



KESAR ENTERPRISES LTD.

74th Annual Report 2007-08

KE KESAR ENTERPRISES LTD.

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KE KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

COMPANY INFORMATION

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

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NOTICE

NOTICE is hereby given that the 74th Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on Friday, 31st October 2008 at 3:30 p. m. at Walchand Hirachand Hall, Indian Merchants' Chamber Building, 4th Floor, IMC Marg, Churchgate, Mumbai 400 020 to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2008 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on Cumulative Redeemable Preference Shares and Equity Shares.
3.
 - a. To appoint a Director in place of Smt. M. H. Kilachand, who retires by rotation but being eligible offers herself for reappointment.
 - b. To appoint a Director in place of Shri K. D. Sheth, 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:**

"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) 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 crore (approximately) or equivalent foreign currency inclusive of such premium as the Board at its absolute discretion may deem fit and appropriate."

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

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

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

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

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

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

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

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

“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.”

Registered Office:
Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai – 400 020
19th September 2008

By Order of the Board of Directors
D. J. SHAH
Vice President (Legal)
& Company Secretary

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Notes:

- a) **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member. The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 27.10.2008 to Friday 31.10.2008, 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 (INDIA) PVT. LTD. the Registrar and Share Transfer Agents, at 17/B Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (E), Mumbai 400 072 or with the Company.
- e) The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 setting out the material facts is annexed hereto.
- f) All documents referred to in the accompanying Notice and the Explanatory Statement is 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 Smt. M. H. Kilachand and Shri K. D. Sheth, 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 proposed resolution is an enabling resolution, which was approved earlier by the Shareholders at the last Annual General Meeting held on 20.12.2007 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 crore (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 crore (approximately) or equivalent foreign currency.

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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 Bombay Stock Exchange and National Stock Exchange on which the Company's shares are listed provides, *inter alia*, that the Company in the first instance should offer all the shares to be issued by the Company for subscription on 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.

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

19th September 2008

By Order of the Board of Directors
D. J. SHAH
Vice President (Legal)
& Company Secretary

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Directors' Report

To
The Shareholders,
Kesar Enterprises Ltd.

Dear Members,

Your Directors present to you the 74th Annual Report and audited Statement of Accounts for the year ended 30th June 2008.

FINANCIAL RESULTS:

	(Rs. in Lac)	
	2007-08	2006-07
Profit / (Loss) before interest, depreciation & taxation	2084.86	(95.85)
Less: Interest and Finance Charges	1267.14	952.45
Profit / (Loss) before Depreciation & Taxation (Cash Profit)	817.72	(1,048.30)
Less: Depreciation	661.19	607.76
Profit / (Loss) before tax	156.53	(1,656.06)
Add / (Less): Provision for Taxation		
(i) Income Tax - Current	(36.08)	45.33
(ii) Income Tax - Deferred	262.31	144.99
(iii) Wealth Tax	(1.40)	1.33
Profit / (Loss) after tax	381.36	(1,847.71)
Prior period adjustments	(1.85)	35.86
Profit available for appropriation	379.51	(1,811.85)
Appropriations:		
Add: Transferred from General Reserve	300.00	-
Less:		
(i) Proposed Preference Shares Dividend	4.00	-
(ii) Proposed Final Dividend on Equity Shares	33.95	-
(iii) Corporate Tax on Dividend	6.45	-
Profit after appropriation	635.11	(1,811.85)
Balance brought forward from previous year	(754.10)	1,057.75
Balance Carried Forward to Balance Sheet	(118.99)	(754.10)

There is profit after tax of Rs.381.36 lac as against a loss of Rs.1,847.71 lac in the previous year. This year the basic cost of sugarcane was reduced, sugar recovery was higher and sugar prices also went up towards the latter part of the financial year as compared to the previous year.

DIVIDEND

The Directors recommend dividend for the years 2006-07 and 2007-08 @ 1% on 20,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each issued to IDBI Ltd. under the One Time Settlement Scheme, in aggregate for two years amounting to Rs.4.00 lac plus dividend tax as applicable.

The Directors also recommend dividend @ 5% i.e. Re.0.50 per equity share on 67,90,915 equity shares of Rs.10/- each amounting to Rs.33.95 lac plus dividend tax as applicable for the year 2007-08 (Previous year Nil).

WORKING OF THE DIVISIONS

Sugar Division

The crushing for the season 2007-08 started on 26.11.2007 as against 14.11.2006 in the previous season. The late start was due to all Uttar Pradesh and Uttarakhand factories including the factory of the Company disagreeing to start operations for the reason until the State Government or Court intervened and reduced the price of sugarcane payable to the farmers as they were unable to pay the high State Advised Price (SAP) of Rs.125/- per quintal as fixed by the U. P. Government for cane and survive. On 15.11.2007, the Allahabad High Court (Lucknow Bench) passed an interim Order to pay sugarcane price @ Rs.110/- per quintal as against the SAP. Accordingly, the Company paid the cane price at Rs.110/- per quintal to the cane growers. The season ended on 6.5.2008 as against 27.5.2007, 21 days earlier than the previous season due to non-availability of sugarcane. During the season, the plant crushed 97.80 lac quintals of sugarcane, in 163 days as against 114.88 lac quintals crushed in 194 days in the previous year. The sugar recovery was the highest ever in the history of the Company at 10.67% as against

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10.00% in the previous season. It was also the highest amongst all the sugar factories in Uttar Pradesh. The recovery was much higher mainly due to early maturing varieties of cane developed by the Company spread all over the cane area, besides certain modifications in the plant at Baheri and with the help of good weather and rainfall. The production of sugar was 10.43 lac quintals as against 11.48 lac quintals in the previous season. The overall crushing and production of sugar were lower due to the late starting of the season and less cane availability. During the season 2007-08, Molasses produced was 4.28 lac quintals as against 5.89 lac quintals. Baggasse produced was 32.94 lac quintals as against 38.71 lac quintals in the previous season. Surplus baggasse sold was 6.59 lac quintals as against 7.39 lac quintals in the previous season. The Levy sugar price for the season 2007-08 is Rs.1,330.77 per quintal, which was the same in the previous season.

The Central Government hiked the Statutory Minimum Price (SMP) of sugar cane from Rs.80.25 per quintal at a base recovery of 9.00% with Re.0.90 increase in price for every 0.10% increase in recovery to Rs.81.18 per quintal for the season 2007-08. The Central Government announced a scheme for extending an interest-free financial assistance to sugar undertakings to enable them to clear their arrears on cane price to farmers for the season 2006-07 & 2007-08, to be repaid in 24 monthly instalments after a moratorium of 2 years. The Company has availed of the said scheme.

Subsequently, on 7.7.2008, the Allahabad High Court (Lucknow Bench) upheld the SAP of Rs.125/- per quintal as fixed by the U. P. Government. Against the said Order, on behalf of the Company as well as other Companies, U. P. Sugar Mills Association filed a Special Leave Petition (SLP) in the Supreme Court. Meantime, on 18.8.2008, in another matter of one of the sugar companies, the Allahabad High Court at Allahabad passed a contrary Order, quashing the SAP and allowing sugar mills to pay the SMP of Rs.81.18 per quintal as fixed by the Central Government. On 8.9.2008, the Supreme Court passed an interim Order directing the sugar mills in U. P. to pay cane price for the crushing season 2007-08 @ Rs.110/- per quintal. The Company is not affected financially by the said Order as the Company has paid the cane price at Rs.110/- per quintal to the cane growers. The final outcome is yet to be decided by the Supreme Court.

Agrotech Division

Crops

The Company has been producing sugarcane, rice, wheat, mustard and sunflower and carries on cane development activities. The Company has a tissue culture laboratory for rapid multiplication of different sugarcane varieties.

Seeds

Open Pollinated Seeds produced by the Company for wheat, paddy, mustard, toria, urd and peas have been very well received by the farmers. The Company has also undertaken production & marketing of Hybrid Seeds of paddy, maize & millet. These seeds are registered and sold under the brand name of Kesar Seeds. The Company has obtained a Seed License from the concerned authorities in the states of Madhya Pradesh and Haryana besides U.P., Uttarakhand, Bihar and has started operations in the Kharif season. The Research and Development (R&D) facility for hybrid field crops seeds is fully functional near Hyderabad. Simultaneously, R&D facility for development of vegetable seeds at Kichha, Uttarakhand is all set to provide products for marketing in near future.

Spirits Division

During the year under review the production of Rectified Spirit (RS) was slightly lower at 162.75 lac bulk litres as against 164.13 lac bulk litres in the previous year. The production of Extra Neutral Alcohol (ENA) was lower at 10.30 lac bulk litres as against 16.26 lac bulk litres in the previous year. The quantity of Country Liquor supplied was lower at 50.36 lac bulk litres as compared to 60.55 lac bulk litres in the previous year. The reduction in country liquor supplies was due to quota fixed mutually by the Country Liquor manufacturers in U. P. The production and sale of IMFL was 5.41 lac cases as against 6.82 lac cases in the previous year. The Company has contract bottling arrangements with various reputed parties, which ensures a higher capacity utilisation and reduction in operating overheads. New semi-premium and premium brands were introduced in the various markets.

Storage Division

The Storage Division at Kandla has done quite well during the year. The revenue generated was much higher at Rs.1,241.05 lac as against Rs.966.39 lac in the previous year in view of commissioning of additional 12 tanks during the year. In February 2008 there was an explosion and consequent fire due to an internal explosion in one of the tanks of Terminal No.II at Kandla. There was no personnel injury or causality. The said tank is insured by the Company and the claim has been lodged with the Insurance Company whereas, the material stored in the tank was insured by the concerned party. The operation of Terminal II was stopped for 3 weeks but is fully operational.

SUBSEQUENT FINANCIAL YEAR 2008-09

Sugar Division

For the season 2008-09, the Sugar Factory is expected to start by 15th November 2008. There may be significant reduction in cane availability due to diversion by farmers to other crops. The Levy sugar price for the season 2007-08 is yet to be announced by the Central Government. In fact, the Central Government has not revised the

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levy sugar price after 2003-04. In May 2004, in one of the sugar mill cases, the Supreme Court had mentioned that the SAP fixed by the State Government needs to be taken into account in the computation of the levy sugar price. On 31.3.2008, in another sugar mills case, the Supreme Court directed the Central Government to refix the price of levy sugar taking into account the SAP as against SMP. The Central Government has kept the SMP for sugar season 2008-09 at the same rate as last year which is Rs.81.18 per quintal linked to recovery of 9% with Re.0.90 increase for every 0.10% increase in recovery, which comes to Rs.96.21 per quintal in the case of the Company.

Agrotech Division:

Crops

The Company has undertaken cultivation of high valued crops like strawberry, potatoes etc. and is developing Bio-pesticides and Bio-fungicides for sugarcane cultivation such as Trichoderma Verdi and Trichocards. Initial trials of these new products have been successful and are now being replicated on a larger scale. The Company has also undertaken the development of greenhouse for cultivation of flowers like rose, gladiolus and gerbera.

Seeds

The Company has obtained license for starting Seed operation in the State of Rajasthan. The Company is also geared up to launch Kesar Seeds in Punjab, Himachal Pradesh and Chattisgarh. The seed processing capacity has also been enhanced by commissioning a new processing plant. The product portfolio has been expanded by adding seeds of arhar, gram & soyabean. Action Plan is in place to launch in-house developed vegetable seeds during the ensuing Rabi season. The Company expects to double the Volume of Seed business this year. Meanwhile, R&D on hybrid seeds in Hyderabad continues.

Spirits Division

The sugar cane crushing is expected to be lower this season hence molasses production will also be lower and therefore the prices of molasses are likely to go up substantially. 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 and IMFL is expected to be the same as the previous year. 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 good.

Storage Division

As reported earlier, the expansion plans of the Company are in full swing. With the completion of expansion by September 2008 end by commissioning of additional 8 tanks, the revenue of the Storage Division will go up further in the current financial year.

EXPANSION / MODERNISATION

Sugar Division

The Company will be implementing major energy efficient measures in the boiling house of the sugar factory in Baheri, thereby reducing steam and power consumption significantly, resulting in large savings in bagasse and thus increase in revenue on sale of the saved bagasse. Over and above that, there will be lower power and steam consumption, resulting in reduced load on boilers and turbines.

Co-generation Power Plant

The Company has revised its plan to Install Co-generation Power Plant from 25 MW to 30 MW at a cost of Rs.150 crore in Phase I, which will subsequently be increased to 45 MW at an additional cost of Rs.35 crore in Phase II. 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 Company is eligible to expand 25% capacity of the Distillery under U. P. Excise Policy. Considering the current market scenario, the Company is planning to expand the production capacity of the Distillery from 50,000 BL per day to 62,500 BL per day.

Storage Division

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. The Company has been allotted 10 acres of land at Kakinada port in Andhra Pradesh for such purpose.

WARRANTS

The details of conversion of warrants are mentioned in Note no.14 of Notes to the Accounts.

KESAR ENTERPRISES LTD.

DIRECTORS

Smt. M. H. Kilachand and Shri K. D. Sheth 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 2008, 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 and of the profit for that year;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the Annual Accounts for the financial year ended on 30th June 2008 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.3,81,000/- due for repayment on or before 30th June 2008 were not claimed by 15 depositors as on that date.

SUBSIDIARY COMPANY

On 21.1.2008, Kesar Terminals & Infrastructure Ltd. (KTIL) was incorporated as a Wholly-Owned Subsidiary of the Company. KTIL has received the Certificate for Commencement of Business on 18.3.2008. The Company holds the entire 5,00,000 Equity Shares of Rs.10/- each aggregating to Rs.50,00,000/- of KTIL. KTIL is yet to start its operations. The information including Annual Accounts, Directors' Report and Auditor's Report in respect of KTIL is not annexed as required under Section 212 of the Companies Act, 1956 as the first Accounting Year will end on 31.3.2009.

AUDITORS

M/s. N. N. Jambusaria & Co., Chartered Accountants, Mumbai, the Auditors of the Company who hold office until the conclusion of the ensuing 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 under:

Name of Employee	Designation	Age (Yrs.)	Qualification	Experience (Yrs.)	Commencement Date	Remuneration (Rs.)	Last Employment
Shri H. R. Kilachand	Chairman & Managing Director	47	B. Com.; C.B.M. & P.D.B.M. from U.S.A.	23	8.8.1985	35,52,000/-	—

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 cooperation 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

Mumbai
19th September 2008

H. R. KILACHAND
Chairman & Managing Director

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

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

CONSERVATION OF ENERGY

1. We have installed variable frequency drive (VFD) for elevator drive instead of Dynodrive 75 kw resulting in direct power saving.
2. By installing mono magnetic system the viscosity of the massecuite has reduced as a result of which steam consumption had come down.
3. Two roller mill crusher before 1st mill requires less power. We have modified the hydraulic system and increased the juice drainage area. With the help of this, mill extraction and crush rate has improved.
4. Installation of Electronic Governor and replacement of old ejector with a new efficient one has resulted into improvement in the generation rating of the turbine thereby saving steam.

A. Power and Fuel Consumption		2007-08	2006-07
1. Electricity			
a. Purchased			
Unit	Kwh	646598	598810
Total Amount	Rs.	3685062	3364617
Rate/Unit	Rs.	5.70	5.62
b. Own Generation			
i) Through Diesel Generator			
Unit	Kwh	68814	135676
Units Per Ltr. Of Diesel Oil	Kwh	3.17	3.58
Rate / Unit	Rs.	11.29	9.91
ii) Through Steam Turbine			
Unit	Kwh	27462931	34405035
Units Per M. T. of Steam	Kwh	48.55	50.34
Rate / Unit	Rs.	4.53	3.92
2. Coal			
Quantity	M.T.	0	0
Cost	Rs.	0	0
Average Rate	Rs.	0	0
3. Other Fuel Bagasse (Own)			
Quantity	M.T.	263315	312880
Cost	Rs.	**	**
Average Rate	Rs.	**	**
** Not applicable as this is a By-product			
4. Rice Husk			
Quantity	M.T.	14383	15711
Cost	Rs.	30349986	30045545
Average Rate	Rs.	2110.13	1912.39
5. Bagasse (Pith) (Purchased)			
Quantity	M.T.	8562	7878
Cost	Rs.	5950686	4893543
Average Rate	Rs.	695.01	621.17
6. H. S. Diesel			
Quantity	Ltr.	21682	37848
Cost	Rs.	777517	1343929
Average Rate	Rs.	35.86	35.51

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		2007-08	2006-07
B. Consumption per unit of production			
Product (Sugar)	Kwh/M.T	195.32	231.78
Electricity	M.T/M.T	2.53	2.72
Bagasse	Ltr./M.T	0.02	0.04
Diesel Oil			
Product (Industrial Alcohol)			
Electricity	Kwh/000'Ltrs	134.42	147.91
Coal	Qtls./000'Ltrs	0	0
Bagasse (Pith)	M.T./000'Ltrs	0.53	0.48
Rice Husk	M.T./000'Ltrs	0.88	0.96
Diesel	Oil Ltr./000'Ltrs	1.20	2.04

FORM B

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

A. RESEARCH AND DEVELOPMENT

1. Rapid multiplication of new promising varieties of Sugar Cane, Rejuvenation of existing prominent varieties & Production of disease free Sugar Cane Plant.
2. Production of Tricho-cards to control Sugar Cane borers
3. Production of Hybrid Seeds under plant breeding studies.
4. Production of N2 fixation & Phosphorus solubilising bacteria & Trichoderma as Bio fertilizer on trial basis.
5. Distillery waste water concentration by using Reverse Osmosis Technology.
6. 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 machine has been developed inside the factory which is giving good output.
7. Hot and cold water re-circulation management system is being implemented.
8. Lotus roller installation at last mill gave the moisture and pol control over the out going bagasse.

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 and higher extraction.
2. Boiler efficiency has increased due to less moisture in bagasse.
3. Results of other R & D activities are awaited.

Expenditure on R & D

	2007-08 (Rs. In lac)	2006-07 (Rs. In lac)
a) Capital	1.19	0
b) Recurring	28.64	20.81
	29.83	20.81

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

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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.

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 may increase from ethanol as well as sugar manufacturers.

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 one of 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 6,900 TCD from time to time. The Company has one of the most modern and efficient sugar factories 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 burn in boilers generating power steam.

Storage

The Company has 2 bulk Liquid Chemical Terminals with a combined capacity of 127,000 KL at Kandla, Gujarat, which include specialised tanks, such as stainless tanks and tanks equipped with heating and insulation facilities.

OPPORTUNITES & THREATS

Sugar & Spirits

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

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infrastructural facilities in terms of rail and road connectivity, warehouses for dry cargo and container terminals. The delay in announcement of new Coastal regulatory Zone policy is also an impediment in developing tankage for chemicals at port location, as the existing policy permits new tankage for only a handful of petroleum products. The industry needs to be recognised as a part of infrastructure and should be encouraged.

OUTLOOK

Sugar & Spirits

The sugar industry will be a major player in seeking fuel and energy sources as its by-products i.e bagasse & molasses can easily be processed in to energy production as a substitute motor fuel and for the co-generation of power. Ethanol produced from molasses / sugarcane juice will be used for blending in motor fuel. 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 decrease in the coming years due to significant reduction in cane availability in view of the diversion by farmers to other crops.

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. Similarly, the Company has already increased its capacity to 127,000 KL.

RISKS & CONCERNS

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

1. **Raw Material Risk:** Sugarcane is the principal raw material used for the production of sugar. The performance of the Company depends on the availability of sugarcane. Any shortage / excess of sugarcane adversely affect 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 unit.
2. **Sugar Price Risk:** The market price of sugar fluctuates due to the reasons like increase/ decrease in demand and supply of sugar, variations in the release of monthly quota for sale of sugar by the Company, general weather / economic conditions etc.
3. **Regulatory Risk:** It includes environmental regulations, central / state government policies and regulations affecting the agricultural sector related industries, which could adversely affect the operations and profitability of the Company.

FINANCIAL PERFORMANCE

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

INTERNAL CONTROL SYSTEM

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

CAUTIONARY STATEMENT

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

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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 6 Board Meetings held during 1.7.2007 to 30.6.2008, the last Annual General Meeting held on 20.12.2007 and Number of other Directorship and Chairmanship / Membership of Committees of each Director in various companies are as follows:

Name of the Director	Attendance Particulars						No. of other Directorships and Committee Member / Chairmanship		
	Out of 6 Board Meetings	Out of 6 Audit Committee Meetings	Out of 1 Remuneration Committee Meeting	Out of 8 Share Transfer Committee Meetings	Sitting Fees paid (Rs.)	Last AGM	Other Directorships*	Committee Member#	Chairmanships
Shri H.R. Kilachand	6	6	-	8	-	Yes	1	-	1
Shri A. S. Ruia	5	5	1	7	90000	Yes	2	-	-
Shri K. Kannan	5	4	-	-	45000	Yes	6	4	3
Shri K. D. Sheth	6	6	1	8	105000	Yes	-	-	-
Smt.M.H. Kilachand	6	-	-	-	30000	Yes	1	-	-
Smt.S. Venkataraman	1	1	1	-	15000	No	-	-	-
Shri. N. J. Vakil	4	1	-	-	25000	Yes	1	-	-
Shri I. S. Phukela	3	-	-	-	15000	Yes	3	-	-

The Non-Executive Directors were paid Sitting Fees of Rs.3,25,000/-, for attending the Board Meetings and the Committee Meetings held during 1.7.2007 to 30.6.2008, as stated above.

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

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

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Information on reappointment of Directors

1. Smt. M. H. Kilachand is a Non Executive Promoter Director of the Company since 23.9.2005. She is 47 years of age. She holds 3.07% of the total equity shares of the Company. Smt. Kilachand is a graduate in B. A. in Psychology and Literature from Mumbai University and has about 10 years experience in general administration and running the business of the group companies as Director. Additionally, she has been involved in social activities connected with schools and hospital of the Company at Baheri in U.P. Smt. Kilachand is on the Board of Kesar Corporation Pvt. Ltd., Kilachand Devchand & Co. Pvt. Ltd., Indian Commercial Co. Pvt. Ltd., India Carat Pvt. Ltd., Duracell Investments & Finance Pvt. Ltd., Seel Investments Pvt. Ltd., Kilachand Devchand Commercial Pvt. Ltd., Skyline Chemtrade Pvt. Ltd. and Kesar Terminals & Infrastructure Ltd.
2. Shri K. D. Sheth is on the Board as a Non-Executive Independent Director since 29.11.1996. He is 86 years of age. He is B.Com & Fellow Member of Institute of Company Secretaries of India. He had joined the Company in September 1943. He worked for 52 years continuously and gave dedicated service to the Company as the Chief Accountant and the Secretary of the Company. He holds 1350 equity shares of the Company. He is the Chairman of the Audit Committee.

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

In all 6 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 2007, 31st October 2007, 19th November 2007, 20th December 2007, 31st January 2008, and 30th April 2008. 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 and Non-Executive Independent Director; (2) Shri Anilkumar S. Ruia, Non-Executive Independent Director; (3) Shri K. Kannan, Non-Executive Independent Director since 19.11.2007. 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 6 meetings were held i. e. on 31st July 2007, 31st October 2007, 19th November 2007, 20th December 2007, 31st January 2008 and 30th April 2008 to review the internal audit reports, the Annual Accounts as on 30-6-2008 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.

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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 comprises of Shri A. S. Ruia and Shri K. D. Sheth, till 30.6.2008 and Smt. S. Venkataraman, Nominee of GIC upto 31.10.2007.

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

The Non-Executive Directors were paid sitting fees of an aggregate amount of Rs.3,25,000/- 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 and Shri A. S. Ruia 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 2008.

6. Asset Management Committee:

The Asset Management Committee comprised of Directors viz. Shri A. S. Ruia, Shri K. D. Sheth till 30.6.2008 and Smt. S. Venkataraman upto 31.10.2007.

7. Shareholders / Investors Grievance Committee:

The Shareholders / Investors Grievance Committee consist of Shri K. D. Sheth, Chairman of the Committee, Shri H. R. Kilachand and Shri A. S. Ruia. During the Financial Year ended 30th June 2008 and till the date of this report, the Company has not received any complaint from any shareholders. No sitting fee is paid to the Directors for attending Shareholders / Investors Grievance Committee.

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	Location	Time
AGM	30-6-2007	20-12-2007	M. C. Ghia Hall	3:30 p.m.
AGM	30-6-2006	27-10-2006	M. C. Ghia Hall	3:00 p.m.
EGM		20-06-2006	M. C. Ghia Hall	11.00 a.m.
EGM		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.

Two resolutions were proposed during the year through Postal Ballot, to obtain consent of the Shareholders for (1) Ordinary Resolution proposed under section 293(1)(a) of the Companies Act, 1956 to create mortgage and / or charge on the assets of the Company in favour of IDBI Trusteeship Services Ltd and Government of India as represented by IFCI Ltd. on behalf of the lenders Allahabad Bank, Mumbai and Sugar Development Fund, Delhi to secure term loans of Rs.75.41 crores and 32.73 crores respectively; and (2) Special Resolution under Section 17 of the Companies Act, 1956, to alter Object Clause in the Memorandum of Association of the Company. Smt. Ragini Chokshi, Practicing Company Secretary was appointed as Scrutinizer who had submitted her Report on 24th March 2008. As per her report both the Resolutions were passed in favour by the requisite majority.

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.

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- 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.
- iii. For the details of value of closing stock of sugar please refer Note no.4 of Notes to the Accounts.

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-400020
- b. Plant Locations : Sugar Factory, Spirits & Bottling at Baheri, Dist. Bareilly, U. P.
Storage Terminals I & II at Kandla, Gujarat.
- c. Annual General Meeting
 - Date : 31st October 2008
 - Time : 3:30 p.m.
 - Venue : Walchand Hirachand Hall, Indian Merchants' Chamber Building, 4th Floor, IMC Marg, Churchgate, Mumbai 400 020.
- d. Next Financial Year ending : 30th June 2009
- e. Next Annual General Meeting : By 31st December 2009
- f. Financial Reporting for the year 2008-09
 - For the 1st quarter ending 30th September 2008 : By 31st October 2008
 - For the 2nd quarter ending 31st December 2008 : By 31st January 2009
 - For the 3rd quarter ending 31st March 2009 : By 30th April 2009
 - For the 4th quarter ending 30th June 2009 : By 31st July 2009
- g. Date of Book Closure : 27.10.2008 to 31.10.2008
- h. Listing on Stock Exchange : Mumbai
- i. Stock Exchange Code Number : BSE Scrip Code : 507180NSE 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,
17/B, Dena Bank Building,
2 nd Floor, Horniman Circle,
Fort, Mumbai – 400 001
Tel : 2264 1376 / 22702485
Fax: 2264 13 49 | (2) Registrar & Share Transfer Agents
Luthra Indl. Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E), Mumbai – 400 072
Tel.: 2851 5606/ 28515644
Fax: 2851 28 85 | Kesar Enterprises Ltd.
Oriental House,
7, J. Tata Road,
Churchgate, Mumbai-400020
Tel: 22042396 / 22851737
Fax: 22876162
Email: Kesar@bom3.vsnl.net.in |
|---|---|--|

Share Transfer System:

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

Demat Information:

As on 30.06.2008 about 92.96% of the total shareholding in the Company representing 63,13,076 shares have been converted into demat.

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Stock Market Data:

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

Mumbai Stock Exchange

Month	High	Low
July 2007	72.90	54.50
August 2007	64.40	41.00
September 2007	72.40	53.05
October 2007	66.40	47.10
November 2007	70.30	54.00
December 2007	112.00	65.60
January 2008	103.55	63.25
February 2008	74.35	62.00
March 2008	72.00	42.25
April 2008	75.00	50.00
May 2008	75.70	64.75
June 2008	68.15	53.20

Distribution of shareholding as on 30th June 2008:

Shareholding in Nominal Value of		Share Holders		Share Amount	
Rs	Rs		% of Holders	In Rs.	% to Total
Upto -	5,000	4950	89.00	6551120	9.65
5,001 -	10,000	315	5.66	2506210	3.69
10,001 -	20,000	136	2.45	1932150	2.85
20,001 -	30,000	53	0.95	1345470	1.98
30,001 -	40,000	20	0.36	712880	1.05
40,001 -	50,000	17	0.31	793930	1.17
50,001 -	1,00,000	30	0.54	2261970	3.33
1,00,001 -	and above	41	0.74	51805420	76.29
Total		5562	100.00	67909150	100.00

Categories of Shareholders as on 30th June 2008:

Sr.No.	Category	No. of Shares Held	% of Shareholding
A.	PROMOTERS HOLDING		
1.	Promoters: - Indian Promoters	2470747	36.383
	- Foreign Promoters	Nil	Nil
2.	Persons acting in concert	1255529	18.488
	Sub Total:	3726276	54.871
B.	NON-PROMOTERS HOLDING INSTITUTIONAL		
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
	Sub Total:	819162	12.063
C.	OTHERS:		
a.	Private Corporate Bodies	482712	7.108
b.	Indian Public	1680277	24.743
c.	NRI's/ OCB's	78115	1.150
d.	Clearing Members	4373	0.064
	Sub Total:	2245477	33.066
	GRAND TOTAL:	6790915	100.00

KESAR ENTERPRISES LTD.

Warrants and its conversion

The details of conversion of warrants are mentioned in Note No.14 of Notes to the Accounts.

Guidance to Shareholders:

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

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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, 2008 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 June 30, 2008.
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 Accounts

N. N. Jambusaria
Partner
Membership No.35520

Mumbai
19th September 2008

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 30.6.2008.

For KESAR ENTERPRISES LTD.

H. R. KILACHAND
Chairman & Managing Director

Mumbai
19th September 2008

KESAR ENTERPRISES LTD.

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Kesar Enterprises Limited as at 30th June, 2008, 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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 30th June, 2008 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 give a true and fair view, read with note no. 4 of Notes to Accounts, 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, 2008;
 - (b) in the case of Profit & Loss Account of the Profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
7. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations 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, 2008.
 - 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.

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- 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 an 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, 2008 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 dispute are as under:-

Nature of the Dues	Amount (Rs. in Lacs)	Forum where dispute is pending
Central Sales Tax	56.92	High Court Allahabad
Central Sales Tax	0.06	High Court Allahabad
Central Sales Tax	38.95	Member Tribunal Bly
Entry Tax	344.99	High Court Allahabad
Entry Tax	0.04	J.C. (A) Trade Tax Bly
Entry Tax	60.98	Tribunal & High Court
Entry Tax	24.17	J.C. (A) Trade Tax Bly & High Court Allahabad
Lease Rent	0.64	High Court Allahabad
Society Commission Sugarcane	4.25	High Court Allahabad
U.P. Trade Tax	51.82	High Court Allahabad
U.P. Trade Tax	0.73	J.C. (A) Trade Tax Bly

- x. The financial statements of the Company as on 30th June, 2008 do not show accumulated losses. The Company has not incurred any cash losses during the financial year covered by our report. In the immediately preceding financial year the company had incurred cash losses
- 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.

KESAR ENTERPRISES LTD.

- 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. The company has not made any preferential allotment of shares during the year.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of

N.N. JAMBUSARIA & CO.
Chartered Accountants

N.N.JAMBUSARIA
Partner
Mem. No. 35520

Mumbai: September 19, 2008

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BALANCE SHEET as at 30th June, 2008

	Schedule No.	(Rs in Lacs) As at 30th June, 2007	
Sources of Funds:			
1. Shareholders' Funds:			
(a) Share Capital	1	946.99	946.99
(b) Reserves and Surplus	2	2,848.42	2,504.27
		<u>3,795.41</u>	<u>3,451.26</u>
2. Deferred Tax Liability (Net)		634.95	897.26
3. Loan Funds:			
(a) Secured Loans	3	16,366.84	11,731.91
(b) Unsecured Loans	4	424.32	149.98
		<u>16,791.16</u>	<u>11,881.89</u>
Total		<u><u>21,221.52</u></u>	<u><u>16,230.41</u></u>
Application of Funds:			
1. Fixed Assets:	5		
(a) Gross Block		16,714.42	15,557.89
(b) Less: Depreciation/Land Premium written off		9,716.43	9,061.32
(c) Net Block		6,997.99	6,496.57
(d) Capital Work-in-Progress		1,438.96	1,235.61
		<u>8,436.95</u>	<u>7,732.18</u>
2. Investments	6	7.00	2.00
3. Current Assets, Loans and Advances:			
(a) Inventories	7	14,822.27	13,509.83
(b) Sundry Debtors	8	917.65	1,113.62
(c) Cash and Bank Balances	9	317.34	978.17
(d) Other Current Assets	10	6.60	5.34
(e) Loans and Advances	11	2,326.70	1,968.11
		<u>18,390.56</u>	<u>17,575.07</u>
Less: Current Liabilities and Provisions:	12		
(a) Current Liabilities		4,907.77	8,502.81
(b) Provisions		705.22	588.81
		<u>5,612.99</u>	<u>9,091.62</u>
Net Current Assets		12,777.57	8,483.45
4. Miscellaneous Expenditure to the extent not written off: Deferred Revenue Expenditure		—	12.78
Total		<u><u>21,221.52</u></u>	<u><u>16,230.41</u></u>
Notes forming part of the Accounts	21		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached.

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

N.N.Jambusaria
Partner
Mumbai, September 19, 2008

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, September 19, 2008

KESAR ENTERPRISES LTD.

PROFIT AND LOSS ACCOUNT for the year ended 30th June, 2008

	Schedule No.		<i>(Rs in Lacs)</i> <i>Previous Year</i>
1. Income:			
Sales and Services	13	29,161.56	27,951.98
Other Income	14	477.00	260.26
Increase / (Decrease) in Stocks	15	983.54	4,728.14
Total		30,622.10	32,940.38
2. Expenditure:			
Raw Materials Consumed	16	13,812.33	17,434.61
Trading Goods Purchased		422.89	1,010.69
Expenses on Sugarcane Plantations	17	260.74	275.84
Manufacturing and Other Expenses	18	14,041.28	14,315.09
Interest and Finance Charges	19	1,267.14	952.45
Depreciation (including Land Lease Premium written off Rs.0.19 Lac (Previous Year Rs. 0.19 Lac)		661.19	607.76
Total		30,465.57	34,596.44
3. Profit / (Loss) Before Tax		156.53	(1,656.06)
4. Provision for Taxation			
(i) Income Tax - Current		36.08	45.33
(ii) Income Tax -Deferred		(262.31)	144.99
(iii) Wealth Tax		1.40	1.33
5. Profit / (Loss) After Tax		381.36	(1,847.71)
Prior period adjustments	20	(1.85)	35.86
6. Profit available for appropriation		379.51	(1,811.85)
7. Appropriations:			
Add:			
(i) Transferred from General Reserve		300.00	-
Less:			
(i) Proposed Preference Shares Dividend		4.00	-
(ii) Proposed Final Dividend on Equity Shares		33.95	-
(iii) Corporate Tax on Dividend		6.45	-
8. Profit after appropriation		635.11	(1,811.85)
Add/(Less): Balance brought forward from previous year		(754.10)	1,057.75
9. Balance Carried Forward to Balance Sheet		(118.99)	(754.10)
Basic and diluted earnings per share		5.55	(28.53)
Notes forming part of the Accounts	21		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached.

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

N.N.Jambusaria
Partner
Mumbai, September 19, 2008

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, September 19, 2008

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SCHEDULES FORMING PART OF BALANCE SHEET AS AT 30TH JUNE, 2008

SCHEDULE: 1 SHARE CAPITAL

(Rs. in Lacs)
As at
30th June, 2007

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	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	679.09
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
	Share Warrant Application Money Suspense Account (See Note 14)	67.90	67.90
	Total	<u>946.99</u>	<u>946.99</u>

KESAR ENTERPRISES LTD.

SCHEDULE : 2 RESERVES AND SURPLUS

(Rs in Lacs)
As at
30th June, 2007

Securities Premium:

On Shares allotted on Conversion of Fully Convertible Debentures & Conversion of share warrants	971.70		971.70
Less: Amount in arrears	0.11		0.11
	971.59		971.59

General Reserve:

Balance as per last Balance Sheet	2,139.70		2,139.70
Less: Transferred to Profit & Loss Account	300.00		—
	1,839.70		2,139.70

Storage and Effluent Disposal Funds:

(i) Storage Fund for Alcohol:

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	11.08		10.40
Add: Set aside this year	0.83		0.68
	11.91		11.08

(ii) Storage Fund for Molasses:

(Earmarked from Sale of Molasses)

Balance as per last Balance Sheet	77.24		68.80
Add: Set aside this year	7.33		8.44
	84.57		77.24

(iii) Effluent Disposal Fund:

(Earmarked from Sale of Alcohol)

Balance as per last Balance Sheet	9.45		8.72
Add: Set aside this year	0.88		0.73
	10.33		9.45

Capital Reserve:

Balance as per last Balance Sheet	49.31		—
Add: Profit on Forfeiture of Share Warrant (See Note 14)	—		49.31
	49.31		49.31

Surplus/(Deficit) as per Profit and Loss Account

Total

	(118.99)		(754.10)
	2,848.42		2,504.27
	2,848.42		2,504.27

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SCHEDULE : 3 SECURED LOANS

(Rs in Lacs)
As at
30th June, 2007

(A) TERM LOANS:

Allahabad Bank (SEFA 2007 Term Loan) (See Note 8)	563.00	—
U.P.Co-operative Bank Ltd. (SEFA 2007 Term Loan) (See note 8)	887.60	—
Allahabad Bank (Term Loan Takeover of Yes Bank) (See Note No. 8)	1,292.51	1,478.49
Allahabad Bank (Term Loan - Storage Expansion) (See Note No. 8)	1,172.67	788.00

(B) VEHICLE LOANS:

(Secured by way of hypothecation of the vehicles purchased out of the said loans)	79.32	83.54
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(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. 8)	12,371.74	9,374.55
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(D) INTEREST ACCRUED AND DUE ON TERM LOANS:

	—	7.33
Total	<u>16,366.84</u>	<u>11,731.91</u>

SCHEDULE: 4 UNSECURED LOANS

(A) Fixed Deposits:

(Includes Rs.5.00 Lacs [Previous Year Rs. 5.00 Lacs] due to Chairman & Managing Director)	133.17	149.98
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(B) Short Term Loans, Advances & Deposits:

From Others	291.15	—
Total	<u>424.32</u>	<u>149.98</u>

KESAR ENTERPRISES LTD.



SCHEDULE: 5 FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	At Cost or book value as on 01-Jul-07	Additions during the Year	Sales/ deductions and adjustments during the Year	At Cost or book value as on 30-Jun-08	Upto 30-Jun-07	For the Year	Written back on assets sold or discarded	Total Depreciation/ Land Premium written off	As on 30-Jun-08	As on 30-Jun-07
Land										
Freehold	192.45	66.98	—	259.43	—	—	—	—	259.43	192.45
Land Premium	—	—	—	—	—	—	—	—	—	—
Lease hold Land Premium	5.73	—	—	5.73	3.93	0.19	—	4.12	1.61	1.80
Bhoomidari Land	—	—	—	—	—	—	—	—	—	—
Leasehold Land	30.70	—	—	30.70	1.95	0.13	—	2.08	28.62	28.75
	228.88	66.98	—	295.86	5.88	0.32	—	6.20	289.66	223.00
Building, Roads etc. (Exclusive of Labour Quarters erected out of Molasses Fund)	3,012.11	31.90	—	3,044.01	1,286.10	97.77	—	1,383.87	1,660.14	1,726.01
Plant and Machinery	10,599.01	954.56	—	11,553.57	6,682.22	433.34	—	7,115.56	4,438.01	3,916.79
Electric Installations	139.72	8.63	—	148.35	88.57	7.04	—	95.61	52.74	51.15
Laboratory Equipments	15.64	0.64	—	16.28	12.31	0.54	—	12.85	3.43	3.33
Weigh Bridges	143.02	0.59	—	143.61	79.35	8.38	—	87.73	55.88	63.67
Railway Siding and Light Railway	4.69	—	—	4.69	4.39	0.04	—	4.43	0.26	0.30
Tube and Artisan Wells and Water Supply	110.26	10.99	—	121.25	42.00	3.75	—	45.75	75.50	68.26
Tractors, Ploughs, Carts etc.	50.74	8.70	—	59.44	40.09	4.68	—	44.77	14.67	10.65
Motor Cars, Lorries and Cycles	464.60	53.47	5.84	512.23	208.38	71.85	4.82	275.41	236.82	256.22
Furniture, Fixtures and Equipments	725.92	28.21	2.30	751.83	583.89	31.74	1.26	614.37	137.46	142.03
Drainage	62.72	—	—	62.72	28.14	1.74	—	29.88	32.84	34.58
Live Stock	0.58	—	—	0.58	—	—	—	—	0.58	0.58
Total	15,557.89	1,164.67	8.14	16,714.42	9,061.32	661.19	6.08	9,716.43	6,997.99	6,496.57
<i>Previous Year Total</i>	<i>14,552.40</i>	<i>1,032.97</i>	<i>27.48</i>	<i>15,557.89</i>	<i>8,473.59</i>	<i>607.76</i>	<i>20.03</i>	<i>9,061.32</i>	<i>6,496.57</i>	<i>—</i>

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SCHEDULE : 6

INVESTMENTS

LONG TERM INVESTMENTS (AT COST)

(Rs in Lacs)
As at
30th June, 2007

(A) TRADE INVESTMENTS :

(Unquoted)

In fully paid Equity Shares :

300	Shares of Rs. 100/- each of U.P. Seeds & Tarai Development Corporation Ltd.	0.30	0.30
5	Shares of Rs. 10/- each of Baheri Co-operative Cane Development Union Ltd. [Rs. 50 (Previous Year Rs. 50)]	—	—
17	Shares of Rs. 20/- each of Sahakari Ganna Vikas Samiti Ltd. [Rs. 340 (Previous Year Rs. 340)]	—	—
1	Share of Rs. 100/- of Ganna Beej Nigam, Bareilly [Rs. 100 (Previous Year Rs. 100)]	—	—
1	Share of Rs. 20/- of Bhojeepera Co-operative Cane Development Union Ltd. [Rs. 20 (Previous Year Rs. 20)]	—	—
		<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) 50,000 Equity Shares of Rs. 10/- each of Kesar Terminals & Infrastructure Limited. (See Note No. 16)

5.00 —

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

43,200 Equity Shares of Rs. 2/- each of Walchandnagar Industries Ltd.

(previous year 4,320 shares of Rs 10/- each) 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

6.70 1.70

Total 7.00 2.00

Aggregate cost of Investments:

Quoted

0.68 0.68

Unquoted

6.32 1.32

Total 7.00 2.00

Market Value of Quoted Investments

121.99 105.98

KESAR ENTERPRISES LTD.

SCHEDULE : 7 INVENTORIES

		<i>(Rs. in Lacs)</i>
		<i>As at</i>
		<i>30th June, 2007</i>
Stores and Spares (At Cost)	800.59	625.25
Scrap Materials (At estimated realisable value)	7.73	4.81
By- Products (At estimated realisable value)	336.09	225.67
Stock in trade:		
Raw Materials (At Cost)	782.49	645.49
Finished Goods (At lower of Cost or Market value)	12,716.80	11,864.77
Trading Goods (At lower of Cost or Market value)	25.67	19.31
Work-in-Process (At Cost)	62.34	50.53
Crop-in-Progress (At Cost) (including preparation of land, irrigation etc.)	90.56	74.00
Total	14,822.27	13,509.83

SCHEDULE : 8 SUNDRY DEBTORS (UNSECURED)

(A) Debts outstanding for a period exceeding six months:		
Considered Good	122.47	228.99
Considered Doubtful	12.19	12.19
(B) Other Debts Considered Good	795.18	884.63
	929.84	1,125.81
Less: Provision for Doubtful Debts	12.19	12.19
Total	917.65	1,113.62

SCHEDULE : 9 CASH AND BANK BALANCES

Cash/Cheques/Drafts on Hand	15.39	12.58
Bank Balances with Scheduled Banks:		
In Current Accounts	216.47	709.97
In Fixed Deposit Accounts	80.49	250.55
In Post Office Savings Bank Account (Maximum Balance during the year Rs.0.17 Lacs, Previous Year Rs.0.17 Lacs)	0.16	0.17
In Dividend Accounts with Scheduled Banks	4.83	4.90
Total	317.34	978.17

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SCHEDULE : 10 OTHER CURRENT ASSETS

		<i>(Rs. in Lacs)</i>
		<i>As at</i>
		<i>30th June, 2007</i>
Interest Accrued on Fixed Deposits with Banks	5.97	4.77
Interest Accrued on Investments	0.63	0.57
Total	<u>6.60</u>	<u>5.34</u>

SCHEDULE : 11 LOANS AND ADVANCES

(Unsecured, Considered Good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received

Considered Good	1,206.31	1,144.15
Considered Doubtful	8.09	8.09
Loans & Advances to Employees [Inclusive of Rs.7.49 Lacs (Previous Year Rs.9.34 Lacs) secured by charge on assets against which loans are granted.]	<u>31.17</u>	<u>33.81</u>
	1,245.57	1,186.05
Less: Provision for Doubtful Advances	<u>8.09</u>	<u>8.09</u>
	1,237.48	1,177.96
Advance Payment of Income-Tax (Including Tax Deducted at Source)	887.10	686.77
Deposit with Government & Others	<u>202.12</u>	<u>103.38</u>
Total	<u>2,326.70</u>	<u>1,968.11</u>

SCHEDULE : 12 CURRENT LIABILITIES AND PROVISIONS

(A) Current Liabilities:

Acceptances	—	3.35
Sundry Creditors	4,395.63	8,057.12
Interest accrued but not due on Loans & Deposits	24.75	10.93
Advances and Deposits from Dealers/Customers	386.17	330.11
Deposit against Lease Rentals	96.40	96.40
Unclaimed Dividends	4.82	4.90
	<u>4,907.77</u>	<u>8,502.81</u>

(B) Provisions:

Corporate Tax on Dividend	6.45	—
Provision for Income Tax	500.44	464.36
Provision for Wealth Tax	9.45	8.05
Provision for Gratuity & Leave Encashment	150.93	116.40
Proposed Dividend on Preference Shares	4.00	—
Proposed Final Dividend on Equity Shares	33.95	—
	<u>705.22</u>	<u>588.81</u>
Total	<u>5,612.99</u>	<u>9,091.62</u>

KESAR ENTERPRISES LTD.

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2008

SCHEDULE : 13 SALES AND SERVICES

		<i>(Rs in Lacs)</i> <i>Previous Year</i>
SALES		
Manufacturing Goods (Inclusive of Excise Duty)	27,983.07	26,671.77
Less: Intra Division transfer of ENA	—	46.20
	27,983.07	26,625.57
Less: Transferred to Molasses and Alcohol Storage Funds and Effluent Disposal Fund	9.04	9.85
Less: Value of Molasses supplied to Own Division	529.91	815.44
Less: Value of Bagasse supplied to Own Division	100.88	15.65
	27,343.24	25,784.63
Trading Goods	516.55	1,102.12
Agricultural Products (After adjusting Opening & Closing Stock)	320.47	409.32
Less: Value of Seed supplied to Own Division	104.88	80.97
Less: Value of Cane supplied to Own Factory	154.87	229.51
	60.72	98.84
SERVICES		
Storage and Handling	1,241.05	966.39
Total	29,161.56	27,951.98

SCHEDULE : 14 OTHER INCOME :

Dividends	0.71	0.42
Interest (Gross) [Tax Deducted at Source Rs. 1.53 Lacs, (Previous year Rs. 2.96 Lacs)]		
On Fixed Deposits	15.01	21.02
Others	0.74	0.95
Rent	3.34	3.84
Buffer Stock Subsidy	254.95	—
Sundry Receipts	164.92	164.44
Credit Balances written back	7.29	22.88
Profit on Sale of Fixed Assets	2.64	14.82
Insurance Claims	22.71	23.38
Other Interest & Finance Charges written back	—	8.51
Provision for Expenses no longer required	4.69	—
Total	477.00	260.26

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SCHEDULE : 15 INCREASE / (DECREASE) IN STOCKS

		<i>(Rs in Lacs)</i> <i>Previous Year</i>	
Closing Stock:			
Finished Goods	12,716.80		11,864.77
Trading Goods	25.67		19.31
Work-in-Process	62.34		50.53
By- Products	336.09		225.67
Scrap Materials	7.73		4.81
	<hr/>	13,148.63	<hr/> 12,165.09
Opening 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
	<hr/>	12,165.09	<hr/> 7,436.95
INCREASE / (DECREASE)	Total	<hr/> 983.54	<hr/> <hr/> 4,728.14

SCHEDULE : 16 RAW MATERIALS CONSUMED

Sugar Cane (inclusive of Transport, Commission and Other Expenses)	12,051.37		15,623.95
Less: Value of Cane supplied by Own Farm	154.87		229.51
	<hr/>	11,896.50	<hr/> 15,394.44
Sugar Cane Purchase Tax		197.05	229.38
Raw Seeds	491.54		238.85
Less: Value of Seeds supplied by Own Farm	104.88		80.97
	<hr/>	386.66	<hr/> 157.88
Molasses and Spirits	1,862.03		2,514.55
Less: Intra Division transfer of ENA	—		46.20
	<hr/>	1,862.03	<hr/> 2,468.35
Less: Value of Molasses supplied by Own Division	529.91		815.44
	<hr/>	1,332.12	<hr/> 1,652.91
	Total	<hr/> 13,812.33	<hr/> <hr/> 17,434.61

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SCHEDULE : 17 EXPENSES ON SUGAR CANE PLANTATIONS

(Rs in Lacs)
Previous Year

(Inclusive of Crop-in-Progress at Commencement and Exclusive of Crop-in-Progress at Close)

Crop-in-Progress at Commencement	74.00	103.92
Sowing, Harvesting, Irrigation, Seeds, Manures and Transport	130.83	131.82
Stores Consumed	65.79	47.86
Power & Fuel	1.33	0.97
Machinery Repairs	2.33	3.50
Building Repairs	1.42	0.36
Sundry Repairs	2.92	2.20
Rates and Taxes	1.26	1.35
Salaries and Wages	44.28	33.87
Contribution to Provident Fund	3.89	3.45
Workmen and Staff Welfare Expenses	0.91	1.47
Miscellaneous Expenses	22.34	19.07
	351.30	349.84
Less: Crop-in-Progress at close	90.56	74.00
Total	260.74	275.84

SCHEDULE : 18 MANUFACTURING AND OTHER EXPENSES

Storage and Handling Charges	48.05	58.54
Stores and Spares Consumed	2,197.02	2,492.57
Power and Fuel	677.80	474.64
Less: Value of Bagasse supplied by Own Division	100.88	15.65
	576.92	458.99
Repairs:		
Plant and Machinery	568.87	409.17
Buildings	59.54	52.62
Others	68.16	68.57
Rent	121.45	80.75
Salaries, Wages & Bonus	1,610.90	1,452.40
Company's Contribution to Provident and Other Funds	177.07	172.34
Workmen and Staff Welfare Expenses	32.48	29.13
Insurance	61.82	79.70
Rates and Taxes	330.65	267.12
Excise Duty	6,602.23	7,262.77
Selling Agents' Commission & Brokerage	47.48	38.06
Legal and Professional Charges	69.16	109.47
Discount given to dealers	348.38	317.51
Miscellaneous Expenses	1,096.81	938.36
Charity and Donations	1.06	0.68
Directors' Fees	3.25	3.60
Carried forward	14,021.30	14,292.35

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SCHEDULE : 18 MANUFACTURING AND OTHER EXPENSES (Contd.)

		<i>(Rs in Lacs)</i>	
		<i>Previous Year</i>	
	Brought forward	14,021.30	14,292.35
Auditors' Remuneration:			
Audit Fees		3.00	3.00
In Other Capacities:			
For Certification		0.60	0.83
For Tax Matters		0.90	0.68
For Other Matters		0.60	1.37
Out of Pocket Expenses		1.06	0.59
Cost Audit Fees		0.32	0.32
Bad Debts/Advances written off		0.68	1.66
Loss on Assets discarded/scrapped		0.04	1.75
Deferred Revenue Expenditure written off [See Note No. 1. H. b]		12.78	12.54
	Total	<u>14,041.28</u>	<u>14,315.09</u>

SCHEDULE : 19 INTEREST & FINANCE CHARGES

On Fixed Deposits (Includes Rs.0.49 Lacs (Previous Year Rs. 0.46 Lacs) paid to Chairman & Managing Director)			
		15.51	20.09
On Fixed Loans		159.04	176.35
On Cash Credit		919.56	639.33
Others		173.03	116.68
	Total	<u>1,267.14</u>	<u>952.45</u>

SCHEDULE : 20 PRIOR PERIOD ADJUSTMENTS

CREDITS:

1. Excess Provision of Bonus		0.01	—
2. Excess Provision Income Tax		—	35.93
	Total	<u>0.01</u>	<u>35.93</u>

DEBITS:

1. Expenses of Previous Year		1.64	—
2. Short Provision of Bonus		0.22	0.07
	Total	<u>1.86</u>	<u>0.07</u>
Net		<u>(1.85)</u>	<u>35.86</u>

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SCHEDULE: 21

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.

H. Miscellaneous Expenditure

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

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- b. Deferred Revenue Expenditure was previously being written off over a period of five years. The company has from the current year decided to write off the Deferred Revenue Expenditure in the year in which the same is incurred. Accordingly, the company has written off a sum of Rs. 12.78 lacs of Deferred Revenue Expenditure outstanding at the beginning of the current year. This is in compliance with Accounting Standard 26 on "Intangible Assets".

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. Contingent Liabilities on account of Demands/Claims against the Company not acknowledged as debts and not provided for Rs. 713.40 Lacs (*Previous Year Rs. 805.67 Lacs*)
3. The U.P. State Government had declared the State Advised Price (SAP) for sugar cane for season 2007-2008 at Rs.125/- per quintal, against which the Company along with others through U.P. Sugar Mills Association had challenged the same in Allahabad High Court. The matter is pending before the Supreme Court. However Hon'ble Supreme Court vide its Interim Order dated 08.09.08 directed all mills of Uttar Pradesh to pay cane price at the rate of Rs 110 per quintal for the crushing season of 2007-08. The Company has accounted for Sugar cane liability for the current season @ Rs.110/- per quintal as per the order of the Hon'ble Supreme Court as stated above. Necessary adjustments, if any, will be made as and when and in accordance with the final orders of the Hon'ble Supreme Court in the matter.
4. Finished Sugar stock is valued at lower of cost or Market value. Proportionate interest on working capital facilities of Sugar Division has been included in the cost of closing stock of Sugar as on 30th June 2008. The Company was required to hold sugar stocks for a longer period due to want of Release Orders from Ministry of Consumer Affairs, Food & Public Distribution, Government of India. The Company had to use working capital finance for the purpose of holding sugar stocks. Since interest was related to holding sugar stocks, the company decided to include interest in the cost of the stock of sugar. If the above change in the method of determining cost of Sugar stocks is not considered profits of the company would be adversely affected by Rs. 768.60 lacs.
5. The estimated amount of contracts remaining to be executed on Capital Account (net of advances) Rs.130.26 Lacs (*Previous Year Rs.293.70 Lacs*).

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6. Alcohol and Molasses Storage Funds and Effluent Disposal Fund amounting to Rs.106.81 Lacs are not deposited with a Scheduled Bank as required by the said Orders, under legal advice.
7. a) Managerial Remuneration paid/payable to Chairman & Managing Director as per approval under Sections 310 & 198 (4)/309 (3) of the Companies Act, 1956, is as under:

	(Rs. in Lacs)	
	2007-08	2006-07
I Salary	18.00	18.00
II Contribution to Provident Fund & Superannuation Fund	4.86	4.86
III Perquisites	12.66	13.94
Total	35.52	36.80
IV Commission paid	—	—

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 upto 13-8-2007 and thereafter the said remuneration is based on the Schedule XIII of the Companies Act 1956 in terms of the Special Resolution passed by the Shareholders of the company at their Annual General Meeting held on 20-12-2007.

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

	(Rs. in Lacs)	
	2007-2008	2006-2007
Profit before Tax as per Profit & Loss Account	156.53	(1,656.06)
Add:		
Depreciation (as per Accounts)	661.19	607.76
Net Profit on Fixed assets sold / discarded other than immovable property as per Section 349 of the Companies Act, 1956)	2.64	5.83
Net Loss on Fixed assets sold / discarded (as per Accounts)	0.04	1.75
Remuneration paid/payable to Chairman & Managing Director	35.52	36.80
Directors' Fees	3.25	3.60
	702.64	655.74
Less :		
Excess of expenses over income of earlier years	1.85	0.07
Depreciation (under Section 350 of the Companies Act, 1956)	661.19	607.76
Net profit on Fixed assets sold / discarded including immovable property (as per Accounts)	2.64	14.82
	665.68	622.65
Less :		
Loss brought forward from the previous year	1,622.97	
Net Profit / (Loss) under Section 349 of the Companies Act, 1956	(1,429.48)	(1,622.97)
Commission @ 1% on the Net Profits	N.A.	N.A.

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8. Term Loans from Allahabad Bank are secured by way of First hypothecation charge on all plant & machinery and Current Assets both present & future of Storage & Handling Division at Kandla 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. Term Loans from UP Co-operative Bank Ltd. and Allahabad Bank under SEFA 2007 (Scheme for Extending Financial Assistance to Sugar Undertakings, 2007), are secured by way of residual charge on the Fixed Assets of the Sugar Division situated at Baheri on *pari passu* basis.

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.

9. 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.
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 2008 and the previous year for tax purpose ended on 31st March 2008. The income if any for the period from 1/4/2008 to 30/6/2008 forming part of the annexed accounts will be assessed as a part of the composite income relevant to previous year ending 31st March, 2009 i.e. Assessment Year 2009-2010.

The Company has made provision for Current Income Tax of Rs. 36.08 Lacs and Deferred Tax Income of Rs. 262.31 Lacs for the financial year 2007-2008 pertaining to Assessment Year 2008-2009. Current Income Tax of Rs. 36.08 Lacs includes Rs. 36.08 Lacs for provision of Fringe Benefit Tax for the period July 2007 to June 2008.

Details of Deferred Tax are as under:

Particulars	(Rs. in Lacs)	
	As on 30 th June, 2008	As on 30 th June, 2007
Deferred Tax Liability		
Accumulated depreciation	988.42	932.99
Total Deferred Tax Liability	988.42	932.99
Deferred Tax Assets		
Expenses deductible on payment	73.61	26.91
Losses Carried Forward	279.86	8.82
Total Deferred Tax Assets	353.47	35.73
Net Deferred Tax Liability	634.95	897.26

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12. Sundry Creditors include Rs.26.80 Lacs (*Previous year Rs. 13.71 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. 4.53 Lacs
2. M/s. Mangla Rubber Industries	Rs. 2.35 Lacs
3. M/s. Anand Brothers	Rs. 2.89 Lacs
4. M/s. Anil Kumar Singhal	Rs. 7.47 Lacs
5. M/s. Deepak Chemical Lime Works	Rs. 4.38 Lacs
6. M/s. Dehra Mineral Corporation	Rs. 5.18 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 48.56 Lacs and advances of Rs 13.39 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 508,400 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 forfeited amount was transferred to the capital reserve account. The promoters and the persons acting in concert were ready to pay the balance 90% of 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) (SAST)] Regulations, 1997, which prescribed the post conversion percentage holding by the promoters and the persons acting in concert below 55%. The Company had requested SEBI for their approval either to refund the application money received on 7,00,000 warrants held by the promoters and the persons acting in concert or to adjust the warrant application money amounting to 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. In January 2008, SEBI's reply for non-consideration of the above request was received by the Company. However, the concerned persons made an application to SEBI under Regulation 4(2) of SEBI (SAST) Regulations 1997 in the matter. In reply thereto, in May 2008, SEBI granted exemption to the concerned persons to acquire 7,00,000 equity shares of the Company on conversion of the said 7,00,000 warrants at a price of Rs.97/- per share. The said approval of SEBI was considered by the Board of Directors on 31.7.2008 permitting the concerned persons to exercise their option at the earliest. The response from the said concerned persons is awaited. Hence, the said amount of Rs.67,90,000/- is kept in "Share warrant Application money Suspense Account".
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. Investments include Rs. 5.00 lacs invested by the company in Equity Shares of Wholly Owned Subsidiary Kesar Terminals & Infrastructure Limited which was formed on 21st January 2008. As of 30th June 2008, Kesar Terminals & Infrastructure Limited has not started any operations. Hence no consolidation of accounts has been made as of 30th June 2008.

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17. Segmental Reporting Disclosures under Accounting Standard 17

Business Segments:

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

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

Geographical Segments:

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

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

	Sugar	Spirits	Storage & Handling	Others	(Rs. in Lacs)
					Total
Figures for the Year ended 30 th June, 2008 indicated in bold. Previous year figures indicated in the row there below:					
Segmental Revenue					
Sales (Net of intra division/segment revenue)	16,449.26	11,262.86	1,241.05	1,098.93	30,052.10
	13,880.92	13,356.50	966.39	889.74	29,093.55
Other Income	305.38	105.27	11.25	37.30	459.20
	92.96	73.84	15.63	41.69	224.12
Less : Inter Segment/Division Revenue	630.79	—	—	259.75	890.54
	831.09	—	—	310.48	1,141.57
Add : Unallocable Income					17.80
					36.14
Total Revenue					29,638.56
					28,212.24
Segmental Result before Interest & Taxation	988.39	302.53	735.51	34.90	2,061.33
	(1,352.78)	462.88	549.49	213.23	(127.18)
Less : Segmental Interest	995.43	6.33	0.27	0.54	1,002.57
	689.90	7.30	0.15	1.01	698.36
Segmental Result before Taxation	(7.04)	296.20	735.24	34.36	1,058.76
	(2,042.68)	455.58	549.34	212.22	(825.54)
Less : Unallocable Expenses					
Net of Unallocable Income					902.23
					830.52
Profit /(Loss) Before Taxation					156.53
					(1,656.06)
Less :Provision for Tax					37.48
					46.66
Less : Deferred Tax					(262.31)
					144.99
Profit /(Loss) after Tax					381.36
					(1,847.71)

KESAR ENTERPRISES LTD.

	(Rs. in Lacs)				
	Sugar	Spirits	Storage & Handling	Others	Total
Figures for the Year ended 30 th June, 2008 indicated in bold. Previous year figures indicated in the row therebelow:					
Segmental Assets	16,177.60	4,496.13	3,070.62	1,265.38	25,009.73
	15,667.65	4,727.07	2,318.43	803.02	23,516.17
Unallocable Assets/ Investments					1,824.78
					1,793.08
Total Assets					26,834.51
					25,309.25
Segmental Liabilities	17,899.08	906.87	1,396.42	119.93	20,322.30
	16,065.86	892.10	899.37	78.73	17,936.06
Share Capital & Reserves Less					
Miscellaneous Expenditure					3,795.41
					3,438.48
Unallocable Liabilities					2,716.80
					3,934.71
Total Liabilities					26,834.51
					25,309.25
Capital Expenditure including Capital					
Work in Progress	210.49	187.89	888.36	45.85	1,332.59
	637.86	193.76	884.85	35.14	1,751.61
Unallocable					35.43
					122.44
Total					1,368.02
					1,874.05
Depreciation	248.83	142.37	144.78	17.37	553.35
	230.63	142.29	106.07	15.81	494.80
Unallocable Depreciation					107.84
					112.96
Total Depreciation					661.19
					607.76
Non Cash Expenditure other than depreciation	12.04	0.74	—	—	12.78
	10.76	1.78	—	—	12.54

Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

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18. Related party disclosures under Accounting Standard 18

Names of related parties and nature of related party relationships:

a. Subsidiary Companies:

Kesar Terminals & Infrastructure Limited (w.e.f. 21st January 2008)

b. Associates:

N.A.

c. Key Management Personnel and relatives of such personnel:

Mr. H. R. Kilachand Chairman & Managing Director

Mrs. M. H. Kilachand Director

Relatives of Key Management Personnel

Mr. Rohan H. Kilachand Son

Ms. Rohita H. 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 2008 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				20.75
				15.36
Rent Paid				18.09
				15.65
Interest on Fixed Deposits			0.49	
			0.46	
Car Purchase				—
				96.09
Interest on Car loan paid				5.06
				1.56
Managerial Remuneration			35.52	
			36.80	

KESAR ENTERPRISES LTD.

Nature of Transaction	Subsidiary Companies	Associates	Key Managerial Personnel And Relatives	(Rs. In Lacs) Enterprises over which influence exists
Fixed Deposits Accepted / Renewed			5.00 5.00	
Balance Outstanding as on 30 th June, 2008 indicated in bold. Previous year figures indicated in the row therebelow:				
Investments in Subsidiary Company	5.00 —			
Sundry Creditors				71.48 72.95
Fixed Deposits			5.00 5.00	
Security Deposits				95.00 —

19. Additional Disclosure as required by the amended clause 32 of the listing agreement with Bombay Stock Exchange:

Loans and advances in the nature of loans to Subsidiaries, Associates and companies in which Directors are interested:

Sr. No.	Name	Balance as at 30 th June 2008	Maximum amount outstanding during the year	(Rs. in Lacs) No. of shares of the Company held by the loanee as at 30 th June 2008
NIL				

20. Earnings per share has been calculated as under:

	2007-2008	2006-2007
Profit/(Loss) after Tax & Preference Dividend (Rs. in Lacs)	377.17	(1,850.05)
No of Equity Shares	67,90,915	67,90,915
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 for 2006-2007)*	5.55	(28.53)*

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

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

As per our Report attached.

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

N.N.Jambusaria
Partner
Mumbai, September 19, 2008

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, September 19, 2008

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Annexure I

Annexure to Note No. 21

Quantitative Information of Manufacturing and Trading activities :

Figures for the Year ended 30th June, 2008 indicated in **Bold**. Previous year figures indicated in the row therebelow in brackets.

	Licenced Capacity	* Installed Capacity	Actual Production	Opening Stock		Closing Stock		Sales	
				Quantity	Value	Quantity	Value	Quantity	Value
A) Manufacturing activities of the Company :									
(I) Sugar Division :									
(1) Sugar	Sugar Cane Crushing	Sugar Cane Crushing	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.	Rs. in Lacs	Qtls.
	6,900 TCD	1,042,010	799,033	11,327.44	809,606	12,266.46	1,031,437	14,817.58	1,031,437
	(6,500 TCD)	(1,148,430)	(397,692)	(6,507.00)	(799,033)	(11,327.44)	(745,699)	(12,170.18)	(745,699)
(II) Spirit (Distillery) Division :	K.L.	K.L.	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs	K.L.	Rs. in Lacs	K.L.
(1) Rectified Spirit	16,365	16,274.64	850.62	140.35	188.95	30.59	677.79	117.80	677.79
	(16,365)	(16,412.78)	(129.96)	(23.68)	(850.62)	(140.35)	(3,905.21)	(875.09)	(3,905.21)
(2) Denatured Spirit		65.50	36.31	7.44	32.62	6.06	68.64	16.39	68.64
		(233.72)	(45.29)	(8.60)	(36.31)	(7.44)	(241.91)	(58.11)	(241.91)
(3) Special Denatured Spirit		12,589.72	22.46	4.23	3.80	0.62	12,579.00	2,330.81	12,579.00
		(6,573.15)	(9.54)	(1.69)	(22.46)	(4.23)	(6,543.50)	(1,413.15)	(6,543.50)
(4) Country Liquor		5,013.40	188.05	208.15	145.87	165.86	5,036.43	6,313.79	5,036.43
		(5,987.60)	(275.54)	(256.13)	(188.05)	(208.15)	(6,049.30)	(7,078.78)	(6,049.30)
(5) Extra Neutral Alcohol	6,000	1,030.22	143.47	34.43	147.19	28.86	441.49	106.55	441.49
	(6,000)	(1,626.00)	(55.72)	(12.02)	(143.47)	(34.43)	(899.56)	(176.19)	(899.56)
(6) Indian Made Foreign Liquor (IMFL)	3,070	4,786.05	267.45	132.19	270.93	141.92	4,761.93	1,965.17	4,761.93
	(3,070)	(6,029.10)	(243.57)	(104.22)	(267.45)	(132.19)	(5,972.99)	(2,766.54)	(5,972.99)
(7) CO ₂		2,520.00	—	—	—	—	2,520.00	49.58	2,520.00
		(1,789.00)	(20.41)	(0.40)	—	—	(1,809.41)	(35.51)	(1,809.41)
(8) Miscellaneous				0.54		0.47		0.52	0.52
				(0.31)		(0.54)		(0.42)	(0.54)
(III) Processed Seeds		42,536.57	438.21	10.00	2,377.37	70.04	40,597.41	606.54	40,597.41
		(28,731.76)	(1,945.21)	(31.74)	(438.21)	(10.00)	(30,176.92)	(330.43)	(30,176.92)
(IV) Agricultural Products								320.47	320.47
								(409.32)	(409.32)

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

M.T. = Metric Ton

KESAR ENTERPRISES LTD.

Annexure to Note No 21 (Contd.)

Figures for the Year ended 30th June, 2008 indicated in **Bold**. Previous year figures indicated in the row therebelow in brackets. (Rs. in Lacs)

(B) Trading activities of the Company	CL		SEEDS	
	Quantity K.L.	Amount	Quantity Qtls.	Amount
Opening Stock	—	—	166.72	19.31
	(0.09)	(0.11)	—	—
Purchase	289.91	355.27	1,357.31	67.62
	(780.22)	(933.74)	(2,020.80)	(76.95)
Sales	289.91	355.91	1,193.66	160.66
	(780.31)	(952.13)	(1,854.08)	(149.98)
Closing Stock	—	—	330.38	25.67
	(—)	(—)	(166.72)	(19.31)

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 140,790 Qtls. from Own Farm [Previous Year 1,83,877 Qtls.]	97,79,827 Qtls.	12,248.42
		(1,14,87,996 Qtls.)	(15,853.33)
(2) Spirit (Distillery) Division	Molasses (Inclusive of 3,73,315 Qtls. from Sugar Division [Previous Year 4,56,062 Qtls.] Malt Spirit	7,16,970Qtls.	1,590.55
		(7,06,980 Qtls.)	(2,157.04)
		1,025.10 K.L.	0.71
		(2,943.40 K.L.)	(2.43)
	Spirit (Inclusive of NIL from Intra Division [Previous Year 220 KL])	953.51 K.L.	270.77
		(1,187.91 K.L.)	(355.08)
(3) Seed Division	Seeds (Inclusive of 9,829.31 Qtls. from Own Farm [Previous Year 8,961 Qtls.]	42,058.50 Qtls.	491.54
		(28,751 Qtls.)	(238.85)

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 canalised items & cane supplied from Own Farms)	14,601.99	100.00	2,197.02	100.00
	(18,606.73)	(100.00)	(2,492.57)	(100.00)

(D) Expenditure in Foreign Currency on account of travelling **14.20**
(12.23)

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

(i) Spare Parts	—
	(—)
(ii) Capital Items	—
	(15.47)

(F) Earnings in foreign exchange :

(a) Export of goods on F.O.B. basis	Nil
	(Nil)

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CASH FLOW STATEMENT

for the year ended 30th June, 2008

Previous Year
(Rs in Lacs)

A CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT/(LOSS) BEFORE TAX	156.53	(1,656.06)
Adjustments for :		
Depreciation	661.19	607.76
Dividend Income	(0.71)	(0.42)
Interest Income	(15.75)	(21.97)
Interest and Finance Charges	1,267.14	952.45
Transferred to Molasses and Alcohol Storage Fund & Effluent Disposal Fund	9.04	9.85
Profit on sale of Fixed Assets/ Investments	(2.64)	(14.82)
Assets Discarded/Scrapped	0.04	1.75
Miscellaneous Expenditure written off	12.78	12.54
Other Interest & Finance Charges written back	—	(8.51)
Credit Balances Written Back	(7.29)	(22.88)
Bad Debts/Advances written off	0.68	1.66
Provision for expenses no longer required	(4.69)	—
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,076.32	(138.65)
Adjustments for :		
Inventories	(1,312.44)	(5,028.51)
Trade and Other Receivables	195.29	479.11
Loans & Advances	(158.26)	192.09
Trade Payables	(3,652.86)	5,671.34
Other Current Liabilities	90.59	(140.88)
CASH (USED IN) / GENERATED FROM OPERATIONS	(2,761.36)	1,034.50
Taxes (Paid)/ Refunds	(200.33)	(536.06)
Prior Period Adjustments	(1.85)	35.86
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(2,963.54)	534.30
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets / Capital Work-in-Progress	(1,368.02)	(1,874.05)
Sale/Scrap of Fixed Assets	4.66	20.52
(Purchase) of Investments	(5.00)	—
Sale of investments	—	134.24
Interest Received	14.49	25.53
Dividend Received	0.71	0.42
Deferred Revenue Expenditure	—	(4.32)
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	(1,353.16)	(1,697.66)

KESAR ENTERPRISES LTD.

CASH FLOW STATEMENT

for the year ended 30th June, 2008 (contd.)

		<i>Previous Year (Rs in Lacs)</i>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Addition/ (Repayment) of Term Loans	1,649.29	278.58
Increase/ (Decrease) in Bank Borrowings	2,997.19	2,098.16
Increase/ (Decrease) in Short Term Borrowings	270.12	(75.10)
Dividends Paid	(0.08)	(76.15)
Issue of Share Warrant/Shares	—	394.24
Interest Paid	(1,260.65)	(946.24)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	3,655.87	1,673.49
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(660.83)	510.13
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	978.17	468.04
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	317.34	978.17

Note : Figures in brackets are outflows.

As per our Report attached.

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

N.N.Jambusaria
Partner
Mumbai, September 19, 2008

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, September 19, 2008

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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	8
---	---	---	---

 DATE MONTH YEAR

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

PUBLIC ISSUE <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> BONUS ISSUE <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>								N	I	L								N	I	L	RIGHTS ISSUE <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> PRIVATE PLACEMENT <table border="1" style="width: 100%; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>								N	I	L								N	I	L
							N	I	L																																
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							N	I	L																																

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

SOURCES OF FUNDS

TOTAL LIABILITIES

	2	1	2	2	1	.	5	2
--	---	---	---	---	---	---	---	---

 PAID-UP CAPITAL

		9	4	6	.	9	9
--	--	---	---	---	---	---	---

SECURED LOANS

	1	6	3	6	6	.	8	4
--	---	---	---	---	---	---	---	---

APPLICATION OF FUNDS

NET FIXED ASSETS

	8	4	3	6	.	9	5
--	---	---	---	---	---	---	---

 ACCUMULATED LOSSES

							N	I	L
--	--	--	--	--	--	--	---	---	---

TOTAL ASSETS

	2	1	2	2	1	.	5	2
--	---	---	---	---	---	---	---	---

 RESERVES AND SURPLUS

		2	8	4	8	.	4	2
--	--	---	---	---	---	---	---	---

 DEFERRED TAX LIABILITY

			6	3	4	.	9	5
--	--	--	---	---	---	---	---	---

 UNSECURED LOANS

			4	2	4	.	3	2
--	--	--	---	---	---	---	---	---

INVESTMENTS

					7	.	0	0
--	--	--	--	--	---	---	---	---

 NET CURRENT ASSETS

	1	2	7	7	7	.	5	7
--	---	---	---	---	---	---	---	---

 MISCELLANEOUS EXPENDITURE

							0	.	0	0
--	--	--	--	--	--	--	---	---	---	---

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

TOTAL INCOME

	3	0	6	2	2	.	1	0
--	---	---	---	---	---	---	---	---

 PROFIT/(LOSS) BEFORE TAX

			1	5	6	.	5	3
--	--	--	---	---	---	---	---	---

 EARNING PER SHARE (IN RS.)

					5	.	5	5
--	--	--	--	--	---	---	---	---

TOTAL EXPENDITURE

	3	0	4	6	5	.	5	7
--	---	---	---	---	---	---	---	---

 PROFIT/(LOSS) AFTER TAX

			3	8	1	.	3	6
--	--	--	---	---	---	---	---	---

 Dividend Rate %

							5
--	--	--	--	--	--	--	---

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

ITEM CODE NO. (ITC CODE)

1	7	0	1	9	9	.	0	2
---	---	---	---	---	---	---	---	---

 PRODUCT DESCRIPTION

S	U	G	A	R
---	---	---	---	---

 ITEM CODE NO. (ITC CODE)

N	O	T	A	V	A	I	L	A	B	L	E
---	---	---	---	---	---	---	---	---	---	---	---

 PRODUCT DESCRIPTION

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

 ITEM CODE NO. (ITC CODE)

2	2	0	7	1	0	.	0	1
---	---	---	---	---	---	---	---	---

 PRODUCT DESCRIPTION

R	E	C	T	I	F	I	E	D	S	P	I	R	I	T
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

KESAR ENTERPRISES LTD.

STATEMENT OF FIGURES FROM SEASON 1986-87 TO 2007-2008 (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
2007-2008	163	977,982.72	104,201.00	10.67

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
2007-2008	16,274,637	22.70

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FINANCIAL STATISTICS

Year end position	(Rs. in lacs)									
	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-99
Share Capital	746.99	746.99	794.95	633.93	633.93	633.93	633.93	633.93	633.93	633.93
Reserves and Surplus	2,848.42	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
Deferred Tax Liability	634.95	897.26	752.27	417.15	277.28	262.86	383.29	—	—	—
Borrowings	16,791.16	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
Working Capital	12,777.57	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
Capital Employed	21,221.52	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
Gross Block	16,714.42	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
Net Block	6,997.99	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
Investments	7.00	2.00	455.60	455.10	455.10	455.39	2,039.49	896.44	896.43	896.52
Equity Shares										
Book Value (Rs.) ©	52.94	46.69	73.16	59.89	28.15	25.78	46.71	52.38	51.82	52.03
Face Value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
For the Year										
Sales including Excise Duty	29,161.56	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
Depreciation	661.19	607.76	537.97	512.96	500.43	444.53	478.61	431.41	473.82	532.36
Profit before Tax	156.53	(1,656.06)	1,824.69	1,863.44	157.23	(1,487.62)	20.59	61.56	92.13	85.47
Profit After Tax	381.36	(1,847.71)	1,111.00	1,661.73	128.49	(1,367.80)	100.97	40.49	90.68	30.47
Equity Dividend %	5.00	—	25.00	20.00	—	—	—	—	—	—
Equity Dividend Amount	33.95	—	158.48	126.79	—	—	—	—	—	—

© Excluding Capital Reserve other than profit on forfeiture of Share Warrants