

**82nd Annual General Meeting of the Members of the Company on 25.07.2017**

**From the Chairman's Desk**

**My Dear Shareholders,**

Greetings and a warm welcome to you all to the 82nd Annual General Meeting of the Company.

**Statement of Accounts:**

The Annual Report and audited Accounts for the year ended 31.03.2017 are with you for some time now. For the said year, the Company has made a profit and the cash flow is positive. Over the last few years, the Sugar Industry was facing severe difficulties on account of high sugar cane prices set by the State Government, lower sugar prices due to over production and imports allowed by the Central Government and consequential inadequate recovery of cost of production. These factors had adversely affected the Company's operations and financial performance. The total accumulated losses stand reduced from Rs.203.81 crore in the previous year to Rs.195.60 crore in the current year.

**Status of BIFR / AAIFR matter:**

The Company had filed a reference with BIFR, under Section 15 of SICA, on 15.5.2015. Thereafter, BIFR intimated the Company on 21.9.2015 that the said reference was registered. As the Sick Industrial Companies Act (SICA) was repealed with effect from 1.12.2016, the Reference filed by the Company under Section 22 of SICA stood abated. However, the Company could file a fresh reference with the National Company Law Tribunal (NCLT) under the recently notified the Insolvency and Bankruptcy Code, 2016 & Regulations (IBC) issued thereunder.

**Dividend:**

In view of the accumulated losses, your Directors have not recommended any dividend on Equity Shares.

**WORKING OF DIVISIONS:**

**Sugar & Power Division**

	<b>Season 2016-17</b>	<b>Season 2015-16</b>
Crushing started on	13.11.2016	27.11.2015
Duration of Crushing Operations (Days)	118	89
Sugarcane Crushing [(Qtls)	65,08,998	44,47,136
Sugar Production (Qtls)	7,04,820	4,57,250
Sugar Recovery	10.81 %	10.19 %
Fair & Reasonable Price [FRP] of sugarcane (a Qtl)	230	230
State Advised Price (SAP) of sugarcane (a Qtl)	305	280
Molasses Production (Qtls)	2,74,609	2,07,562
Bagasse Produced (Qtls)	18,20,210	13,01,636
Cogen Plant Operations started on	11.11.2016	27.11.2015
Duration of Cogen Plant Operations (Days)	152	93
Cogen Plant Generated Power (lakh MW)	1.48	0.69
Power Exported to the Grid (lakh MW)	0.91	0.49
Power Exported to the Grid (Rs. in crore)	51.44	27.05

During the season 2016-17, the crushing was higher by 20.61 lakh quintals due to better cane yield and more supply of sugarcane by the farmers due to timely cane price payment to the farmers. Recovery was also much better due to the intensive cane development efforts to increase area under early maturity varieties of cane as well as ratoon management and improved planting methods.

This year the sugar prices have also substantially increased from Rs.3,400/- a Qtl. In December 2016 to Rs.3,700/- by March 2017 when they had peaked. This was due to the shortage of sugar production due to Maharashtra and South being affected by drought and hence the benefits of better sugar prices went to UP and north factories. This too is one of the main reasons for the good results for the last quarter and year as a whole.

For the Season 2016-17, the Central Government had announced a Fair & Remunerative Price [FRP] of sugarcane at Rs.230/- a quintal at a base recovery of 9.50%. The UP Government had announced a State Advised Price (SAP) of sugarcane of Rs.305/- (normal variety) a quintal as against Rs.280/- a quintal in the previous season. The said price was to be paid to the farmers within 14 days. The UP State Government has not extended any relief to the Sugar industry during the crushing season 2016-17 in view of better sugar realisations. Besides this, the Hon'ble High Court, in two different matters, has quashed the Orders of the Cane Commissioner / Government, through which the Society Commission was reduced / refunded and interest on late payment of cane price waived for the previous year. The industry has decided to take up these issues with the High Court and also through a SLP in the Supreme Court.

During the last few years, the cost of production in UP was the highest in the country, due to continuous increase in cane price by the State Government, which rendered the UP Sugar Industry unviable, cash-starved and uncompetitive. There is an urgent need to rationalize the cane pricing policy in UP and adopt a 'linkage formula' as recommended by the Rangarajan Committee linking sugar cane price to sugar prices. The two major sugar producing States i.e. Maharashtra and Karnataka, who together contribute for almost 50% of the country's sugar production, have adopted and implemented a 'linkage formula' for determining cane price. The U P Government had announced the formation of

a high level Committee to determine a fair Sugarcane Pricing Policy. This is the only long term solution for stability & viability of the Sugar industry.

The industry outlook is also positive in the short term and medium term with sugar prices expected to hold.

During the Season 2016-17, Molasses produced was 2.74 lakh quintals as against 2.10 lakh quintals the previous season 2015-16.

Since the UP Government had not announced the Molasses Policy for 2016-17 (November-October), the molasses reservation rate for the country liquor manufacturers had been retained at 25%. The Policy had been specifically formulated to help country liquor manufacturers, reserving a part of factories total molasses production for the country liquor manufacturers at a rate, much lower than the market specified prices.

#### **Spirits Division:**

During the year under review, there was no production of Rectified Spirit (RS), Extra Neutral Alcohol (ENA) & no supply of Country Liquor as the Spirits Division was put out of operations since October 2015 as the Company is not in a position to install a multiple effect evaporation system to reduce the effluent volume as well as to do modifications in the Reverse Osmosis Plant & Bio-composting to enable the Distillery to become zero discharge compliant. Hence, the Molasses was sold directly in the market.

#### **Power Division**

During the Sugar Season 2016-17, the Power Plant started on 11.11.2016 as against 27.11.2015 and operated for 152 days as against 93 days, higher by 59 days than in the previous Season. This was possible only due to higher crushing of sugarcane and substantial purchase of additional alternate fuel which enabled the Plant to run longer. The Plant consumed 2.37 lakh MT of bagasse/alternate fuel to generate 1.21 lakh MW power as against 1.48 lakh MT of bagasse/alternate fuel to generate 0.69 lakh MW power in the previous Season. The total power exported to the grid was 0.91 lakh MW amounting to Rs.51.44 crore as against 0.49 lakh MW amounting to Rs.27.05 crore in the previous Season.

#### **WORKING FOR THE CURRENT YEAR:**

##### **Sugar Division**

The crushing for the Season 2017-18 will start in the first half of November 2017. The cane area has gone up substantially by about 20% due to our having paid cane price on time and also that the early maturity variety of cane percentage, also having increased. During the Financial Year 2017-18, there may be a stability in sugar prices. This may result in the Company doing satisfactorily. The industry outlook is also positive in the short term and medium term.

The Cabinet Committee on Economic Affairs has given its approval for fixing the Fair and Remunerative Price (FRP) of sugarcane at Rs.255/- per quintal for sugar season 2017-18 linked to a basic recovery rate of 9.5%. The approved FRP reflects an increase of 10.87% over the FRP of sugar season 2016-17. However, the FRP price is still below the State Advised Price (SAP) of cane.

On 10.7.2017, the Central Government has increased import duty on Sugar from 40% to 50% to curb dumping of sugar in India as International Prices of Sugar had fallen.

##### **New Molasses Policy**

On 13.07.2017, the UP Government announced the Molasses Policy for 2016-17, wherein the molasses reservation rate for the country liquor manufacturers has been reduced from 25% to 20%.

##### **Power Division**

The Cogen Power Plant is also planned to start in the first half of November 2017. It is also expected to run near if not to its Plant Load Factor (PLF) capacity, which will also help the Company generate better results, for which this Power Plant was built.

#### **DIRECTORS**

Shri D J Shah, Director of the Company retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

#### **Employees:**

I would also like to place on record the deep sense of appreciation for the devotion and hard work of the officers, staff and workers of the Company during the year under report, without whose efforts the results achieved would not have been possible.

#### **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.

Thanking you.

25th July, 2017

**H R KILACHAND**  
Chairman & Managing Director