Statement of the Chairman Shri H R Kilachand for the 79th Annual General Meeting of the Members of the Company

Ladies and Gentlemen,

I welcome you all to the 79th Annual General Meeting of the Company.

Statement of Accounts:

The Annual Report and Accounts for the year ended 30th June, 2013 are with you.

The audited Accounts of the Company for the year ended 30.6.2013 is being adopted at this General Meeting. You may note that under the provisions of Section 23 of SICA, the Accumulated losses of the Company for the financial year ended 30.6.2013 amounting to Rs.2,934.07 lac have resulted in erosion of more than 50% of its peak Net Worth of Rs.4,464.36 lac during the immediately preceding four financial years. However, the calculation of Net Worth is on the basis of book value of the Assets of the Company (without considering Revaluation of its Assets amounting to Rs.23,206 lac). The causes of such erosion and the steps & measures being taken by the Company to improve the same are explained in the annexure to the Notice of this meeting.

Dividend:

In view of the loss during the year 2012-13 amounting to Rs.1,668.20 lac, your Directors have not recommended any dividend on Cumulative Redeemable Preference Shares and Equity Shares.

WORKING OF DIVISIONS:

Sugar Division

The crushing season 2012-13 started on 25.11.2012, 3 days later as against 22.11.2011 in the previous season and ended on 15.4.2013 as against 14.4.2012, 1 day later than the previous season.

In April 2013, as a part of Sugar Reforms, the Central Government dispensed with the Regulated Release Mechanism of sugar for domestic consumption with immediate effect. Further, obligation to supply sugar as Levy on production @ 10% at a control rate for Public Distribution System (PDS) was discontinued for sugar produced from October 2012. The PDS requirements will be procured by the states through open market and the gap will be supported by the Central Government. However, the deregulation process has remained incomplete as the issue of the State control on cane prices with lack of parity between sugar and cane prices has not been addressed.

For the season 2012-13, the Central Government had hiked the 'Fair and Remunerative Price' (FRP) of sugarcane from Rs.145/- per quintal to Rs.170/- per quintal at a base recovery of 9.5% and the U P Government had increased the State Advised Price (SAP) for sugarcane, for early varieties to Rs.290/- a quintal (previous year Rs.250/- a quintal), normal varieties to Rs.280/- a quintal (previous year Rs.240/- a quintal) and rejected varieties to Rs.275/- a quintal (previous year Rs.235/- a quintal). The cost of production in U.P. has become the highest in the country, which has rendered the U.P. sugar Industry unviable, cash-starved and uncompetitive.

Power Division

With stupendous efforts of the employees of the Company and full co-operation of manufacturers of various equipments & contractors, the 44 mw Bagasse based Cogeneration Power Plant at Baheri, U.P. was completed in July 2012 in a record time of 18 months inspite of some delays in receiving funds. The trial run of the Plant was made on 17.7.2012 and the plant started commercial operations from 1.10.2012. It is the most efficient and largest capacity single plant in the sugar Cogeneration Sector in U.P. and perhaps in the country having the state-of-the-art Process Control systems with performance monitoring software. The Plant had consumed almost the entire quantity of bagasse produced, for its running of 9 months. The total power exported to the grid was worth Rs.70.22 crore and has earned substantial revenue for the Company. The Plant was stopped from 7.6.2013. The Sugar Development Fund, Allahabad Bank, UCO Bank and Yes Bank Ltd. have funded the said Project.

The Company had replaced the steam driven drives with the latest technology i.e. with electric drives and rope coupling with VFD's along with automation through Distributed Control System (DCS). The Company had implemented major energy efficient measures in the boiling house of the sugar factory at Baheri, thereby reducing steam and power consumption significantly, resulting in large savings in bagasse ultimately benefiting by an increase in power sales.

	Season 2012-13	Season 2011-12
Duration of Crushing Operations (Days)	142	145
Sugarcane Crushing [(Qtls)	85,80,000	93,18,000
Sugar Production (Qtls)	7,81,000	8,88,000
Sugar Recovery (%)	9.14	9.48
Molasses Production (Qtls)	3,98,000	4,36,000
Baggasse Produced (Qtls)	26,07,000	31,43,000
Duration of Cogen Plant Operations (Days)	250	--
Cogen Plant Generated Power (lac MW)	1.89	--
Power Exported to the Grid (lac MW)	1.47	--

All India Sugar Production for the Year 2012-13 (1.10.2012 to 30.9.2013): (As per ISMA)

(in lac tonnes)

Opening stock as on 1.10.2012	61.29
Production in sugar season 2012-13	251.00
Imports	7.25
Total availability	**319.54**
Offtake: 1. Internal consumption 2. Exports	230.00 3.00
Total Offtake	**233.00**
Closing stock as on 30.9.2013 / Opening stock as on 1.10.2013	**86.54**

Spirits Division:

Financial Year 2011-12	**2012-13**	
Production of Rectified Spirit (RS) / Special Denatured Spirit (SDS) / Denatured Spirit (DS) (Bulk Ltrs) including outside purchases	1,06,94,133	1,45,93,950
Sale of RS / SDS / DS (Bulk Ltrs) including net captive consumptions	1,00,16,760	1,42,17,047
Production of ENA (Bulk Ltrs) including outside purchases	47,53,652	55,97,421
Sale of ENA (Bulk Ltrs) including net captive consumptions	48,07,824	51,56,347
Sale of IMFL - Own (Cases) - Franchise (Cases)	2,93,715 1,67,927	2,04,127 33,993
Sale of Country Liquor (Cases)	7,56,750	11,25,150
Landed Price (Average) of Molasses (Rs./Qtl)	325.73	333.71

The Company has contract bottling arrangements with reputed parties, which ensures higher capacity utilisation and reduction in operating overheads.

Agrotech Division:

Farm Land

Since 1933, the Company was holding agriculture land admeasuring 610 hectres at Khurpia, which was converted into lease for 20 years by the Superintendant of Tarai & Bhabur under the Government Grant Act and thereafter, it was marked as Bhumidhari. Whereas, the Mundia & Bhavanipur farms were taken on lease. Thus, the Company was in possession of 706.89 hectres of agriculture land situated at Mundia Farm in U.P. and Khurpia & Bhavanipur Farms in Uttaranchal, on which the Company was growing various crops including sugarcane. However, in the year 1976, the Prescribed Authority, Bareilly had passed an Order on 5.7.1976 declaring the above land as surplus under the U.P. Imposition of Ceiling on Land Holding Act, 1960. The Company had filed an Appeal before the District Judge against the said Order, which was partly allowed. Thereafter, there were several court hearings. Finally, on 22.3.2012, the High Court summarily dismissed the Writ Petition against which the Company had filed Review Application, which was also dismissed. The Company then filed a Special Leave Petition [SLP], which was dismissed by the Hon'ble Supreme Court. Thereafter, the Company once again filed a fresh Writ Petition in the Allahabad High Court seeking relief for some time to enable the Company to harvest the standing crop and to remove the belongings of the Company. Accordingly, the Court granted time till February 2013. Meantime, the Company could get back 11 hectares of land at Mundia farm and about 16 hectars of land at Khurpia farm.

Crops

During the year, the Company cultivated high value crops of Vegetable and flowers 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 a tissue culture laboratory for rapid multiplication of different sugarcane varieties.

Seed Division

The Company produced and sold Open Pollinated Seeds for wheat, paddy, mustard, toria, urad and peas, which have been very well received by the farmers. The Company has undertaken production & marketing of Hybrid Seeds of paddy, maize, sorghum sudan grass & pearl millet and different kinds of Vegetables. The Company has registered vegetable Seeds, which are sold under the brand name of 'Kesar Seeds'. The Company has obtained Seed Licenses in the States of Chattisgarh, Rajasthan, Uttar Pradesh, Uttarakhand, Bihar, Madhya Pradesh, Punjab and Haryana. The Research and Development (R&D) facility for hybrid crop seeds is fully functional near Hyderabad. Simultaneously, the R&D facility for development of vegetable seeds at Kichha, Uttarakhand has been operationalised. The R&D department has released two hybrids such as K-606 (UMANG) & K-707 (HARSH), which are well tested at field level and all efforts are being taken to promote them at the farmer's level. This year the Company has revamped the packaging of seeds to meet the expectation of the Industry and end users. The Company has supplied the seeds taking immense care in production and packing.

WORKING FOR THE CURRENT FINANCIAL YEAR 2013-14:

Sugar Division

For the season 2013 -14, the Sugar Factory is expected to start by last week of November, 2013.

For the season 2013-14, the Central Government hiked the FRP of sugarcane from Rs.170/- per quintal to Rs.210/- per quintal at a base recovery of 9.5%. The U.P. Government is yet to announce the State Advised Price (SAP) of sugarcane. The Uttar Pradesh Sugar Mills Association (UPSMA) has filed a petition in the Allahabad High Court, and also has written a letter to the State Government, for determination and declaration of cane price for 2013-14 season based on the cane price paying capacity of mills. UPSMA has also prayed that no coercive measures are taken against sugar mills. None of the Sugar Mills have given the Government a cane reservation proposal that is usually done each year, till the Government declares the cane price. The mills have stated that their cane paying capacity is Rs. 240/- per quintal at a sugar price of 3200/- per quintal and that this will be the price they are willing to pay for cane this year.

Power Division

The Cogen Power Plant is expected to start by 2nd week of November 2013 and will run till June 2014.

Spirits Division

The sugar cane crushing is expected to be the same as the previous season. Therefore, the total molasses availability from sugar factory will also be the same. The production of Rectified Spirit / Special Denatured Spirit and ENA should be higher during this year. The sale of Country Liquor as well as IMFL will be higher. The contract bottling arrangements continue. The overall performance of the Spirits Division for the current year is likely to be better as compared to the previous year.

Spirit Division:	From 1.7.2013 to 30.9.2013
Production of Rectified Spirit (Bulk Ltrs)	59,72,466
Sales and Captive Consumption of Rectified Spirit (Bulk Ltrs)	67,95,593
Production of ENA (Bulk Ltrs)	12,43,923
Sales and Captive Consumption of ENA (Bulk Ltrs)	15,02,647
Supplies of Country Liquor (Cases)	2,75,250
Supplies of IMFL of the Company's brands (Cases)- Ex-Baheri Supply of IMFL of Franchisee's brands - Ex-Baheri	65,929 24,202
Price (Average) of Molasses (Rs./Qtl) (Basic) Landed Price (Average) of Molasses (Rs./Qtl) (Basic)	300.87 445.45

Seed Division:

With effect from 1.7.2013, the Company has merged its Agrotech Division into Seed Division, in view of surrender of the farm lands by the Company in June 2013, which were declared as surplus under the U.P. Imposition of Ceiling on Land Holding Act, 1960. In the North, operations are being reinforced with increased efforts in Punjab and Haryana. The business proposition of hybrid crop would be more than double in this financial year in comparison to previous years. Focus is to increase hybrid seeds volume to increase profitability.

EXPANSION / MODERNISATION

Spirits Division

The Company is eligible to expand 25% capacity of the Distillery under U. P. Excise policy. Considering the current market scenario and in order to reduce overall production cost, the Company is planning to expand & modernise the production capacity of the Distillery from 50,000 BL per day to 62,500 BL per day at the first opportunity.

Seed Division

It is proposed to set up two seed processing plants, one in East Uttar Pradesh for Bihar, Jharkhand, Chattishgarh & Odisha and second one in Madhya Pradesh. With these plants, processing capacity is going to be doubled. Hybrid production is being increased as it will result in improved profitability. To cater the need of the existing customers and prospects of future growth, the Company has started outsourcing of products, which will help us to expand the geographical reach and to generate revenue to make the operations effective & profitable.

COMPOSITE LOGISTICS HUB PROJECT AT MADHYA PRADESH

During the year, the Special Purpose Vehicle Company(SPV) Kesar Multimodal Logistics Ltd (KMLL) had done the 'Bhoomipujan' and 'Foundation Stone Laying' Ceremony on 22.10.2012 at the Project site at Pawarkheda, Madhya Pradesh following that construction activities commenced in full swing. The Composite Logistics Hub, covering an area of 88.3 acres provided by the Madhya Pradesh State Agricultural Marketing Board (Mandi Board), includes development of an entire range of logistics infrastructure including rail sidings for cargo and container movement, rail-side warehouses, Inland Container Depot (ICD), Cold Storage, food grains warehouse, Agri-processing units, development of common facilities, marketing of the same to potential customers along with operation and maintenance thereof. The Project is on a Design, Build, Finance, Operate and Transfer (DBFOT) basis through Public Private Participation (PPP), which will be developed in 2 phases with the 1st phase expected to be operational by end of the year or early next year. The necessary financial tie up of Rs.108.11 crore has been arranged by KMLL through a Consortium of Bankers i.e Dena Bank as the Lead Bank and Allahabad Bank and Union Bank of India as the Consortium Banks. The Company may not continue participation in this project of Madhya Pradesh.

RAISING FUNDS THROUGH OPTIONALLY CONVERTIBLE PREFERENCE SHARES

You are aware that the Company had sought & got the approval of the Shareholders to raise funds in order to enhance financial flexibility of the Company to fund the capital expenditure plans of the Company and/or to part finance expansion/modernization of the sugar factory/ cogeneration projects at Baheri and/or acquisition/ investments in similar facilities to the extent of Rs.50 crore. You are also aware that in view of unfavourable market conditions, at that point of time, not conducive for the Issue of Rights Shares and also in view of substantial reduction of Net Worth of the Company due to loss in the year 2011-12, which resulted into taking immediate steps to improve it, the Company had decided to consider the Rights Issue at an appropriate time, and to consider first, the Issue of Optionally Convertible Preference Shares on Preferential basis to the Promoters / Persons acting in concert with the Promoters in terms of Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Accordingly, on 6.2.2013, the Board had allotted 82,35,000 Zero Coupon Optionally Convertible Preference Shares ("OCPS") of Rs.10/- each fully paid-up aggregating to Rs.8,23,50,000/- to the Promoters & Persons acting in concert with the Promoters (Promoter Group Companies) on Preferential basis with an option to convert the OCPS within a period of 18 months from the date of allotment i.e. 6.2.2013, either partly or fully, in one or more tranches, in one or more financial years, as approved by the Shareholders through Postal Ballot voting process on 22.1.2013. Thereafter, the Promoters & Persons acting in concert with the Promoters (Promoter Group Companies) had exercised their option to convert OCPS in two tranches of 38,47,500 OCPS and 43,87,500 OCPS in two financial years 2012-13 & 2013-14. Hence, on 7.3.2013 i.e. during the Financial Year 2012-13 and on 13.5.2013, i.e. during the Financial Year 2013-14, the Board had allotted 8,55,000 Equity Shares and 9,75,000 Equity Shares aggregating to 18,30,000 Equity Shares of Rs.10/- each at a premium of Rs.35/- per share total aggregate amounting to Rs.8,23,50,000/- by way of issue of new Equity Shares.

Thus, the Issued, Subscribed & Paid up Equity Share Capital of the Company stands increased from 67,90,162 Equity Shares of Rs.10/- each aggregating to Rs.6,79,01,620/- to 86,20,162 Equity shares of Rs.10/- each aggregating to Rs.8,62,01,620/-. The total shareholding of the Promoters & Persons acting in concert with the Promoter [Promoter Group] stands increased from the existing 55.455% to 64.928%. The Company has obtained the necessary Listing & Trading approvals from BSE & NSE for the same.

REDEMPTION OF PREFERENCE SHARES

In 2004, the Company had allotted 20,00,000 - 1% Cumulative Redeemable Preference Shares (CRPS) of Rs.10/-each fully paid-up aggregating to Rs.2,00,00,000 to Industrial Development Bank of India (IDBI), as per the Consent Terms dated 17.10.2003 signed under the Negotiated Settlement. The said CRPS were to be redeemed in 3 annual installments respectively on 10.8.2011, 10.8.201 2 and 10.8.2013. Accordingly, the Company has paid all the 3 installments as on date. The Cumulative Dividend for the years 2011-12 & 2012-13 will be paid on the respective balance amounts as and when the Company declares Dividend on its Equity Shares.

Directors:

Shri P Nayak [Nominee of General Insurance Corporation (GIC)] and Shri Ajeet Prasad, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Pursuant to the provisions of the Companies Act, 1956 and as approved by the Remuneration Committee as well as the Board of Directors on 25.7.2013, subject to your approval, Shri H R Kilachand was reappointed as the Chairman and Managing Director of the Company for a further period of 3 years with effect from 14.8.2013. On 11.7.2013, Shri H R Kilachand is also reappointed as Whole-time Director designated as Executive Chairman of Kesar Terminals and Infrastructure Limited (KTIL) for a further period of 3 years with effect from 14.9.2013. However, the total remuneration drawn and retained by Shri H R Kilachand from both the Companies shall not exceed the higher maximum limit admissible from any one Company i.e the Company or KTIL as per the provisions of the Companies Act.

Employees:

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

Acknowledgement:

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

Thanking you.

H R KILACHAND
Chairman & Managing Director

8th October, 2013