

84th Annual General Meeting of the Members of the Company on 20.09.2019

From the Chairman's Desk

My Dear Shareholders,

Greetings and a warm welcome to the 84th Annual General Meeting of the Company.

Statement of Accounts:

The Annual Report and audited Accounts for the year ended 31.03.2019 are with you for some time now. There is a loss of Rs.4,737.16 lakh as against the loss of Rs.5,359.71 lakh in the previous year.

Dividend:

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

WORKING OF DIVISIONS:

Sugar & Power Division

	Season 2018-19	Season 2017-18
Crushing started on	02.11.2018	03.11.2017
Crushing ended on	04.05.2019	30.04.2018
Duration of Crushing Operations (Days)	184	179
Sugarcane Crushing [(Qtls)	1,09,86,428	1,05,99,338
Sugar Production (Qtls)	11,98,177	11,26,392
Sugar Recovery (%)	10.91	10.63
Fair & Reasonable Price [FRP] of sugarcane a Qtl at a base recovery of 10.00% (Previous Year 9.50%)	275	255
State Advised Price (SAP) of sugarcane (a Qtl) (For General variety cane)	315	315
Molasses Production (Qtls)	4,75,860	4,62,350
Bagasse Produced (Qtls)	31,42,120	30,55,023
Cogen Plant Operations started on	29.10.2018	31.10.2017
Cogen Plant Operations ended on	02.07.2019	27.05.2018
Duration of Cogen Plant Operations (Days)	225	209
Cogen Plant Generated Power (lakh MW)	1.77	1.65
Power Exported to the Grid (lakh MW)	1.30	1.20
Power Exported to the Grid (Rs. in crore)	75.96	66.83

During the season 2018-19, the crushing was higher by 3.87 lakh quintals due to better cane yield, allocation of additional Cane Area and more supply of sugarcane by the farmers due to timely cane price payment to the farmers. The overall sugar recovery was the highest in the Company's history at 10.91% due to our Cane Development programme of changing the varieties into early maturing high sugar cane. The sugar production also was the highest in the history of the Company at 11.98 lakh quintals.

During the last few years, the cost of production in UP was the highest in the country, which rendered the UP Sugar Industry unviable, cash-starved and uncompetitive. There is an urgent need to rationalize the cane pricing policy in UP and adopt a 'linkage formula' as recommended by the Rangarajan Committee linking sugar cane price to sugar realisation. The UP Government had announced the formation of a high level Committee to determine a fair Sugarcane Pricing Policy. This is the only long term solution for stability & viability of the Sugar industry. The report of the High Level Committee is yet to be announced.

The loss was due to a mismatch between high Sugar Cane Price set by the State Government and low Sugar Sales realisation and consequential inadequate recovery of cost of production. These factors have adversely affected the Company's operations and financial performance. The loss would have been worst but for the fact that the Central Government stepped in by introducing a quota system of release of sugar stock and fixing a minimum base price of sugar sale initially at Rs.2,900/- a qtl. and then to Rs.3,100/- a qtl. at present, and also by announcement of various incentives by the State and Centre. Molasses price, which had dropped to almost zero, have now started to rise due to demand from Ethanol units.

The UP Government had announced the Molasses Policy for 2018-19 (November-October), wherein the molasses reservation rate for the country liquor manufacturers had been retained at 12.50%, recently increased to 16% as per the latest Policy for 2019-20.

Power Division

The Plant operated for 225 days as against 209 days, higher by 16 days than in the previous Season, due to higher crushing of sugarcane and purchase of additional alternate fuel. The Plant consumed 3.66 lakh MT of bagasse / alternate fuel to generate 1.77 lakh MW power as against 3.41 lakh MT of bagasse / alternate fuel to generate 1.65 lakh MW power in the previous Season. The total power exported to the grid was 1.30 lakh MW amounting to Rs.75.96 crore as against 1.20 lakh MW amounting to Rs.66.83 crore in the previous Season. Uttar Pradesh Electricity Regulatory Commission had issued a Notification on 04.04.2019 for revising downward the tariff for sale of power by the Company to UPPCL from Rs.5.86 / kwh to Rs.3.76 / kwh, however, the same is yet to be gazetted.

Spirits Division:

As the Company did not have the required capabilities, the Company had voluntarily taken a shut-down of its Distillery operations since October 2015. With a view to revive the operations, as required under the Pollution Policy, the Company has installed the necessary basic Pollution Control equipments, which will take care of the preliminary requirements of Pollution Control Board (PCB). However, to comply with the Zero Liquid Discharge (ZLD) norms of PCB, the Company will have to install an incineration boiler in due course, to maintain continuity of the Distillery Plant Operations in the monsoon period.

The Distillery started production from 1st week of June 2019 and continued till 30.06.2019 by adopting to bio-composting method as the Plant cannot be operated during monsoon. During this period, the Company could produce around 10.81 lakh BL of Rectified Spirit (RS).

WORKING FOR THE CURRENT YEAR 2019-20:**Sugar Division**

The crushing for the Season 2019-20 is expected to start in early November 2019. There may be a steady increase in sugar prices due to Government intervention. This may result into the Company generating better operational margins gradually. The industry outlook is also positive in the short term and long term with sugar prices expected to be stable.

The Central Government has announced the Fair and Remunerative Price (FRP) of sugarcane keeping it the same i.e. Rs.275/- per quintal for Sugar Season 2019-20 linked to a basic recovery rate of 10% with a premium of Rs.2.75 / qtl for each 0.1% increase in recovery over and above 10%.

Spirits Division

The Company has received necessary approvals from the concerned authorities for running the Distillery to produce ethanol and other kinds of Alcohol. However, the plant is not in operation at present.

Power Division

The Cogen Power Plant is expected to start in the last week of October 2019.

Credit Facilities by the Banks

The credit facilities have been classified as Non-Performing Assets (NPA) by Banks. The Company is making efforts to settle with the Banks.

DIRECTORS

Ms. Bhumika Batra (DIN: 03502004), Independent Director of the Company had resigned w.e.f. 22.07.2019 due to personal reasons and certain other pre-occupations.

Shri H R Kilachand, Chairman & Managing Director of the Company retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment as per the provisions of the Companies Act, 2013. Also, he has been proposed to be reappointed as the Whole-Time Director designated as Chairman & Managing Director on remuneration as mentioned in the Notice of this 84th Annual General Meeting.

Employees:

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

Acknowledgement:

Your Directors would like to express their grateful appreciation for the assistance and co-operation extended by the Banks & Financial Institutions during the year under review.

Thanking you.

H R Kilachand
Chairman & Managing Director

20th September, 2019