



**Strong  
Fundamentals.  
Sustainable  
Value.**

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**2016-17**  
**ANNUAL REPORT**

## FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

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# Corporate Information

## BOARD OF DIRECTORS

Mrs Nandini Nopany, Chairperson  
 Mr. Chandra Shekhar Nopany, Co-Chairperson  
 Mr. Anand Ashvin Dalal  
 Mr. Sunil Kanoria  
 Mr. Gaurav Swarup  
 Mr. Pradip Kumar Bishnoi  
 Mr. Kalpataru Tripathy  
 Mr. Devendra Kumar Sharma, Wholetime Director

## COMMITTEES OF DIRECTORS

### Audit Committee

Mr. Anand Ashvin Dalal – Chairman  
 Mr. Pradip Kumar Bishnoi  
 Mr. Kalpataru Tripathy  
 Mr. Devendra Kumar Sharma

### Stakeholders' Relationship Committee

Mr. Gaurav Swarup - Chairman  
 Mr. Pradip Kumar Bishnoi  
 Mr. Anand Ashvin Dalal  
 Mr. Devendra Kumar Sharma

### Nomination and Remuneration Committee

Mr. Sunil Kanoria - Chairman  
 Mr. Gaurav Swarup  
 Mr. Anand Ashvin Dalal  
 Mr. Kalpataru Tripathy

### Risk Management Committee

Mr. Pradip Kumar Bishnoi – Chairman  
 Mr. Chand Bihari Patodia  
 Mr. Dilip Patodia  
 Mr. Devendra Kumar Sharma

### Corporate Social Responsibility Committee

Mrs Nandini Nopany – Chairperson  
 Mr. Pradip Kumar Bishnoi  
 Mr. Devendra Kumar Sharma

### Finance & Corporate Affairs Committee

Mrs Nandini Nopany – Chairperson  
 Mr. Chandra Shekhar Nopany  
 Mr. Gaurav Swarup  
 Mr. Devendra Kumar Sharma

## EXECUTIVES

Mr. Dilip Patodia – President (Finance) &  
 Chief Financial Officer  
 Mr. Sukhvir Singh – Executive President, Seohara  
 Mr. Bal Kishore Malpani – Executive President, Rosa  
 Mr. Narpat Singh – Executive President, Hata  
 Mr. Anand Sharma – Vice President (Legal) &  
 Company Secretary

## AUDITORS

S.R. Batliboi & Co. LLP  
 Chartered Accountants  
 22, Camac Street, 3rd Floor, Block - C,  
 Kolkata - 700 016

## ADVOCATES & SOLICITORS

Khaitan & Co. LLP

## BANKERS

State Bank of India  
 ICICI Bank Ltd.  
 Punjab National Bank  
 IDBI Bank Ltd.  
 DCB Bank Ltd.  
 Union Bank of India

## REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd.  
 (Unit : Avadh Sugar & Energy Limited)  
 59C, Chowringhee Road,  
 Kolkata - 700 020  
 Tel. No.:(033)2289 0540, Fax No.:(033)-2289 0539  
 E-mail : kolkata@linkintime.co.in

## REGISTERED OFFICE

P. O. Hargaon District – Sitapur, (U. P.)  
 Pin Code – 261 121  
 Tel. No. : (05862) 256220, Fax No. : (05862) 256225  
 E-mail : birlasugar@birla-sugar.com  
 Website : www.birla-sugar.com  
 CIN – U15122UP20152PLC069635

## CORPORATE & HEAD OFFICE

Birla Building  
 9/1, R.N. Mukherjee Road, 5th Floor  
 Kolkata - 700 001  
 Tel. No. (033)2243 0497/8, Fax No.:(033) 2248 6369  
 E-mail : birlasugar@birla-sugar.com  
 Website : www.birla-sugar.com

## SUGAR MILLS

1. Hargaon, Dist. Sitapur, (U. P.)
2. Seohara, Dist. Bijnor (U.P.)
3. Rosa, Dist. Shahjahanpur, (U. P.)
4. Hata, Dist. Kushinagar (U. P.)

## DISTILLERIES

1. Hargaon, Dist. Sitapur, (U. P.)
2. Seohara, Dist. Bijnor, (U.P.)

## CO-GENERATION POWER PLANT

1. Hargaon, Dist. Sitapur, (U. P.)
2. Seohara, Dist. Bijnor, (U.P.)
3. Hata, Dist. Kushinagar (U.P.)

## Chairperson's Insight



### Dear Shareholders,

I am happy to be sharing my thoughts with you at a time when India is witnessing exciting transformation. The economy continues to grow faster than the world's major economies, and the government is driving wide-ranging reforms, which will augur well for all sectors of the economy, going forward. It is worthwhile to mention in this context that the passage of GST Bill during the year was a landmark step to bring the entire country within the ambit of a uniform indirect tax structure.

The Union Budget 2017 also announced a slew of measures to bolster the income of farmers significantly in the next five years and to accelerate rural development. These measures will also benefit the sugar industry, which is witnessing gradual recovery. However, it must be admitted that the health of the industry is still fragile and prone to headwinds. Operating in such a scenario, we at Avadh are striving to consolidate our strengths to create sustainable value for all stakeholders.

### INDUSTRY INSIGHT

India's sugar industry continues to be a major economy driver, supporting around 50 million farmers and their families. The industry commercially utilises rural resources to meet the large domestic demand for sugar and generates surplus energy to help meet the country's growing energy needs.

India's sugar industry is recovering on the back of balanced rainfall and favourable government policies. According to ISMA's latest estimates, production of 20.3 million tonnes and consumption of 24.0 million tonnes are expected in Sugar Year Oct'16-Sep'17. With a high opening balance of 7.75 million tonnes, the closing balance in the current season is estimated to be around 4.2 million tonnes. This indicates enough availability to meet domestic demand until the end of November 2017. There has been a moderate increase in sugar and sugarcane production over the last 10 years.

The reason for the lower production, especially in Maharashtra, Karnataka, Andhra Pradesh and Telangana is the continuous drought in the last few years. On the other hand, cane yields, as well as sugar recovery in Uttar Pradesh were significantly better, compared to that of last year. With favourable monsoons approaching, yield improvement is expected in 2017-18.

The good news is that in India and other parts of the world, sugar production and consumption continue to grow, despite challenges. In India, the capacity utilisation improved considerably during FY 2016-17 especially in U.P.

### BUSINESS PERFORMANCE

We completed the restructuring of Oudh Sugar and Upper Ganges; and the rationale behind this decision was to enhance efficiencies and commercial synergies among multiple businesses. Post the restructuring, sugar business undertakings of The Oudh Sugar Mills Ltd and Upper Ganges Sugar & Industries Ltd categorised geographically in the state of Uttar Pradesh stand transferred and vested in Avadh Sugar & Energy Limited.

Our performance was encouraging during the year. Sugar cane crushing was at record levels with better recoveries.

Our efficient operations, innovative techniques and experiments with new varieties of sugarcane differentiated us from other sugar industry players.

### OUR CORE STRATEGIES

At Avadh Sugar, we make conscious efforts to ensure that sustainability remains at the core of our business strategy. We prioritize the needs of farmers and we are doing our utmost to clear all arrears outstanding to them. We enjoy the trust and support of our farming community, and they continue to rely on the ethical business policies of our Company.

Another focus area in FY17 was to achieve fiscal discipline. If we look at our long-term debt equity ratio, it is now in better shape, following the restructuring of the business. Our profitability will now help us procure enough working capital resources and significant short-term debt.

### WAY FORWARD

We are strengthening our operations and working towards building a robust balance sheet. At the same time, we are implementing better strategies in collaboration with all our stakeholders to enhance the value proposition of our business and achieve a better margin profile. Co-generation and ethanol production will also help enhance our profitability.

The support of the Government of India and state governments deserve appreciation; and as a major industry player, we look forward to working with the Central and state governments for sustainable growth of the industry as a whole.

Our experience and expertise, powered by the support and guidance of all our stakeholders, have enabled us



***We are strengthening our operations and working towards building a robust balance sheet. At the same time, we are implementing better strategies in collaboration with all our stakeholders to enhance the value proposition of our business and achieve a better margin profile.***

to reach the stature that we have attained today. More needs to be done to reinforce our fundamentals. We have a committed workforce to work on our future strategies, despite challenges; and the management will continue to invest in building their capabilities and follow industry-leading HR practices.

I thank all our stakeholders for helping us build on our strong fundamentals and create sustainable value for the nation and the community.

Warm regards,

**Nandini Nopany**  
Chairperson

## Directors' Report

Dear Members,

Your Directors present herewith the 3rd Annual Report on the business & operations of the Company along with the Audited Statement of Accounts for the financial year ended 31st March, 2017.

### 2 SCHEME OF ARRANGEMENT

The Composite Scheme of Arrangement between Upper Ganges Sugar & Industries Ltd, The Oudh Sugar Mills Ltd, Palash Securities Ltd, Allahabad Canning Ltd, Ganges Securities Ltd, Cinnatollah Tea Ltd, Vaishali Sugar & Energy Ltd, Magadh Sugar & Energy Ltd and Avadh Sugar & Energy Ltd and their respective shareholders and creditors has received requisite approvals of regulatory authorities including Hon'ble High Court, SEBI, CCI and finally by National Company Law Tribunal, Allahabad Bench on March 2, 2017. The Scheme envisaged Birla Group of Sugar Companies to re-arrange its business activities, to achieve the Business alignment as per market dynamics and variant capital needs of each business as well as to house geographically in separate entities its sugar, investments, tea and food processing businesses. Pursuant to the said Scheme the sugar business operations in the State of Uttar Pradesh becomes part of the Company viz; Hargaon Sugar Mills, Seohara Sugar Mills, Rosa Sugar Works and New India Sugar Mills, Hata.

### 3. FINANCIAL RESULTS AND APPROPRIATIONS

(₹ in lacs)

	Year ended 31st March, 2017	Year ended 31st March, 2016
Revenue from Operations (Gross)	1,97,657.26	
Profit before Finance Costs, Tax, Depreciation and Amortization	43,873.68	(1.09)
Less: Depreciation & Amortization Expenses	4,596.40	
Finance Costs	12,996.72	17,593.12
Profit/(Loss) Before Tax	25,280.56	(1.09)
Less: Provision for Tax	4323.00	4323.00
Profit/(Loss) After Tax	20,957.56	(1.09)

(₹ in lacs)

	Year ended 31st March, 2017	Year ended 31st March, 2016
Less : Impact of Scheme related to earlier period	(15,205.36)	
Balance carried to Balance Sheet	5,750.63	

### 4. OPERATING PERFORMANCE

In facade of dynamic market conditions wherein the long awaited resurgence in the sugar industry had begun during first half though quite subdued in comparison to other half which witnessed upward trend in sugar pricing, your Company has delivered top line growth and performed ahead of underlying Sugar Season 2016-17, prima-facie due to supply of good quality of sugarcane culminating into higher recoveries and expedited sales. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussion & Analysis Report which is made an integral part of this Report and marked as "Annexure A".

### 5. FINANCIAL PERFORMANCE 2016-17

The Company recorded Total Revenue of ₹1,87,549.47lacs (including other income aggregating to ₹249.28 lacs) during the financial year ended 31st March, 2017. The Revenue from Operations (Gross) of the Company for the year 2016-17 stood at ₹1,97,657.26 lacs. The Profit before Finance Costs, Tax, Depreciation and Amortisation for the year under review stood at ₹42,873.68 lacs representing 22.86 % of the total revenue.

There is no change in the nature of business of the Company. There were no significant or material orders passed by regulators, courts or tribunals impacting the Company's operation in future.

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year i.e. 31st March 2017 and date of this report.

### 6. DIVIDEND

Your Company had adopted a dividend distribution policy that balances the dual objectives of

appropriately rewarding Members through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support long term growth of your Company. Consistent with this policy, your Board has recommended a cumulative dividend on 8.5 % Non-convertible Cumulative Redeemable Preference Shares for the financial year 2011-12 to 2016-17 aggregating to ₹ 2346.47 lacs ; Cumulative dividend on 12 % Non-convertible Cumulative Redeemable Preference Shares for the financial year 2014-15 to 2016-17 aggregating to ₹ 513.08 lacs and dividend of ₹ 2/- on Equity Shares (20 %) for the financial year 2016-17 to the Members of your Company. The proposal is subject to the approval of the Members at the 3rd Annual General Meeting (AGM) of your Company scheduled to be held on July 31, 2017. The dividend together with the dividend distribution tax will entail a cash outflow of ₹ 3682.63 lacs (previous year ₹ Nil).

## 7. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public and as such there are no outstanding fixed deposits in terms of Companies (Acceptance of Deposit Rules) 2014.

## 8. SHARE CAPITAL

In accordance with the Composite Scheme of Arrangement, on merger of residual Upper Ganges Sugar & Industries Ltd and residual The Oudh Sugar Mills Ltd, the Authorized Share Capital of the Company which at the time of incorporation was ₹ 5,00,000/- (Rupees Five lacs) divided into 50,000 (fifty thousand) Equity Shares of ₹ 10/- each, has become ₹ 170,05,00,000/- (Rupees One hundred seventy crore and five lacs) divided into ₹ 56,05,00,000/- equity shares divided into 5,60,50,000 (Five crore sixty lacs fifty thousand) Equity Shares of ₹ 10/- (Rupees ten) each and ₹ 50,00,00,000/- (Rupees Fifty Crores) Preference Shares divided into 5,00,00,000 (Five crore) Preference Shares of ₹ 10/- and ₹ 34,00,00,000/- (Rupees Thirty Four crores) Preference Shares divided into 34,00,000 (Thirty-four lacs) Preference Shares of ₹ 100/- each and ₹ 30,00,00,000/- (Rupees Thirty crores) Unclassified Shares divided into 3,00,00,000 (Three Crore) unclassified shares of ₹ 10/- each.

## 9. SUBSIDIARY COMPANIES

The Company does not have any subsidiary. However, the Company has formulated a policy for determining material subsidiaries in line with the requirement of SEBI (LODR) Regulations, 2015. The said Policy is being disclosed on the Company's website at the weblink <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Policy-for-Determining-Material-Subsidiaries.pdf>.

## 10. HUMAN RESOURCES

The Company continued to create a productive, learning and caring environment by implementing robust and comprehensive HR processes, fair transparent performance evaluation and taking new initiatives to further align its Human Resource policies to meet the growing needs of its business.

## 11. DIRECTORS

The Board of Directors comprises of seven Non-Executive Directors having experience in varied fields and a Whole time Director. Out of seven Non-Executive Directors, five of them are Independent Directors and other two directors are Promoter Directors. Mrs Nandini Nopany is the Chairperson of the Company whereas Mr Chandra Shekhar Nopany is Co-Chairperson of the Company.

Mrs. Nandini Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re-appointment as Director of the Company. She is proposed to be re-appointed as Director and will be liable to retire by rotation.

Pursuant to the applicable provisions of the Companies Act, 2013 the Board of Directors of the Company at its meeting held on 14th March, 2017 appointed Mr. Anand Ashvin Dalal, Mr. Sunil Kanoria, Mr. Gaurav Swarup, Mr Pradip Kumar Bishnoi and Mr. Kalpataru Tripathy appointed as Additional Directors and accordingly they would hold the office upto the date of the ensuing Annual General Meeting. The Company has received notices in writing under Section 160 of the Companies Act, 2013 from members proposing the candidature of Mr Anand Ashvin Dalal, Mr. Sunil Kanoria, Mr. Gaurav Swarup, Mr Pradip Kumar Bishnoi and Mr. Kalpataru Tripathy respectively. The Board

of Directors at its meeting held on 14th March, 2017, designated Mr. Anand Ashvin Dalal, Mr. Sunil Kanoria, Mr. Gaurav Swarup, Mr Pradip Kumar Bishnoi and Mr. Kalpataru Tripathy as independent directors. The Board of Directors recommended to the shareholders for their appointment for a period of five consecutive years with effect from the date of the ensuing Annual General Meeting.

Other information on the Directors including required particulars of Directors retiring by rotation is provided in the Annexure to the Notice.

## 12. KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company at its meeting held on March 30, 2017 had appointed following persons as Key Managerial Personnel of the Company viz:

- a. Mr. Devendra Kumar Sharma, Whole time Director
- b. Mr. Dilip Patodia, President (Finance) and Chief Financial Officer
- c. Mr. Anand Sharma, Company Secretary

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct applicable to Directors & employees of the Company and a declaration to the said effect by the Wholetime Director is made part of Corporate Governance Report which forms part of this report. The Code is available on the Company's website at the weblink <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Code-of-Conduct.pdf>. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013.

## 13. FAMILIARISATION PROGRAMME

Periodic presentations are made at the Board Meetings, business, performance updates & business strategy of the Company.

## 14. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as "Annexure I".

## 15. REMUNERATION POLICY

The Board has framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy as adopted by the Board of Directors is attached as "Annexure E". to this Report. The Committee has also framed criteria for performance evaluation of every Director and accordingly has carried out the performance evaluation.

## 16. CORPORATE SOCIAL RESPONSIBILITY POLICY

The Company continues to spend to support local initiatives to improve infrastructure as well as support in other corporate social responsibilities. The disclosure requirement with respect to CSR spends are not applicable to the Company in view of inadequate profits/losses during the three immediately preceding financial years. The CSR Policy as approved by the Board is available on Company's website at the weblink <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-CSR-Policy.pdf>

## 17. MEETINGS

A calendar of Meeting is prepared and circulated in advance to the Directors. The Board evaluates all the decisions on a collective consensus basis amongst the Directors. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. During the financial year ended 31st March 2017, 7 (seven) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the F.Y. 2016-17 have been furnished in the Corporate Governance Report forming a part of this Annual Report.

## 18. AUDIT COMMITTEE

The Audit Committee was constituted on March 14, 2017 and the Committee now comprises of Mr. Anand Ashvin Dalal, Mr. Pradip Kumar Bishnoi, Mr. Kalpataru Tripathy and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee and the Chief Financial Officer is a permanent invitee to the meetings. During the year there were no instances where Board has not accepted the recommendation of Audit Committee.



The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **19. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

The Stakeholders' Relationship Committee was constituted on March 14, 2017 and now comprises of Mr Gaurav Swarup, Mr. Anand Ashvin Dalal, Mr Pradip Kumar Bishnoi and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **20. NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee was constituted on March 14, 2017 and now comprises of Mr. Sunil Kanoria, Mr Gaurav Swarup, Mr. Anand Ashvin Dalal and Mr Kalpataru Tripathy. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **21. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Corporate Social Responsibility Committee was constituted on March 14, 2017 and the Committee now comprises of Mrs Nandini Nopany, Mr. Pradip Kumar Bishnoi and Mr Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

#### **22. INTERNAL COMPLAINTS COMMITTEE**

An Internal Complaints Committee was constituted by the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Act aims at protecting women's right to gender equality, life and liberty

at workplace to encourage women participation at work. The Committee meets all the criteria including its composition mentioned in the Act and relevant Rules. No complaint has been received by the Committee during the year under review.

#### **23. LOANS, GUARANTEE AND INVESTMENTS**

It is the Company's policy not to give any loans, directly or indirectly, to any person (other than to employees under contractual obligations) or to other body corporate or person. In compliance with section 186 of the Companies Act, 2013, loans to employees bear applicable interest rates. During the year under review, the Company has not made any investment in securities of other body corporate. The details of Investments, Loans and Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes 14 to the Financial Statements.

#### **24. RELATED PARTY CONTRACTS/ARRANGEMENTS**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Accordingly, no transaction are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the Directors draw attention of the members to Note 31 to the financial statement which sets out related party disclosures

The Company has developed a Related Party Transactions Policy for purpose of identification and monitoring of such transactions and accordingly any or all Related Party Transactions are placed before the Audit Committee as also the Board for approval including providing prior omnibus approval by the Audit Committee for the transactions which are of a foreseen and repetitive nature.

#### **25. RISK MANAGEMENT**

In line with the new regulatory requirements, the Company has formally framed a Risk Management Policy to identify and assess the key risk areas,

monitor and report the compliance and effectiveness of the same. A Risk Management Committee, though not mandatory, has been constituted comprising of Mr. Devendra Kumar Sharma, Whole time Director, Mr Dilip Patodia, Chief Financial Officer, Shri Chand Bihari Patodia, Group President and Mr Pradip Kumar Bishnoi, Independent Director, to oversee the risk management process in the Company with an objective to review the major risks which effect the Company from both the external and the internal environment perspective. Appropriate actions have been initiated to either mitigate, partially mitigate, transfer or accept the risk (if need be) and monitor the risks on a regular basis.

## 26. INTERNAL FINANCIAL CONTROLS

The Company has laid down internal financial control's, through a combination of Entity level controls, Process level controls and IT General controls inter-alia to ensure orderly and efficient conduct of business, including adherence to the Company's policies and procedures, accuracy and completeness of accounting records and timely preparation and reporting of reliable financial statements/information, safeguarding of assets, prevention and detection of frauds and errors. The evaluations of these internal financial controls were done through the internal audit process and were also reviewed by the Statutory Auditors. Based on their view of these reported evaluations, the directors confirm that, for the preparation of financial statements for the financial year ended March 31, 2017, the applicable Accounting Standards have been followed and the internal financial controls are generally found to be adequate and were operating effectively & that no significant deficiencies were noticed.

## 27. WHISTLE BLOWER / VIGIL MECHANISM

The Company has established a vigil mechanism and adopted whistle blower policy, pursuant to which whistle blowers can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The mechanism provides adequate safeguards against victimisation of persons who use this mechanism. The brief detail about this mechanism may be accessed on the Company's website at the weblink <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Whistle-Blower-Policy.pdf>

## 28. CORPORATE GOVERNANCE

Pursuant to Regulation 34 of the SEBI (LODR) Regulations 2015 the Management Discussion & Analysis Report, the Report on Corporate Governance and Declaration of Whole-time Director on Code of Conduct and Auditors' Certificate on compliance of conditions of Corporate Governance form integral part of this Report and are annexed to this Report as "Annexure B" respectively.

## 29. RESEARCH & DEVELOPMENT

During the year under review the Company has undertaken Research & Development initiatives with an intention to improve the sugar recovery ratio and to educate the cane growers to cultivate improved variety of sugarcane and to otherwise increase the sucrose contents in their produce.

## 30. AUDITORS, AUDIT QUALIFICATIONS AND BOARD'S EXPLANATIONS

### STATUTORY AUDITORS

Messrs S R Batliboi & Co LLP, Chartered Accountants, hold office as Auditors of the Company till the conclusion of ensuing Annual General Meeting.

The Board, on the recommendation of the Audit Committee, proposed that Messrs B S R & Co

LLP, Chartered Accountants (Firm registration number 101284W/W-100022), be appointed as the Statutory Auditors of the Company for a period of five consecutive years from the conclusion of the ensuing 3rd Annual General Meeting of the Company till the conclusion of the 8th Annual General Meeting, subject to the approval of the shareholders of the Company.

The remarks/observations made by the Statutory Auditors in their report are self explanatory and does not require any further clarifications/ explanation.

#### **COST AUDITORS**

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its Sugar activity is required to be audited. Your Directors have, on the recommendation of the Audit Committee, appointed Mr Somnath Mukherjee, Cost Accountant, as the Cost Auditor to audit the cost accounts of the Company for the financial year 2017-18. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification.

#### **SECRETARIAL AUDITOR**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Messrs Vinod Kothari & Co., Practising Company Secretaries has carried out the Secretarial Audit of the Company for the financial year 2016-17. The Secretarial Audit Report is annexed herewith as **"Annexure F"** and which is self explanatory.

#### **31. INVESTOR EDUCATION AND PROTECTION FUND**

The provisions pertaining to Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company are not applicable to your company.

#### **32. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as **"Annexure G"**

#### **33. PARTICULARS OF EMPLOYEES**

The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, is attached as a separate **"Annexure H"** and forms an integral part of this Report.

#### **34. DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. that in the preparation of the annual financial statements for the year ended March 31, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- b. that such accounting policies as mentioned in Note 2.1 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the loss of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

### 35. CEO/CFO CERTIFICATION

Mr. Devendra Kumar Sharma, the Whole time Director and Mr. Dilip Patodia, Chief Financial Officer have submitted certificates to the Board as contemplated under Regulation 17(8) of the SEBI (LODR) Regulations, 2015.

### 36. ACKNOWLEDGEMENT

Your Directors take this opportunity of recording their appreciation of the shareholders, financial institutions, bankers, suppliers and cane growers for extending their support to the Company. Your Directors are also grateful to various ministries in the Central Government and State Government of Uttar Pradesh, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors also recognise the valuable contribution made by the employees at all levels towards Company's progress.

**For and on behalf of the Board**

Kolkata  
Dated 23rd May, 2017

**Chandra Shekhar Nopany**  
Co-Chairperson

## Annexure A

# Management Discussion and Analysis

### CAUTIONARY STATEMENT

Some statements in the Management Discussion and Analysis describing the Company's objectives, predictions, expectations and the macro-economic estimates may be "forward-looking statements". Actual results may differ from the forward-looking statements contained in this document due to various uncertainties. These uncertainties may be due to various factors affecting global supply-demand and export import trend, macro-economic policy fluctuations, new regulations and pricing. The Company does not assume responsibility for any of the forward-looking statements contained in this report as the same may be altered in future due to the subsequent development and events.

### GLOBAL ECONOMY

The global economy is in the midst of a decade long sluggish environment characterized by an imminent productivity growth crisis. Weak international trade and subdued investment corroborated with socio-political tensions conspired to slow world growth.

The U.S. economy was held back in 2016 by soft exports, a continued drawdown in inventories, and a deceleration in private investment. Growth in US dropped to 1.6% in 2016. With the new administration signalling intentions to pursue more expansionary fiscal policies, including tax cuts and measures to upgrade infrastructure, economy is optimistic of stronger growth in the short term.

The domestic demand and exports in the Euro market had lost momentum, dipping the growth from 2% in 2015 to 1.6% in 2016. The growth rate in China has slightly decelerated to 6.7% in 2016, and saw reduced investment and a moderate credit growth. Private consumption and investment contracted in Brazil, reflecting policy tightening. In Brazil, a rebound in confidence following moves to alleviate political uncertainty, combined with improved terms of trade, helped to slow the pace of output contraction.

According to the latest projections by the World Bank, world economic growth is projected to pick up to 2.7% in 2017 from a sluggish rate of 2.3% last year. In the United States, manufacturing activity will likely rebound, contributing to a mild pickup in growth. In the Euro Area and Japan, supportive monetary and, to a lesser extent, fiscal policies should help support activity this year.

### INDIAN ECONOMY

The Indian economy triumphed amidst a receding global environment and two impactful domestic policy reforms. In Q3 of 2016-17, the Government of India announced 'demonetisation' of the country's two highest value notes to restrict corruption and accumulation of black money. It had a short-term impact on the economy's growth but is likely to have an encouraging influence in the future – improved tax obedience, digitalisation and formal channelisation of the savings system.

Another positive introduction is of an integrated tax regime - Goods and Services Tax (GST) with a view to reinforce the indirect taxation system, increase transparency and consolidation of disintegrated Indian market.

India grew at a GDP of 7.1% in 2016-17, marked by increased Foreign Direct Investment, reduced inflation and interest rates, fiscal stability and favourable monsoons. The Indian economy holds a bright future coalesced with increased domestic consumption and greater digitalisation. Alongwith the widening of tax net, GST is likely to spur GDP to 7.4% in the coming financial year. Also, Government initiatives such as Digital India, Skill India and Make in India are leading the country to a digitalised platform and empowering domestic manufacturing.

### GLOBAL SUGAR INDUSTRY

The global economy saw varied patterns of production and consumption across different markets. The seasonal nature of the sugar industry and price fluctuations makes it an impulsive industry. Developing countries account for 67 % of global sugar consumption, and are expected to be the primary sources of future demand growth, particularly in Asia. Currently more than 130 countries produce sugarcane or sugar beet, and ten countries produce sugar from both cane and beet crops. Brazil is the world's largest producer of sugar followed by India - which is also the world's largest consumer of sugar. On an average, sugarcane accounts for 80% of global sugar production. Sugar crop farmers, processors, plus energy and food companies are seeking ways to address the various environmental and social concerns related to sugar production, bio-fuels and sustainability.

## Annexure A

### Production and Consumption

Global production for FY 2016-17 is up by 5 million metric tons as gains in Brazil and the European Union offset the declines in India and Thailand. The United States Department of Agriculture (USDA) expects global sugar consumption to be around 174 million tonnes while production is likely to be at 171 million tonnes during 2016-17 which, in turn, will keep the international sugar prices firm, thus, supporting domestic sugar prices.

The table below shows the world sugar estimates for 2016-17:

### World Sugar Production, Consumption, Trade and Stock

Particulars	2013-14	2014-15	2015-16*	2016-17*
World production	1,757.03	1,743.08	1,734.05	1,709.41
Human consumption	1,687.34	1,706.00	1,734.13	1,735.73
Total import	504.81	515.5	528.67	559.04
Total export	559.13	541.5	558.12	520.76
Ending stock	455.15	422.81	405.29	307.95

(Source: United States Department of Agriculture)

\*Estimated

### Brief snapshot of the leading contributors in the sugar industry:

Economies	Production	Consumption	Exports and Imports
Brazil	Production is forecast to rise 3.1 million tons to 37.8 million in 2016-17 on favourable weather and a higher percentage of sugarcane being diverted toward sugar production instead of ethanol.	Consumption is down slightly on lower consumer purchases of processed	Exports are projected up 2.8 million tons to 27.1 million on greater exportable supplies and higher demand from markets such as India and Indonesia
European Union	Production in the European Union is forecast to rebound 1.9 million tons to 16.2 million on higher sugar beet area.	Consumption is projected flat at 18.8 million and imports are down.	Imports are down and exports are unchanged at 1.5 million tons, limited by the World Trade Organization sugar export ceiling.
India	Production is forecast to drop to 20.3 million due to lower area and yield.	India is the world's largest consumer with consumption forecast to rise marginally to a record 24million tons.	Exports are down and imports may rise due to lower stock levels this year.
Thailand	Production is forecast down 470,000 tons to 9.3 million as severe drought conditions during the growing stage are expected to lower yields.	Consumption is up slightly on growing household and industrial uses.	Exports are up slightly as stocks are drawn down to meet demand.

(Source: World Bank Report)

### Pricing

Global raw sugar monthly average price for the month of March 2017 stood at 18.08 cents/lb, a 10.9% drop from the previous month. The global sugar deficit narrowed from 6.7 million tons in 2015-16 to a forecast 2.6 million in 2016-17. Despite production gains in 2016-17, low stock levels portend another year of rebuilding supplies amid strong prices.

### OUTLOOK

Global sugar demand is expected to show uptrends in the coming years. Profitability would pivot on the trends in crude oil prices (which determine the diversion of cane crop to ethanol) and agro-climatic conditions in the major sugar-producing countries.

### INDIAN SUGAR INDUSTRY

India is the second largest sugar producing geography and the world's largest consumer in terms of volume. The Indian sugar industry serves the domestic market alongwith supporting more than 50 million farmers and their families. It commercially utilises rural resources to meet the large domestic demand for sugar and generates surplus energy to meet the increasing energy needs of India.

### Production and Consumption

As per ISMA's latest estimates, production of 20.3 million tonnes and consumption of 24.0 million tonnes

is expected in Sugar Year Oct'16-Sep'17. With a high opening balance of 7.75 million tonnes, the closing balance in the current season is estimated to be around 4.2 million tonnes, which indicates enough availability to meet domestic demand until end of November 2017. There has been an increase in sugar and sugarcane production of 2.63% and 2.40% CAGR, respectively over the last 10 years.

The reason for the lower production especially in Maharashtra, Karnataka, Andhra Pradesh etc. is due to the continuous drought in last few years. On the other hand, cane yields, as well as sugar recovery in Uttar Pradesh have been substantially better than last year. With favourable monsoons approaching, yield improvement is expected in 2017-18.

(Source: ISMA in ISO Monthly Market Report – March 2017)

The regional sugar production is shown in the below table:

#### Sugar Production SS 2016-17

S.No	States	Actual production till March'17	2015-16
1	Uttar Pradesh	79.26	68.40
2	Maharashtra	42.14	84.11
3	Karnataka	20.33	40.70
4	Tamil Nadu	8.88	13.90
5	Gujarat	8.83	11.64
6	Andhra Pradesh & Telangana	5.01	8.29
7	Bihar	5.26	5.03
8	Others*	19.16	19.24
	All India	188.9	251.3

(Source: 2015-16 figures are taken from ISMA Report, April 2017. The source for Actual production till March'17 needs to be confirmed)

#### REGIONAL OVERVIEW

Uttar Pradesh has been the largest sugar producing state this year. There was marginally higher production as the area under high yielding and high sugar recovery variety has been significantly more than the last year. Sugar availability in Maharashtra and Karnataka has been lower than expectations as these had been the drought affected areas, which impacted the production.

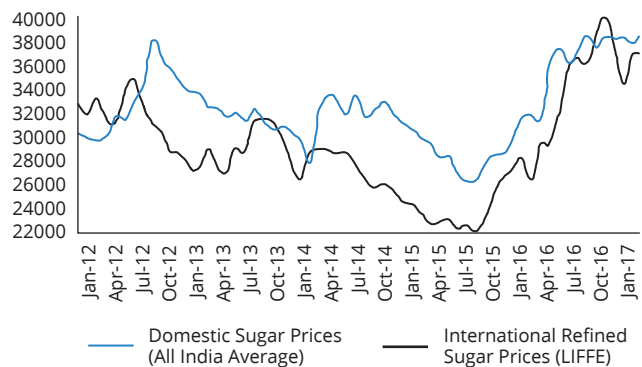
#### Pricing

The international prices of sugar have been lower than domestic price from November, 2016 onwards. Domestic sugar prices have surged in the recent months in view of expectation of global sugar deficit forecast for this year. Green Pool predicted a global sugar supply deficit of 8.51 MT in 2015-16 (October-September) and a deficit of 6.5

MT in 2016-17 (October-September) following a drop in sugarcane crop in India and Thailand due to the adverse El Nino effect. (Source: Department of Agriculture report)

The following table shows the movement of domestic as well as international price of sugar:

#### Comparison Between Domestic sugar Prices & International Sugar Prices (In Rs./Ton)



#### Sugar

The expected drop in the sugar production during SY2017, coupled with the decline in the domestic sugar stocks during SY2016 and the impact of global sugar deficit scenario has firmed up the domestic sugar price to ₹ 36,200/MT in October 2016. While the UP Government has increased, the State Advised Price (SAP) by ₹ 25/ quintal during SY2017, ICRA expects the UP-based sugar mills to continue to report steady sugar realisations (currently at ₹ 35,500/MT) in the near-term, given the supply deficit, both domestically and globally.

#### Cane

The cane price for the current sugar season has maintained a moderately stable graph. For SY2017, the FRP is fixed at ₹ 230/quintal, which is at the same level as that of the previous year. The UP Government has, through a November 18, 2016 order, announced a ₹ 25/quintal (qtl) increase in the state-advised price (SAP)

## Annexure A

of sugarcane for the SY 2016-17. At these prices, the landed cost of cane (inclusive of basic SAP, taxes and levies and inward freight costs) is expected to be around ₹ 321-325/qlt. With the new cane prices, the cane cost of production for sugar is likely to increase by around ₹ 2500/MT. (Source: ICRA report)

### State advised Cane price

(Unit: Lakh Tonnes)						
State	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
All India (FRP)	1,450	1,700	2,100	2,200	2,300	2,300
UP	2,400	2,800	2,800	2,800	2,800	3,050
Maharashtra	1,800-2,050	2,100-2,500	NA	NA	-	2,375
Punjab	2,200	2,400	2,800	2,850	2,800-2,950	2,900
Haryana	2,210	2,710	2,950	3,050	3,000-3,100	-
Gujarat	NA*	2,500	NA*	NA*	-	-
Andhra Pradesh	2,000	2,500	2,600	NA*	2,360-2,400	-
Karnataka	2,000	2,400	2,500	2,500	2,300-2,625	2,300-3,050
Tamil Nadu	2,100	2,350	2,650	2,650	2,850	2,850

(Source: Agriwatch: NA-Not Available)

### Imports and Exports

India is likely to end the year 2016-17 with stock of 4.2million tonnes, which is considered sufficient to meet the domestic requirements. ISMA believes that there is enough sugar to meet the domestic requirement and yet leave a healthy balance for the next sugar season, before new sugar from the new season is available in the market from end of Oct, 2017. Currently, the import duty on sugar stands at 40%. The Government of India finally allowed duty free raw sugar import under the open general licence with a limited quantity of 0.5 million tonne. Exports were relatively lower in 2016-17.

(Source: CARE Report)

The following table shows the trade flow of India:(Source: Department of Agriculture Report)

### Trade flow for India during 2010-11 to 2016-17

(Unit: Lakh Tonnes)		
Year	Export	Import
2010-11	17.11	11.98
2011-12	27.38	0.99
2012-13	27.91	11.21
2013-14	24.60	8.81
2014-15	19.54	15.38
2015-16	38.26	19.40
2016-17 (April-January)	21.73	18.99

(Source: Department of Commerce)

Trade figure shows, that India has been exporting more sugar than that of its import since 2010-11.

## DEMAND DRIVERS

**Urbanised lifestyle:** There is ever-growing demand for processed and packaged foods, which are high on sugar content, due to change in lifestyle and eating habits.

**Regulatory impact:** With domestic consumption expected to surpass production in 2016-17, the government might reduce the import duty on sugar to contain the price rise on the back of a fall in domestic sugar production, thereby maintaining a demand-supply balance.

**Population density:** As per Census of India, India's growing population (estimated to reach 1.3 billion by 2020) is likely to intake more sugar in the future.

**Agriculture-oriented economy:** Agriculture plays a vital role in India's economy and over 58% of the rural households depend on agriculture as their principal means of livelihood. India being the world's second largest producer of sugar gives a positive outlook towards the industry growth.

**Favourable weather conditions :** A good climate is expected to increase the sugar production in the upcoming year. Also, foggy weather will help generate sucrose in the sugarcane. More production will cater to the supply, generating profits.

## CHALLENGES FACED

**Sugar pricing:** Higher sugar inflation tends to push up the CPI index which in turn affects the course of monetary policy. To keep a check, these prices are monitored regularly. The government puts a maximum and minimum cap on the prices to avoid major fluctuations.

**Import duty:** The Government cuts or hikes the import duty based on market situations. Increased duty restricts imports, thereby creating a demand-supply imbalance. The government plans to cut down import duty on sugar in 2016-17 to contain the price rise on the back of a fall in domestic sugar production and a tight stock situation during the year.

**Concentrated industry:** Industry is mature and increasing production is difficult given the demand on acreage, which again creates a mis-match of demand and supply.

**Weather dependant:** Sugar production is still heavily dependent on weather and continued cyclical production patterns, which builds uncertainty regarding output.



## OUTLOOK

From a medium to long-term perspective, the long-term prices and profitability of Indian sugar companies will remain highly cyclical and dependent on domestic and international supply-demand tendencies. The price trends in the international markets will be one of the key determinants of future profitability. Further, Government action in ensuring removal of mandatory crushing by sugar mills for the entire cane offered to them by farmers in the command area and a rational linkage between cane and sugar prices will have a critical bearing on the long-term feasibility of sugar operations, especially in the states governed by SAP. Players with high operating efficiencies, forward integration and strong capital structure within the sugar industry will be best placed to ride out the challenges.

(Source: ICRA Report)

### Government policies

In view of all states rolling out the Food Law, under which there is no distinction of categories of beneficiaries as below poverty line (BPL), the sugar subsidy provided earlier to the states is discontinued. The Centre has decided not to provide the earlier ₹ 18.50 per kg subsidy on sugar to states for selling it via ration shops from FY-2017-18 and has allocated only ₹ 200 crore in the Budget for clearing past claims. The supply of sugar through the public distribution system (PDS), also known as ration shops will be discontinued going forward.

(Source: Times of India business report Feb'17)

## ETHANOL

Ethanol is a colourless volatile flammable liquid which is produced either by direct fermentation of cane juice or from molasses, which is a by-product of the sugar manufacturing process.

### Global Scenario

The Global Renewable Fuels Alliance (GRFA) forecasts the global ethanol sector will remain strong in 2017, with total production peaking at 97.80 billion litres this year. Ethanol production has a stable global outlook, with some fluctuations in major ethanol producing regions as a result of evolving government policies and varied domestic growing conditions.

(Source: <http://globalrfa.org/news-media/2017-forecast-global-ethanol-production-stable>)

Ethanol exports in January 2017 reached 466 million litres against 332 million litres one year earlier. An

improved competitiveness of US product on the world market explains the rise. In January, exports to Brazil and Canada were increased to 223 million litres and went down at 102 million litres respectively. Other key destinations were India and UAE. In 2016 the US exported 4.0 billion litres of ethanol and imported 842 million litres (excluding blends). (Source: International Sugar Organisation)

### The below table shows the World Fuel Ethanol Production:

Region	Millions of Gallons
United States	15,330
Brazil	7,295
European Union	1,377
China	845
Canada	436
Thailand	322
Argentina	264
India	225
Rest of World	490

(Source: RFA analysis of public and private data sources)

### Domestic

India's ethanol production touched around 844 million litres in 2016-17. (Source: RFA Analysis)

In January 2013, the Cabinet Committee on Economic Affairs (CCEA) notified the Fuel Ethanol Mandate, requiring the Oil Marketing Companies (OMCs) to sell 5% ethanol blended petrol across the country. This mandate has not been achieved by far. In November Indian Oil Corp. Ltd (IOCL), Bharat Petroleum Corp. Ltd (BPCL) and Hindustan Petroleum Corp. Ltd (HPCL) has announced investment of \$586 million in developing seven second-generation ethanol plants to help the government achieve its 22.5% ethanol blending goals.

### Recent updates on distillery

- Price mechanism for Ethanol supply has been changed from tender based to fixed price.
- OMCs have floated tenders for 280 crore litres of Ethanol for supply between December 2016 to November 2017
- Price of Ethanol has recently been fixed at ₹ 39/BL which will be effective from December based supply on supply from new tenders

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Challenge: Drought impacts in major sugarcane areas such as Maharashtra will reduce ethanol production in 2016-17 due to a lack of molasses for feedstock, making it unlikely that the country will achieve its E5 policy blending mandate yet again.

### MOLASSES

According to analyst FO Licht global molasses production will rise by 1.5 million tonnes with the global total likely to reach 60.0 million tonnes in 2016-17. There are strong indications of output rise in 2017-18. The main drivers will be a surge in EU output after the abolition of the production quotas as well as rebounding cane crops in Asia and Central America. Better prices and favourable weather may lift molasses output to near the all-time high of 65 million tonnes.

(Source: ISO Report)

In India, the prices of by-products such as bagasse and molasses remain remunerative, driven by a healthy demand from the consuming sectors such as power, paper and alcohol. Further, forward integration into distilleries and power generation continues to yield healthy returns, given the supporting regulatory framework and healthy off-take and pricing for alcohol and power.

(Source: ICRA Report)

### COGENERATION

The residue left post the sugarcane crushing process is bagasse, which is used to generate steam. A sugar mill cogenerating power as a by-product (using bagasse) provides cheap alternative power source for meeting requirements of the sugar mills and the surplus is used in cogeneration (produce both thermal and electric energy simultaneously) to supply electricity to power grids. Being produced from a waste residue, this energy is eco-friendly and reduces greenhouse gas emissions besides also bringing additional revenue to the sugar industry. The prices of by-products such as bagasse and molasses remain remunerative, driven by a healthy demand from the consuming sectors such as power, paper and alcohol.

### COMPANY OVERVIEW

Avadh Sugar & Energy Limited was incorporated on 19th March 2015 hereby sugar business undertakings

of The Oudh Sugar Mills Ltd and Upper Ganges Sugar & Industries Ltd categorised geographically in the State of Uttar Pradesh stands transferred and vested in the Company. It stands pursuant to the Composite Scheme of Arrangement as duly approved by the applicable regulatory authorities. The business deals in sugar and sugar products, spirits and alcohol of denatured of any strength and all other products arising out of the manufacturing process of sugar or resultant of any activity related to sugar business and generation of power through various means.

We have 4 highly efficient sugar mills, 2 distilleries and 3 co-generation power plants:

#### Sugar Mills

- Hargaon Sugar Mills, Hargaon (U.P.) with a crushing capacity of about 10,000 tonnes of sugarcane per day.
- Seohara Sugar Mills, Seohara(U.P.) with a crushing capacity of about 10,000 tonnes of sugarcane per day.
- Rosa Sugar Works, Rosa (U.P.) with a crushing capacity of about 4,200 tonnes of sugarcane per day.
- New India Sugar Mills, Hata(U.P.) with a crushing capacity of about 7,000 tonnes of sugarcane per day.

#### Distilleries

- Hargaon Distillery, Hargaon(U.P.) with a capacity of producing 100 KLPD of Industrial Alcohol/Ethanol.
- Seohara Distillery, Seohara(U.P.) with a capacity of producing 100 KLPD of Industrial Alcohol/Ethanol.

#### Co-Generation Power Plants

- Hargaon Co-generation Power Plant, Hargaon (U.P.) with a capacity of 15 MW Power.
- Seohara Co-generation Power Plant, Seohara (U.P.) with a capacity of 24 MW Power.
- Hata Power Plant, Hata (U.P.) with a capacity of 35 MW Power.

### Rationale behind the Composite Scheme of Arrangement

- The management of Oudh Sugar and Upper Ganges proposed to restructure and de-link its multiple businesses in separate entities
- Independent companies were established for UP Sugar Undertakings of Oudh Sugar and Upper Ganges, Bihar Sugar Undertakings of Oudh Sugar and Upper Ganges, Investments business of respective Oudh Sugar and Upper Ganges, Food Processing undertaking of Oudh Sugar and Tea Undertaking of Upper Ganges
- To align the dynamics of the sugar industry in UP and Bihar and to achieve better efficiencies and commercial synergies the scheme of arrangement was proposed

### Four new companies were formed:

#### Avadh Sugar & Energy Ltd

A company to house the UP Sugar Undertakings of Oudh Sugar Mills Limited and Upper Ganges Sugar & Industries Limited.

#### Magadh Sugar & Energy

A Company to house the Bihar Sugar Undertakings of Oudh Sugar Mills Limited and Upper Ganges Sugar & Industries Limited.

#### Palash Securities Ltd

The business of food processing and investment business undertaking of The Oudh Sugar Mills Ltd was entrusted on the Company

#### Ganges Securities Ltd

The business of tea and investment business undertaking of Upper Ganges Sugar & Industries Ltd was entrusted on the Company.

## OPERATIONAL HIGHLIGHTS

### Sugar production

Particulars	Sugar Season 2016-17				Sugar Season 2015-16			
	Hargaon	Seohara	Rosa	Hata	Hargaon	Seohara	Rosa	Hata
Sugarcane Crushed (lac quintals)	177.05	168.70	52.03	59.23	130.33	143.32	30.45	43.12
Recovery %	11.67	11.71	10.46	9.36	11.91	11.36	10.68	10.08
Sugar produced (lac quintals)	20.66	19.73	5.44	5.54	15.52	16.29	3.25	4.34
Crushing Days	178	169	139	97	138	147	88	86

### Alcohol Production (including Ethanol)

Particulars	Financial year 2016-17		Financial year 2015-16	
	Hargaon	Seohara	Hargaon	Seohara
Alcohol produced (lac litres)	275.47	265.64	277.04	262.55
Recovery (%) (litres per quintal)	22.94	23	23.12	23.3
No. of days the Distillery worked	254	266	258	270

### Power Generated, Consumed and Sold

Particulars	Financial year 2016-17			Financial year 2015-16		
	Hargaon	Seohara	Hata	Hargaon	Seohara	Hata
Power Generated	510.20	879.46	352.94	511.27	835.39	399.67
Power Sold to Grid (units in lac)	316.53	555.05	407.66	364.12	512.71	510.31
No. of days worked	155	173	101	169	168	106

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### FINANCIAL SNAPSHOT

Particulars	Amount (₹ In lacs)
Revenue from Operations (Gross)	197657.26
Other Income	249.28
Profit before Finance Cost, Depreciation & Tax	42873.68
Finance Cost	12996.72
Depreciation	4596.4
Tax Expenses - Deferred Tax	4323
Net Profit/Loss	20957.56

### RISK MANAGEMENT

The risk committee constituted from the Board of Directors meets at regular intervals to prepare a collective and comprehensive policy charter to assist the management overcome internal and external risk challenges.

#### Risks identified:

- Volatility in sugar prices
- Sugar recovery ratio
- State Advised Price fixation by Government

#### Mitigation measures:

The committee also raises organisation-wide awareness towards various risks associated with the business of an integrated sugar mill. Identification, prioritisation, monitoring and management and reduction of the risks by stringent monitoring of risk profile of different units and their transactions have lowered risk at Avadh Sugar & Energy Limited to a large extent. Mitigation measures are taken through R&D, conducting seminars to upgrade harvesting knowledge of farmers and eventually augment cane output.

### PEOPLE PRACTICES

At Avadh Sugar, we highly value our people. We aim to nurture careers and give recognition to each employees' efforts and performance. The current management

resource strength is 93. It employs a total of 1834 non-management staff in the Hargaon Sugar mills, Seohara Sugar mills, Rosa Sugar Works, New India Sugar mills, Hata in UP.

We encourage healthy conversations for employees with their supervisors and leaders to maintain transparency. We focus primarily on health and safety of our employees by constant supervision of plants and facilities. Several training initiatives for the development and skill enhancement of our employees is undertaken to keep them updated of the latest industry developments.

### CORPORATE SOCIAL RESPONSIBILITY

We demonstrate environmental and social responsibility at every step. We aim to benefit the communities around us – workforce, public and environment. We organise regular medical camps, give free medicines and also any emergency medical equipment required by the deprived. We are sowing the seeds for a budding nation by providing education to the underprivileged children and giving them access to free books. We also run an inter-level college for the students. We consider ourselves responsible for the environment around us and consciously take efforts for its upliftment.

### INTERNAL CONTROL SYSTEMS

Avadh Sugar & Energy has a vigorous internal control system in place. The internal control system is designed to maintain efficiency measurability and verifiability, reliability of accounting and management information. Internal audit is conducted for all the processes to identify risks and verify whether all systems and processes are commensurate with the business size and structure. Usage of SAP has increased the operational efficiency significantly. Adequate internal control systems safeguard the assets of the company with timely identification and intervention to alleviate risks. The internal controls are verified by the members of Audit Committee to keep a check on the existing systems and take corrective action to further enhance the control measures.

## Annexure B

# Report on Corporate Governance

### 1. COMPANY'S PHILOSOPHY

Avadh Sugar & Energy Limited (ASEL), a part of Birla Group of Sugar Industries, is of the firm conviction that Corporate Governance in essence refers to the rules, procedures, values, systems or laws by which businesses are operated, regulated, and controlled. A well-defined and enforced corporate governance provides a structure that works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well to formal laws. Governance practices may vary but the principles are generic and universal. Accordingly the Board of ASEL manages its business ethically and in a transparent manner with the profit objective balanced by long term value equitably for all stakeholders which term includes every one ranging from the board of directors, management, shareholders, cane growers, customers, employees and society at large.

Given the fact that the business operations of ASEL is well diversified, sound governance practices are indispensable for it to build and sustain trust in all its stakeholders.

ASEL is committed to run its business in a legal, ethical and transparent manner with dedication that originates from the very top and permeates throughout the organization. Besides adhering to the prescribed corporate practices as per SEBI (LODR) Regulations, 2015, it voluntarily governs itself as per highest ethical and responsible standards of business.

This chapter, along with the chapters on Management Discussion and Analysis and Shareholders' information reports ASEL's compliance with SEBI (LODR) Regulations, 2015 highlighting the additional initiatives taken in line with international best practices.

#### Corporate Governance Philosophy

ASEL's philosophy is to constantly achieve business excellence and optimize long term value through ethical business conditions. Being a value driven organization ASEL envisages attainment of the highest level of transparency, accountability and equity in all facets of its operations including everyone it works with, the community it is in touch with and the environment it has an impact

on. Strong Governance practices by the Company have boosted the level of stakeholder's confidence testified by improved performance and various recognitions achieved by the Company. This has helped ASEL to pay uninterrupted value based services to all its stakeholders.

The corporate governance structure in the Company ensures that its Board of Directors is well informed and well equipped to fulfill its overall responsibility by way of providing strategic direction to the senior management, employees, etc. which is the backbone of the ability to meet the aspirations of all stakeholders.

ASEL's initiatives towards adhering to highest standards of governance include: professionalization of the Board; fair and transparent processes and reporting systems; and going beyond the mandated Corporate Governance Code requirements of SEBI. At the highest level the Company continuously endeavors to improve upon these aspects on an ongoing basis and adopt innovative approaches for leveraging resources, converting opportunities in to achievements through proper coordination, empowerment and motivation, fostering a healthy all round growth and development to take the Company forward.

### 2. BOARD OF DIRECTORS

- i) The Company has in all 8 Directors with considerable professional experience in divergent areas connected with corporate functioning. Out of these 8 directors, 5 (62.50%) are Independent Directors. The composition of the Board is in conformity with SEBI (LODR) Regulations, 2015. The Board is headed by the Non-Executive Chairperson Mrs. Nandini Nopany and Mr. Chandra Shekhar Nopany, Non-Executive Co-Chairperson.
- ii) The Independent Directors take part in the proceedings of the Board and Committee meetings which enables qualitative decision-making. They receive sitting fees for attending the meetings and do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its directors, management, subsidiaries or associates.

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- iii) As per the disclosure received by the Company from the Directors, none of them is member in more than ten committees, nor as Chairman of more than five committees across all companies in which they are Directors, in compliance with SEBI (LODR) Regulations, 2015. The Directors intimate the Company about the committee positions they occupy in other companies and also notify changes from time to time.
- iv) The Independent Directors have confirmed that they satisfy the 'criteria of independence' as stipulated in Sec 149(7) of the Companies Act, 2013. Independent Directors do not serve in more than 7 listed companies.
- v) No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 2013 except for the Chairperson who is related to Mr Chandra Shekhar Nopany, the Co-Chairperson.

**Board meetings**

The meetings of the Board of Directors are scheduled in advance. The Company Secretary prepares the

agenda for the meetings in consultation with the Chairperson and other concerned persons in the senior management. The detailed agenda and other relevant notes are circulated to the Directors well in advance. All material back up information is incorporated in the Agenda papers for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the Agenda, the same are placed on the table at the meeting with specific reference to this effect in the Agenda.

During the period under review seven Board Meetings were held on 12th May, 2016, 29th July, 2016, 28th October, 2016, 7th February, 2017, 2nd March, 2017, 14th March, 2017 and 30th March, 2017 respectively.

Details of Board meetings attended by Directors, attendance at the last Annual General Meeting, number of other Directorships / Committee membership (viz. only Audit Committee and Stakeholders Relationship Committee are considered as per clause 26(2) of SEBI (LODR), Regulations, 2015 held by them during the year 2016-17 are tabulated below:

Name of the Director	Category of the Director	No. of Board meetings attended	Attendance at last AGM	No. of Directorships in other Bodies Corporate	No. of Chairmanship/ Membership of Board Committees in other Companies		No. of Equity Shares held
					Chairman	Member	
Mrs. Nandini Nopany (DIN - 00051362)	C/NED	1	No	8	-	1	2,99,802*
Mr. Chandra Shekhar Nopany (DIN - 00014587)	CO/NED	4	No	9	2	-	30.922**
Mr. Gaurav Swarup (DIN- 00374298)	I/NED	1	No	7	1	2	NIL
Mr. Sunil Kanoria (DIN - 00421564)	I/NED		No	4	1	4	NIL
Mr Anand Ashvin Dalal (DIN - 0353555)	I/NED	1	No	4	-	-	NIL
Mr Pradeep Kumar Bishnoi (DIN- 00732640)	I/NED	-	No	1	-	-	NIL
Mr Kalpataru Tripathy (DIN - 00865794)	I/NED	-	No	1	-	-	NIL
Mr Devendra Kumar Sharma (DIN - 06498196)	WTD	1	No	-	-	-	NIL

Name of the Director	Category of the Director	No. of Board meetings attended	Attendance at last AGM	No. of Directorships in other Bodies Corporate	No. of Chairmanship/ Membership of Board Committees in other Companies		No. of Equity Shares held
					Chairman	Member	
Mr Chand Bihar Patodia (DIN - 01389238) \$	NED	1	No	2	-	-	NIL
Mr Dilip Patodia (DIN - 00482435) \$	NED	6	Yes	9	-	-	NIL
Mr Brij Mohan Agarwal (DIN - 03101758) \$\$	NED	4	Yes	8	-	-	NIL

C - Chairperson; CO - Co-Chairperson I - Independent NED - Non-executive Director WTD - Whole-time Director

\$ - resigned w.e.f. 14.03.2017

\$\$ - resigned w.e.f. 20.03.2017

\* includes 15923 equity shares held as transfer of Chandra Shekhar Charity Trust

\*\* includes 1834 equity shares held jointly with Mrs. Shalini Nopany

Note: The number of directorships held by the Directors does not include Private Limited Companies, Foreign Companies and Companies incorporated under Sec 8 of the Companies Act, 2013.

Not less than two thirds of the total number of Directors (excluding Independent Directors) shall be liable to retire by rotation. One third of the number of directors liable to retire by rotation will retire by rotation every year. As per the provisions of Sec 149 of the Companies Act, 2013, the independent Directors are not liable to retire by rotation. Accordingly, Mrs Nandini Nopany is liable to retire by rotation and is eligible for re-appointment. Brief particulars of Mrs Nandini Nopany forms part of the Notice.

### COMMITTEES OF THE BOARD

With a view to have a more focused attention on business and for better governance and accountability, the Board has constituted the following mandatory committees viz. Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee, Risk Management Committee and non mandatory committees viz. Finance & Corporate Affairs Committee. The terms of reference of these Committees are determined by the Board and their relevance reviewed from time to time. The Minutes of the Committee Meetings are sent to all Directors individually and tabled at the Board Meetings.

## 3. AUDIT COMMITTEE

### i) Overall purpose/objective

The Audit Committee of the Company was constituted on 14th March, 2017, in line with

the provisions of SEBI (LODR) Regulations, 2015 read with Section 177 of the Companies Act, 2013. The purpose of the Audit Committee is to assist the Board of Directors ("the Board") in reviewing the financial information which will be provided to the shareholders and others, reviewing the systems of internal controls established in the Company, appointing, retaining and reviewing the performance of independent accountants/internal auditors and overseeing the Company's accounting and financial reporting processes and the audit of the Company's financial statements.

### ii) Terms of Reference

The terms of reference of the Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

## Annexure B

4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure/approval of any related party transactions
  - g. Qualifications/observation/matter of emphasis in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the 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;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case



- of non-payment of declared dividends) and creditors;
18. To look into the functioning of the Whistle Blower mechanism;
  19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
  20. To grant omnibus approval for related party transactions which are in the ordinary course of business and on an arms length pricing basis and to review and approve such transactions subject to the approval of the Board.
  21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### iii) Composition and Meetings

The Audit Committee comprises of three Independent Non-Executive Directors viz. Mr Anand Ashvin Dalal, Pradeep Kumar Bishnoi, Mr. Kalpataru Tripathy and Mr. Devendra Kumar Sharma, Wholetime Director. Mr Anand Ashvin Dalal is the Chairman of the Audit Committee.

Mr. Anand Sharma, Company Secretary, acts as the Secretary of the Committee and Mr. Dilip Patodia, Chief Financial Officer is a permanent invitee to the meetings. The meetings are also attended to by the representatives of Statutory Auditors and the outside Internal Auditors to answer and clarify the queries raised at the Meetings. During the period there were no meetings.

## 4. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee of the Company was constituted on 14th March, 2017, in line with the provisions of SEBI (LODR) Regulations, 2015 read with Section 178 of the Companies Act, 2013.

### Terms of Reference:

The Stakeholders Relationship Committee oversees the redressal of complaints of investors such as transfer, credit of shares to demat accounts, non-receipt of dividend/annual reports, approval of physical shares above 1000 shares, taking note of shares transferred in course of a quarter, status of dematerialized shares as on the end of each quarter, stock of blank stationery of share certificates as on the end of each quarter, shareholding pattern of the Company as on the end of each quarter and detail of investors' grievances pending as on the end of each quarter among others. It also approves allotment of shares and matters incidental thereto including listing thereof.

### i) Composition & Meetings:

The composition of the Stakeholders' Relationship Committee as on 31st March, 2017 is as follows:

- a) Mr Gaurav Swarup - Chairman
- b) Mr Anand Ashvin Dalal
- c) Mr Pradeep Kumar Bishnoi
- d) Mr Devendra Kumar Sharma

## 5. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Company was constituted on 14th March, 2017 in line with the provisions of SEBI (LODR) Regulations, 2015 read with Section 178 of the Companies Act, 2013.

### i) Objectives:

- The Company has constituted the Remuneration Committee to review and determine the Company's policy on managerial remuneration and to recommend to the Board the specific remuneration of the Executive Director and executives just below the rank of the Executive Director, so as to ensure that they are fairly rewarded for their individual contributions to the Company's overall performance and their remuneration

## Annexure B

is in line with the industry practice and standards.

- To formulate the criteria for determining qualifications, positive attributes and independence of a director
- To determine remuneration based on the Company's size, financial position, trends and practices on remuneration prevailing in peer companies, in the like industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Committee's composition meets with the requirements of Section 178 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

### ii) Terms of Reference:

The broad terms of reference of the Nomination & Remuneration Committee, inter-alia includes the following :

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;

4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

### iii) Composition and Meetings:

The Committee, comprises of the following Directors:

- a) Mr Sunil Kanoria - Chairman
- b) Mr Gaurav Swarup
- c) Mr Anand Ashvin Dalal
- d) Mr Kalpataru Tripathy

### iv) Remuneration Policy:

The Board of Directors of the Company had at its meeting held on 30th March, 2017 adopted the Remuneration Policy as recommended by the Nomination and Remuneration Committee of the Company. The Remuneration Policy is attached as "**Annexure E**" to the Directors' Report.

### v) Remuneration of Directors

Details of remuneration paid to the Directors for the financial year 2016-17:

- a) Whole time Director – ₹ 67.09 lakhs
- b) Non-Executive Directors

The Company pays a sitting fee of ₹ 40,000/- and ₹ 20,000/- per meeting to each Director for attending meetings of the Board of Directors and Committees thereof respectively.

The Non-Executive Directors may be paid remuneration by way of commission besides sitting fees, if approved by the Board, on the net profit of the Company at the rate not exceeding 1% of the net profit of the Company determined in accordance with the terms and provisions of Section 198 of the Companies Act, 2013.

## 6. RISK MANAGEMENT COMMITTEE

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities.

The Risk Management Committee was constituted on 23rd May, 2017 in line with the provisions of SEBI (LODR) Regulations, 2015. The Committee comprises of Mr Pradip Kumar Bishnoi, Independent Director, Mr Devendra Kumar Sharma, Wholetime Director, Mr Chand Bihari Patodia, Group President and Mr Dilip Patodia, Chief Financial Officer. Mr Pradip Kumar Bishnoi is the Chairman of the Committee.

The objectives and scope of the Risk Management Committee broadly comprises:

- Oversight of risk management performed by the executive management;
- Reviewing the risk & its mitigation plans within framework and in line with local legal requirements and SEBI guidelines;
- Reviewing risks and evaluate treatment including initiating mitigation actions and ownership as per a pre-defined cycle;
- Defining framework for identification, assessment, monitoring, mitigation and reporting of risks.

Within its overall scope as aforesaid, the Committee reviews risks trends, exposure, potential impact analysis and mitigation plan.

## 7. SUBSIDIARY COMPANIES

The Company does not have any subsidiary. However, the Board of Directors have formulated a Policy for determining material subsidiaries in its meeting held on 30th March, 2017 and such Policy has been disclosed on the company website at <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Policy-for-Determining-Material-Subsidiaries.pdf>.

## 8. RELATED PARTY TRANSACTIONS

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015 during the financial year were in the ordinary course of business and on an arms length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. Again, there were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company. Suitable disclosure as required by the Accounting Standards (AS18) has been made in the notes to the Financial Statements. The Board has approved a policy for related party transactions which has been uploaded on the Company's website and such Policy has been disclosed on the company website at <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Related-Party-Transaction-Policy-.pdf>.

## 9. VIGIL MECHANISM / WHISTLE BLOWER POLICY

In staying true to our values of Strength, Performance and Passion and in line with our vision of being one of the respected companies in India, the Company is committed to the high standards of Corporate Governance and stakeholder responsibility and accordingly has formulated Whistle Blower Policy to deal with instances of fraud and mismanagement, if any. The Policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern.

## 10. GENERAL BODY MEETINGS

The last two Annual General Meetings of the Company were held as under:

Financial Year	Date	Time	Location
2015-16	16.09.2016	11.00 a.m.	Registered Office: P.O. Hargaon,
2014-15	11.09.2015	11.00 a.m.	Dist. Sitapur Uttar Pradesh - 261 121

The last Annual General Meeting was held on 16th September, 2016, which was chaired by Mr Dilip Patodia.

## Annexure B

The following Special Resolutions were passed at the Extra-Ordinary General Meeting held on 1st March, 2017.

1. Appointment of Mr Devendra Kumar Sharma as the Wholetime Director of the Company.
2. Approval under Section 180(1)(c) of the Companies Act, 2013.
3. Approval under Section 180(1)(a) of the Companies Act, 2013.
4. Approval under Section 181 of the Companies Act, 2013.
5. Approval under Section 188 of the Companies Act, 2013.
6. Approval under Section 186 of the Companies Act 2013.

### 11. DISCLOSURES

- i) There are no materially significant related party transactions of the Company which have potential conflict with the interest of the Company at large. Transaction with Related Parties is disclosed in Note No. 31 of the Accounts in the Annual Report.
- ii) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets for non-compliance by the Company during the last three years.
- iii) The company has in place the Whistle Blower Policy and no personnel has been denied access to the Audit Committee.
- iv) The Company has complied with all the applicable mandatory requirements.
- v) In the preparation of the financial statements, the Company has followed the Accounting Standards notified pursuant to Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provision of the Companies Act, 1956 read with General Circular

8/2014 dated April 04, 2014, issued by the Ministry of Corporate Affairs. The significant accounting policies which are consistently applied have been set out in the Notes to the Financial Statements.

### 12. MEANS OF COMMUNICATION

- i) The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within two months from the close of the financial year as per the requirements of the Listing Agreement with the Stock Exchanges. The aforesaid financial results shall be sent to BSE Limited (BSE), The National Stock Exchange of India Limited (NSE) and The Calcutta Stock Exchnage Ltd (CSE) where the Company's securities are proposed to be listed, immediately after these are approved by the Board and shall also be published in 'Business Standard', in English in Lucknow and 'Business Standard' or 'Aaj', in Hindi in Lucknow edition.
- ii) The Annual Report of the Company, the quarterly/half yearly and annual financial results are simultaneously posted on the Company's website [www.birla-sugar.com](http://www.birla-sugar.com) and can be downloaded.
- ii) The Company also displays official press releases as and when released on the above website.
- iii) Email id earmarked for redressing Investor queries is [avadhinvestors@birla-sugar.com](mailto:avadhinvestors@birla-sugar.com).
- viii) No presentation was made to any Institutional Investor or to any Analysts during the period under review.

### 13. GENERAL SHAREHOLDERS' INFORMATION

#### i) 3rd Annual General Meeting

Day : Monday

Date : 31st day of July, 2017

Time : 11.00 a.m.

Venue : Registered Office of the Company at -  
P.O. Hargaon, Dist. Sitapur  
Uttar Pradesh - 261 121

**ii) Tentative Financial Calendar for the year 2016-17**

Approval of Audited Annual Results (2016-17)	23rd May, 2017
First Quarter Results	On or before 14th August, 2017
Second Quarter Results	On or before 14th November, 2017
Third Quarter Results	On or before 14th January, 2018
Audited Annual Results (2017-18)	On or before 30th May, 2018

**iii) Book Closure**

The Register of Members and Share Transfer Books of the Company will remain closed from the 22nd July, 2017 (Saturday), to 31st July, 2017 (Monday) (both days inclusive).

**iv) Dividend Payment Date**

Within 30 days of declaration of dividend

**v) Listing on Stock Exchanges and Stock Codes**

The Company has made application for listing with the following stock exchanges:

Name and Address of the Stock Exchanges	ISIN Number for NSDL/CDSL (Dematerialised Shares)
BSE Ltd. (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001	INE3494W01017
National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400051	
The Calcutta Stock Exchange Ltd. (CSE) 7, Lyons Range, Kolkata 700 001	

**vi) Market Price data**

The shares of the Company are in the process of listing, hence no market data is available.

**vii) Registrar & Share Transfer Agent**

The Company has appointed Link Intime India Pvt. Ltd. as its Registrar & Share Transfer Agent (RTA) for handling work related to share registry in terms of both physical and electronic modes. Accordingly, all correspondence, shares for transfer demat/remat requests and other communication in relation thereto should be mailed/hand delivered to the said RTA directly at the following address:

Link Intime India Pvt. Ltd.

Unit: Avadh Sugar & Energy Limited

59C, Chowringhee Road, 3rd Floor

Kolkata - 700 020

Tel: 91 033 2289 0540 / Fax: 91 033 2289 0539

E-mail: kolkata@linkintime.co.in

**viii) Share Transfer System**

The Board of Directors have authorised the Secretary to approve transfer/transmission of upto 1,000 shares. After the requests for transfer/transmission of above 1000 shares in physical form shall be approved by the Stakeholders' Relationship Committee and sent to the Registrar & Share Transfer Agent for completing the necessary procedural formalities and dispatch to the shareholders.

**ix) Distribution of Shareholding**

a) The Distribution of Shareholding as on 31st March, 2017 was as follows:

No. of Equity Shares	No. of share holders	% of total shareholder	No. of shares held	% of total shares
1 -5000	21539	99.52	2339469	23.37
5001 - 10000	47	0.22	339790	3.39
10001 – 20000	22	0.10	292957	2.93
20001 – 30000	8	0.04	208834	2.09
30001 – 40000	4	0.02	135797	1.36
40001 – 50000	1	0.00	41260	0.41
50001 – 100000	6	0.03	450996	4.51
100001 & above	16	0.07	6200107	61.94
<b>Total</b>	<b>21643</b>	<b>100.00</b>	<b>10009210</b>	<b>100.00</b>

## Annexure B

- b) Detail of Shareholding pattern of the Company as on 31st March, 2017 was as follows:

Category	No. of Shares held	% of Shareholding
Promoters	5940836	59.35
Mutual Funds, Financial Institutions, Banks, Insurance Companies, etc.	384760	3.84
Bodies Corporate	959953	9.59
Indian Public	2558185	25.57
NRIs / OCBs / FII's / Foreign Nationals/Clearing Members	165476	1.65
<b>Total</b>	<b>10009210</b>	<b>100.00</b>

**x) Dematerialisation of Shares and Liquidity**

The Equity Shares of the Company are in compulsorily dematerialised form at all the stock exchanges viz. BSE Ltd., The National Stock Exchange of India Ltd. and The Calcutta Stock Exchange Ltd. under depository systems at both the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited. 99,01,529 Equity Shares viz. 98.92% of the Equity Share Capital of the Company have already been dematerialized.

**xi) Outstanding GDRs /ADRs/Warrants or Convertible Instrument**

The Company has never issued GDRs/ ADRs/ Warrants or any other Convertible Instrument.

**xii) Location of Plants:**

**Sugar Mills:**

- Hargaon, District Sitapur, Uttar Pradesh, Pin-261 121.
- Seohara, District, Bijnor, Uttar Pradesh, Pin-246 746.
- Hata, District Kushinagar, Uttar Pradesh, Pin-274 207
- Rosa, District Shahjahanpur, Uttar Pradesh, Pin-242 406.

**Distilleries:**

- Hargaon, District Sitapur, Uttar Pradesh, Pin-261 121.
- Seohara, District, Bijnor, Uttar Pradesh, Pin-246 746.

**Co-generation Power Plants:**

- Hargaon, District Sitapur, Uttar Pradesh, Pin-261 121.
- Seohara, District, Bijnor, Uttar Pradesh, Pin-246 746.
- Hata, District Kushinagar, Uttar Pradesh, Pin-274 207.

**xiii) Address for Correspondence:**

The Company Secretary, Avadh Sugar & Energy Limited	Link Intime India Pvt. Ltd. Unit : Avadh Sugar & Energy Limited
9/1, R.N. Mukherjee Road 5th Floor, Birla Building Kolkata - 700 001 India Tel: 91-033-2243 0497/8 Fax: 91-033-2248 6369 e-mail: avadhinvestors@ birla-sugar.com	59C, Chowringhee Road 3rd Floor Kolkata - 700 020 India Tel: 91-033-2289 0540 Fax: 91-033-2289 0539 e-mail: <a href="mailto:kolkata@linkintime.co.in">kolkata@linkintime.co.in</a>

**xiv) Transfer of unpaid/unclaimed dividend amounts to Investor Education and Protection Fund**

The Company is not required to credit any sum to the Investor Education and Protection Fund (IEPF) pursuant to Section 125 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016..

## 14. CEO AND CFO CERTIFICATION

The Whole time Director and the Chief Financial Officer of the Company have certified that all the requirements of SEBI (LODR) Regulations, 2015 inter-alia, dealing with the review of financial statements and cash flow statements for the year ended 31st March, 2017, transactions entered into

by the Company during the said year, their financial reporting and evaluation of the effectiveness of the internal control system and making necessary disclosures to the auditors and the audit committee have been duly complied with.

#### **15. INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT**

The details of Directors seeking appointment/re-appointment is given in the Annexure to the Notice, under the head Particulars of Directors seeking appointment/re-appointment at the Annual General Meeting.

#### **16. PREVENTION OF INSIDER TRADING**

The Company has in place a Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of trading by insiders as envisaged under the SEBI (Prohibition of Insider Trading) Regulations, 2015 for its promoters, employees and directors including the Non-Executive Chairperson and Wholetime Director. The Company also has in place Code of Practice and Procedure for Fair Disclosure of Unpublished Price Sensitive Information. This Code is available on Company's website at <http://www.birla-sugar.com/Assets/Avadh/Avadh%20Sugar-Code-For-Fair-Disclosure-Of-Unpublished-Price-Sensitive-Information.pdf>. The Code ensures the prevention of dealing in Company's shares / securities by persons having access to unpublished price sensitive information. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Company Secretary is responsible for implementation of the Code. All Board Directors and the designated employees have confirmed compliance with the Code.

#### **17. CODE OF CONDUCT**

The Company has also adopted a Code of Conduct (Code) for the members of Board of Directors, Key

Managerial Personnel and Senior Management Personnel of the Company to follow. The Code is posted on the website of the Company at <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Code-of-Conduct.pdf>. The essence of the Code is to conduct the business of the Company in an honest and ethical manner, in compliance with applicable laws and in a way that excludes considerations of personal advantage. All Directors, Key Managerial Personnel and Senior Management Personnel have affirmed their compliance with the Code, and a declaration to this effect, signed by the Wholetime Director, is attached to this report and which forms an integral part of this report.

#### **18. LEGAL COMPLIANCES**

The Board reviews periodically compliance reports of all laws applicable to the Company, prepared by the Company Secretary which is duly supported by the legal compliance report of the internal auditors and heads of different units. The Board also reviews periodically the steps taken by the Company to rectify instances of non compliances, if there be any.

#### **19. COMPLIANCES WITH CORPORATE GOVERNANCE NORMS:**

The Company has voluntarily complied with all the mandatory requirements of the Code of Corporate Governance as stipulated in Regulation 27 of SEBI (LODR) Regulations, 2015.

#### **20. SHAREHOLDERS' RIGHTS:**

The quarterly financial results are published in leading financial newspapers, uploaded on the Company's website and any major developments are covered in the press releases/intimation to stock exchanges by the Company. The Company therefore has not been sending the half yearly financial results to the shareholders.

#### **21. DISSEMINATION OF WEBSITE**

The Company is in the process of listing its Equity Shares on the Stock Exchange and is maintaining a website [www.avadhsugar.com](http://www.avadhsugar.com) containing basic information about the Company.

## Annexure C

# Certificate on Code of Conduct

To  
The Members  
Avadh Sugar & Energy Limited  
P.O. Hargaon, Dist - Sitapur  
U.P – 261 121

Pursuant to Regulation 34(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, I Devendra Kumar Sharma, Whole-time Director of Avadh Sugar & Energy Limited, declare that all the Board Members and Senior Management Personnel of the Company have affirmed their compliance with the Company's Code of Conduct during the financial year 2016-17.

Kolkata  
Dated May 23, 2017

**Devendra Kumar Sharma**  
Whole-time Director

## Annexure D

### Certificate Regarding Compliance of Conditions of Corporate Governance for the financial year ended on 31st March, 2017

To the Members of  
**Avadh Sugar & Energy Limited (CIN U15122UP2015PLC069635)**

I have reviewed the compliance of conditions of Corporate Governance by Avadh Sugar & Energy Limited having CIN U15122UP2015PLC069635 (hereinafter referred to as 'the Company'), for the year ended on 31st March, 2017, as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations').

In my opinion and to the best of my information and according to the examinations of the relevant records and the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance during the year ended on 31st March 2017, voluntarily and to the extent that was practicable and as submitted for the purpose of listing since the Company was not listed during the year ended on 31st March 2017.

The Company is in the process of listing of its equity shares at stock exchanges pursuant to the Composite Scheme of Arrangement sanctioned by the Hon'ble National Company Law Tribunal, Allahabad Bench vide Order dated 2nd March, 2017 in Company Petition No.33 of 2016 read with Company Application No.17 of 2016.

The voluntary compliance of conditions of Corporate Governance as mentioned hereinabove, is the responsibility of the management. My examination was limited to review the procedures and implementation thereof, adopted by the Company for ensuring the voluntary compliance of the conditions of Corporate Governance to the extent practicable. It is neither an audit nor an expression of opinion on the financial statements of the Company.

I further state that such voluntary 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.

Place: Kolkata  
Date: 23.05.2017

**Deepak Kumar Khaitan**  
F.C.S. No.: 5615  
C.P. No.: 5207  
ICSI Unique Code No.:I2003WB347200



## Annexure E

# Nomination and Remuneration Policy

### INTRODUCTION:

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and Senior Management Personnel of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management Personnel has been formulated and approved by the Board of Directors.

### OBJECTIVE AND PURPOSE OF THE POLICY:

The objective and purpose of this policy are:

- To lay down criteria, terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Key Managerial positions and Senior Management and to determine their remuneration.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director
- To determine remuneration based on the Company's size, financial position, trends and practices on remuneration prevailing in peer companies, in the like industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

### CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE:

The Board of Directors at its meeting held on 14th March, 2017, in order to align with the requirements of Companies Act, 2013, had constituted the Nomination and Remuneration Committee comprising of non - executive directors and independent directors.

### DEFINITIONS

**"Board"** means Board of Directors of the Company.

**"Directors"** means Directors of the Company.

**"Committee"** means Nomination and Remuneration Committee of the Company as constituted by the Board.

**"Company"** means Avadh Sugar & Energy Limited.

**"Independent Director"** means a director referred to in Section 149 (6) of the Companies Act, 2013.

**"Key Managerial Personnel (KMP) means" -**

- a) Executive Chairman and / or Managing Director;
- b) Whole-time Director;
- c) Chief Financial Officer;
- d) Company Secretary;
- e) Such other officer as may be prescribed under the applicable statutory provisions / regulations.

**"Senior Management Personnel"** means personnel of the Company occupying the position of Executive President of any Unit and/or personnel of the company who are members of its core management and which include members of management one level below the executive directors. Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

## Annexure E

### APPLICABILITY

The Policy is applicable to

- a. Directors (Executive and Non-Executive including Independent)
- b. Key Managerial Personnel
- c. Senior Management Personnel

### GENERAL

This Policy is divided in three parts: Part – A covers the matters to be dealt with and recommended by the Committee to the Board, Part – B covers the appointment and nomination and Part – C covers remuneration and perquisites etc.

### PART – A

#### MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE

##### The Committee shall:

1. Evaluate the current composition and organization of the Board and its committees in light of requirements established by any Regulatory Body or any other applicable statute, rule or regulation which the Committee deems relevant and to make recommendations to the Board with respect to the appointment, re-appointment and resignation of Independent, Executive and Non-Executive Directors of the Company;
2. Review the composition and size of the Board in order to ensure that the Board is comprised of members reflecting the proper expertise, skills, attributes and personal and professional backgrounds for service as a Director of the Company, as determined by the Committee;
3. Review and recommend to the Board an appropriate course of action upon the resignation of current Board members, or any planned expansion of the Board, and review the qualifications, experience and fitness for service on the Board of any potential new members of the Board;
4. Ensure that the level and composition of remuneration is reasonable and sufficient to

attract, retain and motivate Directors of the quality required to run the Company successfully;

5. Ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
6. Ensure that remuneration to Directors, Key Managerial Personnel (KMPs) and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals;
7. Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel (KMPs) and other employees of the Company;
8. Formulate the criteria for evaluation of Independent Directors and the Board;
9. Formulate, administer and supervise the Company's Stock Option schemes, if any, in accordance with relevant laws;
10. Identify the persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal;
11. Deal with such matters as may be referred to by the Board of Directors from time to time;

### PART – B

#### POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

##### Guiding principles

The guiding principle is that the while determining qualification, positive attributes and other criteria's, the remuneration and the other terms of employment shall be competitive in order to ensure that the Company can attract and retain competent Executives.

- When determining the remuneration policy and arrangements for Executive Directors/ KMP's and Senior Management personnel, the Remuneration Committee considers pay and employment conditions with peers / elsewhere in the competitive market to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate in this context.
- The Committee while designing the remuneration package considers the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the company successfully.
- The Committee while considering a remuneration package must ensure a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.
- The Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with stakeholders.

#### Appointment criteria and qualifications:

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. The Committee, along with the Board, shall review on an annual basis, appropriate skills, characteristics and experience required of a Board Member. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for the Company's operations.
3. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience including general understanding of the Company's business dynamics, global business

and social perspective, educational and professional background and personal achievements possessed by a person is sufficient / satisfactory for the concerned position.

4. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

- **TERM / TENURE:**

1. **Managing Director/Whole-time Director:**

The Company shall appoint or re-appoint any person as its Executive Chairman/Chairperson, Managing Director or Executive Director or Whole-time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

2. **Independent Director:**

An Independent Director shall hold office for a term as per the applicable laws prevailing from time to time. In accordance with the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

## Annexure E

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

- **EVALUATION:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval.

The Committee may also consider the report of evaluation carried out only by Independent Directors while reviewing the performance of non-independent directors and the board as whole.

- **REMOVAL:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

- **RETIREMENT:**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### PART – C

#### POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

- **GENERAL:**

1. The remuneration/ compensation/ commission etc. to the Managing/Whole-time Director,

KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

2. The remuneration and commission to be paid to the Managing Director/Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013, and the rules made thereunder.
3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director, wherever required.
4. Where any insurance is taken by the Company on behalf of its Managing/Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
5. Remuneration packages will be designed to attract high-calibre executives in a competitive global market and remunerate executives fairly and responsibly. The remuneration shall be competitive and based on the individual responsibilities and performance.
6. Remuneration is designed to motivate delivery of company's key business strategies, create a strong performance-orientated environment and reward achievement of meaningful targets over the short- and long-term.

7. The Executives may be entitled to customary non-monetary benefits such as company cars and company health care, telephone etc. In addition thereto in individual cases company housing and other benefits may also be offered.

**Remuneration to Whole-time / Executive / Managing Director, Key Managerial Personnel and Senior Management Personnel:**

**1. FIXED PAY:**

The Managing/Whole-time Director / Key Managerial Personnel and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

**2. MINIMUM REMUNERATION:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing/Whole-time Director in accordance with the applicable provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

**3. PROVISIONS FOR EXCESS REMUNERATION:**

If any Managing/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

**REMUNERATION TO NON- EXECUTIVE / INDEPENDENT DIRECTOR:**

**1. Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013 and the rules made thereunder.

**2. Sitting Fees:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof in terms of applicable provisions of the Companies Act, 2013.

**3. Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

**Interpretation**

In any circumstance where the terms of this policy differs from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time this policy is changed / amended to conform to the law, rule, regulation and standard.

**Disclosure**

Information on the total remuneration of members of the Company's Board of Directors, Executive Board of Management and senior management may be disclosed in the Company's annual financial statements. This includes any deferred payments and extraordinary contracts during the preceding financial year.

**Dissemination**

The Company's Nomination and Remuneration Policy shall be published on its website.

## Annexure F

# Secretarial Audit Report

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2017**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,  
 The Members,  
 Avadh Sugar & Energy Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by the Company. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company as per in Annexure- A1 (hereinafter referred to as "Books and Papers") and the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the period covered by our audit, that is to say, from April 01, 2016 to March 31, 2017 (hereinafter referred to as "Audit Period"), complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Books and Papers maintained by the Company for the Audit Period according to the provisions of:

1. The Companies Act, 2013 ("the Act") and the rules made thereunder including any re-enactment thereof;
2. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment, Foreign Direct Investment and External Commercial Borrowings;
3. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
4. The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder.

In addition of above, the Company has followed the following Acts/Rules/Regulations applicable to a listed company as a good corporate governance practice even though the Company is an unlisted company and is in the process of listing its equity shares with BSE, NSE and CSE.

- i. SEBI (Substantial Acquisitions of Shares and Takeover) Regulations, 2011 ("SAST Regulations");
- ii. SEBI (Prohibition of Insider Trading) Regulations, 2015 ("the PIT Regulations, 2015");
- iii. SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- iv. Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and rules made thereunder;
- v. SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 ("the LODR Regulations, 2015");
- vi. SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009;
- vii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- viii. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

- ix. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - x. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
5. Laws specifically applicable to the industry to which the Company belongs, as identified by the management, that is to say:
- a. Uttar Pradesh Sugarcane (Regulation of Supply and Purchase) Rules, 1954;
  - b. Sugar Cess Act, 1982;
  - c. Food Safety and Standards Act, 2006;
  - d. Sugar Development Fund Act, 2006;
  - e. The Essential Commodities Act, 1955;
  - f. Legal Metrology Act, 2009 and rules made thereunder.

We have also examined compliance with the applicable clauses of the Secretarial Standards 1 and 2 issued by the Institute of Company Secretaries of India;

During the Audit Period, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

**Management Responsibility:**

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit;
2. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company;
4. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulation and happening of events etc;
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis;
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**We report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the Period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Resolutions have been approved by majority and recorded as part of the minutes.

**We further report that** based on the information provided by the Company during the conduct of the audit

## Annexure F

and also on the review of quarterly compliance reports by Company Secretary taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes and control mechanisms exist in the Company to monitor and ensure compliance with applicable other general laws.

**We further report that** during the Audit Period, the Company has not incurred any specific event that can have a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except as follows:

### 6. Composite Scheme of Arrangement

The Hon'ble National Company Law Tribunal, Allahabad Bench vide its Order dated 2nd March 2017 (certified copy received on 9th March, 2017) sanctioned the Composite Scheme of Arrangement entered into between Upper Ganges Sugar & Industries Limited, The Oudh Sugar Mills Limited, Palash Securities Limited, Allahabad Canning Limited, Ganges Securities Limited, Cinnatolia Tea Limited, Vaishali Sugar & Energy Limited, Magadh Sugar & Energy Limited and Avadh Sugar & Energy Limited and their shareholders and creditors and declared that the same shall be binding on the equity shareholders, secured creditors, unsecured creditors, and all concerned of the above named petitioner companies and also on the said petitioner companies with effect from the Appointed date i.e. 1st day of April, 2015.

For **Vinod Kothari & Company**  
Practicing Company Secretaries

**Arun Kumar Maitra**  
Partner

Membership No: A3010  
CP No.: 14490

Place: Kolkata  
Date: 22.05.2017

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## ANNEXURE I

### LIST OF DOCUMENTS

1. Corporate Matters
  - 1.1 Minutes books of the following meetings were provided:
    - 1.1.1 Board Meeting;
    - 1.1.2 General Meeting;
  - 1.2 Annual Report for the Financial year 2015-2016;
  - 1.3 Memorandum and Articles of Association;
  - 1.4 Disclosures under the Act;
  - 1.5 Policies framed under the Act ;
  - 1.6 Register maintained under the Act;
  - 1.7 Forms and returns filed with the ROC;



## Annexure G

### Information under section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the financial year ended 31st March, 2017

#### I. CONSERVATION OF ENERGY :

- i The Company continues to take following initiatives to conserve Energy during the year 2016-17:
  - a) Various machineries and equipments installed during earlier years besides increasing generation of steam tend to reduce consumption of steam and fuel.
  - b) Auto control combustion system fitted with all the boilers reduce the consumption of bagasse.
  - c) VFDs are being installed at several working stations like Cane carrier, rake carrier etc. that will result in power saving.
  - d) The modified system of heating sugarcane juices and bleeding of vapors for pan boiling is working satisfactorily in the form of considerably reducing consumption of steam and fuel.
- ii. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
 

In view of lesser availability of funds the Company does not intend to commit it's already strained financial resources towards implementation of energy reduction programmes though the Company shall continue to use its existing resources and implement conventional methods to substantially reduce consumption of energy.
- iii. Impact of measures of I and II above for the reduction of energy consumption and consequent impact on the cost of production of goods.
 

None significant.

#### II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

The Company continues to carry out Research & Development in the following specific areas:

- (1) **Control of Insect, Pest and Disease-**
  - a) **Through Moist, Hot Treatment-** In order to maintain the genetic purity of varieties of Sugarcane, treatment is given to cane seed with moist hot air treatment. It improves the quality and yield of sugarcane. This process shall continue for the future also.
  - b) **Chemical Control:-** In order to control the Insect, Pest and Borer, insecticide and pesticide is being applied on the crop just before indent of Pest and Borer for its control.
  - c) **Biological Control of Borer:-** Parasites (Tricogranna Cards) have been applied in the crop to protect from Insects, Pests, and Borers.
- (2) **Ratoon Management :-** To increase the yield of the Ratoon, farmers are being educated on constant basis to burn the trash in the field, stubbing the plant and giving the proper dose of fertilizers and irrigation. Farmers are educated also to fill the gaps by new and improved plants.

Owing to above efforts, higher yield of disease free cane is being made available to the Company's sugar mills resulting in higher return to cane growers as well as to the Company. This has also contributed to higher recovery of cane.

The Company has not imported any new technology.

The Company had incurred an expenditure on research and cane development amounting to ₹ 63.78 lacs

#### III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

a) Activities relating to exports, initiatives taken to increase exports	
b) Development of new export markets for products and services and export plan	
c) Earnings in Foreign Exchange (FOB Value)	₹ Nil
d) Expenditure in Foreign Currency	₹ 75.27 lacs

## Annexure H

**Particulars of Employees pursuant to Section 134(3)(q) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.**

Sl.	Requirements of Rule 5(1)	Details
(i)	The ratio of remuneration of each Director to the median remuneration of the employees of the Company for the financial year	None of the Directors except the Whole-time Director gets any remuneration from the Company except sitting fees.
(ii)	The percentage increase in remuneration of each Director, Chief Financial Officer, Company Secretary	Refer Note*
(iii)	Percentage increase in the median remuneration of employees in the financial year	Refer Note*
(iv)	Number of permanent employees on the rolls of company;	1927 employees as on 31.3.2017.
(v)	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Refer Note*
(vi)	Affirmation that the remuneration is as per the remuneration policy of the Company	Remuneration paid during the financial year 2016-17 were within the parameters of the Remuneration Policy adopted by the Company.

Note: \*Employees on the rolls of erstwhile The Oudh Sugar Mills Limited Hargaon, Rosa and Hata units and the employees on the rolls of Upper Ganges Sugar & Industries Limited Seohara unit stands transferred, pursuant to the Composite Scheme of Arrangement on filing of the Scheme with ROC on 23rd March, 2017 and hence not comparable.

### Particulars of Employees pursuant to Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

#### Top 10 employees in terms of remuneration drawn during the year

Name	Designation/ Nature of Duties	Qualification	Age	Experience (years)	Gross Remuneration (₹)	Previous employment & position held	No of shares held
Mr. Chand Bihari Patodia	Advisor	Intermediate	68	49	2,16,17,465	The New Swadeshi Sugar Mills, Narkatiaganj	-
Mr. Dilip Patodia	President (Finance) & Chief Financial Officer	B.Com, ACA, ACS	51	26	87,22,000	Rashmi Metalics Ltd.	-
Mr. Devendra Kumar Sharma	Wholetime Director	M.Com, AICWA	48	26	68,72,000	Kesar Enterprises Ltd.	-
Mr. Anand Sharma	Vice President (Legal) & Company Secretary	B.Com, FCS, LLB	45	21	57,77,000	Adhunik Metaliks Ltd.	-
Mr. Sukhvir Singh	Executive President, Seohara	BSC	56	23	53,07,208	Bajaj Hindusthan Ltd., Noida	-
Mr. Mahesh Agarwal	Finance Controller	BSC, ACA	50	24	43,34,799	-	-
Mr. S.K.Maheshwari	Executive Vice President (Finance), Seohara	BSC, ACA	61	36	33,60,542	Hindustan Times Ltd., New Delhi	4
Mr. Poresh Kumar Saini	Executive President, Hata	B.A & PGDBM	65	40	32,50,000	Uttam Sugar Mills Ltd, Libberhari	-
Mr. B. K. Malpani	Executive President, Rosa	Post Graduation	70	48	30,75,691	Upper Ganges Sugar & Ind., Seohara	318
Mr. Praveen Agarwal	Sr. Executive Vice President, Seohara	Diploma In Engineering	54	30	28,12,435	-	-

#### Notes :

1. The remuneration includes salary, Company's contribution to provident fund and perquisite value of rent paid.
2. The appointment is contractual.
3. Other terms and conditions are as per rules of the Company.
4. No employee is a relative of any Director or Key Managerial Personnel of the Company. Rule 5(20(iii)) of the captioned Rules is not applicable.

For and on behalf of the Board

Kolkata  
Dated 23rd May, 2017

**Chandra Shekhar Nopany**  
Co-Chairperson

## Annexure I

**FORM NO. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2017**

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS**

CIN	U15122UP2015PLC069635
Registration Date	19-03-2015
Name of the Company	AVADH SUGAR & ENERGY LIMITED
Category / Sub-Category of the Company	Company having Share Capital
Address of the Registered office and contact details	P O Hargaon Dist Sitapur Uttar Pradesh 261 121 Tel No : 05862 256220
Whether listed company Yes / No	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited 59C, Chowringhee Road 3rd Floor Kolkata - 700 020 India Tel: 91-033-2289 0540 Fax: 91-033-2289 0539 e-mail: <a href="mailto:kolkata@linkintime.co.in">kolkata@linkintime.co.in</a>

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Sugar	1072	81.98 %

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

Sl No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
NOT APPLICABLE					

#### IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

##### i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares at the end of the year			% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	% change during the year
<b>Promoter and Promoter Group</b>									
<b>Indian</b>									
Individuals/Hindu Undivided Family	-	70	70	0.14	33571	-	33571	3.35	-
Central Government/State Government(s)	-	-	-	-	-	-	-	-	-
Bodies Corporate	-	49930	49930	99.86	5605121	-	5605121	56.00	-
Financial Institutions/Banks	-	-	-	-	-	-	-	-	-
Any Other (Total)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(1)</b>	-	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>5940836</b>	-	<b>5940836</b>	<b>59.35</b>	-
<b>Foreign</b>									
Individuals (Non-Resident Individuals/Foreign Individuals)	-	-	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-
Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Any Other (Total)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (A)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>		<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>5934029</b>	<b>6807</b>	<b>5940836</b>	<b>59.35</b>	-
<b>Public shareholding</b>									
<b>Institutions</b>									
Mutual Funds/UTI	-	-	-	-	-	1058	1058	0.01	-
Financial Institutions/Banks	-	-	-	-	10666	261	10927	0.11	-
Central Government/State Government(s)	-	-	-	-	-	-	-	-	-
Venture Capital Funds	-	-	-	-	-	-	-	-	-
Insurance Companies	-	-	-	-	372772	3	372775	3.72	-
Foreign Institutional Investors	-	-	-	-	-	-	-	-	-
Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Any Other (Total)	-	-	-	-	-	-	-	-	-
<b>Sub-Total (B)(1)</b>	-	-	-	-	<b>383438</b>	<b>1322</b>	<b>384760</b>	<b>3.84</b>	-
<b>Non-institutions</b>									
Bodies Corporate	-	-	-	-	696570	-	696570	6.96	-
Individuals - i. Individual Shareholders Holding Nominal Share Capital Up To > ₹ 1 Lakh.	-	-	-	-	2035928	90100	2126028	21.24	-
Individuals - ii. Individual Shareholders Holding Nominal Share Capital In Excess of ₹ 1 Lakh	-	-	-	-	284067	-	284067	2.84	-
Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Clearing Member	-	-	-	-	109778	-	109778	1.10	-
Market Maker	-	-	-	-	892	-	892	0.00	-
Directors/Relatives	-	-	-	-	-	-	-	-	-
Foreign Company	-	-	-	-	-	-	-	-	-
Foreign National	-	-	-	-	284	241	531	-	-

## Annexure I

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares at the end of the year			% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	% change during the year
HUF	-	-	-	-	148008	-	148008	1.48	-
Non Resident Indians (Non Repat)	-	-	-	-	13509	-	13509	0.14	-
Non Resident Indians (Repat)	-	-	-	-	40765	1	40766	0.41	-
Office Bearers	-	-	-	-	-	-	-	-	-
Trust	-	-	-	-	263465	-	263465	2.63	-
<b>Sub-Total (B)(2)</b>	-	-	-	-	<b>7968776</b>	-	<b>8178126</b>	<b>31.55</b>	-
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	-	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>3967500</b>	<b>100874</b>	<b>4068374</b>	<b>40.65</b>	-
<b>TOTAL (A)+(B)</b>	-	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>9901529</b>	<b>106781</b>	<b>10009210</b>	<b>100.00</b>	-
Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-	-	-	-	-	-
Promoter and Promoter Group	-	-	-	-	-	-	-	-	-
Public	-	-	-	-	-	-	-	-	-
<b>GRAND TOTAL (A)+(B)+(C)</b>	-	<b>50000</b>	<b>50000</b>	<b>100.00</b>	<b>9901529</b>	<b>106781</b>	<b>10009210</b>	<b>100.00</b>	-

Note: Shares allotted pursuant to Composite Scheme of Arrangement

## ii) Shareholding of Promoters

Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
	No of Shares	% of total shares of the Company	% of shares pledged/ of the encumbered to total shares	No of Shares	% of total shares of the Company	% of shares pledged/ of the encumbered to total shares	
Nandini Nopany	-	-	-	299802	2.99	-	-
Chandra Shekhar Nopany	-	-	-	30922	0.31	-	-
Urvi Nopany	-	-	-	4991	0.05	-	-
New India Retailing And Investment Ltd	-	-	-	972652	9.72	63.47	-
SCM Investment & Trading Co. Ltd.	-	-	-	749945	7.49	-	-
Uttar Pradesh Trading Co. Ltd	-	-	-	739312	7.39	-	-
RTM Investment And Trading Co. Ltd.	-	-	-	672596	6.72	77.52	-
SIL Investments Limited	-	-	-	567240	5.67	-	-
Yashovardhan Investment & Trading Co. Ltd.	-	-	-	356692	3.56	-	-
Hargaon Investment & Tradind Co. Ltd.	-	-	-	241255	2.41	-	-
GMB Investments Private Limited	-	-	-	219705	2.20	-	-
Ronson Traders Limited	-	-	-	219346	2.19	29.89	-
Sidh Enterprises Ltd.	-	-	-	214998	2.15	-	-
Sonali Commercial Ltd.	-	-	-	149050	1.49	89.45	-
Deepshikha Trading Co. Private Limited	-	-	-	102450	1.02	99.78	-
Champaran Marketing Co. Ltd.	-	-	-	95642	0.96	-	-
OSM Investment & Trading Co. Ltd.	-	-	-	86127	0.86	-	-
Uttam Commercial Ltd.	-	-	-	68595	0.69	-	-
Nilgiri Plantations Limited	-	-	-	50600	0.51	-	-
Narkatiaganj Farms Limited	-	-	-	37305	0.37	-	-
Rajpur Farms Limited	-	-	-	33309	0.33	-	-
Shree Vihar Properties Ltd	-	-	-	11563	0.12	-	-
La Monde Trading & Investments Private Ltd	-	-	-	9233	0.09	-	-
Palash Securities Limited	-	-	-	6807	0.07	-	-

**ii) Shareholding of Promoters (Contd.)**

Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
	No of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
Pavapuri Trading And Investment Company Ltd.	-	-	-	424	0.00		
The Oudh Trading Co. (P) Ltd.	-	-	-	275	0.00		
	-	-	-	5940836	59.35		

Note: Shares allotted pursuant to Composite Scheme of Arrangement

**iii) Change in Promoters' Shareholding (Please specify, if there is no change)**

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
At the beginning of the year	50000	100.00	50000	100.00
Changes during the year	(50000)	100.00	5940836	59.35
At the end of the year			5940836	59.35

Note: Shares allotted pursuant to Composite Scheme of Arrangement

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl No	Name	Shareholding			Increase/Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No of Shares at the beginning (01-04-2016)/ end (31-03-2017) of the year	% of total shares of the Company	Date			No of Shares	% of total shares of the Company
1	LIFE INSURANCE CORPORATION OF INDIA			30-03-2017			328587	3.28
2	NAVJEEWAN MEDICAL INSTITUTE						275194	2.75
3	EARTHSTONE HOLDING (TWO) LIMITED						107206	1.07
4	RENU						91850	0.92
5	MANU GOPALDAS CHHABRIA					Allotment pursuant to Composite Scheme of Arrangement	58182	0.58
6	THE NEW INDIA ASSURANCE COMPANY LIMITED						41260	0.41
7	B.LAVANYA .						33786	0.34
8	SHRI PARASRAM HOLDINGS PVT. LTD.						29816	0.30
9	ZAKI ABBAS NASSER						28000	0.28
10	UNIVERSAL CINE TRADES						26889	0.27

## Annexure I

**(v) Shareholding of Directors and Key Managerial Personnel:**

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
Mrs. Nandini Nopany, Chairperson				
At the beginning of the year				
Changes during the year			299802	2.99
At the end of the year			299802*	2.99

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
Mr. Chandra Shekhar Nopany, Co-Chairperson				
At the beginning of the year				
Changes during the year			30922	0.31
At the end of the year			30922**	0.31

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
Mr Devendra Kumar Sharma, Wholetime Director				
At the beginning of the year				
Changes during the year				
At the end of the year	NIL	NIL	NIL	NIL

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
Mr Dilip Patodia, Chief Financial Officer				
At the beginning of the year				
Changes during the year				
At the end of the year	NIL	NIL	NIL	NIL

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No of Shares	% of total shares of the Company	No of Shares	% of total shares of the Company
Mr. Anand Sharma, Company Secretary and Compliance Officer				
At the beginning of the year				
Changes during the year				
At the end of the year	NIL	NIL	NIL	NIL

\* includes 15923 equity shares held as transfer of Chandra Shekhar Charity Trust

\*\* includes 1834 equity shares held jointly with Mrs. Shalini Nopany

**Note:** Mr. Anand Ashvin Dalal, Mr. Gaurav Swarup, Mr. Sunil Kanoria, Mr. Pradip Kumar Bishnoi and Mr. Kalpataru Tripathy held no shares in the Company during the year.



## V. INDEBTEDNESS

### Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Working Capital- Secured	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				-
Change in Indebtedness during the financial year				
Addition	35,133.37	18,059.00	73,275.71	1,26,468.08
Reduction				-
<b>Net Change</b>	<b>35,133.37</b>	<b>18,059.00</b>	<b>73,275.71</b>	<b>1,26,468.08</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	35,133.37	18,059.00	73,275.71	1,26,468.08
ii) Interest due but not paid				-
iii) Interest accrued but not due				-
<b>Total (i+ii+iii)</b>	<b>35,133.37</b>	<b>18,059.00</b>	<b>73,275.71</b>	<b>1,26,468.08</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl No.	Particulars of Remuneration	Mr Devendra Kumar Sharma, Wholetime Director	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	63,11,950	63,11,950
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	3,97,426	3,97,426
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Options	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- As % of profit	-	-
	- As others specify	-	-
5	Others please specify	-	-
	<b>Total (A)</b>	<b>67,09,376*</b>	<b>67,09,376</b>

\* Represents the amount paid / accrued during the year.

### B. Remuneration to other Directors:

#### 1. Independent Directors

Sl No.	Particulars of Remuneration	Name of Director					Total Amount
		Mr Anand Ashvin Dalal	Mr Pradip Kumar Bishnoi	Mr Kalpataru Tripathy	Mr Gaurav Swarup	Mr Sunil Kanoria	
	Fee for attending Board/ Committee Meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	<b>Total B (1)</b>	-	-	-	-	-	-

## Annexure I

## 2. Other Non-Executive Directors

Sl No.	Particulars of Remuneration	Mrs Nandini Nopany	Mr Chandra Shekhar Nopany	Total Amount
	Fee for attending Board/Committee Meetings	-	-	-
	Commission	-	-	-
	Others, please specify	-	-	-
	<b>Total B (2)</b>	-	-	-
	<b>Total (B) = (B)(1)+(B)(2)</b>	-	-	-

## C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl No.	Particulars of Remuneration	Mr Dilip Patodia, Chief Financial Officer	Mr. Anand Sharma, Company Secretary	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	67,25,000	44,86,440	1,12,11,440
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	9,36,864	7,87,450	17,24,314
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Options	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- As % of profit	-	-	-
	- As others specify	-	-	-
5	Others please specify	-	-	-
	<b>Total (A)</b>	<b>76,61,864*</b>	<b>52,73,890*</b>	<b>1,29,35,754</b>

\* Represents the amount paid / accrued during the year.

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority[RD / NCLT/ COURT]	Appeal made, if any(give Details)
<b>A. COMPANY</b>					
Penalty					
Punishment			None		
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			None		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			None		
Compounding					

# Independent Auditor's Report

To the Members of  
**Avadh Sugar & Energy Limited**

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Avadh Sugar & Energy Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, of its profit, and its cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

## Independent Auditor's Report

- (b) 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;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 33 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
  - iv. The Company has provided requisite disclosures in Note 37 to these financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. However, as stated in Note 37 to the financial statements, amounts aggregating ₹ 1.19 lacs, as represented to us by the management, have been utilized for other than permitted transactions (amount paid to various transporters).

For **S.R. Batliboi & CO. LLP**  
Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Kamal Agarwal**  
Partner

Membership Number: 58652

Place of Signature: Kolkata

Date: May 23, 2017

**Annexure 1 to the Independent Auditors' Report(referred to in our report of even date to the members of Avadh Sugar & Energy Limited as at and for the year ended 31st March, 2017)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets were physically verified by the management during the year in accordance with a planned programme of verifying all of them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to information and explanations given by the management, the title deeds of immovable properties included in Property, Plant & Equipment which are transferred to Company pursuant to Scheme of arrangement (Refer Note 2 (ii) to the Financial Statements) are not held in the name of the Company. As explained to us, steps are being taken to complete the name transfer formalities.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors including entities in which they are interested to which provisions of section 185 of the Companies Act 2013 apply and hence not commented upon. Provisions of section 186 of the Companies Act 2013 in respect of investments made have been complied with by the company. There are no loans and guarantees and securities granted in respect of which provisions of Section 186 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013 related to manufacture of its products and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, done a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

## Annexure 1 to the Independent Auditors' Report(referred to in our report of even date to the members of Avadh Sugar & Energy Limited as at and for the year ended 31st March, 2017)

According to the records of the Company, the dues outstanding in respect of sales tax, income tax, custom duty, wealth tax, service tax, excise duty, value added tax & cess on account of any dispute, are as follows :-

Name of the statute	Nature of dues	Amount (₹ in lacs)	Period to which the amount relates	Forum where dispute is pending
U.P Tax on Entry of Goods Act, 2007	Interest Demand on Entry Tax on Sugar	14.62	2000-01, 2006-07, 2008-09, 2009-10, 2011-12, 2012-13	High Court, Lucknow, Tribunal, Lucknow
Central Sales Tax Act, 1956	Taxability on alcohol sale	10.47	1977-78 to 1981-82	Appellate Tribunal, Lucknow
	Central Sales Tax demand on Stock transfer	5.95	2006-07	Tribunal, Lucknow
Central Excise Act, 1944	Disallowance of CENVAT Credit on Certain inputs / capital items / input services	450.98	1977-78, 1991-92, 2002-03 to 2005-06 & 2010-11	Commissioner (Appeals) / CESTAT / High Court, Allahabad
	Excise Duty on burnt / waste and loss on storage of molasses etc.	15.27	1990-91	High Court, Lucknow
	Demand towards differential amount of sugar cess on duty paid stock	43.47	2007-08	CESTAT

(viii) In our opinion and according to information and explanations given by the management, the Company has not defaulted in repayment of dues to bank or government. The Company did not have any outstanding dues in respect of financial institutions or debenture holders during the year.

(ix) In our opinion and according to the information and explanations given by the management, term loans were applied for the purpose for which the loans were obtained. The Company has not raised any money by way of initial public offer / further public offer / debt instruments during the year.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) Read with note 31(h) to the financial statements and according to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & CO. LLP**  
Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Kamal Agarwal**  
Partner

Membership Number: 58652

Place of Signature: Kolkata

Date: May 23, 2017

## Annexure 2 to the Independent Auditor's Report of Even Date on the Financial Statements of Avadh Sugar & Energy Limited

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Avadh Sugar & Energy Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

#### MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & CO. LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 301003E/E300005

per **Kamal Agarwal**  
Partner  
Membership Number: 58652

Place of Signature: Kolkata  
Date: May 23, 2017

# Balance Sheet

as at 31st March 2017

	Notes	As at 31st March 2017	As at 31st March 2016
₹ in lakhs			
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	3	7,570.92	5.00
Reserves and Surplus	4	31,701.16	(1.57)
		<b>39,272.08</b>	<b>3.43</b>
<b>Non-current Liabilities</b>			
Long-term borrowings	5	24,248.19	-
Other long-term liabilities	6	105.63	-
Long-term provisions	7	336.86	-
		<b>24,690.68</b>	<b>-</b>
<b>Current Liabilities</b>			
Short-term borrowings	8	91,334.71	-
Trade payables			
- Total outstanding dues of micro and small enterprises	9	131.03	-
- Total outstanding dues of creditors other than micro and small enterprises	9	21,563.64	0.29
Other current liabilities	9	40,512.46	-
Short-term provisions	7	4,964.27	-
		<b>1,58,506.11</b>	<b>0.29</b>
<b>TOTAL</b>		<b>2,22,468.87</b>	<b>3.72</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets			
Property, Plant and Equipment	10	98,736.74	-
Intangible Assets	11	23.62	-
Capital Work-in-Progress	12	136.69	-
Non-current Investments	13	7.27	-
Loans and Advances	14	21.08	-
Other Non-current Assets	16.2	80.31	-
		<b>99,005.71</b>	<b>-</b>
<b>Current assets</b>			
Inventories	15	1,10,258.96	-
Trade Receivables	16.1	6,547.39	-
Cash and bank balances	17	3,094.41	3.72
Loans and advances	14	1,490.45	-
Other current assets	16.2	2,071.95	-
		<b>1,23,463.16</b>	<b>3.72</b>
<b>TOTAL</b>		<b>2,22,468.87</b>	<b>3.72</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S.R.Batliboi & Co. LLP**

Firm Registration No. : 301003E/E300005

Chartered Accountants

per **Kamal Agarwal**

Partner

Membership no.: 58652

**Devendra Kumar Sharma**

Whole-time Director

**Anand Sharma**

Company Secretary

**Chandra Shekhar Nopany**

Co-Chairperson

**Dilip Patodia**

Chief Financial Officer

Place : Kolkata

Date : 23rd May 2017



# Statement of Profit and Loss

for the year ended 31st March 2017

₹ in lakhs

	Notes	Year ended 31st March 2017	Year ended 31st March 2016
<b>INCOME</b>			
Revenue from Operations (Gross)	18	1,97,657.26	-
Less : Excise duty		5,019.13	-
Cess		5,337.94	-
<b>Revenue from Operations (net)</b>		<b>1,87,300.19</b>	-
Other Income	19	249.28	-
<b>Total Revenue (I)</b>		<b>1,87,549.47</b>	-
<b>EXPENSES</b>			
Cost of Raw Materials consumed	20	1,42,176.58	-
Purchase of Traded goods	21	1,014.36	-
Decrease / (Increase) in Inventories of Finished Goods, Traded Goods and Goods under Process	21	(20,264.21)	-
Employee benefits expense	22	7,877.38	-
Other expenses	23	13,871.68	1.09
<b>Total (II)</b>		<b>1,44,675.79</b>	<b>1.09</b>
<b>Profit / (Loss) before finance costs, tax, depreciation and amortization (EBITDA) [(I) - (II)]</b>		<b>42,873.68</b>	<b>(1.09)</b>
Depreciation and Amortization expense	24	4,596.40	-
Finance Costs	25	12,996.72	-
<b>Profit / (Loss) before tax</b>		<b>25,280.56</b>	<b>(1.09)</b>
<b>Tax expenses</b>			
Current tax		4,323.00	-
<b>Total tax expense</b>		<b>4,323.00</b>	-
<b>Profit / (Loss) after tax for the year</b>		<b>20,957.56</b>	<b>(1.09)</b>
<b>Earning per equity share [Nominal value of share ₹ 10 (₹ 10 )]</b>			
<b>Basic &amp; Diluted (₹)</b>	27	<b>201.95</b>	<b>(2.19)</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S.R.Batliboi & Co. LLP**

Firm Registration No. : 301003E/E300005

Chartered Accountants

per **Kamal Agarwal**

Partner

Membership no.: 58652

Place : Kolkata

Date : 23rd May 2017

For and on behalf of the Board of Directors

**Devendra Kumar Sharma**

Whole-time Director

**Anand Sharma**

Company Secretary

**Chandra Shekhar Nopany**

Co-Chairperson

**Dilip Patodia**

Chief Financial Officer

# Cash Flow Statement

for the year ended 31st March 2017

₹ in lakhs

	Year Ended 31st March 2017	Year Ended 31st March 2016
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Profit / (Loss) before tax</b>	25,280.56	(1.09)
<b>Adjustment to reconcile profit / (loss) before tax to net cash flows</b>		
Depreciation and Amortization expenses	4,596.40	-
Finance Costs	12,996.72	-
Provision for bad and doubtful debts / advances	0.32	-
Bad debts, irrecoverable claims and advances written off	0.73	-
Loss on fixed assets sold / discarded (net)	403.82	-
Molasses storage & Maintenance fund	9.34	-
Cane Purchase Tax Remission	(295.28)	-
Unspent Liabilities, Provisions no longer required and Unclaimed Balances written back	(27.78)	-
Interest Income	(17.07)	-
<b>Operating Profit before Working Capital Changes :</b>	<b>42,947.76</b>	<b>(1.09)</b>
Decrease in Trade Payables	(20,574.75)	(0.19)
Increase in Long Term Provisions	112.70	-
Increase in Short Term Provisions	98.63	-
Increase in Other Current Liabilities	8,034.51	-
Increase in Other Long Term Liabilities	35.85	-
Decrease in Trade Receivables	2,383.99	-
Increase in Non-current Loans & Advances	(0.82)	-
Decrease in Current Loans & Advances	173.92	-
Decrease in Other Current Assets	2,585.70	-
Increase in Inventories	(21,179.24)	-
<b>CASH GENERATED FROM / (USED IN) OPERATIONS:</b>	<b>14,618.25</b>	<b>(1.28)</b>
Direct Taxes Refund	12.06	-
<b>Net Cash from / (used in) Operating Activities before impact of the Scheme relating to earlier period</b>	<b>14,630.31</b>	<b>(1.28)</b>
<b>Impact of the Scheme relating to earlier period [Note 2(ii)(g)]</b>	<b>8,160.23</b>	-
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>22,790.54</b>	<b>(1.28)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Proceeds from sale of Property, Plant and Equipment	10.89	-
Purchase of Fixed Assets, including CWIP and Capital Advances	(1,908.66)	-
Loan Recovered (net)	3.04	-
Interest Received	14.13	-
Investment / Redemption / Maturity in / of Bank Deposits having original maturity of more than 3 months (net)	(30.79)	-
<b>Net Cash used in Investing Activities before impact of the Scheme relating to earlier period</b>	<b>(1,911.39)</b>	-
<b>Impact of the Scheme relating to earlier period [Note 2(ii)(g)]</b>	<b>(735.73)</b>	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,647.12)</b>	-

₹ in lakhs

	Year Ended 31st March 2017	Year Ended 31st March 2016
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Repayment of Long Term Borrowings	(8,535.68)	-
Proceeds from Short Term Borrowings (net)	10,819.26	-
Interest Paid	(12,131.06)	-
Other Borrowing Cost	(137.35)	-
<b>Net Cash used in Financing Activities before impact of the Scheme relating to earlier period</b>	<b>(9,984.83)</b>	<b>-</b>
<b>Impact of the Scheme relating to earlier period [Note 2(ii)(g)]</b>	<b>(7,462.26)</b>	<b>-</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(17,447.09)</b>	<b>-</b>
<b>NET CHANGES IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>2,696.33</b>	<b>(1.28)</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>3.72</b>	<b>5.00</b>
<b>Cash &amp; Cash Equivalents acquired pursuant to the Scheme [Note 2(ii)(b)]</b>	<b>298.70</b>	<b>-</b>
<b>Cash &amp; Cash Equivalents at the end of the year *</b>	<b>2,998.75</b>	<b>3.72</b>

\* represents Cash and Bank Balances as indicated in Note 17 and excludes ₹ 125.67 lakhs (Nil) being balances having maturity of more than 3 months.

As per our report of even date

For **S.R.Batliboi & Co. LLP**

Firm Registration No. : 301003E/E300005

Chartered Accountants

per **Kamal Agarwal**

Partner

Membership no.: 58652

**For and on behalf of the Board of Directors**

**Devendra Kumar Sharma**

Whole-time Director

**Chandra Shekhar Nopany**

Co-Chairperson

**Anand Sharma**

Company Secretary

**Dilip Patodia**

Chief Financial Officer

Place : Kolkata

Date : 23rd May 2017

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 1. CORPORATE INFORMATION

Avadh Sugar & Energy Limited (the Company) was incorporated on 19th March, 2015 as a joint venture of The Oudh Sugar Mills Limited (OSML) and Upper Ganges Sugar and Industries Limited (UGSIL). Consequent to a composite scheme of arrangement approved by the National Company Law Tribunal (NCLT) on 2nd March, 2017, and its filing with the Registrar of Companies, Kanpur on 23rd March 2017, the residual OSML comprising of the business undertakings located at Hargaon District Sitapur, Dhadha Bujurg (Hata) District Kushinagar and Rosa District Shahjahanpur in the state of Uttar Pradesh and the residual UGSIL comprising of the business undertaking located at Seohara, District Bijnor in the state of Uttar Pradesh of OSML and UGSIL respectively (hereinafter referred to as "Sugar business undertakings") have been transferred and amalgamated with the Company from the appointed date i.e. 1st April, 2015.

The Company is primarily engaged in manufacture and sale of Sugar and its By-products (Molasses and Bagasse), Spirits including Ethanol and Power.

## 2. BASIS OF PREPARATION

i) The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared the financial statements to comply in all material respects with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016 on an accrual basis under the historical cost convention except for impact of Scheme of Arrangement taken at fair value as detailed in Note 2(ii) below.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year except for the change in accounting policies explained below.

In accordance with the scheme of arrangement, all the assets and liabilities of the transferred sugar business undertakings of OSML and UGSIL as mentioned above have been acquired and accounted for at fair value, as determined by independent valuers appointed by the management, as further disclosed in Note No. 2(ii) below.

### ii) Scheme of Arrangement

a) The transferred sugar business undertakings are primarily engaged in manufacture and sale of Sugar and its By-products (Molasses and Bagasse), Spirits including Ethanol and Power.

The Amalgamation has been accounted for under the purchase method as prescribed by Accounting Standard (AS-14) Accounting for Amalgamations issued by the Institute of Chartered Accountants of India.

As per the Composite Scheme of Arrangement ("the scheme"), appointed date as approved by the National Company Law Tribunal is 1st April, 2015 and effective date is 23rd March, 2017 being the date on which the certified copy of the order sanctioning the said scheme is filed with the Registrar of Companies, Kanpur in accordance with the Companies Act, 1956 and applicable provisions of Companies Act, 2013.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

b) The details of assets and liabilities as on 1st April 2015 transferred from OSML and UGSIL are as under:

	₹ in lakhs		
	OSML	UGSIL	TOTAL
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed Assets			
Property, Plant and Equipment	71,212.26	34,990.22	106,202.48
Intangible Assets	65.77	35.35	101.12
Capital Work-in-Progress	172.42	-	172.42
Non-current Investments	7.11	0.16	7.27
Deferred Tax Asset (Net)	11,413.95	4,904.76	16,318.71
Long-term loans and advances	15.50	55.28	70.78
Other Non-current assets	58.23	32.69	90.92
	<b>82,945.24</b>	<b>40,018.46</b>	<b>1,22,963.70</b>
<b>Current assets</b>			
Inventories	48,478.45	30,917.91	79,396.36
Trade Receivables	4,685.38	2,827.74	7,513.12
Cash and bank balances	159.19	197.15	356.34
Short-term loans and advances	1,314.59	482.47	1,797.06
Other current assets	9,484.58	5,025.92	14,510.50
	<b>64,122.19</b>	<b>39,451.19</b>	<b>1,03,573.38</b>
<b>TOTAL ASSETS</b>	<b>1,47,067.43</b>	<b>79,469.65</b>	<b>2,26,537.08</b>
<b>LIABILITIES</b>			
<b>Statutory Reserves</b>			
- Molasses Storage and Maintenance Reserve	118.99	47.71	166.70
- Effluent Disposal Reserve	2.84	-	2.84
	<b>121.83</b>	<b>47.71</b>	<b>169.54</b>
<b>Bearer Equity Share Coupons</b>	<b>0.06</b>	<b>-</b>	<b>0.06</b>
<b>Non-current liabilities</b>			
Long-term borrowings	28,074.42	6,997.00	35,071.42
Other long-term liabilities	329.09	24.80	353.89
Long-term provisions	152.66	523.09	675.75
	<b>28,556.17</b>	<b>7,544.89</b>	<b>36,101.06</b>
<b>Current liabilities</b>			
Short-term borrowings	53,067.92	24,620.70	77,688.62
Trade payables	42,041.45	22,494.57	64,536.02
Other current liabilities	8,130.54	6,269.51	14,400.05
Short-term provisions	180.31	133.81	314.12
	<b>1,03,420.22</b>	<b>53,518.59</b>	<b>1,56,938.81</b>
<b>TOTAL LIABILITIES</b>	<b>1,32,098.28</b>	<b>61,111.19</b>	<b>1,93,209.47</b>

Note : Deferred Tax Assets pertaining to OSML transferred to the Company is after adjusting capital gain arisen on slump sale of its unit located at Narkatiaganj District West Champaran in the state of Bihar to Vaishali Sugar & Energy Limited.

- c) 50,000 equity shares of ₹ 10 each of the Company, held by OSML and UGSIL stand cancelled and has been consequently credited to Capital Reserve.
- d) The Company has issued the following shares to the shareholders of OSML and UGSIL:
- i) 57,67,301 equity shares of ₹ 10 each to the shareholders of OSML aggregating ₹ 576.73 lakhs, in the ratio of 2 equity shares of face value of ₹ 10 each of the Company for every 9 equity shares of face value of ₹ 10 each held in OSML, and
  - ii) 42,41,909 equity shares of ₹ 10 each to the shareholders of UGSIL aggregating ₹ 424.19 lakhs, in the ratio of 11 equity shares of face value of ₹ 10 each of the Company for every 30 equity shares of face value of ₹ 10 each held in UGSIL, and
  - iii) 4,87,00,000 fully paid up 8.5% Non-Convertible Cumulative Redeemable Preference Shares (NCCRPS) of ₹ 10 each to the preference shareholders of OSML aggregating ₹ 4,870.00 lakhs, in lieu of each original shares earlier issued by OSML.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

- iv) 17,00,000 fully paid up 12% Non-Convertible Cumulative Redeemable Preference Shares (NCCRPS) of ₹ 100 each to the preference shareholders of UGSIL aggregating ₹ 1,700.00 lakhs, in lieu of each original shares earlier issued by UGSIL.
- e) The difference between the Net fair value of assets and liabilities of the sugar business undertakings and shares issued to the shareholders of OSML and UGSIL has been credited to Capital Reserve.
- f) Following items of assets and liabilities pertaining to OSML and UGSIL which are not allocable to any specific business undertakings are retained as a part of residual OSML and residual UGSIL which is merged into the Company.
- i) Provision for Taxes,
- ii) Advance Taxes,
- iii) Unclaimed Matured Fixed Deposits,
- iv) Unclaimed dividend
- v) Unpaid Dividend Account
- g) Since the Scheme received all the requisite approvals in the current year, operations of residual UGSIL Sugar business undertaking and residual OSML Sugar business undertakings from 1st April 2015 to 31st March 2016 as detailed below, have been adjusted in the Surplus / (Deficit) of the Statement of Profit and Loss under the head Reserves and Surplus.

	₹ in lakhs
	1st April 2015 to 31st March 2016
<b>INCOME</b>	
Revenue from Operations (Gross)	1,51,054.31
Less : Excise duty	5,242.18
Cess	1,561.62
Revenue from Operations (net)	1,44,250.51
Other Income	299.13
<b>Total Revenue (I)</b>	<b>1,44,549.64</b>
<b>EXPENSES</b>	
Cost of Raw Materials consumed	1,15,326.54
Purchase of traded goods	852.87
Decrease / (Increase) in inventories of Finished Goods, Traded Goods and Goods under Process	(7,189.35)
Employee benefits expenses	6,280.05
Other expenses	10,664.16
<b>Total (II)</b>	<b>1,25,934.27</b>
<b>Profit before finance costs, tax, depreciation and amortization (EBITDA) [(I) - (II)]</b>	<b>18,615.37</b>
Depreciation and amortization expenses	5,242.88
Finance Costs	12,469.27
<b>Profit before tax</b>	<b>903.22</b>
<b>Tax expenses</b>	
Current Tax	165.69
Provision for Tax for earlier year no longer required written back	(375.82)
Deferred tax asset reversed *	16,318.71
Total Tax Expenses	16,108.58
<b>Profit / (Loss) after tax for the year</b>	<b>(15,205.36)</b>

\* Represents net Deferred tax asset transferred to the Company pursuant to the Scheme as mentioned above in Note 2(ii)(b) and the same has been reversed as per the Company's Accounting Policies [Note 2.1(n)].

# Notes to Financial Statements

as at and for the year ended 31st March 2017

Further, net cash flows for the period 1st April 2015 to 31st March 2016 pertaining to the transferor companies on account of operating, investment and financing activities aggregating ₹ 8,160.23 lakhs, ₹ (735.73) lakhs and ₹ (7,462.26) lakhs respectively have been included in the current year's statement of cash flows under the respective heads.

## 2.1 Summary of Significant Accounting Policies

### a) Change in Accounting Policy

#### i) Classification of items of stores and spares

As per requirement of AS 10 (Revised), items of spare parts, which meet the definition of Property, Plant and Equipment (PPE) i.e. if the Company intends to use them for more than a period of 12 months, are capitalised and depreciated over lower of its useful life or the remaining useful life of the principal asset. Earlier such items were considered as inventory and charged to consumption on issuance.

The above change has no material impact on the financial statements for the current year.

#### ii) Accounting for Proposed Dividend

As per the requirements of AS 4 (Revised), proposed final dividend including Dividend Distribution Tax are recognised as a liability in the period in which they are approved by Shareholders unlike earlier requirement of recognising a liability in the period to which it relates.

Had the Company continued with earlier practice, surplus in the statement of profit and loss would have been lower by ₹ 3,682.62 lakhs with a corresponding increase in current provision [Note 38].

### b) Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and

liabilities and the disclosure of contingent liabilities, at the end of the reporting period and the results from operations during the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

### c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses determined, if any. The cost comprises the purchase price inclusive of duties, taxes, incidental expenses, erection / commissioning expenses and borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the assets to its working condition for the intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing assets beyond its previously assessed standard of performance. All other expenses on an existing Property, Plant and Equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

Items of spares & stores that meet the definition of property, plant and equipment are capitalised at cost and depreciated over the useful life.

## d) Depreciation on Property, plant and equipments

The classification of plant and equipment into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.

Depreciation on Property, Plant and Equipment is provided under Straight Line basis using the rates arrived at based on the useful lives estimated by the management. The company has used the following rates to provide depreciation on its Property, Plant and Equipment.

Class of Assets	Useful Lives estimated by the management (Years)
Factory Buildings	5 to 30
Non-factory Buildings	5 to 60
Plant and Equipments	5 to 40
Computer and Data Processing Equipments	3 to 6
Furniture and Fixtures	10
Vehicles	8 to 10
Office Equipments	5

Depreciation on Property, Plant and Equipment added / disposed off during the year is provided on pro-rata basis with reference to the date of addition / disposal.

The management has estimated, supported by independent assessment by professionals, the useful lives of certain plant and equipment as 5 to 40 years. These lives are different than those indicated in schedule II.

Leasehold properties are depreciated over the primary period of lease or their respective useful lives, whichever is shorter.

## e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets being specified software are amortised on a straight line basis over a period of 5 years.

## f) Leases

### Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on straight line basis over the lease term.

### Finance Lease

Assets acquired under lease agreements which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the lower of the fair value of the leased property and present value of minimum lease payment at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of their liability. Finance charges are charged directly to expenses account.

## g) Borrowing Costs

Borrowing cost includes interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time



# Notes to Financial Statements

as at and for the year ended 31st March 2017

to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

## h) Impairment of Property, Plant and Equipment

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

## i) Government Grants and Subsidies

Grants and subsidies from the government are recognized when there is reasonable certainty that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset.

## j) Investments

Investments, which are readily realizable and intended to be held for not more than one year

from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

## k) Inventories

Raw Materials, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products, in which they will be used, are expected to be sold at or above cost. Cost of raw materials and stores and spares is determined on annual weighted average method / moving average method.

Goods under process, Finished goods (including Power banked), Traded goods and Standing crop are valued at lower of cost and net realizable value. Goods under process and Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition based on normal operating capacity. Cost is determined on weighted average basis.

By products, Country crop and Saleable scraps, whose cost is not identifiable, are valued at estimated net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## l) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, which usually coincides with delivery of the goods. The Company collects Sales Tax(s) and Value Added Taxes (VAT) on behalf of the government and, therefore, these not being economic benefits flowing to the Company, they are excluded from revenue. Excise duty and Cess deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the period.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

Income from Renewable Energy Certificates (RECs) is recognised at estimated realisable value on confirmation of RECs by the concerned Authorities.

Insurance and other claims, Interest on doubtful loans and advances to cane growers and Compensation receivable in respect of land surrendered to / acquired by the Government due to uncertainty in realisation, are accounted for on acceptance basis.

## m) Retirement and other Employee Benefits

Retirement benefits in the form of Provident and Pension Funds are defined contribution schemes and are charged to the statement of profit and loss of the period when the contributions to the respective funds are due.

The Company has no obligation other than contributions to the respective funds. The Company recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the selected service.

Gratuity liability being a defined benefit obligation is provided for on the basis of actuarial valuation on projected unit credit method done at the end of each financial year.

Short term compensated absences are provided for based on estimates.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the end of each financial year. The company does not have an unconditional right to defer its settlement for the period beyond 12 months and accordingly entire leave liability is shown as current liability.

Actuarial gains / losses are immediately taken to the statement of profit and loss and are not deferred.

## n) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to tax authorities in accordance with Income Tax Act, 1961 enacted in India. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years.

The deferred tax for timing differences between the book and tax profit for the period is accounted for using the tax rates and laws

# Notes to Financial Statements

as at and for the year ended 31st March 2017

that have been enacted or substantively enacted as of the reporting date. Deferred tax asset is recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized. If the company has carry forward unabsorbed depreciation and tax losses, deferred tax asset is recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax asset can be realized.

The carrying amount of deferred tax assets is reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient taxable income will be available in future.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period i.e. the period for which MAT credit is allowed to be carried forward. In the period in which the MAT credit

becomes eligible to be recognized as an asset in accordance with the recommendations contained in the guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each reporting date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence that the Company will pay normal Income Tax during the specified period.

## **o) Segment Reporting**

### **Identification of segments**

The Company has identified that its operating segments are the primary segments. The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

### **Inter Segment Transfers**

The Company accounts for inter segment transfers at mutually agreed transfer prices.

### **Allocation of common costs**

Common allocable costs are allocated to each segment on case to case basis applying the ratio, appropriate to each relevant case. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis are included under the head "Unallocated".

### **Unallocated items**

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

### p) Earnings Per Share

Basic Earning per Share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earning per share, net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

### q) Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise of cash at bank and on hand and short-term deposits with an original maturity of three months or less.

### r) Excise Duty

Excise duty is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of inventory of finished goods & by products as on the reporting date.

### s) Provisions

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on the best estimate required to settle the obligation, at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current management estimates.

### t) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 3. SHARE CAPITAL

	₹ in lakhs	
	As at 31st March 2017	As at 31st March 2016
<b>Authorized: *</b>		
5,60,50,000 (50,000) Equity Shares of ₹10/- each	5,605.00	5.00
34,00,000 (Nil) Preference Shares of ₹ 100/- each	3,400.00	-
5,00,00,000 (Nil) Preference Shares of ₹ 10/- each	5,000.00	-
3,00,00,000 (Nil) Unclassified Shares of ₹ 10/- each	3,000.00	-
<b>Total</b>	<b>17,005.00</b>	<b>5.00</b>
<b>Issued, subscribed and fully paid-up:</b>		
1,00,09,210 (50,000) Equity Shares of ₹10/- each	1,000.92	5.00
17,00,000 (Nil) Preference Shares of ₹ 100/- each	1,700.00	-
4,87,00,000 (Nil) Preference Shares of ₹ 10/- each	4,870.00	-
<b>Total</b>	<b>7,570.92</b>	<b>5.00</b>

\* includes ₹ 12,000 lakhs and ₹ 5,000 lakhs transferred from OSML and UGSIL respectively by virtue of the Scheme [Note 2(ii)].

### (a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year :

#### Equity shares

	As at 31st March 2017		As at 31st March 2016	
	No. of shares	₹ in lakhs	No. of shares	₹ in lakhs
<b>Equity shares of ₹ 10/- each</b>				
Outstanding at the beginning of the year	50,000	5.00	50,000	5.00
Shares cancelled pursuant to the Scheme [Note 2(ii)(c)]	(50,000)	(5.00)	-	-
Issued pursuant to the Scheme during the year [Note 2(ii)(d)]	1,00,09,210	1,000.92	-	-
<b>Outstanding at the end of the year</b>	<b>1,00,09,210</b>	<b>1,000.92</b>	<b>50,000</b>	<b>5.00</b>

#### Preference shares

	As at 31st March 2017		As at 31st March 2016	
	No. of shares	₹ in lakhs	No. of shares	₹ in lakhs
<b>Preference shares of ₹ 100/- each</b>				
Outstanding at the beginning of the year	-	-	-	-
Issued pursuant to the Scheme during the year [Note 2(ii)(d)]	17,00,000	1,700.00	-	-
<b>Outstanding at the end of the year</b>	<b>17,00,000</b>	<b>1,700.00</b>	<b>-</b>	<b>-</b>

	As at 31st March 2017		As at 31st March 2016	
	No. of shares	₹ in lakhs	No. of shares	₹ in lakhs
<b>Preference shares of ₹ 10/- each</b>				
Outstanding at the beginning of the year	-	-	-	-
Issued pursuant to the Scheme during the year [Note 2(ii)(d)]	4,87,00,000	4,870.00	-	-
<b>Outstanding at the end of the year</b>	<b>4,87,00,000</b>	<b>4,870.00</b>	<b>-</b>	<b>-</b>

### (b) Terms / rights attached to Equity Shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution to equity shareholders will be in proportion to the amount paid on the shares held by them.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## (c) Terms of redemption of Preference Shares of ₹ 100 each

The Non-Convertible Cumulative Redeemable Preference Shares (NCCRPS) of ₹ 100 each carries dividend @ 12% per annum.

NCCRPS shall be redeemable at par on 24th September, 2019 being five years from the date of the original allotment i.e. 25th September, 2014 with a right vested to the Board of Directors to redeem it earlier.

The Dividend is payable annually, subject to the availability of the profit. However, the unpaid cumulative dividend, if any, is payable along with the redemption of NCCRPS.

## (d) Terms of redemption of Preference Shares of ₹ 10 each

The Non-Convertible Cumulative Redeemable Preference Shares (NCCRPS) of ₹ 10 each carries dividend @ 8.50% per annum.

NCCRPS shall be redeemable at par on 2nd August, 2023 being twelve years and one day from the date of the original allotment i.e. 1st August, 2011 with a right vested to the Board of Directors to redeem it earlier, subject to consent of the lenders.

The Dividend is payable at the time of redemption of the NCCRPS. However, the Board reserves the right to pay dividend earlier subject to the availability of the profit.

## (e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 31st March 2017		As at 31st March 2016	
	No. of shares	% holding in the class	No. of shares	% holding in the class
<b>Equity shares of ₹ 10/- each fully paid</b>				
Upper Ganges Sugar & Industries Limited	-	-	25,000	50.00%
The Oudh Sugar Mills Limited	-	-	25,000	50.00%
New India Retailing & Investment Limited	9,72,652	9.72%	-	-
SCM Investment & Trading Co. Limited	7,49,945	7.49%	-	-
Uttar Pradesh Trading Co. Limited	7,39,312	7.39%	-	-
RTM Investment & Trading Co. Limited	6,72,596	6.72%	-	-
SIL Investments Limited	5,67,240	5.67%	-	-
<b>NCCRPS of ₹ 100/- each fully paid</b>				
Yashovardhan Investment & Trading Company Limited	7,22,500	42.50%	-	-
Shital Commercial Limited	2,89,000	17.00%	-	-
Hargaon Investment & Trading Company Limited	2,46,500	14.50%	-	-
Uttam Commercial Limited	1,44,500	8.50%	-	-
SIL Investments Limited	1,10,500	6.50%	-	-
Deepshikha Trading Company Private Limited	93,500	5.50%	-	-
GMB Investment Private Limited	93,500	5.50%	-	-
<b>NCCRPS of ₹ 10/- each fully paid</b>				
Sutlej Textiles and Industries Ltd.	4,87,00,000	100.00%	-	-

As per records of the Company, including its register of Share holders / members, the above share holdings represents legal ownership of shares.

## (f) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	₹ in lakhs	
	As at 31st March 2017	As at 31st March 2016
Equity shares allotted as fully paid-up pursuant to the Scheme [Note 2(ii)(d)]	1,000.92	-
Preference shares allotted as fully paid-up pursuant to the Scheme [Note 2(ii)(d)]	6,570.00	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 4. RESERVES AND SURPLUS

₹ in lakhs

	As at 31st March 2017	As at 31st March 2016
<b>Capital Reserve</b>		
Balance as per the last financial statements	-	-
Add : Arisen pursuant to the Scheme [Note 2 (ii)(c) & (e)]	25,761.69	-
	<b>25,761.69</b>	-
<b>Capital Redemption Reserve</b>		
Transfer from the Statement of Profit and Loss	1,700.00	-
	<b>1,700.00</b>	-
<b>Molasses Storage &amp; Maintenance Reserve</b>		
Balance as per the last financial statements	-	-
Add : Transfer pursuant to the Scheme [Note 2 (ii)(b)]	166.70	-
Add : Provided for 2015-16	9.96	-
Add : Provided during the year [Note 23]	9.34	-
	<b>186.00</b>	-
<b>Effluent Disposal Reserve</b>		
Balance as per the last financial statements	-	-
Add : Transfer pursuant to the Scheme [Note 2 (ii)(b)]	2.84	-
	<b>2.84</b>	-
<b>Surplus / (Deficit) in the Statement of Profit and Loss</b>		
Balance as per the last financial statements	(1.57)	(0.48)
Add : Profit / (Loss) for the year	20,957.56	(1.09)
Less : Loss for the period 2015-16 pursuant to the Scheme [Note 2 (ii)(g)]	(15,205.36)	-
Less : Transfer to Capital Redemption Reserve	(1,700.00)	-
<b>Net Surplus / (Deficit) in the Statement of Profit and Loss</b>	<b>4,050.63</b>	<b>(1.57)</b>
<b>Total Reserves and Surplus</b>	<b>31,701.16</b>	<b>(1.57)</b>

## 5. LONG-TERM BORROWINGS

₹ in lakhs

	Non-current portion		Current portion	
	As at 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016
<b>Term Loans (secured) :</b>				
From Banks -				
Term Loan	11,904.69	-	4,797.41	-
Under Corporate Loan Scheme	1,100.00	-	1,100.00	-
Under Financial Assistance Scheme (SEFASU 2014)	3,506.20	-	3,503.40	-
Under Financial Assistance Scheme (SOFT 2015 Central)	7,737.30	-	859.70	-
From Sugar Development Fund	-	-	624.67	-
	<b>24,248.19</b>	-	<b>10,885.18</b>	-
Less : Amount disclosed under the head "other current liabilities" [Note 9]	-	-	10,885.18	-
<b>Net amount</b>	<b>24,248.19</b>	-	-	-

- (a) Term Loan from Banks carry interest in the range of 13.77% to 14.83% and are repayable in 32 quarterly instalments by 30th June 2020. These loans are secured by first mortgage / charge on all the immovable and movable assets (save and except book debts), present and future, of the Company's Sugar Units at Hargaon and Dhadha Bujurg (Hata) and Distillery Unit at Hargaon, ranking pari-passu amongst the various lenders, subject to prior charges created on movables for working capital borrowings from the Company's bankers.

## Notes to Financial Statements

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The above Term Loan are further secured as follows.

- (i) Second charge on current assets of Sugar Unit at Dhadha Bujurg (Hata) and fixed assets of Sugar unit at Rosa ranking pari-passu amongst the various lenders.
  - (ii) Third charge on current assets of Sugar & Distillery Units at Hargaon.
  - (iii) Pledge of 64,79,294 equity shares of erstwhile OSML, ranking pari-passu amongst the various lenders. In lieu of the aforesaid shares, 14,39,844 and 24,99,157 equity shares of the Company and Palash Securities Limited respectively have been issued to the promoter group companies, pursuant to the scheme [Note 2(ii)]
- (b) Term Loan from a Bank under corporate loan scheme, carry interest in the range of 12.00% to 12.10% and is repayable in 20 quarterly installments by January 2019. The Loan is secured by first mortgage / charge on all the immovable and movable assets (save and except book debts), present and future, of the Company's Sugar & Distillery Units at Seohara (including Co-Generation plant), ranking pari passu amongst the various lenders, subject to prior charges created on movables for working capital borrowings from the Company's bankers. Further, the term loan is also secured by pledge of certain shares held as investment by subsidiary of erstwhile UGSIL, now part of Ganges Securities Ltd.

The above corporate loan is also secured by first mortgage / charge on all the immovable and movable assets (save and except book debts), present and future, of the Sugar Unit at Sidhwalia and Hasanpur, which are now part of Magadh Sugar & Energy Limited, pursuant to the Scheme [Note 2(ii)].

- (c) Term Loans from Banks under Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU 2014) carry interest rate in the range of 11.05% to 12.00% p.a. and is repayable in monthly / quarterly installments by March 2019. The Company is entitled to Interest subvention from Government of India upto 12% as per the terms of Scheme and the same will be directly reimbursed to Banks by Department of Food & Public Distribution and hence, no liability towards the said interest has been provided in these accounts. The above loan is secured by the first pari-passu charge on all the fixed assets, both present and future of the Company's Sugar units at Seohara, Hargaon (including Co-Generation plant), Dhadha Bujurg (Hata) (including Co-Generation plant) and Rosa ranking pari-passu amongst the various lenders. The term loan from Punjab National Bank is further secured by 3rd pari-passu charge on all current assets of the sugar unit at Seohara.

The above SEFASU loan is also secured by the first pari-passu charge on all the fixed assets, both present and future, of the Sugar units at Sidhwalia, Hasanpur and Narkatiaganj, and the term loan from Punjab National Bank is further secured by 3rd pari-passu charge on all current assets of the sugar units at Sidhwalia and Hasanpur, which are now part of Magadh Sugar & Energy Limited, pursuant to scheme [Note 2(ii)].

- (d) Term loan from a bank under Financial Assistance Scheme of the Government of India (SOFT Loan 2015), carry interest rate in the range of 10.55% to 11.75% p.a. and repayable in 20 equal quarterly instalments by 30th September, 2022. The Company has availed interest subvention from the Government of India upto 10% for first year i.e. upto 23rd September, 2016 as per terms of the Scheme. The above loan is secured by the first pari-passu charge on all the fixed assets, both present and future, of all sugar units of the Company at Seohara, Rosa, Hargaon (including Co-generation plant) and Dhadha Bujurg (Hata) (including Co-generation plant) ranking pari-passu amongst the various lenders.

The above SOFT loan 2015 (GOI) is also secured by first pari-passu charge on all the fixed assets, both present and future, of the Sugar units at Narkatiaganj, Sidhwalia and Hasanpur, which are now part of Magadh Sugar & Energy Limited, pursuant to the scheme [Note 2(ii)].



# Notes to Financial Statements

as at and for the year ended 31st March 2017

- (e) Term loan from the Sugar Development Fund, carry interest @ 4% p.a. and is repayable in 5 yearly installments ending on 30th September 2017. The above loan is secured by a second charge on all the immovable / movable assets (save and except book debts), present and future of the Company's Sugar unit at Hargaon.

## 6. OTHER LONG-TERM LIABILITIES

	₹ in lakhs	
	As at 31st March 2017	As at 31st March 2016
Trade and other deposits	105.63	-
	<b>105.63</b>	<b>-</b>

## 7. PROVISIONS

	₹ in lakhs			
	Long-term		Short-term	
	As at 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016
<b>Provision for employee benefits</b>				
Gratuity [Note 29]	336.86	-	249.66	-
Leave	-	-	246.54	-
	<b>336.86</b>	<b>-</b>	<b>496.20</b>	<b>-</b>
<b>Other provisions</b>				
For income tax	-	-	4,468.07	-
	-	-	4,468.07	-
	<b>336.86</b>	<b>-</b>	<b>4,964.27</b>	<b>-</b>

## 8. SHORT-TERM BORROWINGS

	₹ in lakhs	
	As at 31st March 2017	As at 31st March 2016
Cash credit including Working Capital Demand Loan from Banks (secured)	73,275.71	-
<b>Other Loans &amp; Advances (unsecured)</b>		
Inter-Corporate Deposits		
From related parties [Note 31(e)]	14,578.00	-
From others	3,481.00	-
	<b>91,334.71</b>	<b>-</b>

- (a) Cash credit from Banks, other than from District Co-operative Bank Ltd. is secured by hypothecation of the entire current assets of the Company ranking pari passu amongst the various lenders and also by a charge on the immovable assets as follows :
- i. Sugar unit at Rosa - First Charge;
  - ii. Sugar unit at Dhadha Bujurg (Hata) - Second Charge;
  - iii. Sugar units at Hargaon and Seohara - Third Charge;

In addition, cash credits from Bank other than from District Co-operative Bank Ltd. and DCB Bank Ltd. is also secured by pledge of 64,79,294 equity shares of the erstwhile OSML held by promoter group companies ranking pari-passu amongst the various lenders. In lieu of the aforesaid shares 14,39,844 and 24,99,157 equity shares of the Company and Palash Securities Limited respectively have been issued to promoter group companies, pursuant to the scheme [Note 2(ii)].

- (b) Cash credit of ₹ 33,968.26 lakh from District Co-operative Bank Ltd. is secured by pledge of the stock of sugar pertaining to Sugar units at Seohara, Hargaon and Rosa.
- (c) Cash Credit borrowings including Working Capital Demand Loan (WC DL) carry interest ranging between 9.25% to 11.60% p.a. Cash Credit borrowings are repayable on demand. However, Working Capital Demand Loans are repayable within a period range from one month to six months.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 9. OTHER CURRENT LIABILITIES

₹ in lakhs

	As at 31st March 2017	As at 31st March 2016
<b>Trade payables</b>		
- Total outstanding dues of micro and small enterprises [Note 38]	131.03	-
- Total outstanding dues of creditors other than micro and small enterprises	21,563.64*	0.29
	<b>21,694.67</b>	<b>0.29</b>
<b>Other liabilities :</b>		
Current maturities of long-term borrowings [Note 5]	10,885.18	-
Payable towards deduction against crop loan	17,963.19	-
Payable towards purchase of Property, Plant and Equipment	131.93	-
Payable to employees	1,441.91	-
Advance against sales	1,428.56	-
Interest accrued but not due on borrowings, deposits, etc.	1,607.35	-
Others -		
Statutory dues	889.17	-
Excise Duty on Closing Stocks	6,143.82	-
Miscellaneous	21.35	-
	<b>40,512.46</b>	-
	<b>62,207.13</b>	<b>0.29</b>

\* Includes ₹ 1.62 lakhs to related parties [Note 31(f)].

## 10. PROPERTY, PLANT AND EQUIPMENT

₹ in lakhs

	Freehold Land (a)	Leasehold Land (a)	Buildings	Plant and equipments	Computer and Data Processing equipment	Furniture and fixtures	Vehicles	Office equipment	Total
<b>Cost</b>									
At 1st April 2015	-	-	-	-	-	-	-	-	-
At 31 March 2016	-	-	-	-	-	-	-	-	-
Transfer pursuant to scheme (Note 2 (ii)(b))	25,360.00	18.08	15,284.32	65,223.09	65.51	78.34	119.45	53.69	106,202.48
Additions during 2015-16	-	-	60.25	396.07	11.83	19.84	53.12	5.00	546.11
Disposals during 2015-16	-	-	22.28	88.28	0.40	0.81	2.87	-	114.64
Additions during the year	-	-	418.72	1,734.31	21.50	17.07	53.57	7.26	2,252.43
Disposals during the year	-	-	89.17	417.64	0.21	0.02	6.99	0.43	514.46
<b>At 31 March 2017</b>	<b>25,360.00</b>	<b>18.08</b>	<b>15,651.84</b>	<b>66,847.55</b>	<b>98.23</b>	<b>114.42</b>	<b>216.28</b>	<b>65.52</b>	<b>108,371.92</b>
<b>Depreciation</b>									
At 1st April 2015	-	-	-	-	-	-	-	-	-
At 31 March 2016	-	-	-	-	-	-	-	-	-
Charge for 2015-16	-	0.78	798.14	4,307.15	24.15	16.51	28.46	23.94	5,199.13
Disposal for 2015-16	-	-	4.16	12.22	0.06	0.06	0.52	-	17.02
Charge for the year	-	0.78	698.22	3,771.76	23.33	13.84	30.31	14.58	4,552.82
Disposals for the year	-	-	4.76	89.86	-	-	5.13	-	99.75
<b>At 31 March 2017</b>	<b>-</b>	<b>1.56</b>	<b>1,487.44</b>	<b>7,976.83</b>	<b>47.42</b>	<b>30.29</b>	<b>53.12</b>	<b>38.52</b>	<b>9,635.18</b>
<b>Net Block</b>									
At 31 March 2016	-	-	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>25,360.00</b>	<b>16.52</b>	<b>14,164.40</b>	<b>58,870.72</b>	<b>50.81</b>	<b>84.13</b>	<b>163.16</b>	<b>27.00</b>	<b>98,736.74</b>

(a) Title deeds are in the name of erstwhile OSML and UGSIL, which are yet to be transferred in the Company's name.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 11. INTANGIBLE ASSETS

₹ in lakhs

	As at 31st March 2017	As at 31st March 2016
<b>Computer Software :</b>		
<b>Gross block :</b>		
Transfer pursuant to the scheme [Note 2 (ii)(b)]	101.12	-
Additions during the year	9.83	-
<b>Closing balance</b>	<b>110.95</b>	<b>-</b>
<b>Amortization :</b>		
Charge for 2015-16	43.75	-
Charge for the year	43.58	-
<b>Closing balance</b>	<b>87.33</b>	<b>-</b>
<b>Net block</b>	<b>23.62</b>	<b>-</b>

## 12. CAPITAL WORK-IN-PROGRESS

₹ in lakhs

	As at 31st March 2017	As at 31st March 2016
Balance brought forward from the previous year	-	-
Add : Transfer Pursuant to the Scheme [Note 2 (ii)(b)]	172.42	-
Add : Additions during 2015-16	685.56	-
Add : Additions during the year	1,132.69	-
	<b>1,990.67</b>	<b>-</b>
Less : Transfer to Property, Plant and Equipment during 2015-16	385.34	-
Less : Transfer to Property, Plant and Equipment during the year	1,468.64	-
<b>Balance carried to Balance Sheet</b>	<b>136.69</b>	<b>-</b>

## 13. NON-CURRENT INVESTMENTS

₹ in lakhs

	Number of Units / shares	Face Value Per	As at 31st March 2017	As at 31st March 2016
<b>Trade</b>				
(valued at cost unless stated otherwise)				
<b>Unquoted (fully paid)</b>				
<b>Investment in Equity Instruments</b>				
Magadh Sugar & Energy Limited *	10,61,539	10.00	5.00	-
			<b>5.00</b>	<b>-</b>
<b>In Co-operative Farming Societies :</b>				
Krishna Sahakari Kheti Samiti Ltd.	5	100.00	0.01	-
Kuri Sanyukta Sahakari Kheti Samiti Ltd.	1 (a)	100.00	-	-
Keshopur Sanyukta Sahakari Kheti Samiti Ltd.	1 (a)	100.00	-	-
Pandia Sanyukta Sahakari Kheti Samiti Ltd.	1 (a)	100.00	-	-
Seohara Co-operative Cane Development Union Ltd.	1 (a)	100.00	-	-
Najibabad Co-operative Cane Development Union Ltd.	1 (a)	10.00	-	-
Nagina Co-operative Cane Development Union Ltd.	1 (a)	10.00	-	-
Moradabad Co-operative Cane Development Union Ltd.	1 (a)	10.00	-	-
			<b>0.01</b>	<b>-</b>
<b>In Government Securities</b>				
12 Years National Savings Certificates	(b)		0.01	-
12 Years National Plan Savings Certificates	(b)		0.08	-
6 Years National Savings Certificates	(b)		2.17	-
			<b>2.26</b>	<b>-</b>
			<b>7.27</b>	<b>-</b>

\* Received under the Scheme [Note 2(ii)].

a) The figures, being less than ₹ 500, have been shown above as blank.

b) Deposited / pledged with various Government authorities.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 14 LOANS AND ADVANCES

₹ in lakhs

	Non-current		Current	
	As at 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016
<b>(Unsecured, considered good except stated otherwise)</b>				
<b>Sundry Deposits</b>	<b>11.55</b>	-	<b>25.64</b>	-
<b>Advances recoverable in cash or in kind or for value to be received or pending adjustments</b>	-	-	-	-
Considered good			498.80 *	
Considered doubtful	-	-	0.32	-
	-	-	<b>499.12</b>	-
Less : Provision for doubtful advances	-	-	0.32	-
	-	-	<b>498.80</b>	-
<b>Other loans and advances</b>				
<b>Considered good</b>				
Loan to employees	1.80	-	12.51	-
Deposits against demand under appeal and / or under dispute	-	-	295.74	-
Claims / Refunds Receivable	-	-	12.98	-
Prepaid Expenses	7.73	-	114.63	-
Balances with Excise and Government Authorities	-	-	530.15	-
	<b>9.53</b>	-	<b>966.01</b>	-
	<b>21.08</b>	-	<b>1,490.45</b>	-

\* Includes ₹ 41.91 lakhs to related parties [Note 31(f)].

## 15 INVENTORIES

₹ in lakhs

	Notes	As at 31st March 2017	As at 31st March 2016
<b>Valued at Lower of Cost and Net Realisable Value</b>			
Raw materials	20	561.00	-
Goods under process	21	1,569.66	-
Finished goods	21	1,01,058.78	-
Traded Goods	21	11.34	-
Stores, Chemicals and spare parts etc.		1,955.88	-
Power - Banked	21	153.32	-
Agriculture Products - Standing Crop	21	3.74	-
<b>Valued at Estimated Realisable Value</b>			
By-Products	21	4,891.71	-
Scrap	21	53.53	-
		<b>1,10,258.96</b>	-
<b>The above includes stock in transit :</b>			
Finished Goods		1,672.74	-
Stores, Chemicals and Spare Parts etc.		88.03	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 16 TRADE RECEIVABLES AND OTHER ASSETS

### 16.1 Trade receivable

₹ in lakhs

	As at 31st March 2017	As at 31st March 2016
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		-
Unsecured, considered good	17.80	-
	<b>17.80</b>	-
<b>Other receivables</b>		
Unsecured, considered good	6,529.59	-
	<b>6,529.59</b>	-
	<b>6,547.39</b>	-

### 16.2 Other assets

₹ in lakhs

	Non-current		Current	
	As at 31st March 2017	As at 31st March 2016	As at 31st March 2017	As at 31st March 2016
<b>Unsecured, considered good</b>				
Deposits with Bank [Note 17]	-	-	30.01	-
Interest accrued on Loans, Advances, Deposits, Investments etc.	-	-	15.53	-
Claims Receivable towards Remission of Purchase Tax	-	-	253.61	-
Renewable Energy Certificates Entitlement	-	-	1,739.86	-
Unamortized ancillary cost of arranging the borrowings	80.31	-	32.94	-
	<b>80.31</b>	-	<b>2,071.95</b>	-

## 17. CASH AND BANK BALANCES

₹ in lakhs

	As at 31st March 2017	As at 31st March 2016
<b>Cash and cash equivalent :</b>		
Balances with banks:		
Current accounts	914.24	3.69
Savings Accounts	0.03	-
Cheques on hand	2,043.09	-
Cash on hand	41.39	0.03
	<b>2,998.75</b>	<b>3.72</b>
<b>Other Bank Balances</b>		
Deposits with original maturity of more than 3 months and not more than 12 months *	95.37	-
Deposits with original maturity of more than 12 months *	30.01	-
In Post office savings bank account	0.29	-
	<b>125.67</b>	-
Less : Amount disclosed under other assets [Note 16.2]	<b>30.01</b>	-
	<b>3,094.41</b>	<b>3.72</b>

\* Pledged / lodged with various Government Authorities and Banks as security/earmarked/margin money.

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 18 REVENUE FROM OPERATIONS

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Revenue from operations</b>		
Sale of Goods		
Finished Goods	1,87,422.60	-
Traded Goods	1,038.76	-
Power	6,080.95	-
By products	2,319.13	-
Others	134.15	-
	<b>1,96,995.59</b>	-
<b>Other operating revenue</b>		
Proceeds from Agricultural Products	14.06	-
Cane Purchase Tax Remission	295.28	-
Subsidy towards Export Quota (net)	7.41	-
Renewable Energy Certificates Credit	317.98	-
Scrap Sales	26.94	-
<b>Revenue from operations (gross)</b>	<b>1,97,657.26</b>	-
Less : Excise Duty	5,019.13	-
Cess	5,337.94	-
<b>Revenue from operations (net)</b>	<b>1,87,300.19</b>	-

### Detail of products sold

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Finished goods</b>		
Sugar	1,62,041.16	-
Spirit	25,339.52	-
Carbon dioxide	39.72	-
Fusel Oil	2.20	-
	<b>1,87,422.60</b>	-
<b>Traded goods</b>		
Diesel & Lubricants	1,038.76	-
	<b>1,038.76</b>	-
<b>By products</b>		
Bagasse	2,193.17	-
Pressmud	125.96	-
	<b>2,319.13</b>	-

## 19 OTHER INCOME

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Interest income on</b>		
Loans, Deposits, Advances etc.	12.42	-
Refund from Income tax department	4.65	-
Insurance & Other Claims	39.06	-
Rent & Hire Charges	29.15	-
Unspent Liabilities, Provisions no longer required and Unclaimed Balances written back	27.78	-
Land Dividend	69.94	-
Miscellaneous Receipts	66.28	-
	<b>249.28</b>	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 20 COST OF RAW MATERIALS CONSUMED

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Inventory at the beginning of the year (including transferred pursuant to the scheme) [Note 2 (ii)(b)]	659.92	-
Add: Purchases and procurement expenses	1,41,265.43	-
Purchase Tax	812.23	-
	<b>1,42,737.58</b>	-
Less: Inventory at the end of the year	561.00	-
	<b>1,42,176.58</b>	-

### Details of raw materials consumed

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Sugarcane	1,38,308.36	-
Molasses - consumed in Distillery unit	11,614.40	-
Bagasse - consumed in Co-generation units	9,188.23	-
Biocompost	21.93	-
Press mud	56.20	-
Seed, Manures and fodder	5.06	-
	<b>1,59,194.18</b>	-
Less : Inter-unit transfer of own produced materials	17,017.60	-
	<b>1,42,176.58</b>	-

### Details of raw material inventory

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Sugarcane	79.39	-
Molasses - at Distillery unit	429.49	-
Bagasse - at Co-generation units	24.47	-
Press mud	27.65	-
	<b>561.00</b>	-

### Details of Inter-unit transfer of own products

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Sugar Cane	14.18	-
Molasses	8,215.97	-
Bagasse	8,763.64	-
Biocompost	21.93	-
Press mud	1.88	-
	<b>17,017.60</b>	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 21 DECREASE / (INCREASE) IN INVENTORIES

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Inventories at the end of the year</b>		
Finished goods	1,01,058.78	-
Traded goods	11.34	-
Power - Banked	153.32	-
By Products	4,891.71	-
Goods under process	1,569.66	-
Agriculture Products - Standing Crop	3.74	-
Scrap	53.53	-
	<b>1,07,742.08</b>	-
<b>Inventories at the beginning of the year (including acquired pursuant to the Scheme) [Note 2(ii)(b)]</b>		
Finished goods	80,207.23	-
Traded goods	5.24	-
Power - Banked	144.03	-
By Products	5,120.96	-
Goods under process	1,190.40	-
Agriculture Products - Standing Crop	4.95	-
Scrap	32.71	-
	<b>86,705.52</b>	-
	<b>(21,036.56)</b>	-
Increase / (Decrease) of excise duty on inventories	772.35	-
	<b>(20,264.21)</b>	-

### Details of purchase of traded goods

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Diesel & Lubricants	1,014.36	-
	<b>1,014.36</b>	-

### Details of inventory

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Finished goods</b>		
Sugar	99,264.65	-
Spirit	1,794.13	-
	<b>1,01,058.78</b>	-
<b>Traded Goods</b>		
Diesel & Lubricants	11.34	-
	<b>11.34</b>	-
<b>By-products</b>		
Molasses	4,134.59	-
Bagasse	708.58	-
Pressmud	48.54	-
	<b>4,891.71</b>	-
<b>Goods under process</b>		
Sugar	1,406.32	-
Molasses	163.34	-
	<b>1,569.66</b>	-



# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 22 EMPLOYEE BENEFITS EXPENSES

₹ in lakhs

	Year ended 31st March 2017	Year ended 31st March 2016
Salaries, wages, bonus etc.	6,877.39	-
Contribution to provident & other funds [Note 29]	543.15	-
Gratuity expense [Note 29]	298.54	-
Employees' welfare expenses	158.30	-
	<b>7,877.38</b>	-

## 23 OTHER EXPENSES

₹ in lakhs

	Year ended 31st March 2017	Year ended 31st March 2016
Consumption of stores and spares	1,806.88	-
Packing Materials	1,672.43	-
Power & Fuel	739.60	-
Repairs to and Maintenance of :		-
Buildings	425.55	-
Machinery	3,246.19	-
Others	96.35	-
Rent	59.62	-
Rates & Taxes	531.42	-
Insurance	140.22	-
Payment to Auditors		-
<b>As Auditors</b>		
Audit Fees	22.50	0.29
Limited Review Fees	13.50	-
<b>In other capacity</b>		
Tax Audit Fees	7.75	-
For Certificates and Other services	17.00	-
Reimbursement of Expenses	11.93	-
Payment to Cost Auditors	1.67	-
Commission on sales	587.12	-
Freight & forwarding charges etc.	2,026.71	-
Charity and Donations	7.76	-
Provision for bad and doubtful debts / advances	0.32	-
Bad debts, irrecoverable claims and advances written off	0.73	-
Loss on Property, Plant and Equipment sold / discarded (net)	403.82	-
Molasses storage & Maintenance fund	9.34	-
Miscellaneous Expenses	2,043.27	0.80
	<b>13,871.68</b>	<b>1.09</b>

## 24 DEPRECIATION AND AMORTIZATION EXPENSES

₹ in lakhs

	Year ended 31st March 2017	Year ended 31st March 2016
Depreciation of Property, Plant and Equipment	4,552.82	-
Amortization of intangible assets	43.58	-
	<b>4,596.40</b>	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 25 FINANCE COSTS

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Interest	12,588.12	-
Interest on Income Tax	238.00	-
Other Borrowing Costs	170.60	-
	<b>12,996.72</b>	<b>-</b>

## 26 AGRICULTURAL INCOME

Details of revenue and expenses pertaining to agricultural activities which have been included in notes 18 to 24 under the respective heads.

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Income</b>		
<b>Revenue from Operations</b>		
Sales of products [including inter-transfers ₹ 14.18 lakhs ]	28.24	-
Rent & Hire charges	13.98	-
	<b>42.22</b>	<b>-</b>
<b>Expenses</b>		
Cost of Raw Materials Consumed	5.07	-
(Increase) / Decrease in Stocks :		
Opening Stock (including acquired pursuant to the scheme [Note 2(ii) (b)])	4.95	
Less : Closing Stock	3.74	1.21
Rates & Taxes	0.01	-
Employee benefits expenses :		
Salaries, wages, bonus etc.	6.05	-
Insurance	0.77	-
Miscellaneous Expenses	5.32	-
Depreciation	2.80	-
	<b>21.23</b>	<b>-</b>
<b>Agricultural Income</b>	<b>20.99</b>	<b>-</b>

## 27 EARNINGS PER SHARE (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
<b>Profit / (Loss) after tax</b>	<b>20,957.56</b>	<b>(1.09)</b>
Dividend on Non-Convertible Cumulative Redeemable Preference Shares & tax thereon	743.75	-
<b>Net profit / (loss) for calculation of basic and diluted EPS</b>	<b>20,213.81</b>	<b>(1.09)</b>
	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of equity shares in calculating basic & diluted EPS	1,00,09,210	50,000
<b>Earnings per equity share [Nominal value of share ₹ 10 (₹ 10)]</b>		
<b>Basic &amp; Diluted (₹)</b>	<b>201.95</b>	<b>(2.19)</b>
There is no dilutive potential equity share		

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## 28 LEASES

### Operating lease :

Certain office premises, godowns, cane purchasing centre etc. are held on operating lease. The lease term is ranging up to 3 years and are renewable for further year either mutually or at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease agreements. There are no subleases. The leases are cancellable.

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Lease payments made for the year	59.62	-
	<b>59.62</b>	<b>-</b>

## 29 GRATUITY - DEFINED BENEFIT PLAN

The Company has a defined benefit gratuity plan. Every employee who has completed at least five years or more of service is entitled to Gratuity on terms as per the provisions of The Payment of Gratuity Act, 1972. An approved gratuity fund of erstwhile Companies (UGSIL & OSML) in respect of transferred business undertakings has been acquired and which has taken an insurance policy with Life Insurance Corporation of India (LIC) to cover the gratuity liabilities.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the plan.

### Statement of profit and loss

#### Net employee benefit expense recognized in employee costs

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Current service cost	114.26	-
Interest cost on benefit obligation	109.33	-
Expected return on plan assets	(81.82)	-
Net actuarial loss recognized in the year	156.77	-
<b>Net benefit expense</b>	<b>298.54</b>	<b>-</b>
Actual return on plan assets	82.15	-

### Balance sheet

#### Net Benefit liability / (asset)

	₹ in lakhs	
	As at 31st March 2017	As at 31st March 2016
Present value of defined benefit obligation	1,727.53	-
Fair value of plan assets	1,141.01	-
<b>Plan liability</b>	<b>586.52</b>	<b>-</b>

### Changes in the present value of the defined benefit obligation are as follows :

	₹ in lakhs	
	31st March 2017	31st March 2016
Opening defined benefit obligation (including transferred pursuant to the Scheme) [Note 2(ii)]	1,474.66	-
Current service cost	114.26	-
Interest cost	109.33	-
Benefits paid	(127.82)	-
Actuarial losses on obligation	157.10	-
<b>Closing defined benefit obligation</b>	<b>1,727.53</b>	<b>-</b>

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## Changes in the fair value of plan assets are as follows :

	₹ in lakhs	
	31st March 2017	31st March 2016
Opening fair value of plan assets (including transferred pursuant to the Scheme) [Note 2(ii)]	1,052.55	-
Expected return	81.82	-
Contributions by employer	134.13	-
Benefits paid	(127.82)	-
Actuarial gains	0.33	-
<b>Closing fair value of plan assets</b>	<b>1,141.01</b>	<b>-</b>

The Company expects to contribute ₹ 249.66 lakhs to Gratuity Fund in the next year.

## The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

	31st March 2017	31st March 2016
Investments with LIC	100%	-

## The principal assumptions are shown below :

	31st March 2017	31st March 2016
Discount rate	7.24%	-
Expected rate of return on assets	7.75%	-
Withdrawal Rates	Varying between 1.8% to 4.2% per annum depending upon the duration and age of the employees	

## Amounts for the current and previous periods are as follows :

	₹ in lakhs		
	31st March 2017	31st March 2016	31st March 2015
<b>Gratuity</b>			
Defined benefit obligation	1,727.53	-	-
Plan assets	1,141.01	-	-
Surplus / (deficit)	(586.52)	-	-
Experience (gain) / loss adjustments on plan liabilities	92.34	-	-
Experience gains / (loss) adjustments on plan assets	0.33	-	-

\* The Company was incorporated on 19th March 2015, and hence figures prior to 31st March 2015 are not applicable.

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

## Defined Contribution Plan :

	₹ in lakhs	
	Year ended 31st March 2017	Year ended 31st March 2016
Contribution to Provident / Pension Funds	522.34	-
Contribution to Superannuation Fund	20.81	-
	<b>543.15</b>	<b>-</b>

## 30. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected predominantly by differences in the products produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different

# Notes to Financial Statements

as at and for the year ended 31st March 2017

products and serves different markets. Accordingly, the Company has identified “Sugar”, “Spirits” and “Co-generation” as the operating segments :

Sugar - Consists of manufacture, trading and sale of Sugar, Molasses and Bagasse

Spirits - Consists of manufacture and sale of Industrial Spirits (including Ethanol), Fusel Oil and Bio-Compost

Co-generation - Consists of generation and transmission of Power

Others - Consist of Miscellaneous business comprising of less than 10% revenues.

The Company at present, operates in India only and therefore the analysis of geographical segments is not applicable to the Company.

## Business segments

Year ended 31 March 2017

Particulars	₹ in lakhs				
	Sugar	Spirits	Co-generation	Others	Total
<b>Revenue *</b>					
Segment revenue	1,75,531.54	23,578.02	14,236.59	1,038.76	2,14,384.91
Less : Inter segment	18,907.15	21.93	8,155.64	-	27,084.72
<b>Total revenue from operations (net)</b>	<b>1,56,624.39</b>	<b>23,556.09</b>	<b>6,080.95</b>	<b>1,038.76</b>	<b>1,87,300.19</b>
<b>Results</b>					
Segment results	31,085.40	4,733.17	3,357.91	29.36	39,205.84
Unallocated Expenses (net of unallocable income)					(928.56)
<b>Operating profit</b>					<b>38,277.28</b>
Finance costs					12,996.72
<b>Profit before tax</b>					<b>25,280.56</b>
Current Tax					4,323.00
<b>Net profit after tax</b>					<b>20,957.56</b>

\* net of excise duty and cess.

Particulars	₹ in lakhs				
	Sugar	Spirits	Co-generation	Others	Total
<b>As at 31 March 2017</b>					
Segment assets	1,74,550.40	20,270.30	27,402.97	25.18	2,22,248.85
Unallocated assets					220.02
<b>Total assets</b>					<b>2,22,468.87</b>
Segment liabilities	49,372.17	894.51	139.60	0.63	50,406.91
Unallocated liabilities					1,32,789.88
<b>Total liabilities</b>					<b>1,83,196.79</b>

## Other segment information

Capital expenditure					
Property, Plant and Equipments	1,070.23	818.19	28.06	-	<b>1,916.48</b>
Intangible assets	9.83	-	-	-	<b>9.83</b>
Depreciation	2,954.39	888.21	710.22	-	<b>4,552.82</b>
Amortization	43.58	-	-	-	<b>43.58</b>
Non-cash expenses	9.34	-	-	-	<b>9.34</b>

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## Year ended 31 March 2016

Particulars					₹ in lakhs
	Sugar	Spirits	Co-generation	Others	Total
<b>Revenue</b>					
Segment revenue	-	-	-	-	-
Less : Inter segment	-	-	-	-	-
<b>Total revenue from operations (net)</b>	-	-	-	-	-
<b>Results</b>					
Segment results	-	-	-	-	-
Unallocated Income / (Expenses) (net of unallocable expenses / income)					(1.09)
<b>Operating profit</b>					<b>(1.09)</b>
Finance costs					-
<b>Profit / (Loss) before tax</b>					<b>(1.09)</b>
Deferred tax charge / (credit)					-
<b>Net profit / (Loss) after tax</b>					<b>(1.09)</b>

Particulars					₹ in lakhs
	Sugar	Spirits	Co-generation	Others	Total
<b>As at 31 March 2016</b>					
Segment assets	-	-	-	-	-
Unallocated assets					3.72
<b>Total assets</b>					<b>3.72</b>
Segment liabilities	-	-	-	-	-
Unallocated liabilities					0.29
<b>Total liabilities</b>					<b>0.29</b>

### Other segment information

Capital expenditure					
Tangible assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Depreciation	-	-	-	-	-
Amortization	-	-	-	-	-
Non-cash expenses	-	-	-	-	-

## 31. RELATED PARTY DISCLOSURES

### Names of related parties and related party relationship

#### Related parties with whom transactions have taken place during the year

Key management personnel	Mrs. Nandini Nopany	- Chairperson [w.e.f. 29.07.2016]
	Shri Chandra Shekhar Nopany	- Co-Chairperson [w.e.f. 29.07.2016]
	Shri Devendra Kumar Sharma	- Whole-Time Director [w.e.f. 01.03.2017]
	Shri Dilip Patodia	- President (Finance) and Chief Financial Officer [w.e.f. 30.03.2017]
	Shri Anand Sharma	- Company Secretary [w.e.f. 30.03.2017]
Relatives of key management personnel	Smt. Shalini Nopany	- Wife of Shri Chandra Shekhar Nopany

# Notes to Financial Statements

as at and for the year ended 31st March 2017

Enterprises owned or significantly influenced by key management personnel or their relatives	Magadh Sugar & Energy Limited
	Allahabad Canning Limited
	SIL Investments Limited
	Ganges Securities Limited
	Palash Securities Limited
	Champaran Marketing Company Limited
	Hargaon Investment & Trading Company Limited
	SCM Investment & Trading Company Limited
	RTM Investment & Trading Company Limited
	Uttar Pradesh Trading Company Limited
	Nilgiri Plantations Limited
Yashovardhan Investment & Trading Company Limited	

## Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the reporting year :

### a. Sale of goods

	₹ in lakhs			
	Year ended	Sale of goods	Amount owed by related parties	Amount owed to related parties
Enterprises owned or significantly influenced by key management personnel or their relatives				
Magadh Sugar & Energy Limited	31-Mar-17	5.60	-	-
	31-Mar-16	-	-	-
Allahabad Canning Limited	31-Mar-17	307.20	-	-
	31-Mar-16	-	-	-

### b. Purchase of goods

	₹ in lakhs			
	Year ended	Purchase of goods	Amount owed by related parties	Amount owed to related parties
Enterprises owned or significantly influenced by key management personnel or their relatives				
Magadh Sugar & Energy Limited	31-Mar-17	40.21	-	-
	31-Mar-16	-	-	-

### c. Sale of fixed assets

	₹ in lakhs			
	Year ended	Sale of fixed assets	Amount owed by related parties	Amount owed to related parties
Enterprises owned or significantly influenced by key management personnel or their relatives				
Magadh Sugar & Energy Limited	31-Mar-17	7.53	-	-
	31-Mar-16	-	-	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

## d. Purchase of fixed assets

	Year ended	Purchase of fixed assets	Amount owed by related parties	Amount owed to related parties
₹ in lakhs				
Enterprises owned or significantly influenced by key management personnel or their relatives				
Magadh Sugar & Energy Limited	31-Mar-17	147.74	-	-
	31-Mar-16	-	-	-

## e. Loans / Inter-corporate deposits taken and repayment thereof

	Year ended	Loan / Inter-corporate deposits taken	Repayment / adjustment	Interest accrued / paid	Amount owed to related parties
₹ in lakhs					
Enterprises owned or significantly influenced by key management personnel or their relatives					
SIL Investments Limited	31-Mar-17	1,500.00 *	-	192.00	1,500.00
	31-Mar-16	-	-	-	-
Champan Marketing Company Limited	31-Mar-17	2,000.00 *	-	261.00	2,000.00
	31-Mar-16	-	-	-	-
Hargaon Investment & Trading Company Limited	31-Mar-17	1,900.00 *	-	247.95	1,900.00
	31-Mar-16	-	-	-	-
SCM Investment & Trading Company Limited	31-Mar-17	1,825.00 *	-	238.16	1,825.00
	31-Mar-16	-	-	-	-
RTM Investment & Trading Company Limited	31-Mar-17	3,000.00 *	-	391.50	3,000.00
	31-Mar-16	-	-	-	-
Nilgiri Plantations Limited	31-Mar-17	500.00 *	-	62.50	500.00
	31-Mar-16	-	-	-	-
Yashovardhan Investment & Trading Company Limited	31-Mar-17	1,200.00 *	-	155.50	1,200.00
	31-Mar-16	-	-	-	-
Uttar Pradesh Trading Company Limited	31-Mar-17	3,718.50 *#	1,065.50	93.39	2,653.00
	31-Mar-16	-	-	-	-

\* Transfer pursuant to the Scheme [Note 2(ii)(b)]

# Includes ₹ 2,464 lakhs received during the year.

## f. Receivable / Payable outstanding (net)

	Year ended	Transaction during the year	Amount owed by related parties	Amount owed to related parties
₹ in lakhs				
Enterprises owned or significantly influenced by key management personnel or their relatives				
Ganges Securities Limited	31-Mar-17	-	-	1.62
	31-Mar-16	-	-	-
Palash Securities Limited	31-Mar-17	-	41.91	-
	31-Mar-16	-	-	-



# Notes to Financial Statements

as at and for the year ended 31st March 2017

## g. Investments made

	Year ended	Investment made during the year	Investment sold during the year	Closing Balance
₹ in lakhs				
Enterprises owned or significantly influenced by key management personnel or their relatives				
Magadh Sugar & Energy Limited	31-Mar-17	5.00*	-	5.00
	31-Mar-16	-	-	-

\* Pursuant to the Scheme [Note 2(ii)(b)]

## h. Remuneration to key managerial personnel

	Year ended	Transaction during the year	Amount owed by related parties	Amount owed to related parties
₹ in lakhs				
Shri Devendra Kumar Sharma	31-Mar-17	68.72*	-	1.91
	31-Mar-16	-	-	-
Shri Dilip Patodia	31-Mar-17	87.22 *	-	-
	31-Mar-16	-	-	-
Shri Anand Sharma	31-Mar-17	57.77*	-	-
	31-Mar-16	-	-	-

\* Represents the amount paid / accrued during the year.

Note :

- The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.
- Some of the employees of the erstwhile UGSIL and OSML were also the directors of the Company before the Scheme became effective. Name of such directors and details of payments made to such employees are as under:

Name of Employees	Employment	Amount
Shri Chand Bihari Patodia	UGSIL	216.17
Shri Brij Mohan Agarwal	OSML	28.03

Transactions towards fund transfer (to and fro), Sharing of common expenses etc. between the Company's units and units of the erstwhile OSML & UGSIL, which are now part of Magadh Sugar & Energy Limited, till the date the Scheme became effective i.e. 23rd March 2017 and consequent settlement of balance after that date, have not been considered as related party transactions, since they were between units of the same company viz. OSML and UGSIL till the Scheme became effective.

## 32 CAPITAL AND OTHER COMMITMENTS

Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) ₹ 159.57 lakhs. (PY : Nil)

## 33 CONTINGENT LIABILITIES

	31st March 2017	31st March 2016
₹ in lakhs		
(a) Demands / Claims by various Government Authorities and others not acknowledged as debt and contested by the Company :		
(i) Excise Duty & Service Tax	7,427.75	-
(ii) Sales & Entry Tax	76.10	-
(iii) Duty under State Acts	6.45	-
(iv) Others	410.27	-
<b>Total</b>	<b>7,920.57*</b>	-
(b) Bank Guarantees outstanding	1,263.82	-

\* Based on discussions with the solicitors / favourable decisions in similar cases / legal opinions taken by the Company, the management believes that it is possible but not probable the action will succeed and accordingly no provision there against is considered necessary.

## Notes to Financial Statements

as at and for the year ended 31st March 2017

- 34** A civil suit is pending against the Company's sugar unit at Dhadha Bujurg (Hata), which is already in operation. The Company has been legally advised that the said civil suit is not tenable as per law.
- 35** The land ceiling matter under the U.P. Imposition of Ceiling of Land Holdings Act, 1960 for acquisition of agricultural land by the Government is pending before the appropriate adjudicating authorities.
- 36** (a) The Company has proposed to pay dividend on 12% Non-Convertible Cumulative Redeemable Preference Shares (NCCRPS) and 8.5% Non-Convertible Cumulative Redeemable Preference Shares (NCCRPS) amounting ₹ 3,441.68 lakhs including Dividend Distribution Tax, which also includes ₹ 2,697.93 lakhs towards arrear dividend and dividend distribution tax thereon for earlier years, subject to necessary approval from the Shareholders at the forthcoming Annual General Meeting.
- (b) A dividend of ₹ 2/- per equity share of ₹ 10/- each for the year ended 31st March 2017, amounting ₹ 240.94 lakhs including Dividend Distribution Tax, has been proposed, subject to necessary approval from the Shareholders at the forthcoming Annual General Meeting.
- 37** The details of Specified Bank Notes (SBNs) held and transacted during the period 8th November 2016 to 30th December 2016 are as under:

	₹ in lakhs		
	SBNs	Other Denomination Notes	Total
<b>Closing cash in hand as at 8th November 2016</b>	30.32	4.22	34.54
Add : Permitted receipts *	3.50	106.71	110.21
Less : Permitted payments	3.13	88.85	91.98
Less : Non-permitted payments**	1.19	-	1.19
Less : Amount deposited in Banks	29.50	0.01	29.51
<b>Closing cash in hand as at 30th December 2016</b>	-	<b>22.07</b>	<b>22.07</b>

\* Includes ₹ 87.97 lakhs withdrawals from Banks.

\*\* Paid to transporters to purchase diesel.

### **38 DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER THE MSMED ACT, 2006 INCLUDED IN TRADE PAYABLES**

	₹ in lakhs	
	31st March 2017	31st March 2016
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year		
Principal amount due to micro and small enterprises	112.32	-
Interest due on above	2.36	-
<b>Total</b>	<b>114.68</b>	<b>-</b>
(ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year	215.04	-
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	5.87	-
(iv) The amount of interest accrued and remaining unpaid at the end of the accounting year.	18.71	-
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	10.48	-

# Notes to Financial Statements

as at and for the year ended 31st March 2017

- 39** The Company has recognised deferred tax asset on unabsorbed depreciation and business losses to the extent of deferred tax liability as per the Company's Accounting Policies [Note 2.1 (n)].

The breakup of Deferred tax liability and asset are as under:

	₹ in lakhs	
	31st March 2017	31st March 2016
<b>Deferred Tax Liability</b>		
Fixed assets : Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting	13,546.97	-
<b>Gross deferred tax liability (A)</b>	<b>13,546.97</b>	-
<b>Deferred Tax Assets</b>		
Carry Forward of Unabsorbed Depreciation & Capital Loss	17,219.96	-
Expenses Allowable against taxable income in future years	1,972.42	-
	<b>19,192.38</b>	-
Less: Deferred Tax Asset not recognised	5,645.41	-
<b>Gross deferred tax asset (B)</b>	<b>13,546.97</b>	-
<b>Net deferred tax asset / liability (A - B)</b>	-	-

- 40** The Company has no outstanding foreign currency exposure or related derivative contract as at 31st March 2017.

## 41 EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

	₹ in lakhs	
	31st March 2017	31st March 2016
(a) Travelling	75.27	-
	<b>75.27</b>	-

## 42 IMPORTED AND INDIGENOUS RAW MATERIALS AND STORES & SPARES CONSUMED.

	Consumption		Value	
	%	₹ in lacs	%	₹ in lacs
	31st March 2017		31st March 2016	
Raw Materials				
Indigenous	100.00%	142,176.58	-	-
	<b>100.00%</b>	<b>142,176.58</b>	-	-
Stores and Spares				
Indigenous	100.00%	1,806.88	-	-
	<b>100.00%</b>	<b>1,806.88</b>	-	-

It is not possible to identify consumption of spare parts separately and hence consumption of stores and spares is shown above.

- 43** Previous year's figures including those given in brackets have been regrouped / rearranged wherever necessary. Further, the current year figures being inclusive of figures of business undertakings of UGSIL and OSML, pursuant to the Scheme [Note 2(ii)], are not comparable with the previous year's figures.

As per our report of even date

For **S.R.Batliboi & Co. LLP**

Firm registration no. : 301003E/E300005

Chartered Accountants

per **Kamal Agarwal**

Partner

Membership no.: 58652

**For and on behalf of the Board of Directors**

**Devendra Kumar Sharma**

Whole-time Director

**Chandra Shekhar Nopany**

Co-Chairperson

**Anand Sharma**

Company Secretary

**Dilip Patodia**

Chief Financial Officer

Place : Kolkata

Date : 23rd May 2017











**CIN: U15122UP2015PLC069635**

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