencement of the Act, after obtaining necessary prior approval from the Registrar of Companies, Mumbai, the Company had extended its Financial Year by a further 6 months i.e. from 1.7.2013 to 31.12.2014. Consequently, the next Financial Year will be for 15 months i.e. from 1.1.2015 to 31.3.2016.

Applicability as to relevant Financial Year

As per General Circular issued by the Ministry of Corporate Affairs, the Company had prepared its Financial Statements, Auditor's Report and Directors' Report as per the relevant provisions / schedules / rules of the Companies Act, 1956.

Statement of Accounts:

The Annual Report and audited Accounts for the 18 months period ended 31.12.2014 are with you. The said Accounts is being adopted at this General Meeting. For the said period, the loss of the Company is Rs.120.02 crore and the accumulated losses are Rs.150.59 crore. The Net Worth is Rs.(114.53) crore as calculated on the basis of Book Value of the assets of the Company (without considering Revaluation of its assets amounting to Rs.232.06 crore). The causes of such erosion of the Net Worth and the steps & measures being taken by the Company to improve the same are explained in the Directors' Report.

As per Section 253 of the Companies Act, 2013, sickness of a Company is to be determined not on the basis of whether Accumulated Losses exceed Net Worth but on the basis of whether, on a demand by the secured creditors of the said Company representing 50% or more of its outstanding amount of debt, the said Company has failed to pay the debt within a period of 30 days of the service of the Notice of Demand. In such event, the said secured creditor may file an application to the National Company Law Tribunal [Tribunal] along with the relevant evidence for such default, non-repayment or failure to offer security or compound it, for a determination that the said Company be declared as a Sick Company. As Section 253 is not yet Notified and the Tribunal is not yet formed, the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 [SICA] will continue to apply to such Companies. Accordingly as per Section 15 of SICA, a reference to the Board for Industrial and Financial Reconstruction [BIFR] has to be made, within 60 days from the date of finalization of the audited Accounts, that the Company has become a Sick Industrial Company. In view of the above, the Company is regarded as a Sick Industrial Company at the end of the 18 months period i.e. on 31.12.2014 and will make such reference to BIFR.

Dividend:

In view of the loss during the 18 months period amounting to Rs.120.02 crore, your Directors have not recommended any dividend on Cumulative Redeemable Preference Shares and Equity Shares.

WORKING OF DIVISIONS:

Sugar & Power Division

	Season 2014-15 Upto 31.12.2014	Season 2013-14	Season 2012-13
Crushing started on	02.12.2014	07.12.2013	25.11.2012
Duration of Crushing Operations (Days)	30	109	142
Sugarcane Crushing [(Qtls)	18,70,400	58,91,000	85,80,000
Sugar Production (Qtls)	1,68,150	5,51,000	7,81,000
Sugar Recovery (%)	9.60	8.96	9.14
Fair & Reasonable Price [FRP] of sugarcane (a Qtl)	220	210	170
State Advised Price (SAP) of sugarcane (a Qtl)	280	280	280
Molasses Production (Qtls)	84,174	2,71,000	3,98,000
Bagasse Produced (Qtls)	5,36,190	18,23,000	26,07,000
Cogen Plant Operations started on	30.11.2014	05.12.2013	01.10.2012
Duration of Cogen Plant Operations (Days)	32	131	250
Cogen Plant Generated Power (lac MW)	0.25	1.01	1.89
Power Exported to the Grid (lac MW)	0.18	0.73	1.47
Power Exported to the Grid (Rs. in crore)	9.69	34.31	70.22

During the season 2013-14, the crushing was lower due to a short period of crushing for lack of availability of sugarcane.

For the seasons 2013-14 & 2014-15, State Advised Price (SAP) of sugarcane of Rs.280/- a quintal as announced by the U P Government was much beyond the paying capacity of the Sugar Mills, which resulted into substantial cane price arrears. Hence, the cost of production in U. P. became the highest in the country, which rendered the U. P. Sugar industry unviable, cash-starved and uncompetitive. There is an urgent need to rationalize the cane pricing policy in U.P. and adopt a 'linkage formula' recommended by the Rangarajan Committee. The two major sugar producing States i.e. Maharashtra and Karnataka, who together contribute for almost 50% of the country's sugar production, have adopted and implemented the 'linkage formula' as recommended by the Rangarajan Committee and are paying cane price as per FRP or at 75% of revenue realisation from sugar. A team of senior officials from U.P. had visited Maharashtra and Karnataka to study their cane pricing system and had submitted their report to the State Government but no decision is taken till date in the matter. The U P Government had announced to form a high level committee to determine a fair Sugarcane Pricing Policy. The Supreme Court upheld the Allahabad High Court Order that the Sugar Mills must sell the sugar stocks, given as security to the Banks, to clear the sugarcane arrears to farmers. The Banks have therefore become quite apprehensive due to seizure and forced auction of sugar stocks of several Companies by the State authorities, ignoring the first charge of Banks. The Banks have refused to renew credit facilities for the current season as they want clarity and transparency on the cane pricing policy to take further exposures on U.P. Sugar Mills. Recently, the ex-mill sugar prices have fallen to Rs.2,500/- per quintal in March 2015, the lowest in the last 3 years, which has resulted into severe financial crises in the U. P. Sugar Industry. Thus, several sugar Companies have fallen sick and have become BIFR Companies, including the Company.

In February 2014, the Central Government had extended sugar export incentives by way of subsidy @ Rs.3,300/- a ton for export up to 4 million tons of raw sugar, which was increased to Rs.3,371/- a ton for August & September 2014, to improve domestic sugar price and in turn the profitability of the Company. In a move to bail out the ailing Sugar industry struggling with lower prices and higher stocks, in August 2014, the Food Ministry had hiked import duty on sugar from 15% to 25%; and raised the limit of Ethanol blending with Petrol to 10%.

On 14.8.2014, the U P Government had notified the Molasses Policy for 2013-14 (November-October) with retrospective effect. According to the new policy, 34% of the total molasses produced in U P were reserved for production of liquor, up from 20% earlier. The Policy made it mandatory for Sugar mills to sell molasses to country-liquor manufacturers at prices lower than the market rates. The U P Government had announced its Molasses Policy for 2014-15 (November-October), wherein the molasses reservation rate to the country-liquor manufacturers had been reduced from 34% to 15%. The Policy had been specifically formulated to help the sick driven Sugar industry, which was required to reserve a part of their total molasses production for the country-liquor manufacturers at a rate which is much lower than the market specified prices.

All India Sugar Production for the Year 2013-14 (1.10.2013 to 30.9.2014): (As per ISMA)

	(in lac tonnes)
Opening stock as on 1.10.2013	92.98
Production in sugar season 2013-14	243.96
Imports	0.98
Total availability	337.92
Offtake: 1. Internal consumption	241.75
2. Exports	21.17
Total Offtake	262.92
Closing stock as on 30.9.2014 / Opening stock as on 1.10.2014	75.00

Spirits Division:

Financial Year	2013-14 (18 months)	2012-13
Production of Rectified Spirit (RS) / Special Denatured Spirit (SDS) / Denatured Spirit (DS) (Bulk Ltrs) including outside purchases	2,03,66,926.00	1,06,94,133.30
Sale of RS / SDS / DS (Bulk Ltrs) including net captive consumptions	2,11,91,321.00	1,00,16,760.10
Production of ENA (Bulk Ltrs) including outside purchases	69,68,031.10	47,53,652.60
Sale of ENA (Bulk Ltrs) including net captive consumptions	74,20,220.20	48,07,824.50
Sale of IMFL - Own (Cases)	1,92,586	2,93,715
- Franchise (Cases)	1,50,626	1,67,927
Sale of Country Liquor (Cases)	14,84,818	7,56,750
Landed Price (Average) of Molasses (Rs. / Qtl)	443.66	325.73

Agrotech Division:

With effect from 1.7.2013, the Company has merged its Seed Division into Agrotech Division, in view of surrender of the farm lands by the Company in June 2013, which were declared as surplus under the U.P. Imposition of Ceiling on Land Holding Act, 1960.

WORKING FOR THE CURRENT FINANCIAL YEAR 2015-16 (15 months):**Sugar Division**

The crushing season 2014-15 is already started from 02.12.2014 and is expected to continue up 19.3.2015.

	From 1.1.2015 to 15.3.2015
Sugarcane Crushing (Qtls)	41,98,200
Sugar Production (Qtls)	4,00,990
Sugar Recovery (%)	9.54
Molasses Production (Qtls)	1,92,211
Bagasse Produced (Qtls)	12,08,121.81
Cogen Plant Generated Power (lac MW)	0.61
Power Exported to the Grid (lac MW)	0.42
Power Exported to the Grid (Rs. in crore)	23.36

Recently, the Central Government has announced export incentives for the year 2014-15 (October/ September) by way of subsidy of Rs.4,000/- a quintal for export of about 1.4 million tons raw sugar to enable the Sugar Mills to export raw sugar at a competitive global prices and to trim inventory piled-up due to the 5th straight year of surplus output, before the end of the season, which may result into increase in the domestic price of Sugar.

Power Division

The Cogen Power Plant is already started from 30.11.2014 and is expected to run up to 3rd / 4th week of March, 2015. Recently in December 2014, UP Electricity Regulatory Commission has revised the tariff rate for sell of power from Rs.4.81 per unit to Rs.5.50 per unit w.e.f. 01.4.2014, which will result into additional revenue. However, Uttar Pradesh Power Corporation Ltd. has challenged the said increase. The Company has applied for Renewable Energy Certificate for 5,271 units, which will generate additional revenue.

Spirits Division

The sugar cane crushing is expected to be slightly higher as in the previous season. Therefore, the total molasses availability will also be almost the same.

	From 1.1.2015 to 15.3.2015
Production of Rectified Spirit (Bulk Ltrs)	18,50,155.10
Sales and Captive Consumption of Rectified Spirit (Bulk Ltrs)	8,45,548.20
Production of ENA (Bulk Ltrs)	7,73,611.20
Sales and Captive Consumption of ENA (Bulk Ltrs)	8,45,469.40
Supplies of Country Liquor (Cases)	1,97,250
Supplies of IMFL of the Company's brands (Cases)- Ex-Baheri	NIL
Supply of IMFL of Franchisee's brands - Ex-Baheri	12,100
Price (Average) of Molasses (Rs./Qtl) (Basic)	343.45
Landed Price (Average) of Molasses (Rs./Qtl) (Basic)	428.87

RAISING FUNDS THROUGH OPTIONALLY CONVERTIBLE PREFERENCE SHARES

Considering the immediate need of the Company to take steps to improve its net worth, as per the SEBI Regulations, on 27.3.2014, the Company had allotted 30,65,000 Zero Coupon Optionally Convertible Preference Shares ("OCPS") of Rs.10/- each aggregating to Rs.3,06,50,000/- to the Promoters / Promoter Group on Preferential basis with an option to convert the OCPS into Equity Shares of Rs.10/- each at a price of Rs.21/- per Equity Share (including premium of Rs.11/-) within a period of 18 months from the date of allotment of OCPS, in one or more tranches. During the Financial Year 2013-14, on exercise of option to convert 28,95,900 OCPS by the Promoters / Promoter Group, on 8.5.2014, the Company had allotted 13,79,000 Equity Shares of Rs.10/- each at a price of Rs.21/- per Equity Share (including premium of Rs.11/-) aggregating to Rs.2,89,59,000/-. Thus, the Issued, Subscribed & Paid up Equity Share Capital of the Company stands increased from 86,20,162 Equity Shares of Rs.10/- each aggregating to Rs.8,62,01,620/- to 99,99,162 Equity shares of Rs.10/- each aggregating to Rs.9,99,91,620/-. The total shareholding of the Promoters & Persons acting in concert with the Promoter & Promoter Group stands increased from the existing 64.927% to 69.764%. The Company has obtained the necessary Listing & Trading approvals from BSE & NSE for the same.

REDEMPTION OF PREFERENCE SHARES

In 2004, the Company had allotted 20,00,000 - 1% Cumulative Redeemable Preference Shares (CRPS) of Rs.10/-each fully paid-up aggregating to Rs.2,00,00,000 to Industrial Development Bank of India (IDBI), as per the Consent Terms dated 17.10.2003 signed under the Negotiated Settlement. The said CRPS were to be redeemed in 3 annual installments respectively on 10.08.2011, 10.08.2012 and 10.08.2013. Accordingly, the Company has paid all the 3 installments as on date. The Cumulative Dividend for the years 2011-12 & 2012-13 will be paid on the respective balance amounts as and when the Company declares Dividend on its Equity Shares.

RESTRUCTURING OF TERM LOANS

In view of the operational losses in the Sugar Division, Allahabad Bank and UCO Bank have restructured their Term Loans for Cogen Project amounting to Rs. 43.73 crore and Rs 41.11 crore respectively. For the purpose of the restructuring, 01.07.2014 has been agreed as the cut-off date. As per the restructuring package, the Company shall be allowed to repay the Cogen Term Loans as on the cut-off date over a period of 8 years (including the moratorium period of 2 years). The Company shall also be allowed to service the interest on the Cogen Loans during the moratorium period (i.e. 01.07.2014 to 30.06.2016) from Funded Interest Term Loan [FITL] sanctioned under the restructuring package. The FITL sanctioned is Rs.10.80 crore and Rs.10.12 crore by the Allahabad Bank and UCO Bank respectively.

DIRECTORS

Shri K D Sheth resigned from the office of Director of the Company with effect from 03.11.2014, due to old age; Shri K Kannan, expired on 18.12.2014; Smt. M H Kilachand resigned from the office of Director of the Company w.e.f. 31.12.2014 as she was not able to participate actively in the deliberations of the Board as a Director of the Company due to her engagement in various social activities. Shri P Nayak (Nominee of General Insurance Corporation [GIC]), Director of the Company retires by rotation at the ensuing Annual General Meeting.

Shri H R Kilachand is the Chairman and Managing Director of the Company for a period of 3 years with effect from 14.8.2013 and is also the Whole Time Director designated as Executive Chairman of Kesar Terminals and Infrastructure Limited (KTIL) for a period of 3 years with effect from 14.09.2013. The total remuneration drawn and retained by Shri H R Kilachand from both the Companies shall not exceed the higher maximum limit admissible from any one of the Companies i.e. the Company or KTIL as per the provisions of the Companies Act. Accordingly, Shri Kilachand had drawn remuneration of Rs.9.05 lac from the Company from 01.07.2013 to 30.06.2014. Shri Kilachand has opted for not drawing any remuneration from 01.07.2014 in view of heavy operational losses incurred by the Company.

Pursuant to the provisions of Sections 196, 197 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the Articles of Association of the Company, subject to the approval of the Central Government, if required, and as approved by the Nomination & Remuneration Committee and the Board of Directors on 27.01.2015, subject to your approval, Shri D J Shah was appointed as a Whole Time Director of the Company for a period of 3 years with effect from 27.01.2015 to 26.01.2018 on a remuneration as mentioned in the Special Resolution as placed before the Shareholders for approval.

Employees:

I would also like to place on record the devotion and hard work of the officers, staff and workers of the Company during the year under report.

Acknowledgement:

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

Thanking you.

H R KILACHAND
Chairman & Managing Director

19th March, 2015