

# DWARIKESH SUGAR INDUSTRIES LIMITED

(Originally incorporated as Dwarka Sugars Limited on 01<sup>st</sup> November 1993 with Registrar of Companies, Maharashtra, Mumbai, the name was subsequently changed to Dwarikesh Sugar Industries Limited on 18th April 1994.)

Registered Office: Dwarikesh Nagar, Pin - 246 762, District Bijnor, Uttar Pradesh

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**Public Issue of 50,00,000 Equity Shares of Rs. 10/- each issued for cash at premium of Rs. [●] per share aggregating Rs. [●] Lacs.**

**Price Band: Rs.60 to Rs.72 per Equity Share of Rs.10/- each**

## RISKS IN RELATION TO THE FIRST ISSUE

This being the first Issue of Dwarikesh Sugar Industries Limited (the "Company"), there has been no formal market for the shares of the Company. The face value of the shares of the Company is Rs.10/- per share and the Issue Price of Rs. [●] per share is [●] times of the face value of the shares of the Company. The Issue Price (as has been determined and justified by the Lead Manager and Dwarikesh Sugar Industries Limited as stated herein under the paragraph on the Basis of Issue price) should not be taken to be indicative of the market price of the Equity Shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

## GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors on **Page No. \_\_\_\_** of this Prospectus.

## ISSUER'S ABSOLUTE RESPONSIBILITY

Dwarikesh Sugar Industries Limited, having made all reasonable enquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

## LISTING

The Equity Shares are proposed to be listed on The Stock Exchange, Mumbai (BSE), the Designated Stock Exchange and The- National Stock Exchange of India Limited. (NSE). The in-principle approvals have been received from these Stock Exchanges for listing of the Equity Shares vide their letter dated \_\_\_\_\_ and \_\_\_\_\_ respectively.

### LEAD MANAGERS TO THE ISSUE

**UTI Securities Ltd.**  
4<sup>th</sup> Floor, Merchant Chamber,  
41, Sir Vithaldas Thackersey Marg,  
New Marine Lines, Mumbai - 400 020.  
Tel: 91-22- 5667 0606 / 5667 0607  
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Email: dsil@utisel.com

### REGISTRARS TO THE ISSUE

**Intime Spectrum Registry Limited**  
C-13 Pannalal Silk Mills Compound,  
L B S Marg, Bhandup (W), Mumbai - 400 078  
Tel: (022) 5555 5454  
Fax: (022) 5555 5353  
E-mail: dsil@intimespectrum.com

## ISSUE PROGRAMME

**ISSUE OPENS ON:** \_\_\_\_\_ 2004

**ISSUE CLOSSES ON:** \_\_\_\_\_ 2004

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## DEFINITIONS AND ABBREVIATIONS

Act	The Companies Act, 1956
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Prospectus.
Application Form	The form in terms of which the Applicants shall apply for the Equity Shares of the Company
Articles	The Articles of Association of Dwarikesh Sugar Industries Limited
Bankers	Bankers to the Issue, in this case being Punjab National Bank and HDFC Bank Ltd.
Board	Board of Directors of Dwarikesh Sugar Industries Limited
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Limited.
Compliance Officer	Mr. B. J. Maheshwari, Company Secretary
Depositories Act	Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
DP	Depository Participant as defined under the Depositories Act
DRT	Debt Recovery Tribunal
EPS	Earning Per Share
Equity Shares	50,00,000 Equity Shares of Rs. 10/- of the Company being offered to the public pursuant to the Issue
FEMA	Foreign Exchange Management Act, 1999 as amended from time to time and the rules and regulations thereunder
FI	Financial Institution
FIIs	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI as a foreign institutional investor
FY	Financial year beginning 1 <sup>st</sup> October and ending 30th September in the next calendar year
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India
Issue	The issue of 50,00,000 Equity Shares by Dwarikesh Sugar Industries Limited pursuant to this Prospectus
Issuer/ Company/Dwarikesh	Dwarikesh Sugar Industries Limited
IPO	Initial Public Offer
Issue Price	The price of Rs. [●] per Equity Share as decided by the Company and the Lead Managers for which the Equity Shares shall be issued to the public under this Issue
IT Act	The Income Tax Act, 1961 as amended from time to time
Lead Manager	Lead managers to the Issue, in this case being UTI Securities Limited
MoA	Memorandum and Articles of Association of Dwarikesh Sugar Industries Limited
Memorandum	The Memorandum of Association of Dwarikesh Sugar Industries Limited
NAV	Net Asset Value
NRIs	Non resident Indians as defined in FEMA or a Person of Indian Origin as defined under FEMA (transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000

NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax
PDL	M/s. Pampasar Distillery Limited
PE or P/E	Price Earning Ratio
PHEW	M/s. Prem Heavy Engineering Works Private Limited
PNB	Punjab National Bank
Praj	Praj Industries Limited., Pune
Project	The proposed Project includes : 1. Forward Integration - Setting up of 30 KLPD distillery for manufacture of Industrial Alcohol 2. Sugar Refinery having a capacity of 200 TPD for enhancing the product mix 3. Packing facilities for packaging Grade M-31 sugar in 1 kg and 5 kg pouches 4. Installation of Balancing Equipments to optimize section wise capacities for enhancing productivity of sugar and other capital expenditure
Promoter	Mr. G. R. Morarka
Prospectus	The Prospectus to be filed with RoC containing <i>inter alia</i> the Issue Price
R & D	Research and Development
RBI	Reserve Bank of India
Registrars	Registrars to the Issue, in this case being Intime Spectrum Registry Limited
RoC	Registrar of Companies, Uttar Pradesh at Kanpur
SBI	State Bank of India
SEB	State Electricity Board
SEBI	The Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called SEBI (Disclosure and Investor Protection) Guidelines, 2000.
Stock Exchanges	BSE and NSE
TNW	Total Net Worth
Underwriters	The Lead Manager
Underwriting Agreement	The Agreement between the Underwriters and the Company to be entered into
UP / U.P.	Uttar Pradesh
UPPCL	Uttar Pradesh Power Corporation Limited
VCF	Venture Capital Fund as defined under SEBI (Venture Capital Investors) Regulations

**Technical Terms/ Abbreviations:**

BOD	Biological Oxygen Demand
COD	Chemical Oxygen Demand
FSQ	free sale sugar quota
ISMA	Indian Sugar Mills Association
KLPD	Kilo litre per day
KWH	Kilo Watt per Hour
MRM	Monthly Release Mechanism
MT	Metric Tonne
MW	Mega Watt
OGI	Open General License
PDS	Public Distribution System
PPA	Power Purchase Agreement
SMP	Statutory Minimum Price
SAP	State Advisory Price
TCD	Tons crushed per day
TPD	Tons per Day
TRS	Total Reducing Sugar

## **RISK FACTORS**

### **RISK ENVISAGED BY MANAGEMENT & IT'S PERCEPTIONS TO ADDRESS THE RISK**

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

#### **A. RISKS SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY**

1. The Company has received a summons notice (bearing no. TA/OA No 822 of 2000 dated January 17, 2001) from the Debt Recovery Tribunal ('DRT'), Allahabad u/s 19 of The Recovery of Debt due to Banks and Financial Institutions Act, 1993 read with Rules 12 & 13 of Debt Recovery Tribunal (Procedure Rules) 1993 in State Bank of India ('SBI') v/s. M/s. Prem Heavy Engineering Works Private Limited ('PHEW') for recovery of their dues including bank guarantees amounting to Rs. 59.15 lacs encashed by the Company.

Management Perception. This pertains to bank guarantees issued by SBI (PHEW's Banker) in favour of the Company in respect of performance of certain contracts to be executed by PHEW. The company had invoked the bank guarantees. SBI has taken up with the DRT for recovery of their dues from PHEW. The said summons has been issued enabling the Company to file the reply if required. As such the dispute is between SBI and PHEW and does not have any financial implication on the Company.

2. Two case have been filed by Lloyd Finance Limited against Indian Sugars and Refineries Limited, Mr. Rajendraprasad R. Morarka and Mr. G.R.Morarka for dishonour of cheques amounting to Rs. 2,91,384 and Rs. 48,564 under section 138 (c) and 141 of the Negotiable Instruments Act, 1881. Lloyds Finance Limited has made Mr. G.R.Morarka as a party to the case in the capacity of a Director of Indian Sugars and Refineries Limited at the trial court at Girgaum, Mumbai.

Management Perception: Mr. G.R.Morarka has filed an application for recalling of proceedings against himself wherein he has submitted that he has wrongly been made a party to the case as he had resigned his directorship as on September 15, 1997 and the same has been recorded with the Registrar of Companies as on October 8, 1997. Lloyds Finance Limited has filed a reply stating that the application of Mr. Morarka be dismissed as the contentions and the averment made in the same are false and require to be proved with leading evidence. The next date of hearing has been fixed for October 29, 2004.

3. Mr. Radheshyam Morarka was the Director was Indian Sugars and Refineries Limited and acted a guarantor to Salarjung Sugar Mills Limited, a subsidiary of Indian Sugars and Refineries Limited, for a loan amounting to Rs. 24,00,000, which they had taken from State Bank of Mysore, Hospet. State Bank of Mysore, Hospet filed a case against Mr. G.R.Morarka being the heir of Mr. Radheshyam Morarka, in the event of Salarjung Sugar Mills Limited defaulting in making payments to the Bank.

Management Perception: Mr. G.R.Morarka filed for exclusion from liability in the case on the basis that Mr. Radheshyam Morarka was not a director of Salarjung Sugar Mills Limited and that he had not signed as a guarantor at the time of renewal of the loan

4. There are 18 labour cases pending against the Company in various labour courts at Rampur, Bijnor, Moradabad pertaining to disputes such as re-instatement in service etc.

Management Perception. These types of disputes are normal in manufacturing units. Most of these cases are being resolved. As such there is no material financial implication on the working of the Company.

5. The Company has not provided for the following contingent liabilities as on July 31, 2004

(a) In respect of show cause notices from Central Excise department regarding CENVAT claims on capital goods disputed by the department and levy of penalty and interest on the above amount due against which the Company has preferred appeals.	Rs. 18.90 Lacs
(b) In respect of trade tax and entry tax demand received from Uttar Pradesh trade tax authorities in various cases, in respect of which the Company has preferred appeals.	Rs.59.08 Lacs

6. The Corporate Office of the Company has been taken on lease offices premises on the 5<sup>th</sup> floor (in Maker Chambers V, Nariman Point, Mumbai ) from its Associate Company, Morarka Finance Limited. The Lease Agreement was executed in November 1994 for a period of 11 months. Subsequently the Lease Agreement has been renewed every year till date. The lease agreement is neither adequately stamped nor registered.

7. The Corporate Office of the Company has been taken on lease offices premises on the 6<sup>th</sup> floor (in Maker Chambers V, Nariman Point, Mumbai ) from its Associate Company, Dwarikesh Trading from the Group Company viz. Morarka Finance Limited. The Lease Agreement was executed in November 1994, for a period of 11 months. Subsequently, the Lease Agreement has been renewed every year till date. The Lease Agreement is not adequately stamped or registered.

Management Perception for (6) and (7)

Since the registration of the Lease is not mandatory and is recommended in the interest of the Lessor, the Company has not got the Agreement registered. However, as recommended by the Company's Legal Advisors to the Issue, the Company has since started the procedure for taking appropriate steps.

8. Any significant change in the key managerial personnel of the Company may affect the performance of the Company.

Management Perception. The Company is located in the sugar belt in Central UP with a number of other sugar companies. The Company has a professional setup (including a well developed ERP System) and is providing accommodation and other amenities within the Company premises. Hence, no problems are envisaged in attracting fresh talent and retaining the existing employees.

9. One of the group companies Morarka Finance Ltd. (MFL), had incurred a loss of Rs. 0.24 lacs in the year 2002-2003

Management Perception MFL is engaged mainly in investment in securities. The loss is on account of the fall in the dividend income for FY 2002-2003, which were only Rs. 0.57 lacs as compared to Rs. 70.57 lacs for FY 2001-2002. However, for FY 2003-2004, the Profit after tax of MFL was Rs. 13.38 lacs with a dividend income of Rs. 24.28 lacs.

10. The cogeneration expansion project is bagasse based, which is derived from sugarcane. Any constraint in the availability of sugarcane may affect the current or future productivity of the cogeneration plant. The change in pricing policy of sugarcane may also affect the profits.

Management Perception. The Company is located in the sugar belt of Central UP and has adequate supply of sugarcane to meet the production requirement. The Company also has a

good track record of timely payments to the cane growers. Hence, the Company does not foresee any difficulty in procuring adequate quantities of sugarcane.

11. The Company proposes to set up facilities for manufacture of industrial alcohol, manufacture of refined sugar and proposes to add balancing equipments for expanding the capacity of existing sugar plant. The Company has not placed orders for any plant and machinery or any fixed assets (other than that required for industrial alcohol) aggregating Rs 2,126 lacs proposed to be funded by this IPO.

Management perception: The orders for all plant and machinery and other fixed assets aggregating Rs. 1,200 lacs for setting up the industrial alcohol project have been already placed and the project is scheduled for completion by February 2005. The Company has received competitive quotations for all its plant and machinery and other fixed assets. The plant and machinery required for manufacture of refined sugar will be housed adjacent to the existing sugar mills. Hence the installation can be done only during off-season that is during July – August 2005. The orders will be placed by April –May 2005.

## **FACTORS EXTERNAL TO THE COMPANY**

### **Specific To Sugar Industry**

1. The sugar industry is cyclical in nature.

Management Perception. In spite of the cyclical nature of the industry, the Company's operations have been profitable and has paid dividend continuously since 1996. Further, the Company is diversifying into manufacture of industrial alcohol and power, which would reduce the dependence on sugar.

2. The Company is into production of sugar and proposes to expand its co-gen capacity and also manufacture refined sugar and industrial alcohol. Hence, the Company depends on adequate availability of sugar cane, which is dependent on good monsoon and agro-climatic condition.

Management Perception. Monsoon has been favourable in UP for quite a few years. The farmers of the area have bore wells for irrigation. The Company's factory is located in Central UP, where the water table of the area is quite high due to proximity to Ganges and perennial rivers. Hence, no problems are envisaged in sourcing adequate quantity of water for sugar cane crop.

3. The sugar industry is subject to government controls & regulation.

Management Perception. As a part of the liberalization process, the government of India has de-licensed the sugar industry. Introduction of adverse conditions may affect the Company's profitability and future growth.

4. Sale of sugar is subject to monthly release mechanism where there is a restriction on the sale of sugar that can be sold in the open market. Any decontrol of sugar, in the area of monthly release mechanism, may lead to a glut in the market leading to depressing prices and the Company will be put to loss.

Management Perception. In the decontrolled scenario, all sugar units will be able to sell without any quantity restriction. Efficient and financially sound companies will be able to withstand the adverse impact, if any, which may be caused on account of decontrol. The Company with its strong financial position is confident of facing this challenge.

5. Government has put sugar imports on Open General License ('OGL') allowing private parties to import sugar. Consequently, import of sugar at prices lower than the domestic sugar cost would



impact the domestic industry. This is a threat to the domestic industry, which has little control over cost price of sugarcane, which is the primary input for producing sugar.

Management Perception. The government of India has tightened controls on imports by announcing levy obligation on imports. Further, the Government of India has already applied mechanism of monthly release of stocks on imports. Besides, this imported sugar has been subjected to a customs duty of 60% from the year 2000-01 to provide a level playing field to the domestic industry.

6. The Company may face competition from other established companies and future entrants into the industry.

Management Perception. Competition is inevitable in any line of business. However, sugar is an essential commodity and presently being sold without branding excepting few places in North India. Thus, competition is unlikely to affect the Company

7. Sugarcane production, the major raw material is dependent on monsoons. With the rainfall expected to be below normal in the current year, the production of sugarcane may be adversely affected. As per the food ministry, the country's sugar output in the current year up to September is expected to fall by 31 percent to 13.8 million tonnes from 20.1 million tonnes a year ago. Further, the Company has virtually no control over the raw material price as the government decides the same.

Management Perception. To some extent, sugarcane is a weather resistant crop and a high or low rainfall does not affect its production much. However a drastic change in weather conditions could adversely affect the production of sugarcane.

8. The Ministry of Consumer Affairs, Food & Public Distribution imposes levy sugar quota, which specifies that producers/owners of sugar factories shall sell the specified quantity of sugar through Public Distribution System (PDS) at a predetermined price. The price fixed by the Government for sale of levy sugar through PDS may be less than the total cost of production resulting in loss. There is an inherent limitation to increasing the price of free sale sugar (sugar sold in the open market) due to the threat of sugar being imported to balance the prices.

Management Perception: The realisation for levy sugar for 2003-2004 is Rs 1,293 per quintal, which is higher than the Company's cost of production. The sale price of levy sugar is directly related to the sugar cane prices and hence if and when the sugar cane prices go up, the price realized on levy sugar is also likely to be revised upwards. Moreover, the proportion of levy sugar quota is very low (around 10% of total production) as compared to sale of sugar in the open market. Hence any loss on the sale of levy sugar can easily be absorbed. Further, imports are not cheaper as landed cost of sugar considering custom duty @ 60 % proves to be costlier. Moreover, globally there is a fall in the production of sugar & hence the international price of sugar with the duties would not pose any threat to the Company.

9. Under the "Cane Reservation System" all cane growers in the reserved area of the mill are required to supply cane to the specified mill and the mill is obliged to crush all cane bonded to them. The output of the mill becomes dependent on procurement of sugar cane. Any installation of new sugar factories close to the existing sugar factories would adversely affect the financial viability of both and discourage the factories from investing in cane development in their area.

Management Perception. There is a restriction placed by the state government of UP that there should be minimum distance of 15 Kms between two sugar factories. Moreover, the Company has a track record of prompt payment (of cane dues) to the farmers and has a transparent weightment system. Hence, the Company is confident of obtaining sustained and higher procurement of cane from the farmers of its command area.

10. As per the Indian Sugar Mills Association, most of the sugar factories in India incurred huge losses during the FY 2002-03. Cumulatively, the loss suffered by the industry in the last two years is reckoned at over Rs. 5000 crores.

Management Perception. The FY 2002-03 was a difficult year for the sugar industry in general as the realisation of the finished goods was low. However, the situation since then has substantially improved in FY 2003-04 and the health of sugar industry has by and large improved. Moreover losses were suffered, in FY 2002-03, by those sugar companies, which were of uneconomic size or lesser efficient ones or in the co operative or Public Sector. The Company has a consistent track record of profits for last 10 years and has declared dividend continuously for the past 7 years including FY 2002-2003

11. Over the years banks have developed a high-risk perception of the sugar industry and have become extremely weary in enhancing the cash credit limits to the factories, to the requisite levels consistent with higher production and stocks. The gap between the requirement of credit and the one sanctioned by the banks is widening year after year which is reflected in increasing arrears of sugarcane prices thereby undermining the well being of large masses of sugarcane farmers.

Management Perception. Sugar industry scenario has substantially improved since FY 2003-04 and there is a positive outlook of the banking sector towards the sugar industry in general. Our submission is substantiated by the fact that there is single banker to the Company for its entire working capital requirement right from the inception of the Company. The Union Budget 2004- 05 has emphasized on increasing credit to the agricultural sector. The Common Minimum Programme (CMP) of the present government has special emphasis on the farmers and the agricultural sector in general.

12. The present Government has introduced several pro-agricultural policies; any change in government could have an impact on the economic liberalization and deregulation policies.

Management Perception. Sugar cane, the main raw material for the manufacture of sugar being an agricultural product, the Company's fortunes may not be adversely affected by any change in the Government policies towards this sector.

### **Specific To Power Industry**

13. The Company proposes to expand its co-gen capacity of 9MW to 17 MW. Of this 9MW will be used for captive consumption and the balance (about 7.5 Mw +/-10%) will be sold to State grid. There is risk of delay in realization of dues from the State Government.

Management Perception: The Company has already entered into a long term agreement with Uttar pradesh Power Corporation Limited (UPPCL) for supply of power up to 7.5 MW with an option of increasing the same by 10 % for a period of 10 years from the year 2001 at a predetermined price with escalation clause. Also, the Company has been recovering the dues in the past regularly.

14. The Company is in a labour intensive industry. Labour strikes, lockouts etc. can significantly reduce its productivity.

Management Perception The plant of the Company is a modern with a high level of automation. Moreover, the Company has smooth industrial relations with its workers. The Company has not had any strike by the labour force right from its inception.

15. The Electricity Act, 2003 eliminated some of the subsidies to the power sector, leading to an increase in the cost of power. Regulatory Commission is empowered to specify the terms and conditions for determination of tariff. Any change in tariff could have unfavorable effect the

Company's profitability. Further any other change in the regulatory framework could have a negative impact on the company.

Management Perception. We do not foresee any problem as we have long term arrangement for supply of power to UPPCL at a predetermined price with escalation clause..

## **General**

16. Certain factors beyond the control of the company could have a negative impact on the company's production. Terrorist attack, draught, floods etc involving India and other countries can adversely affect the financial markets and the company.

Management Perception. Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001 and New Delhi on Dec 13, 2001 and other acts or violence or war may negatively affect the Indian markets where the equity shares of the Company will trade. Also as a result of such events India or certain other countries may enter into armed conflict with other countries. The consequences of any potential armed conflicts are unpredictable and the Company may not be able to foresee events that could have a material adverse effect on its business, financial condition or results of operation. Moreover, sugar being an essential commodity will always be in demand irrespective of any such calamity mentioned above.

## **Notes:**

1. Pre-Issue Net worth of the Company as on September 30, 2003 is Rs. 3041.64 lacs and as on July 31, 2004 is Rs.3859.19 lacs.
2. Size of the present Issue - Public Issue of 50,00,000 Equity Shares of Rs.10/- each for cash at premium of Rs.[●] per share aggregating Rs. [●] lacs.
3. The average cost of acquisition of Equity Shares of the Promoter is Rs.21.27 per share.
4. Book value of the Equity Shares of the Company as on September 30, 2003 and as on July 31, 2004 is Rs. 40.23 and Rs. 51.04 per equity share respectively.
5. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no. [●] before making an investment in this Issue.
6. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with The Stock Exchange, Mumbai (BSE) (the Designated Stock Exchange).
7. Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
8. Related party transactions are given as notes to account in Auditors Report on page no. [●] of this Prospectus.

## **HIGHLIGHTS**

1. Existing profit making dividend paying (dividend paid on Equity Shares – FY 1996-97: 10%, FY 1998 to 2000: 15% per year and since FY 2001 – 5%) Company engaged in manufacturing of white crystal sugar with automated manufacturing process leading to minimum process loss.
2. Professionally managed Company with captive power generation capacity, sufficient water availability, efficient effluent treatment plant with almost zero discharge of water.
3. Well equipped R & D laboratory with bio-pesticide, soil testing, sugar & sugar cane analysis facilities.
4. Distinction of clearing sugar cane dues first for all the seasons from 1995-96 to 1999-2000 as certified by cane commissioner, district cane officer & societies in Bijnor UP.
5. In house storage capacity (RCC built) to store upto 7,50,000 bags of sugar and 16,000 MT of molasses
6. The Equity Shares of the Company are proposed to be listed on The Stock Exchange, Mumbai (BSE), the Designated Stock Exchange and The National Stock Exchange of India Limited, (NSE).

## 1. PART – I

### **GENERAL INFORMATION**

#### **DWARIKESH SUGAR INDUSTRIES LIMITED**

(Originally incorporated as Dwarka Sugars Limited on 01<sup>st</sup> November 1993 with Registrar of Companies, Maharashtra, Mumbai, the name was subsequently changed to Dwarikesh Sugar Industries Limited on 18th April 1994.)

Registered Office: Dwarikesh Nagar, Pin – 246 762, District Bijnor, Uttar Pradesh

Tel: (01343) 267 057 – 64 Fax: (01343) 267 065.

Corporate Office: 511, Maker Chamber V, 221, Nariman Point, Mumbai – 400 021.

Tel: (022) 2283 2468/2204 2945 Fax: (022) 2280 8650.

E-mail: corporate@dwarikesh.com Website: <http://www.dwarikesh.com>

#### **AUTHORITY FOR THE PRESENT ISSUE:**

Pursuant to Section 81(1A) of the Companies Act, 1956, the present Issue of Equity Shares has been authorized vide Special Resolution passed at the Extra-Ordinary General Meeting of the Company held on 20<sup>th</sup> August 2004.

#### **GOVERNMENT/STATUTORY APPROVALS:**

The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business except as mentioned below.

The Company has received the following Government approvals/licenses/permissions:

##### **Incorporation**

1. Certificate of Incorporation bearing no. 11-74815 dated November 1<sup>st</sup> 1993 from the Registrar of Companies, Maharashtra at Mumbai.
2. Certificate for commencement of business bearing no.11-74815 dated November 1<sup>ST</sup>, 1993 with Registrar of Companies, Maharashtra at Mumbai pursuant to Section 149 (3) of the Act.
3. Fresh Certificate of Incorporation consequent to the change of name from Dwarka Sugars Limited to Dwarikesh Sugar Industries Limited issued by RoC pursuant to Section 23(1) of the Act dated April 18<sup>th</sup>, 1994.
4. Certificate of Registration bearing no. 20-18642 dated August 31<sup>st</sup> 1995 of the Order of Company Law Board Bench pursuant to Section 18(3) of the Companies Act, 1956 confirming transfer of the registered office of the Company from Maharashtra to UP.

##### **Industrial/Labour/ Tax**

1. Certificate of Importer-Exporter Code bearing number 0396063268 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Mumbai, vide file No. 03/04/130/06369/AM97/5 dated May 20<sup>th</sup>, 2003.
2. Certificate of Trade Tax deferment approval letter dated July 3<sup>rd</sup> 2000 issued by Additional Director, Sales Tax Department, Moradabad, U.P.
3. Certificate of Registration bearing number NJ-001 dated January 6<sup>th</sup> 2001 regarding Entry Tax issued by the Government of UP.

5. Certificate of Inspection bearing number 1913/Bareilly region/ Inspection/ Generator dated December 7 ,1995 issued by office of Additional Director, UP Electricity Safety Officer, UP regarding turbo alternator & D.G. sets installed in the factory (500 KVA).
6. UP Trade Tax Registration bearing number NT.00 34047/D-42 issued under rule 57 of the Uttar Pradesh Sales Tax Rules, 1948 dated June 13 1994 issued by the Trade Tax Department, Najibabad, UP.
7. Certificate of recognition bearing number NJ-163 dated June 13 ,1994 issued under UP Sales Tax Act, 1948 issued by the Trade Tax Department , Najibabad, UP.
8. Certificate of Registration bearing number NJ 5015393 dated June 13<sup>th</sup> 1994 issued under Central Sales Tax Regulations, 1956 issued by the Trade Tax Department, Najibabad, UP.
9. Certificate of Registration bearing number 28080104098-D/CH-17/06/97 dated December 8 ,1997 issued by Superintendent of Central Excise Range-I, MZN under rules 174 & 192 of Central Excise Rules, 1944 for storage of non-duty paid sugar and disposal thereof on payment of the duty.
10. Certificate of Registration bearing number 4-Sugar/Trading/R-I/96/MZN dated November 17 ,1998 (ECC No. 280801002-D) issued under rule 56 of Central Excise Rules, 1944 issued by Superintendent Central Excise, Muzaffarnagar, UP..
11. License number A-1/ch-17/04/95 dated April 17 ,1995 (ECC No. 2806043056) issued by the Superintendent of Central Excise Rules, 1994 by Central Excise Range, Dhampur, division Moradabad, collectorate Meerut, UP..
12. Certificate of Registration bearing number 2808071055/A-1/1-dealer/96 dated April 29 ,1996 issued by Superintendent, Central Excise, Bijnor under Rules 174 & 192 of Central Excise Rules, 1944.
13. Certificate bearing number shram/DO/Nagina/1400 dated April 1 1995 valid till March 31 2000 under Shops & Establishment Act, 1948 issued by Labour Department, Bijnor, UP.
14. License bearing number K 135/2000-01 dated July 10 ,2000 in pursuance of sub-Section (2) of Section 17 of the Prevention of Food Adulteration Act, 1954 and rule 12 B of the rules made thereunder.
15. Certificate bearing number UP/MT/22295 dated December 19 1997 issued by the office of the Regional Provident Fund Commissioner, Meerut, applicable from September 22 ,1997.
16. Crane Crushing License bearing number 117 dated May 26 ,1998 issued by the Cane Commissioner, Lucknow, UP.
17. Letter bearing number LI/420(1996) October 15 ,1996 issued by Government of India, Ministry of Industry, Department of Industrial Policy & Promotion, SIA, LA-cum-LA(I) Section, New Delhi for expansion of capacity from 2500 TCD TO 5000 TCD.
18. License bearing number 26 (97) dated June 2, 1996 issued by Government Of India, Ministry of Food, Directorate of Sugar, Krishi Bhavan, New Delhi for the manufacture of sugar under scheduled industry number.25.
19. Certificate of Registration bearing number A/ II /17630 dated November 22 ,2001 of establishment at 511, Maker Chamber V, Nariman Point Mumbai issued by the Inspector under the Bombay Shops and Establishment Act, 1948.

20. Certificate of Registration bearing number 117 dated May 26 ,1998 issued by the Secretary, Sugar Industries Department, UP, under UP Vacuum Pan Sugar Manufacturing Units pursuant to Sugar (Control) Order, 1996.
21. Certificate of Registration bearing number APEDA/REGN/MP (11499) 96-97 dated March 5 ,1997 issued by the Registration officer, Agricultural and Processed Food Products Export Development Authority, Ministry of Commerce, Government of India, pursuant to Section 12(2) of the Agricultural and Processed Food Products Export Development Authority Act.
22. License bearing Registration number EPB/UPG/PE/003 dated May 3, 1999 issued by the Export Commissioner, Export Promotion Bureau, UP.
23. License bearing number P.D.33 issued by the Commissioner, Excise Department, UP for setting up power alcohol plant pursuant to Excise Regulations, 1910.
24. Clearance certificate dated March 23 , 2004 issued by Chief Medical Officer, Bijnor for setting up "Narmada Devi Medical Centre".
25. License bearing number K-99/2004-05 dated April 1 , 2004 issued under UP Food Adulteration Prevention Regulations.
26. Permanent Account Number (PAN) issued by the Commissioner of Income Tax, Mumbai, bearing number AAA-CD-1972-H pursuant to Section 139 A (5) read with Section 272 A (d) of the Income Tax Act, 1961

#### **Environment**

1. Certificate bearing number G-17939/C-4/Water/128/MUR/2001 dated February 22 2001 issued by the Uttar Pradesh Pollution Control Board, Lucknow granting approval bearing number 03/permission/2001 dated February 15 2001 under Water (Pollution & Control) Rules, 1974. The license renewed on June 17, , 2004.
2. Certificate bearing number G-17938/C-4/ Air pollution/115/MUR/2001 dated February 22 2001 issued by the UP Pollution Control Board, Lucknow granting approval number 03/approval (Air) order/2001 dated February 22 2001 under Air (Pollution & Control) Rules, 1981. The license was renewed on January 16 2004.
3. Certificate bearing Number F 27487/ G7/NOC-183/MUR/04 dated February 11, 2004 issued by the Chief Environment Officer, UP Pollution Control Board, Lucknow granting approval for setting up new unit in the existing premises for manufacturing Ethanol (Absolute Alcohol)-30 KLPD, Molasses- 133 MT/Day, Industrial Effluents ( Bio-composting Arrangement) and Fuel Used Zero .

#### **Government Approvals not yet applied for**

<b>Approval / Consent</b>	<b>Authority</b>
Endorsement of revised Factory land lay out	Factory Inspector, Moradabad

The Company has received all the necessary approvals and licenses for conducting its present business and the proposed business except those mentioned above.

The Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for carrying on the present as well as the proposed business of the Company. It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

## PROHIBITION BY SEBI:

The Company, its directors, any of the Company's Associates or Group Companies, and Companies with which the directors of the Issuer are associated, as directors or Promoters, have not been prohibited from accessing the capital market under any Order or directions passed by SEBI. The listing of any securities of the Issuer has never been refused at anytime by any of the stock exchanges in India.

## ELIGIBILITY FOR THE ISSUE:

The Company is fulfilling the criteria of eligibility norms for public Issue by unlisted company as specified in the Clause 2.2.1 of SEBI Guidelines in the following manner:

- i. The Company has a net tangible asset of at least Rs.300 lacs in each of the preceding 3 full years (of 12 months each) and the monetary assets of the Company in the last 3 years are less than 50% of the net tangible assets:

	Rs. in lacs				
Financial Year	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Fixed Assets (Net)	5870.19	5851.49	6174.54	6789.84	6492.39
Current Assets, Loans & Advances	4013.89	5562.40	4939.00	3736.18	6505.34
Trade Investments	--	9.28	9.28	11.78	18.67
Less: Current Liabilities & Provisions	633.40	631.47	556.89	627.31	626.71
<b>Net Tangible Assets</b>	<b>9250.68</b>	<b>10791.70</b>	<b>10565.93</b>	<b>9910.49</b>	<b>12389.69</b>
<b>Monetary Assets</b>	<b>117.76</b>	<b>161.85</b>	<b>21.24</b>	<b>310.62</b>	<b>14.10</b>

Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and secured as well as unsecured long term liabilities).

- ii. The Company has a track record of distributable profits in terms of section 205 of the Act, for at least three (3) out of immediately preceding five (5) years.

	Rs. in lacs				
Financial year	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Profit after tax	660.95	920.49	233.30	93.28	(1,137.28)

- iii. Company has a pre-Issue net worth of at least Rs. 100 lacs in each of the preceding 3 full years (of 12 months each).

	Rs. in lacs				
Financial Year	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Share Capital					
- Equity	892.07	892.07	756.04	756.04	756.04
- Preference	110.00	110.00	610.00	610.00	610.00
Reserves & Surplus	2726.59	3503.68	2723.71	2716.99	2285.60
<b>Net worth</b>	<b>3728.67</b>	<b>4505.75</b>	<b>4089.74</b>	<b>4083.03</b>	<b>3651.64</b>

- iv. The Issue size (i.e. offer through this Prospectus) does not exceed five (5) times its pre-Issue net worth as per last available audited accounts, either at the time of filing Prospectus with SEBI or at the time of opening of the Issue.

## **DISCLAIMERS**

### **SEBI DISCLAIMER CLAUSE**

**“IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENTS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR FOR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MANAGERS, UTI SECURITIES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, UTI SECURITIES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 10, 2004 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

- i. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT PROSPECTUS/LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- ii. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
  - a. THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AND ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - c. THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE**
- iii. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID;**
- iv. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.**
- v. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS.**



**THE FILING OF OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER(S) ANY IRREGULARITIES OR LAPSES IN OFFER DOCUMENT."**

#### **DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI**

As required, a copy of this Prospectus has been submitted to The Stock Exchange, Mumbai (the Designated Stock Exchange). BSE has given vide its letter dated [•] permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be Listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner-

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of this, offer document; or
- ii. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. Take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)**

As required, a copy of this Prospectus has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has, given vide its letter dated [•] its permission to the Company to use the Exchange's name in this Draft Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for Listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 crores and market capitalisation shall not be less than Rs. 25 crores at the time of Listing). The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoter, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

## **JURISDICTION**

This Issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trust registered under the Societies' Registration Act, 1860, or any other trust law and who are authorised by their constitution to hold and invest in shares) and to NRIs and FIIs as defined under Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation to such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of appropriate Courts. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI for its observations and SEBI has given its observations and the final Prospectus has been filed with ROC as per the provisions of Act. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Dwarikesh Sugar Industries Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

## **DISCLAIMER FROM THE ISSUER**

Investors may note that Dwarikesh Sugar Industries Limited accepts no responsibility for statements made other than in this Prospectus or in the advertisement or any other material issued by or at the instance of the Issuer or the Lead Manager and that any one placing reliance on any other source of information would do so at their own risk

## **FILING**

1. Copy of this Prospectus, along with the documents required to be filed under Section 60 of the Act having attached thereto, has been delivered for Registration to the Registrar of Companies, Kanpur, UP.
2. Copy of the Prospectus has been filed with SEBI, Mumbai.

## **LISTING**

Initial listing applications have been made to The Stock Exchange, Mumbai (Designated Stock Exchange) and The National Stock Exchange of India Limited for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company.

In case the permission for listing of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

## **UNDERTAKING FROM PROMOTERS AND DIRECTORS**

THE ISSUER ACCEPTS FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN IN THIS PROSPECTUS AND CONFIRMS THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKE ANY STATEMENT IN THIS OFFER DOCUMENT MISLEADING AND THEY FURTHER CONFIRM THAT THEY HAVE MADE

ALL REASONABLE INQUIRIES TO ASCERTAIN SUCH FACTS. THE ISSUER FURTHER DECLARES THAT THE STOCK EXCHANGES TO WHICH AN APPLICATION FOR OFFICIAL QUOTATION IS PROPOSED TO BE MADE DO NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THIS OFFER OR FOR THE PRICE AT WHICH THE EQUITY SHARES ARE OFFERED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS OFFER DOCUMENT.

THE PROMOTERS/DIRECTORS DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS PROSPECTUS HAS BEEN SUPPRESSED, WITHHELD AND/OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT OF TIME TILL ALLOTMENT/REFUND, AS THE CASE BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED/WITHHELD AND/OR AMOUNTS TO A MIS-STATEMENT/MIS-REPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL THE SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

### **CORPORATE GOVERNANCE**

The SEBI Guidelines in respect of Corporate Governance shall be applicable to the Company immediately upon listing of its Shares on the Stock Exchanges. The Company undertakes that it shall take necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable to it upon listing of shares. The Company has already formed an audit committee, remuneration committee and shareholders committee as per the requirement of the current guidelines.

### **IMPERSONATION**

**As a matter of abundant caution attention of applicants is specifically drawn to the provisions of sub-section (1) of section 68-A of the Act, which is reproduced below:**

**"Any person who-**

- (a) Makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) Otherwise induces a Company to allot or register any transfer of Shares therein to him or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years."**

### **MINIMUM SUBSCRIPTION**

"If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Act."

### **ISSUE OF ALLOTMENT LETTERS / REFUND ORDERS**

The Company shall give credit to the Beneficiary Account with DPs within two (2) working days of finalisation of the basis of allotment of Equity Shares. The Refund Orders shall be dispatched within a period of 10 weeks and in case of any delay in refund, interest shall be paid at the prescribed rate under section 73(2) / 73(2A) of the Act. The Company shall dispatch Refund Orders, if any, of value up to Rs.1,500/- by "Under Certificate of Posting", and will dispatch Refund Orders above Rs.1,500/- if any, by registered post or speed post at the sole or first applicant's sole risk.

In accordance with the Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allotment and transfer of Equity Shares will be made only in dematerialized form within 30 days from the Issue closing date
- Dispatch of Refund Orders will be done with 30 days from the Issue closing date
- The Company shall pay interest at 15% per annum (for delay beyond 30 day time as mentioned above), if transfer is not made, Refund Orders are not dispatched and/or demat credit are not made to investors within the 30 day time prescribed above.

The Company will provide adequate funds required for dispatch of Refund Orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a Bank appointed by the Company, as refund banker(s) and payable at par at places where applications are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the applicants.

## ISSUE SCHEDULE

The Subscription List will open at the commencement of banking hours and will close at the close of banking hours on the dates as mentioned below:

<b>Issue Opens on</b>	... .., <b>2004</b>
<b>Issue Closes on</b>	....., <b>2004</b>

## ISSUE MANAGEMENT TEAM:

### LEAD MANAGERS TO THE ISSUE

#### UTI Securities Limited

SEBI Registration No. INM000007458  
Unique Identification Number - 100000489  
4<sup>th</sup> Floor, Merchant Chamber,  
41, Sir Vithaldas Thackersey Marg,  
New Marine Lines, Mumbai – 400 020.  
Tel: (022) 5667 0672 / 5667 0607  
Fax: (022) 2203 0165  
Email: dsil@utisel.com

### REGISTRARS TO THE ISSUE

Intime Spectrum Registry Limited  
C-13 Pannalal Silk Mills Compound  
L B S Marg,  
Bhandup (W)  
Mumbai 400 078  
Tel: (022) 5555 5454  
Fax: (022) 5555 5353  
E-mail: dsil@intimespectrum.com

<b>AUDITORS TO THE COMPANY</b>  <b>M/s Sharp &amp; Tannan,</b> Chartered Accountants Parsn Manere, 2nd Floor, Block A/3, 602 Mount Road, Chennai - 600 006	<b>BANKERS TO THE COMPANY</b>  <b>Punjab National Bank</b> Najibabad Branch Najibabad, Dist.- Bijnor Uttar Pradesh.
<b>BANKERS TO THE ISSUE:</b>  <b>Punjab National Bank</b> Foreshore Road, G J Bhonsale Marg, Mumbai – 400 021.  <b>HDFC Bank</b> Sandoz House, Dr. Annie Besant Road, Worli, Mumbai.	<b>LEGAL ADVISOR TO THE ISSUE</b>  <b>M/s Crawford Bayley &amp; Co</b> 4 <sup>th</sup> Floor, State Bank Buildings, N.G.N. Vaidya Marg, Fort, Mumbai – 400 023. Tel: (022) 2266 3713 Fax: (022) 2266 3978

**COMPLIANCE OFFICER/COMPANY SECRETARY:**

**Mr. B. J. Maheshwari,**  
Dwarikesh Sugar Industries Limited  
Dwarikesh Nagar, Pin - 246 762,  
Village Bundki, Tehsil Nagina,  
Dist. Bijnor, Uttar Pradesh.  
Tel: 01343 – 267056 - 267064  
Fax: 01343 – 267065  
Email : - bjmaheshwari@dwarikesh.com

Investors are requested to contact the Compliance Officer in case of any pre Issue / post Issue related problems such as non-receipt of letter of allotment /share certificate / Refund Orders, non-credit in demat account etc.

**REGISTRARS TO THE COMPANY**

Mondkar Computes Pvt. Limited  
21, Shakil Niwas,  
Mahakali Caves Road  
Andheri (East)  
Mumbai - 400 093  
Tel: (022) 2826 2920  
Fax: (022) 2836 6620  
E-mail:mcplrt@bom7.vsnl.net.in

**CREDIT RATING/DEBENTURE TRUSTEE**

This being Issue of Equity Shares, no credit rating or appointment of Debenture Trustee is required

**UNDERWRITERS TO THE ISSUE**

The Company intends to get the Issue underwritten fully:

<b>Sr .No</b>	<b>Name &amp; Address of Underwriter</b>	<b>Date of Agreement</b>	<b>Amount underwritten (Rs. In Lacs)</b>
	<b>UTI Securities Limited</b> 4 <sup>th</sup> Floor, Merchant Chambers, Sir Vithaldas Thackersey Marg, New Marine Lines, Churchgate, Mumbai – 400 020	<b>[•]</b>	<b>[•]</b>

In the opinion of the Board, on the basis of the declaration given by the Underwriter, the resources of the above mentioned Underwriter is sufficient to enable it to discharge it's underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(i) of the SEBI Act. The above Underwriting Agreement has been accepted by the Board at their meeting held on [•].

## 2. CAPITAL STRUCTURE OF THE COMPANY

No. of Shares		Nominal Value (Rs.)	Aggregate Value (Rs.)
<b>A</b>	<b>AUTHORISED CAPITAL</b>		
	1,75,00,000 Equity Shares of Rs. 10/- each	17,50,00,000	
	1,50,000 - Cumulative Redeemable Preference Shares of Rs.100/- each (Series I) and	1,50,00,000	
	5,00,000 Preference Shares of Rs.100/- each (Series II)	5,00,00,000	
<b>B</b>	<b>ISSUED, SUBCRIBED AND PAID-UP CAPITAL</b>		
	75,60,391 Equity Shares of Rs. 10/- each	7,56,03,910	
	1,10,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each	1,10,00,000	
<b>C.</b>	<b>PRESENT ISSUE TO PUBLIC</b>		
	50,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. [●] per share	5,00,00,000	[●]
<b>D.</b>	<b>PAID UP CAPITAL AFTER THE PRESENT ISSUE</b>		
	1,25,60,391 Equity Shares of Rs. 10/- each	12,56,03,910	
<b>E.</b>	<b>SHARE PREMIUM ACCOUNT</b>		
	Before the Issue	12,22,03,090	
	After the Issue	[●]	

The paid up capital includes 11,59,691 Equity Shares of Rs.10/- each issued as bonus shares out of share premium reserves.

The Company has bought back 25,20,000 Equity Shares of Rs.10/- each at Rs.40 on 11/08/2001 in terms of S.77A, S.77B and other applicable provisions of the Act.

### Notes to Capital Structure:

#### a. Details of Increase / Re classification in Authorised Capital

Sl. No.	Particulars of Increase / Re Classification (Rs. In Lacs)			Total (Rs. In Lacs)	Date / Type of Meeting
	Equity	Preference	Un classified		
1	100.00	--	--	100.00	Incorporation
2	2400.00	--	--	2400.00	24.08.1994 / EGM
3	2250.00	150.00	--	2400.00	17.08.1998 / EGM
4	1250.00	1150.00	--	2400.00	28.03.2000 / AGM
5	1750.00	650.00	--	2400.00	29.03.2004 / EGM

**Capital Build up: The existing share capital of the Company has been subscribed and allotted as under:-**

Date of Allotment/ Fully paid-up / Buy-back	No. of Shares	Face Value (Rs.)	Issue Price / Buy-back Price (Rs.)	Consideration	Remarks	Cumulative number of Equity shares	Cumulative Share Premium (Rs.)
03.11.1993	700	10	10	Cash	Incorporation	700	--
17.11.1994	3955000	10	25	Cash	Allotted to Promoters, Promoters Group	3955700	59325000
20.01.1995	1372500	10	25	Cash	Allotted to Promoters, Promoters Group	5328200	79912500
10.03.1995	299500	10	25	Cash	Allotted to Promoters Group	5627700	84405000
24.07.1995	2589000	10	25	Cash	Allotted to Promoters, Promoters Group & Equity Shares to Unit Trust of India.	8216700	123240000
27.07.1995	704000	10	25	Cash	Allotted to Unit Trust of India.	8920700	133800000
09.04.2001	1159691	10	--	Bonus	Bonus shares in the ratio of 13:100 out of share premium reserves	10080391	122203090
11.08.2001	(2520000)	10	40	Cash	Buy back of shares	<b>7560391</b>	122203090
<b>TOTAL</b>	<b>7560391</b>						
<b>Split of Shares</b>							
22.05.2004	1512078	5	--	--	Split of shares in to Rs.5 face value	15120782	122203090
<b>Re consolidation of Shares</b>							
20.08.2004	7560391	10	--	--	Re consolidation of shares in to Rs.10 face value	7560391	122203090

b. Shares issued for consideration other than cash

The Company has not issued any shares for consideration other than cash except those mentioned in the above table.

c. Promoters' Contribution and lock-in period:

The following shares shall be locked in for a period of three years as part of the Promoter's contribution:

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period * (Years)
1	Mr. Gautam R Morarka	03.11.1993	Cash	100	10	10	Negligible	3 Years
		17.11.1994	Cash	1398100	10	25	11.13	3 Years
		20.01.1995	Cash	179200	10	25	1.43	3 Years
		24.07.1995	Cash	469900	10	25	3.74	3 Years
		09.04.2001	Bonus	266149	10	--	2.12	3 Years
		18.09.2001	Cash	198630	10	18	1.58	3 Years
		<b>Sub total</b>		<b>2512079</b>			<b>20.00</b>	
		18.09.2001		1370	10	18	0.01	1 Year
		<b>Total</b>		<b>2513449</b>			<b>20.01</b>	

\* The lock in period shall commence from the date of allotment of shares in the public Issue.

\*\* Transferred to other persons

Other than the above, the entire pre-Issue capital of the Company shall be locked in for a period of one year from the date of allotment of shares in the public Issue.

- d. Promoters contribution and lock-in in respect of Promoters whose name figure in this Prospectus as Promoters in the paragraph on “Promoters and their Background” is as under :

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period * (Years)
1	Mr. Gautam R Morarka	03.11.1993	Cash	100	10	10	Negligible	3 Years
		17.11.1994	Cash	1398100	10	25	11.13	3 Years
		20.01.1995	Cash	179200	10	25	1.43	3 Years
		24.07.1995	Cash	469900	10	25	3.74	3 Years
		09.04.2001	Bonus	266149	10	--	2.12	3 Years
		18.09.2001	Cash	198630	10	18	1.58	3 Years
		<b>Sub total</b>		<b>2512079</b>			<b>20.00</b>	
		18.09.2001		1370	10	18	0.01	1 Year
		<b>Total</b>		<b>2513449</b>			<b>20.01</b>	

- e. The Equity Shares held by persons other than Promoters may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoters, which are locked in, may be transferred to and among Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters may pledge their Equity Shares with Banks or Financial Institutions as additional security for loans whenever availed by them from Banks or Financial Institutions.

- f. Top ten shareholders as on \_\_\_\_\_ (two years prior to the date of filing of the Prospectus with the ROC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	Gautam R. Morarka	2513449	33.24
2.	Morarka Finance Limited	2338771	30.93
3.	Dwarikesh Trading Company Limited	953200	12.61
4.	M/s. Dwarikesh Shares & Stocks Limited	511442	6.76
5.	Morarka Investments Pvt. Ltd.	313688	4.15
6.	Pranay G. Morarka (Minor)	90400	1.20
7.	Gautam R. Morarka – Trustee C/o. Pranay	64071	0.85
8.	Rajesh Sadhwani	28250	0.37
9.	Kishanchand Bassermal	28250	0.37
10.	Bhikulal Sakarchand Vasa	22600	0.30



- g. Top ten shareholders as on \_\_\_\_\_ (being 10 days prior to the date of filing of the Prospectus with the RoC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	Gautam R. Morarka	2513449	33.24
2.	Morarka Finance Limited	2348137	31.06
3.	Dwarikesh Trading Company Limited	1782247	23.57
4.	Pranay G. Morarka (Minor)	90400	1.20
5.	Gautam R. Morarka – Trustee C/o. Pranay	64071	0.85
6.	S.G. Morarka	30678	0.41
7.	Rajesh Sadhwani	28250	0.37
8.	Kishanchand Bassermal	28250	0.37
9.	Bhikulal Sakarchand Vasa	22600	0.30
10.	Chandrakant Amritlal Shah	22600	0.30

- h. Top ten shareholders as on \_\_\_\_\_ (being the date of filing of the Prospectus with the RoC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	Gautam R. Morarka	2513449	33.24
2.	Morarka Finance Limited	2348137	31.06
3.	Dwarikesh Trading Company Limited	1782247	23.57
4.	Pranay G. Morarka (Minor)	90400	1.20
5.	Gautam R. Morarka – Trustee C/o. Pranay	64071	0.85
6.	S.G. Morarka	30678	0.41
7.	Rajesh Sadhwani	28250	0.37
8.	Kishanchand Bassermal	28250	0.37
9.	Bhikulal Sakarchand Vasa	22600	0.30
10.	Chandrakant Amritlal Shah	22600	0.30

- i. The details of sale/ purchase/ financing of shares by Promoters/Directors:

The Promoters group/Directors have not purchased and or sold/financed any shares of the Company during the past 6 months except as shown below:

Name	Date of Transaction	Buy / Sell	No. of Shares	Price per Share (Rs.)
Morarka Finance Limited	09/03/2004	Sell	200	10
Ms. S G Morarka	16/04/2004	Buy	30000	25
Dwarikesh Trading Company Limited	16/04/2004	Sell	30000	25
Morarka Finance Limited	17/07/2004	Buy	113	35

- j. The Promoters' contribution has been brought-in in not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from Companies.
- k. The Company/Promoters/Director/Lead Manager have not entered in to buyback/standby or similar arrangements for purchase of securities issued by the Company through this Prospectus.

- I. The pre-Issue & post-Issue shareholding pattern of Dwarikesh Sugar Industries Limited is as under:

Category	Pre-Issue		Post Issue	
	No. of Shares	% holding	No. of Shares	% holding
Promoters & Promoters' Group	6644963	87.89	6644963	52.90
Friends & Relatives	609452	8.06	609452	4.85
NRIs / FIIs	305976	4.05	305976	2.44
Public/ Others	--	--	5000000	39.81
<b>Total</b>	<b>7560391</b>	<b>100.00</b>	<b>12560391</b>	<b>100.00</b>

- m. As per SEBI Guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying Equity Shares of or for a value of not more than Rs. 50,000/-. The remaining 50% of the Issue to the public is reserved for individuals applying for Equity Shares of a value more than Rs.50,000/- and Corporate Bodies/Institutions etc. Unsubscribed portion in either of these categories shall be added to the other category interchangeably.
- n. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer subject to a minimum allotment being equal to [●], which is the minimum application size in this Issue, while finalizing the allotment.
- o. In the event of over-subscription, allotment will be on a proportionate basis as detailed in Para on "Basis of Allotment"
- p. The Equity Shares offered through this public Issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of Equity Shares.
- q. The Company has not issued any shares out of revaluation reserves or for consideration other than cash.
- r. The shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further shares of the Company.
- s. There are no "bridge loans" from any Bank taken by the Company against the proceeds of the Issue.
- t. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
- u. There would be no further issue of capital whether by way of Issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.
- v. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further Issue of Equity Shares (including Issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures, the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
- w. At any given point of time, there shall be only one denomination for the Equity Shares of the Company.
- x. The Company had 446 members as on August 31, 2004.

### **3. TERMS OF THE PRESENT ISSUE**

#### **PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE**

The Equity Shares now being offered are subject to the terms of this Prospectus, the Application Form and MoA of the Company, the guidelines for listing of securities issued by Government of India and guidelines issued by the Securities and Exchange Board of India (SEBI) from time to time, the Depositories Act and the provisions of the Act.

In addition, the Equity Shares shall also be subject to such other terms and conditions as may be incorporated in the Letter of Allotment, Share Certificates, as per guidelines, notifications and other regulations for the issue of the capital and listing of securities laid down from time to time by the Government of India and / or other authorities and other documents that may be executed in respect of the Equity Shares.

#### **Terms of Payment:**

The Applications should be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter.

The amount payable is as under:

<b>Category</b>	<b>Towards Share Capital (In Rs.)</b>	<b>Towards Share Premium (In Rs.)</b>	<b>Total (In Rs.)</b>
On Application	5.00	[●]	[●]
On Allotment	5.00	[●]	[●]
<b>Total</b>	<b>10.00</b>	[●]	[●]

Where an Applicant is allotted lesser number of Equity Shares than he / she has applied for, the excess amount paid on application shall be refunded to Applicant.

#### **INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:**

Dwarikesh agrees that, as far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of the Issue. Dwarikesh further agrees that it shall pay interest @ 15% per annum if the allotment letters / Refund Orders have not been dispatched to the Applicants within 30 days from the date of the closure of the Issue.

#### **RIGHTS OF THE EQUITY SHARE HOLDERS**

1. Right to receive dividend if declared.
2. Right to attend general meeting and exercise voting rights unless prohibited by law.
3. Right to vote either personally or by proxy.
4. Right to receive offer for rights shares and be allotted bonus shares.
5. Right to receive surplus on liquidation.
6. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

#### **RANKING OF EQUITY SHARES**

The Equity Shares to be issued shall, subject to the MoA, rank *pari passu* with all respects to the existing Equity Shares of the Company except the lock-in provisions applicable as per SEBI Guidelines in respect of existing Equity Shares as mentioned in the "Notes to Capital structure".

#### **MARKETABLE LOT**

In terms of section 68B of the Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares is in dematerialized mode, the tradable lot is one equity share.

## NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of the death of sole Applicant or in case of joint Applicants, death of all the Applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed Form available on request at the Registered Office of the Company or at the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may, at any time, give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

## PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Prospectus and Application Forms

The Memorandum, Form 2A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office of the Company, Lead Managers to the Issue, Registrar to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.

Application may be made by

(a)	Indian nationals resident of India who are adult individuals in single name or joint names (not more than three)
(b)	Hindu Undivided Families through the Karta of the Hindu Undivided Family
(c)	Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
(d)	Indian Mutual Funds registered with SEBI
(e)	Indian Financial Institutions & Banks
(f)	Venture Capital Funds / Foreign Venture Capital investors registered with SEBI
(g)	State Industrial Development Corporation
(h)	Insurance Companies registered with Insurance Regulatory and Development Authority;
(i)	Provident Funds with minimum corpus of Rs.25 Crore;
(l)	Pension Funds with minimum corpus of Rs.25 Crore;
(m)	Trusts who are registered under the Societies Regulation Act, 1860 or any other trust law and are authorised under its constitution to hold and invest in shares
(n)	Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from the Reserve Bank of India
(o)	Permanent and regular employees of the Company
(p)	Non-Resident Indians (NRIs) on a repatriable/ non-repatriable basis
(q)	Foreign Institutional Investors (FIIs) on a repatriable/non repatriable basis

**Applications can not be made by**

- a) Minors
- b) Foreign Nationals (except NRIs)
- c) Overseas Corporate Bodies (OCBs)
- d) Partnership firms or their nominees

**Subscription by NRIs/ FIIs**

The Company has made an application to the RBI for the Issue of Equity Shares to NRIs/FIIs with repatriation benefits. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation and separate Application Form for NRIs and FIIs and all NRI and FII applicants will be treated on the same basis with other categories for the purpose of allotment.

The allotment of the Equity Shares to Non-Residents shall be subject to the FIPB/ RBI approval or any other requisite permission as may be necessary.

**A. GENERAL INSTRUCTIONS**

1. Applications must be made in the prescribed Application Form and completed in Full in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form and are liable to be rejected if not so made.
2. The application for Equity Shares should be for a minimum of [●] Equity Shares and in multiples of [●] shares thereafter. An applicant in the public category can make an application only for a maximum of Equity Shares that are offered to the public.
3. Thumb impressions and signatures other than in English/ Hindi or any other language specified in the 8<sup>th</sup> Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.
4. Bank Account Details of Applicant:  
The name of the Applicant's Bank, type of account and account number must be filled in the Application Form. This is required for the Applicants' own safety and these details will be printed on the Refund Orders, if any. Applications without these details would be treated as incomplete and are liable to be rejected.
5. **Applications under Power of Attorney:**  
In case of applications under Powers of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of Trusts, Provident Funds, Superannuation Funds, Gratuity Funds, a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the Application Form, indicating the serial number of the Application Form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

**6. PAN/ GIR Number**

Where an application is for a total value of Rs. 50,000 or more, the Applicant or in case of applications in joint names, each of the Applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box

provided for the purpose in the Application Form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

**7. Joint Applications in the case of individuals**

Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the HUF and will be treated at par with individual applications.

**9. Multiple Applications**

An Applicant should submit only one Application Form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first Applicant is one and the same.

In case of application by Mutual Funds, a separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications.

A separate single cheque/draft must accompany each Application Form.

**10. Stockinvest**

Investors will not have the facility of applying through Stockinvest instrument, as RBI has withdrawn the Stockinvest scheme vide notification No.DBOD.NO.FSC.BC.42/24.47.001/2033-04 dated 5.11.2003.

**Note:**

Applicants are requested to write their names and the serial number of the Application Form, on the reverse of the instruments, by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.

Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant Bank Certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

**For further instructions, please read the Application Form carefully.**

**B. PAYMENT INSTRUCTIONS (For Resident investors)**

1. Payment shall be made only by way of cash or cheque/ demand draft (money/ postal orders will not be accepted) drawn on any Bank, including a Co-operative Bank which is situated at and is a member or sub-member of the Banker's clearing-house located at the place where the Application Form is submitted, i.e. at designated collection centres.
2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.
3. All cheques/ demand drafts accompanying the Application Form should be payable in the name of "Dwarikesh – Public Issue" and crossed "A/C payee only".
4. If the amount payable on application is Rs. 20,000 or more, such payment must be effected only by way of an account payee cheque/ or Bank Draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money refunded without any interest.

## **PAYMENT INSTRUCTIONS (For NRIs/FIIs on a repatriable basis)**

Application made by NRIs

1. Application should be made only
  - i. in the names of individuals or in the names of FIIs but not in the names of minors, firms, partnerships, OCBs, foreign nationals or their nominees.
  - ii. with remittances from abroad for the amount payable on application per share through approved banking channels or out of funds held in Non-Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts maintained with Banks authorised to deal in foreign exchange in India, along with the Certificate from the Bank issuing the draft confirming that the draft has been issued by debit to NRE / FCNR account.
2. Applications for the NRI category can be obtained from the Corporate Office of the Company at 511, Maker Chambers V, Nariman Point, Mumbai – 400 021, or from the Lead Manager or Registrar to the Issue.
3. The allotment of Equity Shares to NRIs shall be subject to RBI approval or any other requisite authority as may be necessary under the existing Exchange Control Regulation. The sale proceeds of such investment in Equity Shares by NRIs will be allowed to be repatriated along with the income thereon, subject to instructions from RBI then in force and subject to Indian Tax Laws, provided that the investments are made by inward remittance from abroad through approved banking channels or out of funds held in NRE / FCNR accounts maintained with a Bank in India.
4. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of Bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
5. All cheques / Bank drafts accompanying the Application Form must be made payable to the "Dwarikesh - Public Issue- NRI" and crossed "Account Payee only".

**FOR FURTHER INSTRUCTIONS REGARDING APPLICATIONS FOR THE EQUITY SHARES, INVESTORS ARE REQUESTED TO READ THE APPLICATION FORM CAREFULLY.**

### **SUBMISSION OF COMPLETED APPLICATION FORMS:**

All applications duly completed and accompanied by cash/ cheques/ demand drafts/ shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Applications should NOT be sent to the office of the Company, the Lead Managers to the Issue. Application Forms along with Bank drafts payable at Mumbai can also be sent by registered post with acknowledgement due to the Registrars to the Issue, Intime Spectrum Registry Limited so that the same can be received before the closure of the subscription list.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application Form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrars as detailed above and not otherwise.

For further instructions, please read the Application Form carefully.

## **ACCEPTANCE OF APPLICATIONS**

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Registered Post to the applicant. If the Application Form is accepted in part, the excess application money will be refunded to the Applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

## **BASIS OF ALLOTMENT:**

In the event of public Issue of Equity Shares being over-subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size, i.e. [●] shares as explained below:

1. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Equity Shares of or for a value of not more than Rs.50,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines.
2. The balance of the net Issue to Indian public shall be made available to investors including Corporate Bodies/Institutions and individual Applicants who have applied for allotment of Equity Shares for a value of more than Rs.50,000/-.
3. The Unsubscribed portion of the net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each Applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the Application Forms where the proportionate allotment works out to less than [●] shares per Applicant, the allotment shall be made as follows:
  - i. Each successful Applicant shall be allotted a minimum of [●] shares; and
  - ii. The successful Applicants out of the total Applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (5) above.
8. If the proportionate allotment to an Applicant works out to a number that is more than [●] but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and If that fraction is lower than 0.50, the fraction shall be ignored.
9. All Applicants in such categories shall be allotted shares arrived at after such rounding off.
10. If the shares allocated on a proportionate basis to any category is more than the shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful Applicants in that category.



11. The balance shares, if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
12. The process of rounding off to the nearest integer subject to a minimum allotment being equal to [●], which is the minimum application size in this Issue, may result in the actual allotment being higher than the shares offered. However, it shall not exceed 10 % of the net offer to public.

### **DESPATCH OF REFUND ORDERS**

The Company shall ensure despatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting and refund order over the value of Rs.1500/- by Registered Post only. The Company would also make available adequate funds to the Registrars to the Issue for this purpose.

### **EQUITY SHARE IN DEMATERIALISED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Share of the Company can be held in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the Statement issued through electronic mode).

Successful allottees in this Issue will be compulsorily allotted Equity Shares in dematerialised form. In this context, two tripartite agreements have been signed between the Company, the Registrar to the Company and the Depositories:

1. An Agreement dated September 12, 2000 between the Company, NSDL and Mondkar Computers Private Limited, Registrar to the Company; and
2. An Agreement dated September 15, 2000 between the Company, CDSL and Mondkar Computers Private. Limited, Registrar to the Company.

All investors can seek allotment only in dematerialised mode. However, an investor will have an option to hold the shares in physical form or demat form. After the allotment in the proposed Issue, allottees may request their respective DPs for rematerialization of shares if they wish to hold shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected.

1. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
2. The Applicant must necessarily fill in the details (including the Beneficiary Account no. and DPs ID no.) in the Application Form.
3. Equity Shares allotted to an applicant in the electronic account will be credited directly to the respective Beneficiary Accounts (with the DP)
4. Name(s) in the share Application Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
5. The Registrar to this Issue will directly send non-transferable Allotment Letters/ Refund Orders to the Applicant.
6. Application will be liable to be rejected if incomplete or incorrect details are given under the heading 'Request for shares in electronic form' in the Application Form.
7. The applicant is responsible for the correctness of the Applicant's demographic details given in the Application Form vis-à-vis those with his/ her DP.

8. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. Both the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
9. Trading in the Equity Shares of the Company would be in only dematerialised form for all investors.

#### **UNDERTAKING BY THE COMPANY:**

The Company undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
- c. that the funds required for dispatch of Refund Orders/Allotment Letters/ Certificates by registered post shall be made available to the Registrar to the Issue by the Company;
- d. that the Certificates of the Equity Shares/Refund Orders to NRI applicants shall be dispatched within specified time;
- e. that no further Issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

#### **UTILISATION OF ISSUE PROCEEDS**

The Board certifies that -

- a. All monies received out of the Issue of Equity Shares to the public shall be transferred to a separate Bank Account other than the Bank Account referred to in sub-section (3) of Section 73 of Act, 1956;
- b. Details of all monies utilized out of this Issue referred to in item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such monies had been utilized;
- c. Details of all unutilized monies out of this Issue of shares, if any referred to in item (a) shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the manner in which such unutilized monies have been invested;
- d. The utilization of monies received under Promoters' contribution and reservations shall be disclosed under an appropriate head in the Balance Sheet of the Company indicating the purpose for which such monies have been utilized; and
- e. The details of all unutilized monies, out of the funds received under Promoters contribution and reservations, shall be disclosed under a separate head in the Balance Sheet of the Company indicating the manner in which such unutilized monies have been invested;

#### **TAX BENEFITS TO THE COMPANY AND ITS MEMBERS**

M/s Sharp & Tannan, Chartered Accountants and the Auditors of the Company, have certified vide their letter dated September 01, 2004 that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to the Company and the members

##### **A. TO THE COMPANY**

The Company will be entitled for the following tax benefits in computing the Taxable Income under the Provisions of the Income Tax Act, 1961 (The Act).

1. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.

2. Subject to compliance of certain conditions laid down in section 35 (1) (iv) of the Act, in respect of any capital expenditure incurred other than the expenditure incurred on the acquisition of any land, on scientific research related to the business of the Company, to the extent of expenditure incurred.
3. The Company is eligible for a 100% deduction u/s 80 IA of the Act in respect of profits from Power Generation Unit of the Company up to the Assessment year 2013 - 14
4. The Company is presently liable to pay Income Tax on the Book profits Computed as per Section 115 JB of the Act.
5. The Company is eligible for amortisation of preliminary expenses being the expenditure on public issue of share under Section 35D (2) (c) (iv) of the Act, subject to limits specified in sub section (3).

**B. TO THE MEMBERS OF THE COMPANY**

1. As per the provisions of section 112 of the Act, long term capital gains that are not exempt under the proposed section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge). The Finance (No. 2) Bill, 2004 propose to levy an additional surcharge ('Education Cess') at the rate of 2 percent of such tax and surcharge. However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and Cess) as per the Finance (No. 2) Bill 2004.
  - a. Finance (No. 2) Bill 2004 has proposed to exempt long term capital gains tax w.e.f. 1<sup>st</sup> April 2004, in case of securities listed on recognized stock exchange and held for more than 12 months. In case of short term capital gains, the tax rate has been proposed to be reduced to 10%
  - b. As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under the proposed section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax, to the extent such gains are invested in acquiring Equity Shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of Equity Shares which satisfies the following conditions:
 

the issue is made by a public Company formed and registered in India; and

the shares forming part of the offer for subscription to the public.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED. However, there is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for the sale by the existing shareholders.
  - c. As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
  - d. Under Section 115AD of the Act, income received by Foreign Institutional Investor in respect of securities shall be taxed @ 20%. Income by way of Short Term Capital Gains arising from the transfer of such securities shall be taxed @ 30%. Income by way of Long Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%

- e. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after 1<sup>st</sup> April, 2003 is exempt in the case of all categories of assesses.

**C. ADDITIONAL BENEFITS AVAILABLE TO NON-RESIDENTS INDIANS**

Non-resident Indians have an option to be governed by the special provisions of Chapter XIIA of the Act according to which:

1. Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
2. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the IT Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115 H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.
3. Under Section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of chapter XII-A, then he will be entitle to tax benefits available to resident individuals.

**D. Mutual Funds**

Under Section 10 (23D) of the Act, all Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, mutual funds set up by public sector Bank or public Financial Institutions, or authorized by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government will be exempt from income tax on any income.

**E. Wealth Tax**

The Shares held in a Company are not liable to Wealth Tax under the Wealth Tax Act, 1957.

**F. Gift Tax**

The Gift Tax Act 1958, ceases to apply to gifts made on or after 1<sup>st</sup> October 1998. Gifts of shares of the Company would therefore, be exempt from Gift Tax.

#### 4. PARTICULARS OF THE ISSUE

##### OBJECTS OF THE ISSUE

1. To finance setting up refinery for manufacture of refined sugar.
2. To part finance setting up distillery for manufacturing Industrial Alcohol.
3. To finance the balancing equipments for the existing facilities.
4. To finance the long-term working capital requirements.
5. To meet the expenses of the Issue.
6. To list the Equity Shares of the Company on the Stock Exchanges.

The main Objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

##### COST OF PROJECT AND MEANS OF FINANCE

The cost of the project and means of finance as per the appraisal report of UTI Securities Limited dated September 09, 2004 :

##### COST OF PROJECT:

Rs. In lacs							
Sr. No.	Particulars	Setting up of Refinery	Setting up of Distillery	Balancing Equipments	Pouch packing project	Public Issue Expenses	Total
1	Building and Civil works	100.00	465.00	205.00	--	--	770.00
2	Plant & Machinery	560.00	557.00	1019.00	60.00	--	2196.00
3	Utilities & Misc. Fixed Assets	--	95.00	291.00	--	--	386.00
4	Preoperative expenses	--	61.00	--	--	--	61.00
5	Public Issue Expenses	--	--	--	--	270.00	270.00
6	Contingencies	20.00	22.00	125.00	--	--	167.00
	<b>Total</b>	<b>680.00</b>	<b>1200.00</b>	<b>1640.00</b>	<b>60.00</b>	<b>270.00</b>	<b>3850.00</b>

##### MEANS OF FINANCE:

Particulars	Amount (Rs. In Lacs)
Public Issue	3250.00
Term loan from – For Distillery Project	600.00
<b>Total</b>	<b>3850.00</b>

Punjab National Bank (PNB) has sanctioned Term Loan of Rs.600 lacs for Distillery project.

Pending utilization in the project, the proceeds of the Issue will be invested in Bank Deposits and/or Gilt edged Government Securities, either directly or through Government Security based funds.

##### APPRAISAL:

The project has been appraised by UTI Securities Limited for the purpose of the IPO of Equity Shares; vide appraisal report dated September 09, 2004, which forms part of the "Material Documents".

## DEPLOYMENT OF FUNDS IN THE PROJECTS

The Company has incurred an expenditure of Rs. 330.79 lacs as on 31<sup>st</sup> July 2004 in the proposed Industrial Alcohol Project. The Fund deployment in the Project and its Means of Finance have been certified by M/s Sharp & Tannan, Auditors of the Company vide their certificate dated September 01, 2004. The details are given below:

Deployment of Funds	Rs. Lacs
Building and Civil works	215.79
Plant & Machinery	115.00
<b>Total</b>	<b>330.79</b>

Sources of Funds	Rs. Lacs
Internal Accruals	330.79
<b>Total</b>	<b>330.79</b>

The year wise break up of proposed deployment of fund is mentioned hereunder:

Rs. in lacs						
Capital Expenditure	Already Incurred	FY 2004-05 (October 2004- September 2005)				Total
		1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.	
Building and Civil Works	215.79	263.38	232.50	68.33	--	780.00
Plant & Machinery including Contingencies	115.00	600.80	323.00	382.15	932.05	2353.00
Utilities & Misc. Fixed Assets	--	--	45.00	50.00	291.00	386.00
Preoperative expenses	--	40.00	21.00	--	--	61.00
Public Issue Expenses	--	270.00	--	--	--	270.00
<b>Total</b>	<b>330.79</b>	<b>1174.18</b>	<b>621.50</b>	<b>500.48</b>	<b>1223.05</b>	<b>3850.00</b>

The Issue proceeds would be used to meet all or any of the uses of the funds mentioned above. The Project is proposed to be financed from the proposed Public Issue. Dwarikesh undertakes to meet the shortfall, if any, in the funds raised through the Issue from the internal accruals. If there is any surplus amount, the same will be used to repay the existing loans availed from the Banks/ Financial Institutions.

Pending the deployment of funds towards the objects of the Issue, the funds would be deployed in liquid debt instruments, inter-alia, comprising fixed deposits, mutual fund schemes and government securities. Such investments would be authorised by the Board or a Committee thereof, duly empowered in this regard.

## 5. DETAILS ABOUT THE COMPANY:

### History & Background of the Company

The Company was originally incorporated as Dwarka Sugar Limited vide certificate of incorporation no. 11-74815 dated November 1<sup>st</sup> 1993 with Registrar of Companies, Maharashtra at Mumbai and received the Certificate for commencement of business on November 24<sup>th</sup> 1993. The name of the Company has been changed to Dwarikesh Sugar Industries Limited on April 18<sup>th</sup> 1994. The registered Office of the Company has been changed from the State of Maharashtra to the State of UP, confirmed by an Order of Company Law Board (Western Region) Bench, Mumbai dated June 23<sup>rd</sup> 1995. In this regard, Dwarikesh has received Certificate of Registration bearing no. 20-18642 dated August 31<sup>st</sup> 1995 from Registrar of Companies, UP at Kanpur.

The Company has been promoted by Mr. Gautam R Morarka with the main object of carrying on the activity of production of sugar and sugar related activities. The Company commenced its commercial production on December 5, 1995 by setting up a 2500 TCD Sugar plant in the sugar rich belt of Uttar Pradesh at Bundki village in Bijnor District. The Company has been raising its crushing capacity every year and the same has since been increased to 6500 TCD. The Company produced 3.83 lacs quintals of sugar during 1995-96 with a recovery of 9.95%, which has been continuously increasing and it achieved a production of 7.81 lacs quintals with a recovery of 10.39% during FY 2003-04.

The sugar industry is stuck with regulations on the pricing of sugar cane. Due to this, the manufacturers do not have any control over the major cost component of sugar. They can achieve better profitability either by controlling other cost components like power, labour etc. and better efficiency in the production. Dwarikesh has 9 MW Power plant which takes care of its requirement of Power and excess Power is supplied to the UP state power grid. On the production efficiency front, the Company has been consistently achieving higher recovery percentage as detailed below:

Region	Seasons							
	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
East UP	9.60	9.10	9.55	9.36	8.73	9.33	9.02	8.42
West UP	9.80	9.75	9.35	9.60	9.38	9.89	9.67	8.92
Central UP	9.40	9.25	10.20	9.13	8.92	9.47	9.33	8.72
All India	10.50	10.35	10.50	10.20	9.87	9.95	9.90	9.42
<b>Dwarikesh</b>	<b>10.20</b>	<b>10.21</b>	<b>10.32</b>	<b>9.90</b>	<b>9.61</b>	<b>10.28</b>	<b>10.26</b>	<b>9.95</b>

( Source: ISMA – Indian Sugar Mills Association)

Due to better cost management and higher sugar recoveries, the Company has been able to maintain a sustainable growth. The Company's total income has grown from Rs. 4684.7 Lacs in FY 1996 to Rs. 11784.30 lacs in FY 2003 and its Net profit grew from Rs. 44.7 lacs in FY 1996 to Rs. 205.93 lacs in FY 2003. The total income of the Company for 10 months period ended July 31, 2004 is Rs. 12393.36 lacs and net profit is Rs.861.57 lacs. As at July 31, 2004, the networth of the Company was Rs. 3859.19 lacs.

During the current fiscal, the Company has started implementing the Expansion of Co-gen power plant capacity from 9 MW to 17 MW and setting up of 30 KLPD distillery for manufacture of Industrial Alcohol (Ethanol).

**Major events in the history of the Company is given below:**

<b>Year</b>	<b>Event</b>
1993	<ul style="list-style-type: none"> <li>• Incorporation of the Company in the name of Dwarka Sugar Limited</li> </ul>
1994	<ul style="list-style-type: none"> <li>• Change of name to Dwarikesh Sugar Industries Limited</li> </ul>
1995	<ul style="list-style-type: none"> <li>• Setting up of 2500 TCD sugar plant</li> <li>• Commencement of Commercial production</li> </ul>
1996	<ul style="list-style-type: none"> <li>• Expansion of capacity to 3500 TCD</li> </ul>
1997	<ul style="list-style-type: none"> <li>• Payment of maiden Dividend of 10%</li> </ul>
1999	<ul style="list-style-type: none"> <li>• Expansion of capacity to 4000 TCD</li> </ul>
2001	<ul style="list-style-type: none"> <li>• Expansion of capacity to 5000 TCD</li> <li>• Bought back 25.20 Lac shares at Rs.40 per share</li> </ul>
2002	<ul style="list-style-type: none"> <li>• Setting up of 9 MW power plant</li> </ul>
2003	<ul style="list-style-type: none"> <li>• Sold Power worth Rs.183 Lacs to UP State Grid</li> </ul>
2004	<ul style="list-style-type: none"> <li>• Commencement of implementation of following projects: <ul style="list-style-type: none"> <li>a. Expansion of capacity to 6500 TCD</li> <li>b. Expansion of Co-gen power plant from 9 MW to 17 MW</li> <li>c. Setting up of 30 KLPD distillery for manufacture of Industrial Alcohol</li> </ul> </li> </ul>

### **Main Objects of the Company**

The objects of the Company as given in MoA inter alia provides the following:

- (i) To purchase, manufacture, produce, boil, refine, prepare, import, export, sell and generally to deal in sugar, sugar-candy, jaggery, sugar-beet, sugar cane, molasses, syrups, melada, alcohol, spirits and all products or by-products thereof.
- (ii) To generate, acquire by purchase in bulk, develop and accumulate electrical power at the place or places contemplated by the said License and to transmit, distribute and supply such power throughout the area of supply and generally to generate, acquire by purchase in bulk, develop and accumulate power at any place or places and to transmit, distribute and supply such power.

The main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

### **Changes in the Memorandum of Association of the Company**

Since Incorporation of the Company, the following changes have been incorporated in the Memorandum, after approval of the Members.

#### **a. Increase in Authorised capital**

<b>Particulars</b>	<b>Date of the Meeting</b>	<b>Type of Meeting</b>
Authorised Share Capital of the Company increased from Rs.100,00,000/- (Rupees one hundred lacs only) to Rs. 2400,00,000/- (Rupees two thousand four hundred lacs only)	24 <sup>th</sup> August, 1994	EGM
The Authorised Shares Capital of the Company is Rs. 2400,00,000 (Rupees two thousand four hundred lacs only) divided into 225,00,000 (Two hundred and twenty five lacs only) Equity Shares of Rs. 10/- each & 1,50,000(One lac fifty thousand only) Redeemable Cumulative Preference Share of Rs. 100/- each	17 <sup>th</sup> August, 1998	EGM



The Authorised Share Capital of the Company is Rs. 2400,00,000 (Rupees two thousand four hundred lacs only) divided into 125,00,000 (One hundred and twenty five lacs only) Equity Shares of Rs. 10/- each & 1,50,000 (One lac fifty thousand only) Cumulative Redeemable Preference Shares of Rs. 100/- each (Series - I) and 10,00,000 (Ten lacs only) Preference Shares of Rs. 100/- each (Series - II)	28 <sup>th</sup> 2000	March,	6 <sup>th</sup> AGM
The Authorised Share Capital of the Company is Rs. 2400,00,000 (Rupees two thousand four hundred lacs only) divided into 175,00,000 (One hundred and seventy five lacs only) Equity Shares of Rs. 10/- each & 1,50,000 (One lac fifty thousand only) Cumulative Redeemable Preference Shares of Rs. 100/- each (Series - I) and 5,00,000 (Five lacs only) Preference Shares of Rs. 100/- each (Series - II)	29 <sup>th</sup> 2004	March,	EGM
The Authorised Shares Capital of the Company is Rs. 2400,00,000 (Rupees two thousand four hundred lacs only) divided into 350,00,000 (Three hundred and fifty lacs only) Equity Shares of Rs. 5/- each & 1,50,000 (One lac fifty thousand only) Cumulative Redeemable Preference Shares of Rs. 100/- each (Series - I) and 5,00,000 (Five lacs only) Preference Shares of Rs. 100/- each (Series - II)	22 <sup>nd</sup> 2004	May,	EGM
The Authorised Share Capital of the Company is Rs. 24,00,00,000 (Rupees two thousand four hundred lacs only) divided into 175,00,000 (One hundred and seventy five lacs only) Equity Shares of Rs. 10/- each and 1,50,000 (One lac fifty thousand only) Cumulative Redeemable Preference Shares of Rs. 100/- each (Series - I) and 5,00,000 (Five lacs only) Preference Shares of Rs. 100/- each (Series - II)	20 <sup>th</sup> 2004	August,	EGM

**b. Details of changes in Object Clause**

Particulars	Date of the Meeting	Type of Meeting
<p>Clause C: Sub clause 65:</p> <p>To carry on business as manufacturers, importers, exporters and dealers in pulp, chip board, hardboard, strawboard, blackboard, card board, duplex board, mill board, grey board, paste board, synthetic board and all other kinds of pulp and board and paper of all kinds and all similar articles as substances and products made there from and their by-products and to do all such acts and things necessary for the purpose of ensuring continuous and adequate supplies of raw materials, stores, manufacturing ingredients and other articles and things to effectually carry on and maintain all the manufacturing business and other activities of the Company.</p> <p>Sub clause 66:</p> <p>To generate, acquire by purchase in bulk, develop and accumulate electrical power at the place or places contemplated by the said License and to transmit, distribute and supply such power throughout the area of supply and generally to generate, acquire by purchase in bulk, develop and accumulate power at any place or places and to transmit, distribute and supply such power.</p>	31 <sup>st</sup> 1997	March, 3 <sup>rd</sup> AGM

<p>Sub Clause:</p> <p>81. To carry on business as manufacturers, processors, refiners, extractors, exporters, importers and dealers in all types of chemicals, including basic chemicals, organic chemicals, inorganic and mixed chemicals and chemical fertilisers dyes, dyestuff and dyestuff intermediates, (all types of pesticides, including insecticides, fungicides, herbicides, weedicides) drugs and pharmaceuticals including biological and therapeutic preparations, hormones including plant growth activators and regulators and other articles and compounds, ingredients and products and other things of any description for use in connection therewith.</p> <p>83. To carry on the business of manufacturers of and dealers in chemicals products of any nature and kind whatsoever and as wholesale and retail chemists and druggists analytical chemists drysalters, oil and colourmen, importers, exporters, and manufacturers of and dealers in heavy chemicals, alkalies, acids, drugs tanin essences, and pharmaceutical, photographic, sizing preparations and articles of any nature and kind whatsoever, waxes natural and synthetic, industrial solvents and pasting agents extenders, rubber chemicals including vulcanisers, anti-oxidents, accelerators, reinforcing, agents, carbon, black silica, compounds, softeners, blowing agents and special chemicals substances, cements, oils, paints, plasticizers, and extenders, pigments and varnishes, compounds, drugs, dyestuffs, organic or mineral intermediates, makers of and dealers in proprietary articles of all kinds and of electrical, mechanical, chemical, photographic, surgical, and scientific apparatus and materials.</p> <p>85. To carry on the business of manufacturers and dealers of all kinds of plastics, materials, industry styrene, polystyrene, vinyl chloride, polyvinylchloride, polyethylene, polyoleifines, vinyl acetate and copolymers of one or more of the above and/or other products, acrylics and polyesters, polycarbonates, and polyethers and epoxy resins and compositions, silicon resins and compositions PF, UF and other thermo-setting resins and moulding compositions, nylons, rilsan, and similar thermoplastic moulding compositions, including prefabricated sections and shapes, cellulose plastic and other thermosetting and thermoplastic materials (of synthetic or natural origin) oxygen, nitrogen, hydrogen, halogens, hydrocarbon gases, including ethylene and acetylene, propylene, butanes and gualogues and allied types re-agents, agricultural chemicals, insecticides, fumigants, weedicides, pesticides, colouring materials, elastomers, gums, glues and adhesive compositions, plasticizers, surface, active agents, tanning agents, coating resins, drugs and pharmaceutical chemicals, solvents, marine chemicals, synthetic fibres, fertilisers and all types of industrial chemicals, acids, alkalies, hormones trace elements.</p> <p>87. To manufacture, deal in or process styrene, butadiene, ethylene, alcohol, petroleum fractions and other chemical substances of all kinds, to manufacture compounds, synthetics and other substances, basis, intermediate or other wise from chemical substances of all kinds.</p>	<p>30<sup>th</sup> 1999</p> <p>March,</p>	<p>5<sup>th</sup> AGM</p>
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**c. Details of changes in Registered Office**

<b>Particulars</b>	<b>Date of the Meeting</b>	<b>Type of Meeting</b>
Clause II of the Memorandum of Association for change of Registered office from the State of Maharashtra to the State of Uttar Pradesh	October 1, 1994	EGM

**PRESENT BUSINESS OPERATIONS**

The Company is presently engaged in the business of manufacture and sale of Sugar and Co-generation of power.

**Sugar Division**

The Company has sugar manufacturing facility in Bijnor district of UP. The present capacity of the plant is 6500 TCD. The Company manufactures and sells three grades of sugar viz. L 31, M 31 & S 31, made from white plantation sugarcane. There are other variants in these grades such as L 30, M 30 & S 30. The prefix "L" indicates "Larger grain size", "M" indicates "Medium Grain size" and "S" indicates "Smaller Grain size" and the suffix "31" or "30" indicates the whiteness of the sugar, where "31" is more white in colour than "30".

The Company sells sugar in Bulk to wholesalers / agents. However recently it has started selling its sugar in small pouches of 1 kg and 5 kgs in the retail market in Northern India. The Company's sugar is recognised in the market by the name "Bundki" which is the place where their factory is located or "Dwarikesh".

**Power Co-generation**

The Company is also engaged in Co-generation of Power. The Company has a Co-generation Power plant having capacity of 9 MW. The Company is using 7 MW for captive consumption in manufacture of Sugar and balance 2 MW is supplied to SEB viz. Uttar Pradesh Power Corporation Limited (UPPCL). During the crushing season 2002-03, the Company sold Power worth Rs.190 lacs to the SEB. The Company has undertaken an expansion of its co-generation capacity from 9 MW to 17 MW at a capital outlay of Rs.1100 lacs. The Project is appraised and funded by IDBI to the extent of Rs. 660 lacs. Further the Company has sought Term loan assistance of Rs. 330 lacs from SDF under the Central Government's guidelines to encourage power generation by sugar industries and balance of Rs.110 lacs is to be funded from internal accruals.

The Company has signed a Power Purchase Agreement (PPA) with UPPCL for supply of additional 6 MW power. Power supply to the SEB is expected to commence from November 2004.

**Industrial Alcohol (Ethanol)**

The Company is in the process of setting up 30 KLPD distillery for the manufacture of Industrial Alcohol at the present location. The Company would use molasses to produce 30,000 ltrs of Spirit every day and would convert the same in to 28,300 ltrs per day of absolute alcohol i.e. Industrial Alcohol.

The Government of India has made it mandatory for mixing of 5% Industrial Alcohol with Petrol in 9 states including Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, Punjab, Gujarat etc. Industrial Alcohol helps in reducing the pollution and saving the foreign exchange for the country.

## OUR PRESENCE

S. No.	Address	Description	Type of Property
1	Dwarikesh Nagar, District – Bijnor, Uttar Pradesh. (200 km. away from Delhi)	Sugar mill over 86 acre area Existing facilities: <ul style="list-style-type: none"> <li>Sugar mill having 6500 TCD capacity</li> <li>Power plant having 9 MW capacity</li> </ul>	Freehold
2	511 & 613, Maker Chamber V, Nariman Point, Mumbai – 400 021.	Corporate Office of the Company admeasuring 1000 sq. ft. (appx.) accommodating CMD, other functions like Finance & Accounts, Legal and Secretarial, Corporate affairs etc.	Leasehold (the agreement for lease with Morarka Finance Limited and Dwarikesh Trading Company Limited have not been duly stamped and registered)
3	B-104, Gulmohar Park, New Delhi – 110 049.	Branch office admeasuring 3000 sq. ft. (appx.) accommodating functions viz. liasoning, purchase.	Leasehold

## INSURANCE

The Company maintains insurance policies for its property, stockholding, computers and other equipments, policies towards insurance of vehicles, employees etc. The following are the main points of the policies as taken by the Company:

1. Significant area of risk of property and casualty is fire/ explosion in the Company.
2. As regards the property values in particular replacement values, the Sum Assured and declared by the Company has been accepted by the insurance Company, the New India Assurance Company Limited, National Insurance Company, HDFC Chubb General Insurance Company Limited & IFFCO-TOKIO.
3. The value of average stock holding has been insured for fire, flood, and storm and tempest.
4. Values are established as per standard costing practices adopted by their accounts department.
5. Insurance policies cover the risk against all electronics risk for computer & other equipment like laptops, portable projector, mobile phones etc.
6. Boiler & Pressure Plant Insurance policies cover the risk against explosion & implosion, buildings (within factory campus and other than factory campus) are insured against fire, RSMTD, STFI and earthquake.
7. Under motor cycle /scooter policy the insurance has been given to vehicles.
8. Private car policy insurance covers insurance for cars like maruti gypsy, opel astra, opel corsa, ford icon 1.3 flair, scorpio, honda crv, bolero GLX etc.

9. Insurance policy has also been made for vehicles like trucks and tractors for goods carrying commercial purpose.
10. The employees of the Company have been insured under the policy of the Personal Accident.
11. There is no pending litigation relating to any insurance matter.

## **EMPLOYEES**

Dwarikesh's total employee strength is 651 out of which 621 are employed at the Plant site at Dwarikesh Nagar. The breakup of employees is given as under:

<b>Description</b>	<b>Factory</b>	<b>HO and other locations</b>	<b>Total</b>
Management	109	16	125
Staff	247	14	261
Labour	265	-	265
<b>Total</b>	<b>621</b>	<b>30</b>	<b>651</b>

In addition, during the peak season the Company employs around 200 contract labour through local contractors for the purposes of loading of sugar, maintaining Green belt and Security. As there are several sugar factories in the vicinity, the Company does not find a problem in finding suitable staff/labour from the neighboring villages.

The details of the different classes of employees are as under:

1. Permanent Employees: Employees of this category are employed during the whole year.
2. Seasonal: This category is a unique feature of the Sugar Industry. Employees of this category remain on duty during crushing season and for off-season they are being paid an allowance called as retaining allowance with different rates as mentioned below. These employees can be called during off-season also. These employees are entitled to all benefits admissible to other regular employees.
3. Temporary Employees: Employees of this category are like seasonal employees. The only difference is that they are not entitled to "Retaining allowance".
4. Trainees: Fresher are engaged for a specified period and on completion of the said period they may or may not be absorbed as Permanent/ Seasonal / temporary employees depending upon their performance during training period.

Some of the Company's workmen are represented by two labour Unions being Dwarikesh Sugar Mill Labour Association and Dwarikesh Employees Welfare Association, registered under the Indian Trade Unions Act, 1926 bearing Registration numbers 8997 of May 24, 2002 and 9002 of June 1, 2002 respectively. The Company has not had any strikes, lockouts or go-slow at any of its premises.

## **6. THE PROMOTERS & THEIR BACKGROUND:**

### **Mr. G.R. Morarka**



Mr. G.R. Morarka (Voters ID No. - CVR 1207265, Driving License No. MHO19013096) is the younger son of Late Shri Radheshyam R. Morarka, an eminent parliamentarian for over two decades. Mr. G. R. Morarka is a Commerce graduate from Bombay University and has also done ICWA (Inter) from the Institute of Cost and Works Accountants of India.

In April, 1988, he was appointed as the President in the family run M/s. Pampasar Distillery Limited ('PDL') and within a year he was elevated to the post of Managing Director. During his tenure as President and then as Managing Director of PDL, the Company witnessed good growth. Under his stewardship, not only production capacities were increased but process was also modernised and the Company was rated as one of the modern distilleries in the country. In 1991, PDL also made a successful maiden public Issue of Equity Shares. In view of decontrol of molasses and very strong competition from major players, Mr. G. R. Morarka disinvested his controlling interest in PDL during 1993 in favour of M/s. Shaw Wallace & Co., and invested the sale proceeds in setting up Dwarikesh.

Mr. G. R. Morarka set up Dwarikesh Sugar Industries Limited, in the year 1993-94. Under his astute leadership, a 2500 TCD sugar plant based on State of Art technology was set up in a record time of 14 months. The sagacity displayed by Mr. Morarka in tying up the funds requirement for setting up of the unit was remarkable. The working of Dwarikesh under his leadership has been impressive as the Company's sugar recovery from cane is higher as compared to the average sugar recovery in UP, its process losses are one of the lowest in the country, Production capacity has more than doubled within a span of 5 years and so has been the production.

## BOARD OF DIRECTORS

The Board of Directors of the Dwarikesh Sugar Industries Limited comprises of followings:

<b>Name, Age, Address, Designation and Occupation of the Directors</b>	<b>Other Directorships</b>
<b>Mr. G.R. Morarka (42 years)</b> <b>Chairman and Managing Director</b> Dwarikesh Nagar, Pin – 246 762 Tehsil. Nagina, Dist. Bijnor Uttar Pradesh. Occupation: Industrialist	Morarka Finance Limited Dwarikesh Sugarcane Research Institute (Sect. 25 Co.) Dwarikesh Trading Co. Ltd. Dwarikesh Samvad Limited
<b>Mr. Suresh Neotia (68 years)</b> <b>Director</b> 7/2, Queens Park Calcutta - 700 019. Occupation: Industrialist	RKBK Limited Balrampur Chini Mills Ltd. Ganpati Medical Institute (Sect. 25 Co.) Ambuja Educational Institute (Sect. 25 Co.) Gujarat Ambuja Cements Ltd. Boutique Hotels India Ltd Ambuja Cement Eastern Ltd. Ambuja Cements India Ltd. Ambuja Cement Foundation (Sec. 25 Co.)
<b>Mr. Vivek Saraogi (38 years)</b> <b>Director</b> 7/Lower Rawdon Street, Calcutta – 700 020. Occupation: Industrialist	Balrampur Chinni Mills Ltd. Riga Sugar Co. Ltd. Indian Sugar Exim Corporation Ltd.
<b>Mr. S.S. Vaidya (47 years)</b> <b>Director</b> Readymoney Mansion Veer Nariman Road Mumbai - 400 023. Occupation: Solicitor	Reliance Capital Asset Management Ltd. Prabhukripa Overseas Ltd <b>Partner</b> M/s. Kanga & Co.
<b>Mr. M.G. Diwan ( 73 years)</b> <b>Director</b> Flat No. 3, 1 <sup>st</sup> floor, Gulmohar Building Vile Parle (West) Mumbai - 400 056. Occupation: Management & Actuarial Consultant	G. M. Breweries Ltd. Welspun (India) Ltd. Marketing Research Corporation of India Ltd. VLS Finance Ltd. Datamatics Technologies Ltd. Srinidhi Chits & Invts (Mumbai) Ltd. [Now known as Sriram Chits (Maharashtra) Ltd. Kotak Mahindra Old Mutual Life Insurance Company Ltd Indian Institute of Public Opinion (Private) Ltd. Deepjyoti Insurance Consultancy & Services (Pvt) Ltd. GDA Trust Management (Private) Ltd. (now known as GDA Trustees Consultancy Pvt. Ltd.) DS Actuarial Education Services Pvt. Ltd.
<b>Mr. K.P. Medhekar (77 years)</b> <b>Director</b> Krishnanjali, Manorang Complex 21-B, Police Officers Society Versova, Mumbai – 400 061. Occupation: IPS [Retired]	Morarka Finance Limited – Mumbai India Sugar & Refineries Ltd. – Hospet The Shreyas Shipping Ltd. – Mumbai Ex-servicemen's Multipurpose Services (Pvt.) Ltd.-Nagpur
<b>Mr. Milind Vichare ( 47 years)</b> <b>IDBI – Nominee Director</b> D -23, Maker Kundan Garden, Juhu, Mumbai - 400 049. Occupation: Deputy General Manger[IDBI]	Nil

<b>Mr. L.N. Heda ( 51 years)</b> <b>Director</b> 401, Kamathiya Niketan Ram Mandir Road Bhayandar (West)Thane. Occupation: Service	Dwarikesh Agro-Products Pvt. Ltd. Dwarikesh Sugarcane Research Institute (Sect. 25 Co.)
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The brief profile of the members of the Board, other than the Promoters, is given below:

#### **Mr. Suresh Neotia**

Mr. Suresh Neotia is the Chairman of Gujarat Ambuja Cements Limited. The Company is rated as one of the finest cement Companies. He has won the Harvard Business School-Economic Times award for corporate excellence apart from many other awards in different fields. He is actively involved in the running of many social and cultural institutions in Calcutta and is also on the Managing Committee of some of them besides being a trustee of some charitable institutions engaged in philanthropic services.

#### **Mr. Vivek Saraogi**

Mr. Vivek K. Saraogi is an industrialist of repute and is the Managing Director of Balrampur Chini Mills Limited, one of the largest integrated sugar mills in India having presence in Balrampur, Tulsipur, Babhnan and Haidergarh, all in UP. He is renowned for his expertise in the sugar industry and has been the past President of Indian Sugar Mills Association.

#### **Mr. S.S. Vaidya**

Mr. S. S. Vaidya is an eminent advocate and has been associated with M/s. Kanga & Co. for the past several years. He has rich experience in legal matters on Company Law and Property Law. He has been advising the Company on legal matters.

#### **Mr. M.G. Diwan**

Mr. M. G. Diwan is the ex-Chairman and Managing Director of LIC of India, and is an eminent personality with a degree in Master of Science and also holder of fellowship of the Institute of Actuaries, London (F.I.A), Fellowship of the Actuarial Society of India, Mumbai, (F.A.S.I) and Fellowship of the Insurance Institute of India, Mumbai (F.I.I.I). He is presently a Management and Actuarial Consultant.

#### **Mr. K.P. Medhekar**

Mr. K. P. Medhekar is a retired IPS officer and former Director General of Police Maharashtra, Ex-Member of the Public Service Commission, Vice Chairman International Institute of Security and Management. He is the recipient of many awards including Police Medal, President's Police Medal, Kathin Sewa Padak with Bar, Eastern Star for Bangladesh War, Western Star, Indo Pak War and few others.

#### **Mr. Milind Vichare**

Mr. Milind Vichare is the Deputy General Manager of Industrial Development Bank of India and has been appointed as nominee Director of IDBI.

#### **Mr. L.N. Heda**

Mr. L.N. Heda is a postgraduate in commerce and has several years of experience in management. He oversees accounts and administration of the Company. He has been associated with Mr. Morarka for almost a decade. He has been giving valuable suggestions to the Board on various corporate matters from time to time.



There are no pending litigations, disputes, defaults/over dues to Financial Institutions/Banks and instances of non-payment of statutory dues by the Promoters and the Companies/firms promoted by the Promoters. There are no cases of pending litigations; disputes etc in respect of Companies with which the Promoters were associated in the past but are no longer associated and their names continue to be associated with any dispute/litigation/defaults etc. except those listed under para on "Outstanding Litigation or Default"

There are no pending proceedings initiated and penalties imposed in the past for economic offences against the Directors, Promoters, Companies and firms promoted by the Promoters.

## **CORPORATE GOVERNANCE**

### **BOARD OF DIRECTORS**

#### **Composition and Category**

The current policy is to have an appropriate mix of executive and independent Directors to maintain the independence of the Board. As on 30<sup>th</sup> September, 2003 the constitution of the Board was :

The Company has 8 Directors

<b>Name of the Director</b>	<b>Category</b>	<b>Terms of Retirement</b>
Shri G.R. Morarka	Chairman & Managing Director	31.03.2007
Shri S.S. Vaidya	Director	Retirement by rotation at AGM
Shri Vivek Saraogi	Director	Retirement by rotation at AGM
Shri M.G. Diwan	Director	Retirement by rotation at AGM
Shri K.P. Medhekar	Director	Retirement by rotation at AGM
Shri Suresh K. Neotia	Director	Retirement by rotation at AGM
Shri L.N. Heda	Director	Retirement by rotation at AGM
Shri Milind Vichare	Nominee Director - IDBI	At the discretion of IDBI till the time Loan is outstanding

#### **Composition of Audit Committees**

The Audit Committee of the Company comprises of four Independent Non-executive Directors. All these Directors possess knowledge of corporate finance, accounts and Company law. The Chairman of the Audit Committee is an independent non-executive director nominated by the Board. The role and terms of reference of the Audit Committee cover the matters specified in Section 292A of the Act, besides other terms as may be referred to by the Board. The Company Secretary acts as the Secretary to the Audit Committee.

The constitution of the Audit Committee was as follows:

1.	Shri M.G. Diwan	Non-executive Director
2.	Shri S. S. Vaidya	Non-executive Director
3.	Shri L.N. Heda	Director
4.	Shri K P Medhekar	Non-executive Director

### **Remuneration committee**

Besides the Audit Committee, in terms of the Section 292(A) of the Companies Act, 1956, the Remuneration Committee was formed on 22<sup>nd</sup> October, 2001.

The Remuneration Committee deliberates and decides on matters like the terms and conditions of appointment, remuneration and related matters of Managerial Personnel such as Managing Director, Executive Director & Directors etc.

The composition and names of the members of the Remuneration Committee are as under:

1.	Shri M.G. Diwan	Non-executive Director
2.	Shri S. S. Vaidya	Non-executive Director
3.	Shri L.N. Heda	Director

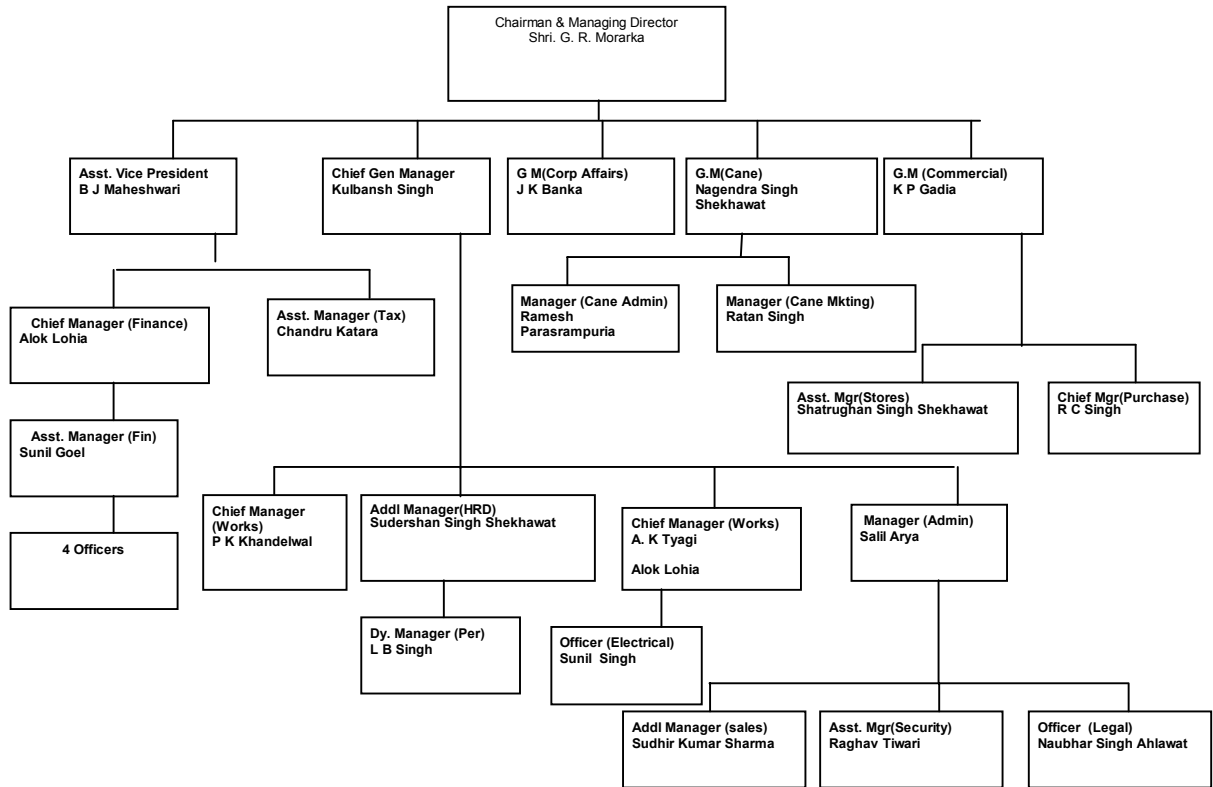
### **Shareholder's Committee**

A Share Transfer Committee was constituted to deal with various matters relating to share transfer/ transmission, issue of duplicate share certificates, approving the split and consolidation requests and other matters relating to transfer and Registration of shares.

The members of the committee are as under:

1.	Shri G R Morarka	Promoter Director
2.	Shri S. S. Vaidya	Non-executive Director
3.	Shri L.N. Heda	Director
4.	Shri K P Medhekar	Non-executive Director

## Organization Chart:



## 7. KEY MANAGERIAL PERSONNEL

Name & Age	Designation	Qualification	Details of previous employment	Overall Experience & Date of Joining	Remuneration (2003-2004) In Rs. lacs
Mr. G.R. Morarka – 42 yrs.	Chairman and Managing Director	B.Com, Inter ICWA	--	20 years 19-04-1994	3,15,000
Mr. Kulbansh Singh – 58 yrs.	Chief General Manager	B.E. (Mech), MBA	Govind Sugar Mills	34 years 04-09-2003	5,39,916
Mr. N.S. Shekhawat – 62 yrs.	General Manager (Cane)	B.Sc ANSI	--	31 years 24-12-2003	1,42,575
Mr. B.J. Maheshwari – 44 yrs.	AVP (Taxation) and Company Secretary	B.Com (Hons), FCA, FCS	--	20 years 01-10-1994	8,51,571
Mr. Jagdishkumar R. Banka – 47 yrs.	General Manager (Corporate Affairs)	B.Com (Hons), FCA	Ferro Alloys Corp Ltd	21 years 02-08-2004	**494,593
Mr. K.P. Gadia – 54 yrs.	General Manager (Commercial)	B.Com	Sekseria Biswan Sugar Factory Pvt Ltd	29 years 11-12-2003	2,54,853
Mr. A.K. Tyagi – 42 yrs	Chief Manager (Works)	B.E. (Mech), NSI, B.O.E.	U.P. Co-op Federation Ltd	18 years 19-11-1994	4,61,572
Mr. P.K. Khandelwal – 41 yrs.	Chief Manager (Manufacturing)	B.Sc ANSI	Balrampur Chini Mills Ltd	19 years 21-07-1995	4,54,402
Mr. A. Lohia – 43 yrs.	Chief Manager (Finance)	M.Com (Accts & Law)	Pace Marketing Specialization Ltd	22 years 23-06-2003	2,43,766

\*\* Joined on 2<sup>nd</sup> August 2004, estimated salary for the year 2004-05

### Brief profile of Key Managerial Personnel:

#### Mr. Kulbansh Singh

Mr. Kulbansh Singh has done his B.E. (Mechanical) and also holds a Diploma in Business Management from Bhartiya Vidya Bhawan, Mumbai. He has a rich and varied experience of 33 years in various industries, including sugar industry for 15 years. Prior to joining the Company he was working as Executive President of Govind Sugar Mills Limited, Aira (UP).

#### Mr. N.S. Shekhawat

Mr. N.S. Shekhawat has done B. Sc. (Agricultural) having experience of 31 years in cane activities. He is also the functional head of Cane Marketing, Cane development etc.

#### Mr. B.J. Maheshwari

Mr. B.J. Maheshwari graduated with Honours and is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He has rich and varied experience of 20 years in various capacities.

#### Mr. Jagdishkumar R Banka

Mr. Jagdishkumar R Banka graduated with Honours from Bombay University and is also a Fellow member of the Institute of Chartered Accountants of India. He has more than 21 years of rich and varied experience and is responsible for handling the financial and corporate affairs of the Company.

**Mr. K.P. Gadia**

He has done B.Com., C.A. (Inter) having experience of 21 years and he is looking after the commercial functions of the Company. Before joining this Company he was working as Dy. G.M. in Pratappur Sugar Ind. Ltd. Pratappur Deoria.

**Mr. A.K. Tyagi**

He has done B.E. (Mechanical Engineering) and holding Diploma of NSI has an experience of 18 years. Prior to joining this Company he was working as Asst. Engineer with UP Co-operative Sugar Federation, Lucknow. He looks after maintenance of the plant

**Mr. P.K. Khandelwal**

He has done B. Sc. ANSI from Kanpur and has an experience of 18 years in Sugar Companies. Prior to joining this Company he was working as Dy. Chief Chemist with Balrampur Chini Mills Ltd. Balrampur (UP). He is responsible for managing manufacturing process of sugar.

**Mr. A. Lohia**

He has done M.Com. and has an experience of 22 years. Prior to joining this Company he was working as Manager (Commercial ) with Jubilant group of Industries. He is handling financial activities at plant site

All the above employees are on the rolls of the Company as permanent employees.

**Share holding of Key Managerial Personnel of the Company**

<b>Name of the executive</b>	<b>Designation</b>	<b>No of shares</b>
Shri G.R. Morarka	Chairman & Managing Director	2513449
Shri B.J. Maheshwari	Asst. Vice President [Taxation] & Company Secretary	113
Shri Kulbansh Singh	Chief General Manager	100
Shri K.P. Gadia	General Manager [Commercial]	100
Shri P.K. Khandelwal	Chief Manager [Works]	113
Shri A.K. Tyagi	Chief Manager [Works]	113

**Changes in Key Managerial Personnel during last 3 years**

<b>Name</b>	<b>Designation</b>	<b>Date of Change</b>	<b>Change</b>
P.K.Jain	Manager (Finance)	01-Apr-02	Resigned
R.P.Sharma	Works Manager	27-May-02	Resigned
Brahma Prakash Dixit	GM ( Works)	07-Jun-02	Resigned
Ramlakhan Sahu	Chief Cane Manager	07-Jun-03	Resigned
V.K.Aggarwal	Supt. Chief Chemist	07-Jun-03	Resigned
Alok Lohia	Chief Manager (Finance)	23-Jun-03	Appointed
Pradeep Kumar Bhagat	Deputy General Manager	31-Aug-03	Resigned
Kulbansh Singh	Chief General Manager	04-Sep-03	Appointed
K P Gadia	GM ( Commercial)	11-Dec-03	Appointed
Nagendra Singh Shekhawat	GM - Cane	24-Dec-03	Appointed
V.S.Banka	AVP – Finance	19-Jul-04	Resigned
Jagdish Kumar Banka	GM – Corporate Affairs	02-Aug-04	Appointed

## 8. BRIEF DETAILS ABOUT THE PROJECT

The Company is embarking on a Capital Expenditure programs aggregating Rs. 3,850 lacs comprising:

1. Forward Integration - Setting up of 30 KLPD distillery for manufacture of Industrial Alcohol
2. Sugar Refinery having a capacity of 200 TPD for enhancing the product mix
3. Installation of Balancing Equipments to optimize section wise capacities for enhancing Packing facilities for packaging Grade M-31 sugar in 1 kg and 5 kg pouches
4. Productivity of sugar and other capital expenditure

The above capital expenditure program includes certain projects which would enable the Company to diversify into new product lines viz. Industrial Alcohol as the main product and Fusel Oil as the by product), enhance product mix (viz. Grade M-31 sugar in pouches for the up-market segment and refined sugar mainly to cater to institutional segment – FMCG, soft drinks, pharmaceuticals, etc.), optimize section wise capacities for enhancing the sugar production. These proposals would enable the Company to improve the range of products and would increase its revenues and earnings.

### 1. SETTING UP OF DISTILLERY:

The Company is currently working at a capacity utilisation of 77.12% and generates 29,398 tons of molasses which is presently being sold to the neighboring distilleries. In order to exploit the opportunities available for blending industrial alcohol with petrol and markets for other applications of industrial alcohol, the Company proposes to set up a 30KLPD (Kilo litres per day) distillery for the manufacture of industrial alcohol using molasses available from the sugar plant.

This project will require an additional investment of Rs.1200 Lacs. The detailed cost break-up for setting up the Project is provided below:

#### Land

The Company has allocated 13 acres within its sugar manufacturing premises adjacent to the boiler house. The proposed 30KLPD plant would use approx. 5 acres of land. A part of the balance land would be utilized for bio-composting system (approx 4 acres).

#### Building and structures

The Company has made arrangements with independent contractors for the proposed civil and structural works. The detailed break-up of the cost estimates is as under:

S. No.	Particulars	Amount (Rs. In Lacs)
1	Fermentation & Distillation section etc.	250.00
2	Composting Plant Civil work	115.00
3	Storage Tanks for molasses and finished products	100.00
	<b>Total</b>	<b>465.00</b>

#### Plant and machinery

The Distillery plant would mainly comprise of molasses storage tank, two continuous fermentation tanks, rectified spirit plant comprising analyzer, rectification, degassifier, aldehyde columns, absolute alcohol plant comprising molecular sieve column, evaporation/regeneration columns, condensers/coolers and associated utilities.

- 
- **Important Terms of Turnkey Supply arrangements**

The Company has entered into an Agreement with Praj Industries Limited., Pune ('Praj') on April 28, 2004 for the design, manufacture, supply, supervision of installation and commissioning of distillery

plant. The scope of supply of Praj includes fermentation plant, rectified spirit plant comprising analyzer, rectification, degassifier, aldehyde columns, absolute alcohol plant comprising molecular sieve column, evaporation/regeneration columns, condensers/ coolers and associated utilities.

The Company has entered into a separate Agreement with Pacecon Engineering Projects Limited., Bangalore ('Pacecon'), on June 25, 2004 an associate of Praj, for erection of equipment and auxiliaries (falling outside the scope of the contract with Praj), supervision of erection, coordination of all the site management activities.

It may be mentioned that Praj has supplied several distillery plants in the country and are leaders in this line of activity. It is reported that the distillery plants supplied by Praj (including Molecular Sieve technology for conversion of Rectified spirit into Absolute Alcohol) are operating satisfactorily.

Praj has also provided adequate guarantees for the quality and quantity of the Rectified spirit and Absolute alcohol. The fermentation efficiency is based on Total Reducing Sugar (TRS) content in molasses which is about 88% for a typical 45% TRS in the molasses.

### ***Payment terms***

For the design, supply and services, Dwarikesh would pay Praj Rs. 460 lacs as given under:

- 5% on signing
- 20% on submission of civil loading data, bar chart and submission of Bank guarantee of equivalent amount
- Balance 75% on pro rata basis along with a performance Bank guarantee equivalent to 5% of the contract value.

For the erection and supervision services, Dwarikesh would pay Pacecon Rs. 25 lacs in stages.

The list of Plant and machinery forming part of Turnkey Supply Arrangement is given as below:

<b>S. No.</b>	<b>Description</b>	<b>Number</b>	<b>Capacity</b>
1	Molasses Handling System		
	• Molasses receiving tank	1	1.7m <sup>3</sup>
	• Weighed Molasses tank	1	19.5m <sup>3</sup>
	• Molasses weighing system	1	2 MT
	• Pumps and accessories	Lot	-
2	Yeast Propagation system		
	• Yeast culture cells	3	0.17-7.5 m <sup>3</sup>
	• Pump, piping, valves, etc.	Lot	-
3	Fermentation system		
	• Fermentors	4	190 m <sup>3</sup>
	• Coolers, pumps, piping, etc.		
4	Yeast Propagation & recycling system		
	• Yeast activation cells	2	30m <sup>3</sup>
	• Broth mixers for yeast	1	
	• Pump, piping, valves, etc.		
5	CO <sub>2</sub> scrubbing and fermentation wash system		
	• CO <sub>2</sub> scrubber	1	
	• Wash holding tank	1	150m <sup>3</sup>
	• Pump, piping, valves, etc.		

6	Auxiliaries		
	• Air Blower, Air Filter, Dosing tanks, etc.	1 set	
7	Cooling water system		
	• Cooling tower	1	220m3/hour
	• Pump, piping, valves, etc.		
8	Distillation section		
	• Analyzer column	1	
	• Rectification cum exhaust column	1	
	• Degassifier column	1	
	• Aldehyde column	1	
	• Condensers	4	
	• Re Boilers	4	
	• Coolers	4	
	• Pre-heaters	3	
	• Tanks and vessels	7	
	• Pumps, valves, etc.		
	• Cooling water system	1	180m3/hour
9	Absolute Alcohol section		
	• Molecular Sieve beds	2	
	• Evaporation column	1	
	• Pre Heaters and Re Boilers	3	
	• Condensers and coolers	3	
	• Drums	2	
	• Pump, piping, valves, etc		
	• Cooling water system	1	90m3/hour

The above plant and machinery will be supplied by Praj as a part of Turnkey supply arrangement and there is no separate cost assigned for individual items.

#### Utilities and Misc. Fixed Assets

The Company proposes to incur Rs.95 Lacs for acquiring various Utilities and Miscellaneous Fixed Assets required for the distillery Project:

S. No.	Particulars	Amount (Rs. In Lacs)
1	Plant Electrification	50.00
2	Water treatment plant	8.00
3	Fire fighting Equipment	5.00
4	Laboratory Equipment etc.	25.00
5	Tube well	7.00
	<b>Total</b>	<b>95.00</b>



### Pre operative Expenses

The pre operative expenses are estimated as per details given below:

S. No.	Particulars	Amount (Rs. In million)
1	Interest on Term Loan	61.00
	<b>Total</b>	<b>61.00</b>

The Company has provided for Contingencies of Rs.22 lacs to meet unforeseen cost escalation.

### Present Status:

The Company has already entered into an agreement for the turnkey supply of the distillery unit with Praj in April 2004. The land for the distillery has already been identified and the site activities have begun. The civil works and site fabrication for the molasses receiving plant and fermentation tanks are in an advanced stage of implementation. Considering the progress in the design, detailed engineering and procurement schedule, the plant is expected to be ready by the end of February 2005. After allowing 4 weeks for mechanical testing and trial runs, the distillery unit would be ready for commercial production by March 2005.

The Company has submitted a detailed environment impact study to the Government of UP based on which it has received a letter of intent dated February 7, 2004, to manufacture 30klpd Absolute Alcohol from molasses within the existing premises. The Company has received a No Objection Certificate for the disposal of effluents emanating from the distillery.

### Proposed Implementation Schedule

The proposed schedule for the Project is as follows:

Activity	Commencement date	Completion date
<b>Building</b>		
- Finalisation of detailed Engineering	May 2004	Completed
- Civil works	May.2004	December 2004
<b>Plant &amp; Machinery &amp; Equipments</b>		
- Placement of Order	April 2004	September 2004
- Installation & Commissioning	June 2004	February 2005
Storage tanks	May.2004	January 2005
Utilities	July 2004	January 2005
Trial Run	February 2005	February 2005
<b>Commercial Production</b>	March 2005	--

## 2. SETTING UP OF REFINERY:

The Company is presently selling white plantation sugar, which is consumed widely. However, certain key industries such as fast moving consumer goods, confectionary manufacturers, soft drink manufacturers, pharmaceuticals, etc. would prefer to use refined sugar (which is sulphur free) for its applications. Refined sugar is being manufactured by other sugar Companies, namely Dhampur Sugar Industries Limited., Mawana Sugar Work, Simbhaoli Sugar Mills Limited. The Company proposes to enhance its product mix by setting up facilities for refined sugar within the existing premises.

The Company proposes to setup facilities to manufacture 200 TPD of refined sugar. This project will require an investment of Rs. 680 Lacs including contingencies of Rs.20 Lacs. The Company has obtained quotation from DIFTECH, Delhi in this regards for supply of Sugar refinery facilities on turnkey basis.

The Company is negotiating with DIFTECH, Delhi, for the design, detailed engineering, and supply of the refined sugar facilities. The supply arrangement with DIFTECH will be on a turnkey basis and will include Civil & Structural works and also supply of requisite Plant & Machinery.

The manufacture of refined sugar would be within the overall licensed capacity and hence no further consents are required.

### List of major plant & machinery, which will be supplied as part of turnkey arrangement.

S. No.	Description	Number
1	Raw Sugar Delivery	
	• Conveyor	1
2	Melter	
	• Melter	1
	• Pumps and screen	1
3	Melt Clarification	
	• Buffer tank	1
	• Reaction tank	1
	• Heater	1
	• Condensate tank	1
	• Stirring unit	1
	• Micronizer	1
	• Flocculator	1
	• Froth clarifier with scrapper and accessories	1
	• Clear Melt receiving tank	1
	• Dosing pumps	8
	• Dosing tanks	8
	• Automated melt clarification system	1
	• Compressors, pumps, valves, etc.	
4	Melt Filtration	
	• Deep Bed filter comprising pumps and tanks	1 set
	• Polishing filter comprising pumps and tanks	1 set

5	ION Exchange Resin Decolorization unit	
	• Acrylic resin columns	2
	• Styrene resin columns	2
	• Brine Filtration unit	1
	• Pumps and tanks	
6	Boiling house section	
	• Refinery pan	3
	• Decolorized liquor tank	2
	• Pans for Boiling and seedler	4
	• Pan condensers	1
	• Receivers	3
	• Crystallizers	1
	• Raw sugar pug mill	3
	• Magma mixer	1
	• Refined molasses tanks	4
	• Pumps, etc.	

### Proposed Implementation Schedule

The proposed schedule for the Project is as follows:

Activity	Commencement date	Completion date
<b>Building</b>		
- Finalisation of detailed Engineering	November 2004	December 2004
- Civil works	December 2004	February 2005
<b>Plant &amp; Machinery &amp; Equipments</b>		
- Placement of Order	December 2004	December 2004
- Installation & Commissioning	February 2005	July 2005
Utilities	March 2005	May 2005
Trial Run	September 2005	September 2005
<b>Commercial Production</b>	October 2005	--

### 3. BALANCING EQUIPMENTS

In order to cater to additional requirements including refined sugar and pouch sugar, the Company proposes to install certain balancing facilities within the existing manufacturing premises. As a result of the balancing scheme, the Company would be in a position to optimize section wise production facilities, improve productivity and thereby would be in a position to step up capacity utilization.

#### Land and Building

There is adequate space available for setting up the aforesaid balancing facilities within the existing premises.

Presently, the Company has housing colonies, a guest house and a dormitory located on either side of the sugar cane receiving section. The details of the colonies are as under:

Name of colony	Area	Guest house	Staff quarters
Ganga Vihar	9 acres	1	36
Yamuna Vihar	7 acres	-	135

Besides the above, the Company has a dormitory for about 400 persons. The Company presently provides accommodation for 256 employees out of its total number of 621 employees. The Company would need to provide accommodation for more employees who would be recruited for new project. The Company proposes to construct 19 nos. of quarters to accommodate some of these additional employees.

The break-up of cost estimates for buildings is as under:

S. No.	Particulars	Amount (Rs. In Lacs)
1	Sugar Godown-2 nos, cap. 1.25 lac bags each	125.00
2	Housing(Dormitory, C & Super H Type )	80.00
	<b>Total</b>	<b>205.00</b>

### Plant & Machinery

The Company proposes to install the following Plant & Machineries in this Unit:

S. No.	Particulars	Qty.	Amount (Rs. In Lacs)	Name of Supplier
1	Clarifier 40' dia	01	90.00	UHEC Saharanpur
2	Sulphur Burner- 01 no.	01	20.00	Digital Utilities N.Delhi
3	Zero Mill	01	320.00	Walchand Nagar Indst. Ltd . Mumbai
4	Bagasse handling system	01	25.00	M/s Siddiqui Belt, Khatauli
5	Wet Scrubber	02	45.00	SMB Engineers Mumbai
6	Vapour Cell 2000 m2	01	125.00	Mahashakti Engg. Gaziabad
7	Semi kestner 2500 m2	01	100.00	Mahashakti Engg. Gaziabad
8	Dust catcher	01	20.00	SMB Engg. Mumbai
9	Centrifugal machines for A massecuite	01	73.00	Krupp Engineering Works, Pune
10	Centrifugal machines for B and C massecuite	01	121.00	Krupp Engineering Works, Pune
11	Twin type Crystalliser for C massecuite having capacity of 600 ton	01	80.00	Miltech Engineers Muzaffar Nagar
	<b>Total</b>		<b>1019.00</b>	

The Company has provided for Contingencies of Rs.125 lacs on Plant & Machinery and Building and Civil works.

### Utilities and Misc. Fixed Assets

The Company proposes to incur Rs.291 Lacs for acquiring various Utilities and Miscellaneous Fixed Assets required for the balancing of existing sugar facilities:

S. No.	Particulars	Amount (Rs. In Lacs)
1	Cooling Tower 02 cells	50.00
2	D.M. water plant	40.00
3	EOT Crain cap. 25 tons with auxiliary crane	30.00
4	Upgradation of 20 TPH Boiler	125.00
5	PLC Control System- Boiler Automation	10.00
6	Fire Fighting Equipment	2.00
7	Tube Well	4.70
8	Computers	29.30
	<b>Total</b>	<b>291.00</b>

### Proposed Implementation Schedule

The proposed schedule for the Project is as follows:

Activity	Commencement date	Completion date
<b>Building</b>		
- Finalisation of detailed Engineering	October 2004	November 2004
- Civil works	November 2004	May 2005
<b>Plant &amp; Machinery &amp; Equipments</b>		
- Placement of Order	December 2004	December 2004
- Installation & Commissioning	July 2005	September 2005
Storage Tanks (Sugar Godown)	February 2005	August 2005
Utilities	July 2005	September 2005
Trial Run	September 2005	September 2005
<b>Commercial Production</b>	October 2005	--

## 4. POUCH PACKAGING PROJECT

The Company is presently selling white plantation sugar which is consumed widely. Presently, the Company has graders which classify the sugar into three grades which are blended and filled in bags. The Company has carried out test marketing for introduction of packed sugar in 1kg and 5kg pouches and has received encouraging response. The Company now proposes to install two packaging machine, one each for 1 for 1kg and 5kg packs. It is proposed to pack Grade M-31 sugar for this purpose. The packed sugar is proposed to be sold in up market segments through departmental stores, shopping malls and specialized agents. It is proposed to sell upto 1,500 TPA of white plantation sugar in packed form.

- **Land and Building**

There is adequate space available for setting up packing facilities within existing premises.

### Plant & Machinery

The following Plant & Machineries will be required :

Sl. No.	Particulars	Qty.	Amount (Rs. In Lacs)	Name of Supplier
1	Form Fill Seal Machine with Autowrap and Triple Head Electronic Weigh Filler including Erection and Installations	1 No.	60.00	Nichrome India Ltd., Pune
	<b>Total</b>		<b>60.00</b>	

### Proposed Implementation Schedule

The proposed schedule for the Project is as follows:

Activity	Commencement date	Completion date
<b>Building</b>		
- Finalisation of detailed Engineering	December 2004	December 2004
- Civil works	December 2004	January 2005
<b>Plant &amp; Machinery &amp; Equipments</b>		
- Placement of Order	January 2005	January 2005
- Installation & Commissioning	February 2005	February 2005
Trial Run	March 2005	March 2005
<b>Commercial Production</b>	March 2005	--

### PUBLIC ISSUE EXPENSES

The Company has estimated that an amount of Rs. 270 lacs would be incurred towards IPO expenses as detailed below:

Particulars	Amount (Rs. In Lacs)
Lead Managers / Registrars / Legal Advisor / Auditors Fees	34.00
Advertisement, Publicity, Conferences and other Marketing expenses	65.00
Printing & Despatch of Issue stationary, Postage of Refunds etc.	60.00
Brokerage & Underwriting Commission	96.00
Listing Fees, Stamp Duty, SEBI Fees and Miscellaneous Expenses	15.00
<b>Total</b>	<b>270.00</b>

## INFRASTRUCTURE FACILITIES

- **Land**

The Company has acquired 86 acres of land in the year 1994 to 1998 comprising the main plant and equipment for sugar production (41.6 acres), Cane Receiving yard (12 acres), Housing colonies and administrative block (16 acres) and Roads and green belt (16.4 acres).

The main plant area has adequate space for setting up the distillery (13 acres) and for enhancing godown area for storage of sugar and for the installation of balancing equipment within the production area.

- **Building and structures**

Factory building	Built-up area (acres)
Plant	7.21
Sugar Godowns	4.09
Plant Offices	0.11
Stores Godowns	0.32
ETP	2.59
Molasses tank	0.31
<b>Total</b>	<b>14.63</b>

- **Plant and machinery**

The major sections in the production process are Cane Receiving section, Cane handling and preparation, sugarcane milling, Raw juice treatment facility comprising juice heater, Juice sulphitation tank, Clarifier, Vacuum filters, etc; Evaporation and Boiling plant comprising 2 series of Evaporators (one having 6 evaporators and the other having 5 evaporators), Vacuum pan, Condensation plant; Cooling, Curing and Drying section comprising Vacuum crystallizers, Centrifugal station; Sugar Drier House comprising Hoppers, Sugar Graders, Weighing and Bag stitching machines. The plant has adequate storage facilities for molasses, packed sugar and intermediate storage tanks for raw juice, treated juice and other chemicals.

- **Utilities**

The utilities comprise mainly of steam and power plant comprising Boilers (4 nos.), Boiler feed water treatment, Turbines (3 nos.), Electric generators. Besides the plant has an Effluent Treatment Plant, 2 Bore wells, a workshop and a laboratory for testing sugarcane and other inputs and for measuring quality of all the products in the intermediate and final sections.

- **Water**

The Water used in the sugar plant could be categorized as follow:-

The cold water, which is required for cooling of machinery as well as for Cleaning is reclaiming & used over again by a proper Water System.

The water derived from sugar cane is consumed to a large extent in the subsequent operations in the factory. This water from the juice is to a large extent evaporated in the evaporators and the vapors from different bodies are condensed and produce condensate water. The best quality of condensate water is sent to boilers and condensate not fit for boilers is used at different stages in the sugar manufacturing process.

Consequently, the makeup water per day would be around 80 m<sup>3</sup> / hr.

**Available Water**

Existing capacity of Tube well (2 no) for existing Sugar Division	180m <sup>3</sup> / hr
Addition of Tube well for Distillery Division	120m <sup>3</sup> / hr
Addition of Tube well for Sugar & Refinery Division	120m <sup>3</sup> / hr
Total installed capacity	420m <sup>3</sup> / hr
Consumption of Water	
Consumption for exiting Sugar Division	90m <sup>3</sup> / hr
Additional requirement for balancing of sugar plant & Refinery	30m <sup>3</sup> / hr
Consumption for Distillery Division	120m <sup>3</sup> / hr
Total consumption	240m <sup>3</sup> /hr

**THE MANUFACTURING PROCESS**

Hand harvested cane is received at the mill gate. Cane is then weighed on the platform type weighbridges having the weight recording arrangement with linkage to the computers for recording the gross and net weights as also the price payable to the farmers. Unloading of Cane is done as follows:

- Cane received in Cart is unloaded directly into the cane carrier; and
- Canes received in tractor trolleys and truck is unloaded with the help of overhead travelling cranes.

The sugarcane is uniformly fed to the fibrizor to prepare the same for efficient milling. The prepared cane will then pass through the four milling tandem for the initial grinding. The juice extracted is strained and kush-kush separated from the juice is returned to the mill tandem. Bagasse from the last mill is conveyed, by means of a carrier system, as fuel to the boilers.

Crushed juice from the milling plant is mechanically screened. Double sulphitation process is followed for the manufacture of sugar in the unit. The juice is then sent to evaporators and is heated to about 70°C in rapid flow vertical juice heater. The heated juice is limed and sulphited in a continuous juice sulphiter. The treated juice is then heated to approximately 105 degree centigrade and made to enter a flash tank for the removal of gas and air before letting it into a continuous clarifier, where the settling of the mud floc takes place. Accumulated mud is separately withdrawn by gravity flow. Clear juice is withdrawn from the upper regions through the overflow box for further treatment.

Clarified juice from the clarifier is further heated to around 115°C in a plate heat exchanger, before being pumped for thickening. Vapour from the 2nd effect is used to heat the pans. A quintuple effect evaporator is used to effect final thickening of the juice into syrup. The syrup of approximately 60-65°C is further bleached by passing it through a continuous syrup sulphitation vessel and pumped to pan supply tanks at the pan floor.

A three boiling system with the use of true seeding method is used in the pans for complete exhaustion. The process of crystallisation is initiated in the pans, and is completed in the crystallisers. Air cooled crystallisers are used to handle proper crystallisation. After the mother liquor in the massecuite is exhausted to the optimum limit i.e. the maximum sugar from the mother liquor has been transferred to sugar crystals, the two constituents are separated in the centrifugals. The sugar is washed thoroughly with super heated wash in stages within the centrifugal baskets.

The sugar discharged from centrifugals is conveyed, dried and cooled by multi-tray hoppers. Sugar is screened in a grader so as to separate fine and lumps. Sugar is thereafter sack filled, stitched and conveyed to the sugar warehouse.

Molasses and Bagasse are the by products of the sugar plant. Besides, the unit also produces steam which is used to generate Power for captive consumption and supply to UPPCL grid. The recovery of sugarcane from molasses has been in the range of 10.20 to 10.39 % during the last four years and the TRS in molasses has been around 45%.



### **Steam Generation**

Four numbers bagasse fired water tube boiler are provided to meet the requirement of the factory process. The boiler is equipped with oil burners designed for 50% of steam capacity. The boiler is rated for an output of 70 tonnes of steam per hour operating pressure.

### **Power Generation**

Three 3MW Turbo Alternator are provided for the power requirement of the factory. In addition, one 250 KW diesel powered generation is provided for the power house. One transformer 500 KW to trap grid power is also provided to supplement the availability of power.

The sugar unit is self sufficient in power. The steam in the boilers is fed to turbines for the generation of power. Presently, the Company generates 9MW of power of which 2MW is supplied to UPPCL grid.

## **RAW MATERIAL PROCUREMENT**

### **Cane Area and Availability of Cane**

The Company is located in Village Bundki on Nagina-Najibabad Road in Bijnor District of Uttar Pradesh (U.P). It is surrounded by a number of sugar mills. The command area of Dwarikesh encompasses the following villages:

- Rajupura, Bundki, Hajipur, Akbarabad, Kiratpur, Kasaur, Kotwali, Bishnoiwala, etc.

The district of Bijnor is at the northern tip of the Indo-Gangetic plains and is part of agriculturally prosperous belt of U.P.

Abundant supply of water from river Ganges as also underground source of water have rendered the land very fertile. The command area of the Company receives on an average 1000 mm of rainfall every year. The temperature ranges from a maximum of 43-44 degree centigrade during summer to a minimum of 1-3 degree centigrade during winter

Command Area: Out of 45,500 hectares of cultivable land, nearly 48% land is under sugar cane cultivation. With rigorous efforts and various developmental activities, it is possible to increase the area under sugarcane cultivation by another 10%. With better crop management, there is a possibility to increase the yield per hectare. Efforts are on to encourage cultivation of early and improved varieties of sugarcane.

### **Cane Procurement**

The Cane procurement is responsible for procuring quality raw material and the activities are given as under:

- Cane Development
- Cane Marketing

### **Cane Development**

The Cane development department surveys the farms during the germination process and advises farmers on hoeing, weeding and irrigation to enable maximum yield. The Cane development department provides technical guidance to farmers regarding practices of pest control, disease control and soil fertility. Regular seminars and village meetings are conducted to provide information regarding new techniques and developments.

### **Cane Marketing**

The Cane Marketing personnel survey the farms during the months of May and June to assess the cane availability. Subsequently, the farmer-wise basic quota is determined based on past records. The Cane Marketing department liaises with the Office of the Cane Commissioners and the Cane Growers' Society

to agree upon the availability of cane. The Cane Marketing department also liaises with the Manufacturing department on a day to day basis and agrees upon the schedule of requirement of cane. The schedule is then communicated to the farmers. Based on the requirement, some quantity of cane is lifted at the loading points by the Company and certain quantities of cane are supplied directly by the farmers at the factory. On receipt of cane at the factory, quality and quantity checks are done and good quality cane is sent to the mills. The payment to the farmers is made on the basis of the quality of cane as determined by the number of nodes, etc. which would indicate the recovery. Accordingly, the suppliers would be paid on the basis of Statutory Minimum Price (SMP) which is again subjected to State Advisory Price (SAP) at the end of the season.

## **EFFLUENT TREATMENT**

The effluent that comes out from the sugar factory is rich in carbohydrates and is readily bio-degradable. This is treated both by anaerobic and aerobic processes. The treated effluents are reused for cooling or for land irrigation after suitable treatment.

The existing effluent treatment plant has a capacity to treat 2600 M3/ day of effluents. Presently, the quantity of effluents from existing sugar plant is estimated in the range of 550 to 650 M3/ day.

The estimated quantity of effluents from refinery plant will be in the range of 200-250M3/ day. The existing ETP is adequate to handle the effluent generated from sugar plant and refinery.

The incoming effluent from plant is having a BOD of 400- 800 Mg/litre. After treatment, through anaerobic and aerobic processes, its BOD comes down 15-25 mg/litre. The treated water is used for process.

## **EXISTING MARKETING AND SELLING ARRANGEMENTS**

Presently, 10% of the sugar produced is released to the Government as levy sugar. The remaining 90% can be sold in the open market. However, the actual quantity that can be sold in the open market is controlled by the Government through a system called Monthly Release Mechanism (MRM). The price of the sugar in sold in the open market depends on market forces, the factories can sell sugar in open market only that quantities released by the Government of India every month for each factory.

The Company sells free sugar through a network of agents, who in turn sell to wholesalers. Trade settlements are usually on credit/cash terms. Besides, the Company also sells its sugar in Central & West UP, part of West Bangal, Bihar, Jharkhand, Aasam, Panjab, Haryana, Rajasthan & Delhi.

## **PROPOSED MARKETING SET UP - DISTILLERY PROJECT**

Absolute Alcohol finds application in a variety of industries including pharmaceuticals, paints, etc. Due to hike in international prices of crude oil which have impacted the prices of petrol and diesel, the Government of India has encouraged the use of bio fuels to be blended with petroleum based fuels.

The Government has made it mandatory for blending of 5% ethanol with conventional fuel in nine States in the country including U.P. The nearest depots of oil majors, Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum are at distance of 10 kilo meters only. Logistical advantage would accrue to both IOC and Dwarikesh in sale of Ethanol to the nearest IOC depot. The mandatory blending of 5% is expected to be increased to 10% and the coverage sought to be extended through out the country.

The industrial alcohol produced by the distilleries is blended at the depot level by the oil Companies. The aggregate cost of petrol at the depot level (including duties and excluding sales tax) is estimated at about Rs. 30-31/ litre as against delivered price of alcohol at the depots which is estimated at about Rs. 26-27/litre based on ex factory price of Rs. 21 per litre of industrial alcohol.

Presently, the domestic consumption of petrol is about 10 million kilo litres per annum and at 5% blending, the requirement of Industrial Alcohol is estimated at 500 million litres. Besides, Industrial

Alcohol is also consumed in other industries and the total consumption (which is equivalent to the total production) inclusive of the ethanol used for blending with petrol is currently estimated at 184 million litres per annum. Hence, the Company would not find any problem in selling its entire output.

The Company proposes to finalise its selling arrangements with Indian Oil Corporation (IOC) shortly.

## EXPORT OBLIGATION

The Company does not have any Export obligations.

## INSTALLED CAPACITY & CAPACITY UTILISATION

Description	FY 2001	FY 2002	FY 2003	Oct 03 – July 04
Installed capacity (TCD)	5,000	5,000	6,500	6,500
Sugarcane crushed (TCD)	4,270	4,463	4,674	5,012
Capacity utilization (%)	85.39	89.26	71.92	77.12

## TERM LOANS

### SUMMARY OF SECURED LOANS AS ON JULY 31, 2004

SL. No.	Particulars	Description of Property Charged / Hypothecated	Amount Sanctioned (Rs. in lakhs)	Amount Outstanding as on July 31, 2004 (Rs. in lakhs)
A	PNB Term Loan I - (For expansion in capacity from 5000 TCD to 6500 TCD)	Hypothecation of Movable Properties of the Company by way of pari passu First Charges  Modification of charge - A mortgage by way of deposit of a deed was executed in favour of PNB in respect of land admeasuring 29.710 hectares situated at Bundki & Rajupura together with plant & machinery thereon by way of paripassu first charge.	900	360
	PNB Term Loan II - (For modernization programme of the Company)	Deed of Hypothecation to secure movable properties of the Company by way of First Charge.	900	765
	PNB Term Loan III- (For the Industrial Alcohol project)	First charge by way of Hypothecation of Crystal Sugar in bags (finished goods, stores, machinery parts, spares gunny bags, sulphur chemicals etc. lying in our premises situated at	600	Not Disbursed

		Dwarikesh Nagar-246 762, District Bijnor.		
	IDBI Term Loan I	Whole of movable properties of the Company including its movable plants and machinery, machinery spares, tools and accessories and other movable, both present and future, whether installed or not, by way of First charge.	1,300	780
	IDBI Term Loan II - (For expansion of co-generation)	Whole of movable properties of the Company including its movable plants and machinery, machinery spares, tools and accessories and other movable, both present and future, whether installed or not, by way of First charge.	660	550
B	Interest Free Trade Tax Loan (PICUP)	Deed of Hypothecation to secure movable properties of the Company by way of pari-passu second charge.	204.84 (193.66 is sanctioned by PICUP. The balance 11.18 is in the process of receiving sanction)	123.76
C	Working Capital Facility PNB CC	First charge by way of Hypothecation of Crystal Sugar in bags (finished goods, stores, machinery parts. Spares, gunny bags, sulphur chemicals, etc. lying in the Company's premises situated at Dwarikesh Nagar – 246 762, District – Bijnor.	6,500	3,872
	Foreign Currency Loan (Earmarked from CC Limit)	First charge by way of Hypothecation of Crystal Sugars in bags (finished goods, stores, machinery parts, spares, gunny bags, sulphur chemicals, etc.) lying at the Company's premises situated at Dwarikesh Nagar – 246 762, District – Bijnor.	2,000	1,967

## 9. DESCRIPTION OF INDUSTRY AND BUSINESS:

### INTERNATIONAL SCENARIO

#### *Sugar*

Brazil and India are the largest sugarcane and sugar producing countries followed by the European Union (EU), China, USA, Thailand, Australia, Mexico and South Africa. Sugar production in the world has increased at the rate of 2-3% in the last 10 years with higher contribution from Brazil and some Asian countries. World sugar production in 2002-03 increased by 9% to 147mn tons.

#### Top 5 sugar-producing countries (2001-02)

Country	Sugar production (in mn tons)	Contribution to world production
Brazil	22.29	0.17
India	20.14	0.15
China	9.24	0.07
USA	7.28	0.05
Thailand	6.51	0.05
World	135.00	1.00

The cost of production is highest in EU, followed by South Africa, USA and Cuba and in India is one of the lowest in the world, after Australia, Brazil and Thailand.

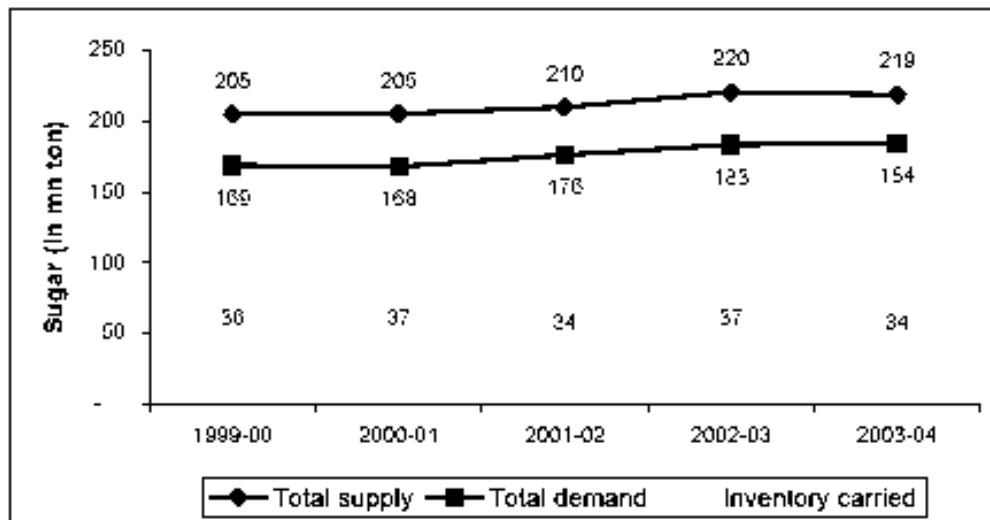
World sugar consumption has increased at an average rate of about 1.9% in the last 10 years with higher demand from Asian countries. The world's largest consumers of sugar are India, EU, China, Brazil, USA, Russia, Mexico and Indonesia. The consumption of sugar in Asian countries has increased at a faster rate, as a direct result of increasing population, lower sugar prices and increased availability. Since 1985, production in the 4 Asian countries - China, India, Thailand and Pakistan - increased by 141%, exports increased by 225%, consumption grew by 92% and ending stocks grew by 206%.

World trade in raw sugar is typically around 22mn tons and white sugar around 16mn tons. The largest exporters of white sugar are the EU and Brazil, followed by Australia, Thailand and India. The largest importers are the Gulf states, the Middle East, North Africa, Nigeria and Indonesia.

#### World production, consumption and distribution of sugar

Year	1999-00	2000-01	2001-02	2002-03	2003-04
Opening stock	32	36	37	34	37
Add: production	137	130	135	147	145
Add: imports	36	39	38	39	37
Total supply	205	205	210	220	219
Exports	41	38	41	46	45
Consumption	127	130	135	138	139
Total demand	169	168	176	183	184
Closing stock	36	37	34	37	34

Source: USDA (Dated: November 2003)



## Ethanol

Other countries are either producing or using ethanol in large quantities or are providing incentives to expand ethanol production and use. Brazil and Sweden are using large quantities of ethanol as a fuel. Some Canadian provinces promote ethanol use as a fuel by offering subsidies of up to 45 cents per gallon of ethanol.

In France, ethanol is produced from grapes that are of inferior quality for wine production. Prompted by the increase in oil prices in the 1970s, Brazil introduced a program to produce ethanol for use in automobiles in order to reduce oil imports. Brazilian ethanol is made mainly from sugar cane. Pure ethanol (100% ethanol) is used in approximately 40 percent of the cars in Brazil. The remaining vehicles use blends of 24 percent ethanol with 76 percent gasoline. Brazil consumes nearly 4 billion gallons of ethanol annually. In addition to consumption, Brazil also exports ethanol to other countries.

Sweden has used ethanol in chemical production for many years. As a result, Sweden's crude oil consumption has been cut in half since 1980. During the same time period, the use of gasoline and diesel for transportation has also increased. Emissions have been reduced by placing catalytic converters in vehicle exhaust systems which decrease carbon monoxide, hydrocarbon, and nitrogen oxide emissions. To address global warming concerns, the amount of carbon dioxide produced while burning fossil fuels needs to be reduced. Ethanol-blended gasoline and ethanol-blended diesel are being considered as viable alternatives to further lower emission levels.

## Ethanol as a fuel

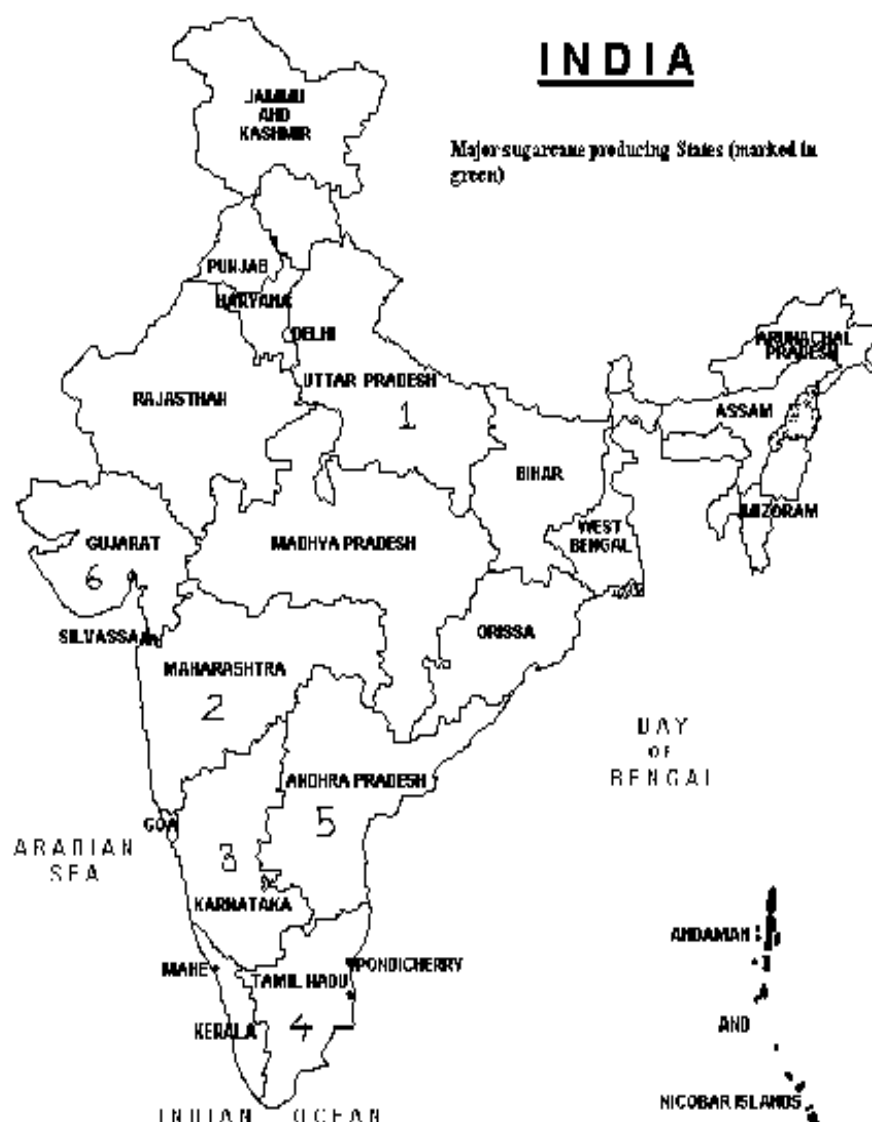
Ethanol is used as an automotive fuel by itself and can be mixed with gasoline to form what has been called "gasohol" FUEL ETHANOL- the most common blends contain 10% ethanol and 85% ethanol mixed with gasoline. Over 1 billion gallons of ethanol are blended with gasoline every year in the United States. Since the ethanol molecule contains oxygen, it allows the engine to more completely combust the fuel, resulting in fewer emissions. Since ethanol is produced from plants that harness the power of the sun, ethanol is also considered a renewable fuel. Therefore, ethanol has many advantages as an automotive fuel.

## INDIAN SCENARIO

### *Sugar*

India is the largest producer and consumer of sugar in the world. The Indian sugar industry has a turnover of Rs. 500bn per annum and it contributes Rs. 20bn to the exchequer every year. It is the second largest agro-processing industry in the country after cotton textiles.

The sugar industry in the country uses only sugarcane as input, hence sugar Companies have been established in large cane growing states like Uttar Pradesh (UP), Maharashtra, Tamil Nadu, Karnataka, Punjab and Gujarat. The six states contribute more than 90% of total sugarcane and sugar production in the country; UP and Maharashtra each contribute 30% of total production.



Out of 531 sugar mills in the country, 294 are in the co-operative sector, 167 are in the private sector and 70 are in the public sector. The co-operative sector accounts for over 55% in terms of number of factories, installed capacity and production. They are concentrated primarily in Maharashtra and eastern Uttar Pradesh. Maharashtra has 202 registered co-operative mills in the state. A large number of sugar

Companies in the private sector are located in southern India, in the states of Tamil Nadu, Andhra Pradesh and Karnataka. Over 50% of the mills in the country have a capacity of less than 2,500TCD, which is the minimum economic size. Most of these units are unviable and loss making due to inefficient operations and poor management.

Sector	No. of units
Co-operative	294
Private	167
Public	70
Total	531
<i>Source: Industry</i>	

India is also the largest single producer of sugar including traditional cane sugar sweeteners, khandsari and Gur equivalent to 26 million tonnes, followed by Brazil in the second place at 18.5 million tonnes. Even in respect of white crystal sugar, India has been ranked No.1 position in 7 out of last 10 years.

Traditional sweeteners Gur & Khandsari are consumed mostly by the rural population in India. In the early 1930's nearly 2/3<sup>rd</sup> of sugarcane production was utilised for production of alternate sweeteners, Gur & Khandsari. With better standard of living and higher incomes, the sweetener demand has shifted to white sugar. Currently, about 1/3<sup>rd</sup> sugarcane production is utilised by the Gur & Khandsari sectors. Being in the small scale sector, these two sectors are completely free from controls and taxes which are applicable to the sugar sector.

#### **Ethanol - (Anhydrous Alcohol)**

Since India is currently passing through a glut situation with closing stocks at the end of the year of over 100 lakh tons since 1999-2000, the corresponding molasses production has also increased. Consequently, along with sugarcane production, high growth is being witnessed in the production of molasses, the basic raw material for the production of Ethanol from sugarcane. Ethanol is used for blending with petrol. According to MPNG, 5% Ethanol blends on an all-India basis would require 500 million liters. The current availability of molasses and alcohol would be adequate to meet this requirement after fully meeting the requirement of the chemical industry and potable sectors.

In the absence of a well knit policy in the past for purchasing and blending Ethanol, not many distilleries have been producing Ethanol. Only three distilleries attached to sugar mills had war years' experience, and were able to gear themselves up to supply Ethanol immediately. Now, about 11 factories in Uttar Pradesh will be adding facilities to produce about 75 million liters of anhydrous alcohol by end-September; 7 units in Tamil Nadu (production capacity of 62.5 million liters of anhydrous alcohol); 8 in Karnataka (anhydrous alcohol production capacity of 66.5 million liters); and 4 units in Andhra Pradesh (capacity of over 40 million liters). Similar steps have also been taken up by the cooperative sector units in Maharashtra, Punjab and UP. By the end of the year it is estimated that about 300 million liters capacity would have been created for the production of anhydrous alcohol. The table below gives the production of molasses, alcohol utilization by the alcohol-based chemical industry, potable sector and the surplus at the end of each year.

<b>Alcohol Production</b>						
(in million liters)						
Alcohol Year	Molasses Prod.	Production of Alcohol	Industrial Use	Potable Use	Other Uses	Surplus Availability
1998-99	7.00	1,411.8	534.4	5840	55.2	238.2
1999-00	8.02	1,654.0	518.9	622.7	576	455.8
2000-01	8.33	1,685.9	529.3	635.1	588	462.7
2001-02	8.77	1,775.2	5398	647.8	59.9	527.7
2002-03	9.23	1,869.7	550.5	660.7	61.0	597.5
2003-04	9.73	1,969.2	578.0	693.7	70.0	627.5
2004-05	10.24	2,074.5	606.9	728.3	73.5	665.8
2005-06	10.79	2,187.0	619.0	746.5	77.2	742.3
2006-07	11.36	2,300.4	631.4	765.2	81.0	822.8



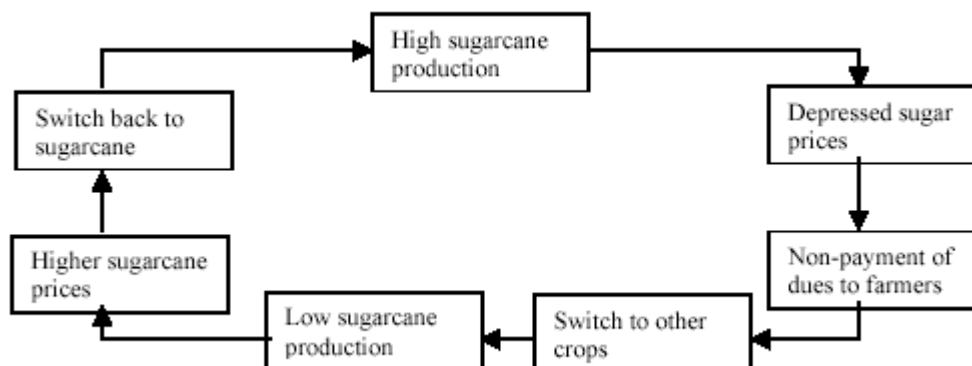
## Bagasse – Co-generation of power

Bagasse is a major by-product of the sugar industry and is used for generation of steam and power required for processing of sugarcane. The Indian sugar industry is amongst the most diversified industry in the world, with an installed capacity to produce 750 MW co-generated power against a potential of 5,000 MW. Most of the sugar factories have power houses for generating renewable power for its own requirements while some co-generate and export power to the grid. Various more units with an estimated capacity of 750 MW are in the process of putting up plants. However, the cogeneration of power is faced with problems in regard to tariff fixation, third party sale and timely payments. Although Government constituted a Committee to look into the problems faced by the cogeneration units particularly with regard to tariff fixation and payment security. But some of the SEBs have declined to adopt the tariff recommended by the MNES. In some cases, notwithstanding the PPAs already executed by the mills, the SEBs have deescalated the prices, which is a matter of serious concern.

## Sugar cycle

The domestic sugar industry typically follows a 4 to 5 year cycle. Higher sugarcane and sugar production results in a fall in sugar prices and non-payment of dues to farmers. This compels the farmers to switch to other crops thereby causing a shortage of sugarcane, consequently an increase in sugarcane prices and extraordinary profits. Taking into account the prevalent higher prices for cane, farmers then switch back to sugarcane.

As an example, the bumper crop in sugar season (Oct - Sep) 1995-96 resulted in higher production, but lower prices for sugar. It also resulted in large cane arrears leading to harsh times for cane growers. Taking into account the bad experience of 1995-96, many farmers shifted to other crops leading to drop in sugarcane and sugar production in the country. The limited availability of sugarcane in 1997-98 season forced the sugar manufacturers to make higher and prompt payment to farmers. Consequently, this resulted in a bumper crop in 1998-99 season. An illustration of the said sugar cycle is given below:



## Demand-supply scenario in the last decade

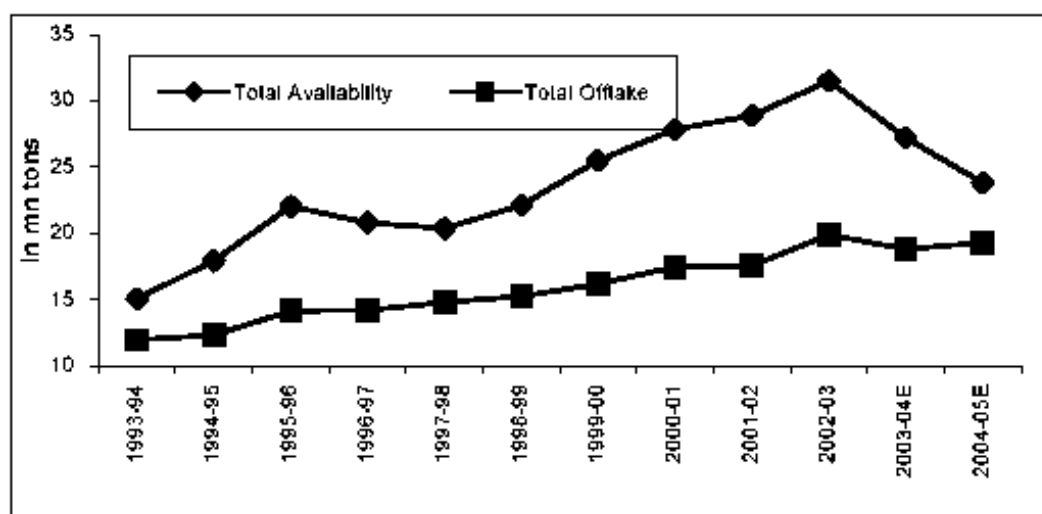
The sugar industry has been plagued with excess production and rising inventory leading to depressed sugar prices. The reasons for such dis-equilibrium can be traced back to the following:

- Between 1997-98 to 2002-03, the Government of India raised the Statutory Minimum Price (SMP) for sugarcane from Rs. 484.50/ton to Rs. 654/ton, for a basic recovery of 8.5%. Farmers started considering sugarcane a more remunerative cash crop with the SMP increasing year after year, higher than other crops like wheat, maize etc.
- As a result, the production of sugarcane and consecutively sugar has been consistently rising since 1998-99, with an exception in the year 2000-01. The year 2002-03 recorded sugar production at 20.1mn tons.

- In 1998, the government permitted import of sugar resulting in around 2.5mn tons of sugar being dumped in the domestic market, at a time when the country was holding surplus inventory of its own.
- With consumption not increasing at a rapid pace, the country has been adding to its closing stock of sugar inventory each year.
- Decrease in the percentage of levy sugar from 40% before January 2000 to 10% in March 2002, led to higher flow of sugar in the free market, putting a downward pressure on the free market prices.
- Release of excess stock by some sugar mills, more than that specified through the monthly release mechanism, depressed prices further.
- The sugar prices declined to uneconomic levels, below the actual production cost of sugar. In sugar season 2002-03, the market price of sugar fell below the government levy price. The levy sugar stock was thus not lifted adding further to the bulging inventory.

### Sugar availability and off take in India

In mn tons	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04E	2004-05E
<b>TOTAL AVAILABILITY</b>												
Opening Stock as on 1st Oct.	3.2	3.1	5.6	7.9	6.6	5.6	6.9	9.3	10.4	11.3	11.6	8.4
Production during the Season	9.8	14.6	16.5	12.9	12.9	15.5	18.2	18.5	18.5	20.1	15.5	15.5
Imports	2.0	0.2	0.0	0.0	0.9	1.0	0.4	0.0	0.0	0.0	0.1	0.0
Total Availability	15.1	17.9	22.1	20.8	20.4	22.1	25.5	27.9	28.9	31.5	27.2	23.8
<b>TOTAL OFFTAKE</b>												
<b>i) Internal Consumption</b>												
a) Indigenous	11.2	11.0	12.9	13.8	14.0	14.2	15.5	16.2	16.5	18.3	18.5	19.0
b) Imported	0.8	1.3	0.2	0.0	0.7	1.0	0.6	0.0	0.0	0.0	0.1	0.0
ii) Exports	0.0	0.1	1.0	0.4	0.1	0.0	0.1	1.2	1.1	1.5	0.2	0.2
Total Off take	12.0	12.3	14.1	14.2	14.8	15.2	16.2	17.5	17.6	19.9	18.8	19.2
Closing Stock as on 30th Sept.	3.1	5.6	7.9	6.6	5.6	6.9	9.3	10.4	11.3	11.6	8.4	4.6
Stock as % of Off take	25.8	45.4	55.9	46.4	37.9	45.3	57.8	59.2	64.4	58.4	44.8	23.4



### Regulated Industry

The Government of India, with the objective of increasing the sugar production in the country and providing it to citizens at affordable prices, has followed a policy of control and regulation of the sugar industry.

## Sugarcane pricing

Under the Sugarcane (Control) Order 1966, the Government fixes the Statutory Minimum Price (SMP) for sugarcane every year based on the recommendations of the Commission on Agricultural Costs & Prices. For the year 2002-03, the Government of India fixed the SMP at Rs. 645/ton linked to a basic recovery of 8.5% with additional charge of Rs. 8.2/ton for every subsequent recovery of 0.1%. This means that the price to be paid for sugarcane on a 10% recovery will be Rs768/ton.

On December 19, 2002, the Prime Minister of India announced in Parliament, further increase of Rs. 50/ton to Rs. 695/ton for a basic recovery of 8.5%, increasing the price payable by all the factories. The Companies in the sugar industry challenged the revision in the SMP through Writ Petitions before High courts throughout the country. These Writ petitions were moved to the Supreme Court where they are currently pending.

The SMP is used as reference by the state governments to fix their State Advised Price (SAP). SAP in some states like Uttar Pradesh, Haryana and Punjab is higher by 20-25% than the SMP. For example, the SAP in Uttar Pradesh for 2002-03 was fixed at Rs950/ton.

This pricing procedure has been adopted so as to protect the farmers and ensure them a good price for cane. Also it reduces the impact of cane prices on the cost structure of different mills depending on their location. But for the past few years, state governments have been using SAP as a tool for wooing the vote Bank of farmers, causing severe damage to the economics of the sugar industry.

## Sugar pricing and distribution

The Government has been following a dual pricing policy for sugar, under which, a fixed percentage of the total production is to be necessarily sold by the sugar mills to the government or its nominees at a pre-determined price referred to as "levy sugar". The sugar so collected is distributed to consumers through Fair Price Shops under the Public Distribution System. The levy imposed is reduced from 65% in the early 1980s to 10% effective from March 2002.

### Reduction in levy obligation

Year	Levy obligation
Before January 2000	40%
January 2000 onwards	30%
February 2001 onwards	15%
March 2002 onwards	10%

Source: Industry

Trend in levy price	
Effective from date	Rs/kg
10/02/1997	10.50
01/10/1997	11.40
15/02/1999	12.00
01/03/2000	13.00
01/03/2001	13.25
01/03/2002	13.50

The balance sugar referred to as "free sale sugar" can be sold in the open market. Free sale sugar is also regulated to some extent, by way of a release mechanism, whereby the Government determines the quantum of sugar that can be sold every month. This helps the Government maintain stability in sugar

prices, by regulating the supply of sugar based on the underlying demand. Thus the government statutorily determines the price of levy sugar, while the price for the free market sugar is market determined, affected to some extent by the release mechanism.

### **Policy initiatives – Sugar**

- The Essential Commodities Act (ESA) was amended and the sugar release mechanism was brought within the direct purview of the ESA. This will bring discipline in the sugar release mechanism by making it legally enforceable.
- The Government of India on December 18, 2003 created a buffer stock of 2mn Mt of sugar for one year. This move was taken in order to help sugar mills reduce their cost of inventory holding, storage and insurance.
- In the past, the Government permitted only small sized units of 1,250TCD and 2,500TCD. Expansions for 5,000 TCD and above were discouraged. The industry has grown horizontally as a result of this. The Government of India de-licensed sugar sector in August 1998 encouraging entrepreneurs to set up sugar mills without a license but at a distance of 15kms away from existing factories. The de-licensing is applicable not only for new capacity initiatives but also for expansion of existing capacities.
- Effective from July 7, 2000 the Government has withdrawn restrictions on stock holding limits applicable to recognized sugar dealers. Turnover limits of 30 days applicable to recognized sugar dealers have also been abolished since August 20, 2001.
- The Government permitted futures trading in sugar and granted approval to three Companies for setting up Futures Exchange. Consequently, certain sugar Companies floated Public Limited Companies to cater to this new segment.
- The Government amended the Sugar (Packing & Marking) Order, 1970 to allow sugar factories to pack 25% of their production from July 12, 2002 to June 30, 2003 and 50% of their production from July 1, 2003 to June 30, 2004 in 50kg plastic bags (High Density Poly-Ethylene/Poly Propylene bags).

### **Import-export**

- Export of sugar from the country is de-canalized since 1997, enabling sugar mills to undertake exports on their own and to compete directly in the international market.
- The Central Government reimburses the internal transportation cost and freight charges on export shipment of sugar up to the extent of Rs350/ tonne from February 14, 2003, in order to encourage export of sugar.
- India can also import sugar from the international market, as sugar import is placed under the Open General License. The import duty on sugar is raised to 60% currently, to set off low international prices due to subsidies given by governments of exporting countries.

### **By-products**

- The GOI has de-controlled the price, movement and distribution of molasses, which was initially regulated through the Molasses Control Order.
- From January 1, 2003, the GOI announced mandatory blending of 5% Ethanol with petrol in 9 States and 4 Union Territories.

(Source : Various Industry Reports, Websites, ISMA and other published information)

## **10. STOCK MARKET DATA**

The Company's Equity Shares are not quoted on any Stock Exchange.

## **11. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion of the financial condition and results of operations should be read together with the audited financial statements for the financial years ended March 31, 2002, 2003, 2004 and the 10 month period ended July 31, 2004 including the schedules, annexures and notes thereto and the reports thereon, which appear elsewhere in this Prospectus. The said financial statements have been prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's report of M/s Sharp & Tannon dated August 25, 2004 in the section with the title 'Indian GAAP Financial Statements'.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements, which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

### **Overview**

The Company was originally incorporated as Dwarka Sugar Limited on November 1, 1993 with Registrar of Companies, Maharashtra at Mumbai. The name of the Company changed to Dwarikesh Sugar Industries Limited on April 18, 1994 and the registered office of the Company changed from the state of Maharashtra to the state of Uttar Pradesh, confirmed by an order of Company Law Board (Western Region) Bench, Mumbai dated June 23, 1995.

The Company is promoted by Mr. Gautam R Morarka with the main object of carrying on the business of manufacture of crystal white sugar. The Company has been increasing its plant's crushing capacity every year as evidenced by the increase in the capacity from 2500 TCD in December 1995 to 6500 TCD currently. The Company produced 3.83 lacs quintals sugar during 1995-96 with a recovery of 9.95%, which has been continuously increasing and has achieved a production of 8.89 lacs quintals with a recovery of 10.20% during 2002-03. During crushing season 2003-2004, the Company produced 7.81 lacs quintals sugar with highest ever recovery of 10.39%

In the process of manufacture of white crystal sugar, molasses is generated as by-product and bagasse is generated as a waste product. Free sale Sugar is sold in the open market through Agents and levy sugar is sold to authorised persons holding valid order for lifting of levy sugar. Molasses is generally sold to Chemical units, Distilleries or to cattle feed units.

The Company also has a 9 MW power plant which takes care of its power requirement and the excess power generated is supplied to UP state power grid.

The Company employs 850 personnel including 200 contract labours. The Company's Turnover has grown from Rs. 23.84 crore in FY1996 to Rs. 86.83 crore in FY2003 and its Net profit grew from Rs. 0.45 Crore in FY1996 to Rs. 2.06 crore in FY2003. The Turnover of the Company for the 10 month period ended July 31, 2004 is Rs.135.50 Crore and Net Profit (PAT) is Rs.8.62 crore.

### **Seasonal Business**

The Sugar Industry is basically cyclical in nature. The crushing season extends from November to April/May in Northern India. However, the season is relatively longer in Southern States.

## Focus Areas

The Company is focusing on the following areas:

a.	Optimization and increasing efficiency of operations at the sugar plant to enable the plant to have optimum capacity with minimum losses.
b.	Increase of co-generation capacity from 9 Mega Watt to 17 Mega Watt, which would help generate additional revenue and give value addition.
c.	Obtaining clearances from Pollution Board exercise and tying up funds for setting up a distillery of 30,000 Liter a day. This would help the Company to manufacture Industrial Alcohol, which is presently mandated to be blended with Petrol in 9 states including state of Uttar Pradesh. It is however expected that the Government may permit higher percentage of blending of Industrial Alcohol with petrol in the time to come.

## Business Performance

### Income

Customer wise sales of products manufactured

Rs in Lacs

Particulars	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
<b>Top Customers-Sugar</b>				
Suraj Bhan Satya Prakash , New Delhi	658.98	669.65	491.66	326.03
S,B.M. & Co. Pvt. Ltd , New Delhi	-	-	-	555.67
Shish Ram Om prakash, New Delhi	70.78	261.54	96.09	551.13
Shri Balaji Sugar Company, New Delhi	29.62	129.50	78.94	413.12
Viraj Trading Company, New Delhi	24.77	-	73.55	137.64
Vijay Kumar Ashok Kumar, Agra	-	-	-	199.77
Girvar Lal Babu Lal, Agra	-	-	-	176.42
Babu Ram Ram Kishan , Delhi	70.72	219.30	146.63	-

### Excise Duty

Excise Duty is levied on the products produced and sold by the Company. The prevailing rate is 16% ad valorem, payable at the time of removal of the products for domestic sales, after adjustments of the credits of Central Value Added Tax available on inputs procured by the Company, as per the Central Excise Rules and Regulations. CENVAT credit on capital goods acquired is not claimed, instead, depreciation is claimed on the entire cost of the assets

### Cane Price trends

#### **Domestic scenario**

Cane is one of the major components of cost of production in the sugar factory and constitutes around 70 % of total cost. The price of cane is related to recovery and State Administrated Price, which vary from state to state. The procurement price of cane by mills is controlled by Statutory Minimum Price, which is announced by Central Government on the basis of CACP studies and is linked to a sugar recovery of 8.5%. The price is suitably adjusted on Pro-rate basis for higher recoveries During Current period price is provided at SAP announced by the State Government which works out to Rs 95/- per quintal for normal and Rs 100/- per quintal for early variety.

#### **International Scenario**

Sugar prices have been in the range of \$190 to \$210 in 2002-2003. Over the last 10 years, global sugar consumption has grown up by around 1.9%. In countries like US, Europe and other developed countries, sugar is a subsidized commodity and there by make these countries competitive to export sugar at lower

prices to the rest of the world. However with WTO restrictions being phased out, it is expected that by year 2005, the subsidies will be eliminated, which would enable the upcoming countries like India to compete on a level playing field with developed countries.

## Expenditure:

### Raw materials

The raw material consumed as a % to production during current period is decreased due to better sales realization both for sugar & it's by-products and highest ever recovery of sugar from the sugar cane.. The increase in the percentage of raw material consumed is evident from the table given below:

Rs. in lacs

Particulars	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
Sales	9,742.71	13,106.88	8,683.21	13549.87
Increase(Decrease) in Stock	528.30	(1,515.09)	3,069.95	(1192.52)
Less Excise Duty paid	687.12	943.33	741.05	907.86
Value of production, after adjustment of excise duty paid	9,583.89	10,648.46	11,012.12	11449.49
Raw Material consumed	6,634.55	7,872.57	8,331.38	7744.81 **
% age of raw material consumed to value of production	69.23	73.93	75.66	67.94

\*\* Excluding prior period adjustment of Rs 627.72

### Manufacturing and other expenses

The details of manufacturing and other expenditure are as under:

Rs. in lacs

Particulars	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
Manufacturing expenses	350.69	388.95	298.44	265.06
% to sales	3.60	2.97	3.44	1.96
Salaries, wages and other benefits	528.78	572.42	575.93	523.44
% to sales	5.43	4.37	6.63	3.86
Depreciation	367.53	429.82	428.98	385.26
% to sales	3.77	3.28	4.94	2.84
Administrative and other expenses	442.00	451.71	303.06	330.25
% to sales	4.54	3.45	3.49	2.44
Finance expenses	1,018.11	861.10	724.41	628.36
% to sales	10.45	6.57	8.34	4.64

- Manufacturing expenses as a % of sales have remained at about 3.50% during the years 2001 and 2003, however were lower in the year 2002 due to higher sales. During the current period, it has further reduced due to higher sales and lower cost.
- Salaries and wages as a % of sales have grown to 6.6% for the year ended September 30, 2003 as against 5.4% for the year ended September 30, 2001 due to drastic reduction in sales. However, during the current period it has reduced to 3.9% due to higher sales.

- Administrative, selling and distribution and other expenses have dropped as compared to the year 2001, due to various cost control measures and increase in sales during current period.
- Finance expenses have decreased in the year 2002 as compared to 2001 due to significant repayment of term loans by the Company. The increase in the year 2003 has been due to the increased availment of the working capital facilities by the Company. During current period it is almost at the same level. However, in terms of % significant decrease is registered due higher sales.

### Depreciation and Amortization

The Company's depreciation policy is as under:

- Depreciation on Fixed Assets has been provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956, except computers which are fully depreciated in the year of acquisition.
- Addition to fixed assets on account of transaction of foreign currency liabilities for acquisition of fixed assets is depreciated over the residual life of the respective assets.
- Depreciation on emergency machinery spares of irregular use and critical spares are depreciated over the balance useful life of the parent asset.

### Taxation / Deferred Tax

The tax expense for the year, comprising current tax and deferred tax, is included to determine the net profit / (loss) for such year.

The provision for the current tax is made based on tax liability computed in accordance with relevant tax rates and tax laws.

The accounting policy for taxes on income was changed in the year ended September 30, 2003, to comply with the provisions of new accounting standard relating to accounting for taxes on income, issued by the Institute of Chartered Accountants of India and as applicable to us. The provision for deferred tax is made for all timing differences arising between taxable incomes and accounting income at currently enacted tax rates. As prescribed in the Accounting Standard AS-22, Deferred Tax is provided in the books with effect from 1<sup>st</sup> October'2002. Deferred Tax Liability as on 30.09.2003 (first year of provision) was estimated at Rs. 643.88 Lacs out of which Rs 129.16 was appropriated below the line in the Profit and Loss account and Rs 514.72 Lacs pertaining to previous years was adjusted from General Reserve.

Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and the deferred tax assets are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

### Earnings before Interest, Depreciation, Tax and Amortization ("EBIDTA")

A comparison of EBIDTA and as percentage to value of production after adjustment of excise duty paid for the past periods is as under:

Rs. in lacs				
Particulars	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
Value of production, after adjustment of excise duty paid	9,583.89	10,648.46	11,012.12	11449.49
Profit after tax	233.30	102.09	205.93	861.57
Add: Finance Expenses	1,018.11	861.10	724.41	628.36
Depreciation	367.53	429.82	428.98	385.26
Tax	20.25	0.80	175.11	119.01



Particulars	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
EBIDTA	1,639.20	1,393.81	1,534.44	1994.20
% of value of production	17.10	13.09	13.93	17.42

EBIDTA has shown a decline from 17.10% in the year 2001 to about 14% in the year ended 2003 although there has been an increase as compared to the year 2002. The reduction in the EBIDTA % was due to lower sales realization and lower sales. However, during period ended July '2004 it has registered a significant increase and has gone up to 17.42 % (before adjusting prior period adjustment of Rs 627.73 Lacs- 22.90 %). This is mainly due to due to better sales realization and higher sales.

### Profit after Tax

The profit after tax is Rs.861.57 lacs for the 10 month period ended July 31, 2004, Rs. 205.93 lacs in the year ended September 30, 2003, Rs. 102.09 lacs in the year ended September 30, 2002 and Rs. 233.30 lacs in the year ended September 30, 2001. The profit after tax margins to sales have been 2.39%, 0.78%, 2.37% and 6.36 % (before adjusting prior period adjustment -10.99%) for the fiscal years 2001, 2002 and 2003 and for the 10 month period ended July 31, 2004, respectively. The increasing trend up to Fiscal 2003 is due to process improvements resulted the reduction in cost of production .During period ended 31<sup>st</sup> July'2004; margin has increased due to better sale realization and lower cost.

### Sundry Debtors

The following table presents the details of our debtors:

Rs. in lacs

Particulars	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
Sales	9,742.71	13,106.88	8,683.21	13549.87
Outstanding debtors at period end	0.75	13.10	43.61	8.61
Debtors < 180 days	0.75	12.24	38.76	7.13
Debtors > 180 days	-	0.86	4.85	1.48
Debtors < 180 days as % to total debtors	100.00	93.44	88.88	82.81
Debtors > 180 days as % to total debtors	-	6.56	11.12	17.19
Bad debts including provisions	3.23	2.93	0.08	-

Since the Company primarily supplies sugar only on receipt of advance payments, the level of debtors is significantly less. Consequently, the proportion of debtors in comparison to sales is very negligible. The bad debts incurred are due to advance from vendors not recoverable.

**Summary of Financial results for the past 3 years containing significant items of income & expenditure:**

Rs. in lacs

Description	Year ended Sept. 30, 2001	Year ended Sept. 30, 2002	Year ended Sept. 30, 2003	Period ended July 31, 2004
<b>INCOME</b>				
Net Sales	9,742.71	13,106.88	8,683.21	13549.87
Other Income	11.33	22.17	31.14	36.01
Increase /Decrease in Manufacturing & Trading Stocks	528.30	(1515.09)	3069.95	(1192.52)
Total Income	10282.34	11613.96	11784.30	12393.36
<b>EXPENDTURE</b>				
Raw Material Consumed	6,282.82	7,474.21	7,895.52	***7991.14
Other Consumables	351.74	398.36	435.86	381.39
Excise duty	687.12	943.32	741.05	907.86
Manufacturing and other expenses	350.69	388.94	298.44	265.06
Wages, Salary, Bonus & Allowances	528.78	572.42	575.93	523.44
Selling and Administration expenses	442.00	451.71	303.06	330.26
Depreciation/Obsolescence	367.53	429.82	428.98	385.26
Interest & Finance charges	1,018.11	861.10	724.41	628.37
Profit Before Tax	253.55	94.08	381.05	980.58
Provision for Tax	20.25	(8.01)	175.12	119.01
Profit after tax	233.30	102.09	205.93	861.57
EPS	2.18	0.41	1.75	5.32

\*\*\* including prior period adjustment of Rs 627.72 lacs

**COMPARISON OF PERFORMANCE FOR FINANCIAL YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2002 VIS-À-VIS 30<sup>TH</sup> SEPTEMBER 2001**

**MAJOR EVENTS**

During the year ended September 30, 2002 the Company setup a 9MW cogeneration power plant.

**REVENUE**

**Turnover**

During the year ended September 30, 2002, turnover registered a net growth of 34.53% compared to the last fiscal year.

**Other Income**

Other Income increased 95.78% from Rs. 22.17 lacs to Rs. 11.33 lacs. The increase is mainly on account of interest earned on margin money and higher late lifting (interest on delayed payments) charges

**EXPENDITURE**

Total Expenditure for the year-ended September 30, 2002 was Rs. 11,519.89 lacs as compared to Rs. 10,028.79 lacs for the year-ended September 30, 2001 thereby registering an increase of 14.87%.

Operating expenses have increased from Rs. 8,643.15 lacs in the year ended September 30, 2001 to Rs. 10,228.97 lacs in the year ended September 30, 2002. Expenditure as a percentage of net value of

production has gone up from 90.18% to 96.06 % which is mainly on account of lower yield resulting in increase in raw material cost.

### ***Earnings before Interest depreciation tax and Amortization ("EBIDTA")***

EBIDTA decreased by 14.97% from Rs. 1,639.20 lacs to Rs. 1,393.81 lacs in the year 2002. However, EBIDTA as percentage to value of production after adjustment of excise duty paid has reduced by 23.47%.mainly due to increase in raw material cost which as a percentage to value of production has gone up from 69.23% to 73.93%. Recovery % in 2002 was 10.21% as against 10.32% in 2001.

### ***Finance charges***

Finance charges have reduced by 15.42% from Rs. 1,018.11 lacs to Rs. 861.10 lacs in the fiscal 2002. Finance charges as percentage of sales also reduced from 10.45% to 6.57% in the fiscal 2002.

### ***Depreciation***

Depreciation increased by 16.95% from Rs. 367.53 lacs in fiscal 2001 to Rs. 429.82 lacs in fiscal 2002. Gross block of fixed assets (excluding capital work in progress) increased by Rs. 1,112.61 lacs in the fiscal 2002.

### ***Profit after tax***

Profit after tax decreased by 56.24% from Rs. 233.30 lacs to Rs. 102.09 lacs in the fiscal 2002. The profit after tax as percentage of value of production decreased by 60.62% in the fiscal 2002. The main reason for the same is lower sales realization and the higher cost due to lower yield.

## **COMPARISON OF PERFORMANCE FOR FINANCIAL YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2003 VIS-À-VIS 30<sup>TH</sup> SEPTEMBER 2002**

### **MAJOR EVENTS**

During the year ended September 30, 2003, the Company commenced export of surplus power produced in the cogeneration power plant to the grid.

### **REVENUE**

#### ***Turnover***

During the year 2003, the turnover registered drop of 33.75% compared to the last fiscal year.

#### ***Other Income***

Other Income increased 40.43% from Rs. 22.17 lacs to Rs. 31.14 lacs. The increase is mainly on account of increase in late lifting charges of sugar.

### **EXPENDITURE**

Total Expenditure for the year-ended September 30, 2003 was Rs.11,403.25 lacs as compared to Rs. 11,519.89 lacs for the year-ended September 30, 2002 which was a negligible fall of about 1%.

Operating expenses have marginally increased from Rs. 10,228.97 lacs to Rs. 10,249.86 lacs in the year 2003. Expenditure as a percentage of net value of production has also marginally increased to 12%, due to increased growth in net sales as compared to expenditure. Expenditure as a percentage of net value of production have gone down from 96.06% to 93.08% .

### ***Earnings before Interest depreciation tax and Amortization (“EBIDTA)***

EBIDTA Increased by about 10% from Rs.1,393.81 lacs to Rs. 1,534.44 lacs in the year 2003. EBIDTA as percentage to value of production after adjustment of excise duty paid has increased to remain at 13.93%.

### ***Finance charges***

Finance charges have reduced by 15.87% from Rs. 861.10 lacs to Rs. 724.41 lacs in the fiscal 2003. However, finance charges as percentage of sales increased from 6.57% to 8.34% in the fiscal 2003.

### ***Depreciation***

Depreciation remained constant at about Rs. 430 lacs in fiscal 2003 vis-à-vis fiscal 2002. Gross block of fixed assets (excluding capital work in progress) increased by Rs. 619.60 lacs in the fiscal 2003.

### ***Profit after tax***

Profit after tax increased by 101.73% from Rs. 102.09 lacs to Rs. 205.93 lacs in the fiscal 2003. The profit after tax as percentage of value of production increased by 95% in the fiscal 2003.

## **COMPARISON OF PERFORMANCE FOR FINANCIAL YEAR ENDED 31<sup>ST</sup> JULY 2004 VIS-À-VIS 30<sup>TH</sup> SEPTEMBER 2003**

### **MAJOR EVENTS**

During the period ended July 31, 2004, the Company commenced capacity upgradation of cogeneration plant to 17 MW and commenced installation and setup of a Distillery with a capacity of 30klpd.

### **REVENUE**

#### ***Turnover***

During the period ended July'2004, turnover registered a net growth of 56.05% (annualized 87.26 %) compared to the last fiscal year.

#### ***Other Income***

Other Income increased 15.64% (annualized 38.76 %) from Rs 31.14 lacs to Rs.36.01 lacs. The increase is mainly on account of increase in late lifting charges of sugar.

### **EXPENDITURE**

Total Expenditure for the period ended 31<sup>st</sup> July'2004 was Rs. 10785.05 lacs as compared to Rs. 11403.25 lacs for the year-ended September 30, 2003. Data is not comparable as two periods are different.

Operating expenses for the period ended 31<sup>st</sup> July'2004 are Rs.9771.43 lacs as compared to Rs.10249.86 lacs for the year-ended September 30, 2003. Data is not comparable as two periods are different.

### ***Earnings before Interest depreciation tax and Amortization (“EBIDTA)***

EBIDTA for the period ended 31<sup>st</sup> July'2004 is Rs.1994.20 (after prior period adjustment –Rs 2621.93 lacs) as compared to Rs.1534.44 lacs for the year-ended September 30, 2003. EBIDTA as percentage to

value of production after adjustment of excise duty paid has increased by 25.05%. (after prior period adjustment- 64.39%)

### ***Finance charges***

Finance charges have marginally increased by 4.08% (annualized) from Rs. 724.41 lacs to Rs. 628.36 lacs (ten months) in the period ended 31<sup>st</sup> July'2004. Finance charges as percentage of sales also reduced from 8.34 % to 4.64% in the period ended 31<sup>st</sup> July'2004.

### ***Depreciation***

Depreciation for the period ended 31<sup>st</sup> July'2004 is Rs. 385.26 Lacs as compared to Rs. 428.98 lacs for the year-ended September 30, 2003.

### ***Profit after tax***

Profit after tax increased by 318.38% ( before prior period adjustment- 623.21%) from Rs. 205.93 lacs to Rs. 861.57 lacs period ended 31<sup>st</sup> July'2004. The profit after tax as percentage of value of production increased by 302.14% ( before prior period adjustment – 595.19%) in the period ended 31<sup>st</sup> July'2004

### **Information required as per clause 6.8 of the SEBI Guidelines:**

#### **a. Unusual or infrequent events or transactions:**

There have been no unusual or infrequent transactions that have taken place.

#### **b. Significant Economic changes that materially affected or are likely to affect income from continuing operations:**

Any change in tax, duty in the final products such as Sugar may affect the profitability of the Company.

Except the above, there are no significant economics changes that materially affect or likely to affect income from continuing operations.

#### **c. Known trends or uncertainties**

Apart from the risks as disclosed elsewhere in this prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

#### **d. Future relationship between costs and revenue**

##### **1. Raw Material:**

The raw material constitutes almost 58 to 60 % of the total revenue and the same proportion is expected to continue in future.

##### **2. Others Costs:**

Other costs excluding Depreciation & Interest, which constitute 14% of the total revenue. Interest cost is expected to be reduced in future due to repayment of loans and lower dependence on borrowings due to higher internal accruals on complete implementation of all the projects.

e. **Seasonality of business**

In spite of the cyclic nature of the industry the Company has witnessed a steady growth in income as well as Profit after Tax .The Management is confident of weathering the storm in future also.

f. **Over dependence on Single supplier/Customer**

We are not dependent on single supplier /customer. As regards sugar cane we have supplies from over 30000 farmers & as regards sale of Sugar, it is sold through agents to various customers .As regards molasses also it is sold to various customers .As regards Power , we have long term Agreement with Uttar Pradesh Power Corporation Limited (UPPCL).

g. **Total turn over of the Industry**

Please refer to the Para on “Industry Data” of this Draft Prospectus.

h. **Competitive conditions**

In sugar, there is no competitive situation as it is an essential commodity and is consumed by & large in bulk form.

Similarly in Power, Uttar Pradesh is power deficit & we have long term PPA with Uttar Pradesh Power Corporation Limited (UPPCL).

i. **New Products introduced during the period ended July 2004.**

No New products introduced

**12. GROUP COMPANIES/VENTURES OF PROMOTERS:**

**MORARKA FINANCE LIMITED (MFL)**

MFL was incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 11 - 35632 of 1984-85 dated March 15, 1985 having its registered office at 511, Maker Chamber V, 221 Nariman Point, Mumbai – 400 021. MFL had come out with an IPO at par in August 1994 with an object to finance business of Investments, Leasing, Money changing etc. However due to the down turn in the financial sector and cut throat competition, MFL is presently pursuing only Investment activities. The shares of MFL are listed on the Stock Exchange, Mumbai and quoted at Rs.2.05 (September 06, 2004).

**Board of Directors:**

<b>Name of Director</b>	<b>Designation</b>
Mr. Gautam R Morarka	Chairman / Non Executive Promoter Director
Mr. M N Medhekar	Non Executive Independent Director
Mr. Sudhir Neotia	Non Executive Independent Director
Mr. B J Maheshwari	Non Executive Independent Director
Mr. K P Medhekar	Non Executive Independent Director
Ms. Priyanka G Morarka	Non Executive Promoter Director

MFL has been complying with all the corporate governance norms and has formed Audit Committee, Remuneration committee and Shareholders/Investors Grievance Committee in terms of requirements of Listing agreement.

**Shareholding pattern: (as on August 31, 2004)**

Name of the shareholder	No. of Shares	% Holding
Promoter Group	2694031	59.84
Other Directors	600	0.01
Public	1807469	40.15
<b>Total</b>	<b>4502100</b>	<b>100.00</b>

**Financial Performance:****Rs. in lacs**

Particulars	For the Financial Year ended March 31 <sup>st</sup>		
	2002	2003	2004
Total Income	103.63	14.68	46.58
Profit after taxation	55.20	(0.24)	13.94
Equity Share Capital	450.21	450.21	450.21
Reserves (excluding revaluation reserves)	123.73	123.49	137.43
Networth	573.94	573.70	587.64
NAV per Share (Rs.)	12.75	12.74	13.05
EPS per Share (Rs.)	1.23	(0.01)	0.31

MFL has not availed any assistance from any Bank or Financial Institution. MFL currently holds 2348250 Equity shares in Dwarikesh Sugar Industries Limited.

There are no defaults in meeting any statutory/Bank/institutional dues. No proceedings have been initiated for economic offences against MFL, its Promoters and directors.

**DWARIKESH TRADING COMPANY LIMITED (DTCL)**

DTCL was originally incorporated as RKBK Land Development Pvt. Ltd. under the Companies Act, 1956 vide Certificate of Incorporation no. 21 - 34155 of 1981 dated September 26, 1981 having its registered office in the state of West Bengal. The name has since been changed to Dwarikesh Trading Company Limited on November 13, 2001 and registered office has been shifted to 613, Maker Chamber V, 221 Nariman Point, Mumbai 400 021, Maharashtra vide certificate no. 11-131588. DTCL is engaged in the business of Trading and Investments.

**Board of Directors of DTCL:**

Name of Director	Designation
Smt. Smriti G Morarka	Managing Director
Smt. Bimla Devi Poddar	Director
Ms. Savitha Rao	Director
Shri V K Neotia	Director
Shri G R Morarka	Director

**Shareholding pattern: : (as on August 31, 2004)**

Name of the shareholder	No. of Shares	% Holding
Ms. Priyanka G Morarka	125600	41.03
Mr. Pranay G Morarka	116631	38.10

Name of the shareholder	No. of Shares	% Holding
Smt. Smriti G Morarka	47063	15.38
Morarka Finance Limited	12582	4.11
G R Morarka – HUF	3380	1.10
Shri B J Maheshwari	534	0.18
Smt. Bimla Devi Poddar	100	0.03
Shri V K Neotia	100	0.03
Smt. Raj Bal Chopda & Shri Jawaharlal Jain	116	0.04
Shri Sudhir Nevatia	3	--
<b>Total</b>	<b>306109</b>	<b>100.00</b>

#### Financial Performance:

Rs. in lacs

Particulars	For the Financial Year ended March 31 <sup>st</sup>		
	2002	2003	2004
Total Income	55.71	52.37	125.33
Profit after taxation	17.73	3.63	50.07
Equity Share Capital	30.61	30.61	30.61
Reserves (excluding revaluation reserves)	97.02	650.59 *	704.75 *
Networth	127.63	681.20	735.36
NAV per Share (Rs.)	41.70	222.54	240.23
EPS per Share (Rs.)	5.79	1.19	16.36

\* includes Amalgamation reserves of Rs.338.78 lacs

DTCL has not availed any assistance from any Bank or Financial Institution. DTCL currently holds 1782247 Equity shares in Dwarikesh Sugar Industries Limited.

There are no defaults in meeting any statutory/Bank/institutional dues. No proceedings have been initiated for economic offences against DTCL, its Promoters and directors..

#### DWARIKESH SAMVAD LIMITED (DSL)

DSL is incorporated under the Companies Act, 1956 vide Certificate of Incorporation no. 20 - 25577 of 2000 dated August 10, 2000 having its registered office at Dwarikesh Nagar - 246 762, District. Bijnor, Uttar Pradesh and has received certificate of commencement on September 1, 2000. DSL is engaged in the business of Media and Software Development. It is running a news based portal in the name of "PRABHASAKSHI".

#### Board of Directors of DSL:

Name of Director	Designation
Shri G R Morarka	Director
Shri B J Maheshwari	Director
Shri S S Arya	Director
Shri Sunil Kumar Goel	Director

#### Shareholding pattern: (as on August 31, 2004)

Name of the shareholder	No. of Shares	% Holding
Morarka Finance Limited	23000	46.00
Dwarikesh Sugar Industries Limited	20000	40.00



Name of the shareholder	No. of Shares	% Holding
Shri G R Morarka	6400	12.80
Shri B J Maheshwari	100	0.20
Shri S S Arya	100	0.20
Shri Sunil Kumar Goel	100	0.20
Shri Sajjan Vasudeo Sharma	100	0.20
Ms. Savitha Rao	100	0.20
Shri Mahendra S Shekhawat	100	0.20
<b>Total</b>	<b>50000</b>	<b>100.00</b>

#### Financial Performance:

Rs. in lacs

Particulars	For the Financial Year ended March 31 <sup>st</sup>		
	2002	2003	2004
Total Income	15.02	27.14	39.58
Profit after taxation	(28.11)	6.96	17.65
Equity Share Capital	5.00	5.00	5.00
Reserves (excluding revaluation reserves)	(28.91)	(21.93)	(4.25)
Networth	(23.91)	(16.93)	0.75
NAV per Share (Rs.)	(47.82)	(33.86)	1.50
EPS per Share (Rs.)	(56.22)	13.92	35.31

DSL has not availed any assistance from any Bank or Financial Institution. There are no defaults in meeting any statutory/Bank/institutional dues. No proceedings have been initiated for economic offences against the DSL, its Promoters and directors.

#### DWARIKESH SUGARCANE RESEARCH INSTITUTE (DSRI)

DSRI was incorporated as a non-profit making Company under section 25 of the Companies Act, 1956 vide Certificate of Incorporation no. 11 - 111960 of 1997 dated November 19, 1997 having its registered office at 511, Maker Chambers – V, 221, Nariman Point, Mumbai – 400 021. The Company is pursuing R & D in the areas of Sugarcane development.

#### Board of Directors:

Name of Director	Designation
Shri G R Morarka	Director
Shri B J Maheshwari	Director
Shri L S Heda	Director

#### Members of the Company:

DSRI is incorporated, as a non-profit making organisation under S.25 of the Companies Act, 1956, hence does not have any share capital. The Company is formed by initial contrintion by the following members:

Name	Occupation
Shri G R Morarka	Industrialist
Shri B J Maheshwari	Service
Shri L N Heda	Service
Shri Sajjan Sharma	Service
Ms. Savitha Rao	Service
Shri Chandru L Katra	Service
Shri P P Singh	Service

**Financial Performance:****Rs. in lacs**

<b>Particulars</b>	<b>For the Financial Year ended March 31<sup>st</sup></b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Total Income	0.93	2.90	2.79
Profit after taxation	0.91	0.42	(2.80)
Equity Share Capital	NA	NA	NA

The Company has not availed any assistance from any Bank or Financial Institution and there are no defaults in meeting any Statutory/Bank/Institutional dues. No proceedings have been initiated for economic offences against DSRI, its Promoters/directors.

None of the above concerns have become sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

There are no pending litigations, defaults, etc against above Companies, its Promoters and/or its directors.

## COMPANIES FOR WHICH AN APPLICATION HAS BEEN MADE FOR STRIKING OFF NAME

### DWARIKESH AGRO-PRODUCTS PRIVATE LIMITED (DAPPL)

Dwarikesh Agro-Products Private Limited was incorporated as Krishna Agro Industries Pvt. Ltd. under the Companies Act vide Certificate of Incorporation no. 20-17231 on December 1, 1994 having its Registered Office at Dwarikesh Nagar – 246 762, District Bijnor, Uttar Pradesh. Dwarikesh Agro-Products Private Limited. was promoted by Mr. Laxminarayan S. Heda & Mr. Sajjan Sharma. The Company was incorporated with the objective to undertake business of Agro based products. On January 05, 2004, the Board of Directors of the Company decided and resolved to strike off the name of Dwarikesh Agro-Products Private Limited from register maintained in the office of the Registrar of Companies, Uttar Pradesh at Kanpur by making an application under section 560 of the Act. M/s D P Agarwal & Co., Chartered Accountants, vide their Report dated January 7, 2004 have certified that Dwarikesh Agro-Products Pvt. Ltd. has no assets and liabilities as at January 5, 2004. In terms of the above resolution, Dwarikesh Agro-Products Pvt. Ltd. filed necessary documents on *February 3, 2004* with the Registrar of Companies, Uttar Pradesh at Kanpur for striking off its name from the Register maintained by them.

#### Board of Directors of DAPPL:

Name of Director	Designation
Shri Sunil K Goel	Director
Shri Laxminarayan S Heda	Director

#### Shareholding pattern: (as on January 05, 2004)

Name of the shareholder	No. of Shares	% Holding
Shri Laxminarayan S Heda	100	2.79
Dwarikesh Sugar Industries Limited	370	10.31
Morarka Finance Limited	3020	84.12
Shri Sajjan Sharma	100	2.79
<b>Total</b>	<b>3590</b>	<b>100.00</b>

#### Financial Performance:

Rs. in lacs

Particulars	For the Financial Year/Period ended		
	31.03.2002	31.03.2003	05.01.2004
Total Income	Nil	Nil	Nil
Profit after taxation	Nil	Nil	Nil
Equity Share Capital	2000	2000	35900
Reserves (excluding revaluation reserves)			Nil
Networth	Nil	Nil	Nil
NAV per Share (Rs.)	Nil	Nil	Nil
EPS per Share (Rs.)	Nil	Nil	Nil

DAPPL has not availed any assistance from any Bank or Financial Institution. There are no defaults in meeting any statutory/Bank/institutional dues. No proceedings have been initiated for economic offences against the DAPPL, its Promoters and directors.

There are no other Companies/ firms / entities from which Promoters have disassociated during last 3 years.

### 13. PARTICULARS REGARDING COMPANIES UNDER THE SAME MANAGEMENT AND PREVIOUS PUBLIC ISSUES

#### PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed Companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956, which made any capital Issue during the last three years.

#### LISTED VENTURES OF PROMOTERS

##### MORARKA FINANCE LIMITED

Morarka Finance Limited had come out with public Issue of 2175000 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 21.75 million in August 1994. The promise made in the Prospectus at the time of the IPO and the actual performance of the Company are given below:

#### PROMISE VIS-À-VIS PERFORMANCE

For the year ended March 31 (In Rs lacs)	Particulars					
		Total Income	PBT	PAT	EPS (Rs)	Dividend (%)
1994	Projected	3768	428	231	5.16	12
	Actual	997	185	185	4.10	12
	Variation %	(74)	(57)	(20)	(21)	--
1995	Projected	4356	591	320	7.15	12
	Actual	252	(36)	(39)	(0.87)	--
	Variation %	(94)	(106)	(112)	(112)	(100)
1996	Projected	5023	733	396	8.85	12
	Actual	115	(23)	(29)	(0.64)	--
	Variation %	(98)	(103)	(107)	(107)	(100)
1997	Projected	5815	825	445	9.95	12
	Actual	104	(41)	(42)	(0.93)	--
	Variation %	(98)	(105)	(109)	(109)	(100)
1998	Projected	6717	1097	593	13.26	12
	Actual	56	(37)	(37)	(0.81)	--
	Variation %	(99)	(103)	(106)	(106)	(100)
1999	Projected	3768	428	231	5.16	12
	Actual	997	185	185	4.10	12
	Variation %	(74)	(57)	(20)	(21)	--

## **Reasons for variation in promises v/s performance of Morarka Finance Ltd.**

### **1994-95**

The Company had anticipated large volume of activities in investment and trading in securities. However the same did not materialise, which caused fall in the actual performance. Similarly, there was drop in non fund based activities such as under-writing commission, Advisory Fee.

### **1995-96**

The Company had anticipated large volume of activities in investment, trading in securities. However the same did not materialise, which caused fall in the actual performance. Similarly, there was drop in non fund based activities such as under-writing commission, advisory fee.

There was scam in securities market in the year 1995 which had also affected the sentiments. Thus there was drop in profits.

### **1996-97**

There was lower volume in securities as the Company had adopted conservative approach on account of bad sentiment in the market. There was also lower revenue from non fund based activities such as under writers commission.

### **1997-98**

There was lower volume in trading / investment in securities as well as in the non fund based activities which caused drop in the profits.

### **1998-99**

There was lower volume in trading / investment in securities which caused in drop in profits. Also, there was drop in non fund based activities such as under-righting commission, Advisory Fee, which had affected the performance of the Company.

## **14. BASIS FOR ISSUE PRICE**

### **Qualitative Factors:**

1. Dwarkesh Sugar Industries Ltd. is a profit making Company since inception and has been paying dividend of 5-15% for last 6 year.
2. The Company's profit for 10 months period ended July 31, 2004 has grown to Rs.861 lacs (after providing for Rs.991 lacs towards price differential between SMP & SAP) against Rs.206 lacs in FY 2003 full year.
3. The Company has expanded its Co-gene power capacity from 9 MW to 17 MW, the same will be operational from Nov 04.
4. Realisation of Sugar has been considerably up vis-à-vis last financial year.
5. The Company's sugar recovery from cane is higher compare to the average sugar recovery in UP.

### **Quantitative Factors:**

#### **1. Adjusted Earnings Per Share**

	EPS (Rs.)	Weight
a) 2000-01	2.63	1
b) 2001-02	0.41	2
c) 2002-03	1.75	3
d) Weighted Average EPS	1.45	

The Company's Financial Year ends on September 30

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●] per share

a) Based on 2003-04 EPS	[●]
b) Based on weighted average EPS	[●]
c) Industry P/E **	
i) Highest	27.9
ii) Lowest	2.3
iii) Average	8.3

The ratios of some of the Companies in the same industry group are as follows:

Company	EPS (Rs.)	P/E Ratio	RONW (%)	NAV (Rs.)
Balrampur Chini Mills	36.5	10.8	23.6	157.5
Bajaj Hindustan	6.0	10.9	26.0	14.0
Bannari Aman	38.6	8.5	9.4	179.7
DCM Shriram Inds.	6.1	6.4	2.1	72.0
Dhampur Sugar	6.4	6.4	--	22.7
EID Parry	19.6	12.6	8.0	186.1
KCP Sugar	30.2	2.5	(8.0)	67.8
Kesar Enterprise	1.2	27.9	3.7	63.6
Rajshree Sugar	5.1	6.5	15.5	27.0
Rana Sugar	2.2	4.9	6.1	18.7
Simbhaoli Sugar	3.0	7.9	--	32.2
Ugar Sugar Works	7.8	10.1	(1.0)	72.0
Upper Gange Sugar	24.1	3.4	(12.2)	100.0

(Source : Capital Market – Vol. XIX/13, Aug 30 – Sep 12, 2004)

3. Return on Net Worth

	RONW %	Weight
a) 2000-01	5.70	1
b) 2001-02	2.50	2
c) 2002-03	5.64	3
Weighted Average	4.60	

The Company's Financial Year ends on September 30

Minimum return on total Net worth after Issue needed to maintain pre Issue EPS:

	%
EPS of 30.09.2003 - Rs.1.75	[●]
Weighted Average EPS of Rs.1.45	[●]

4) Net Asset Value (NAV) per share (Rs.)

a)	As on September 30, 2003	40.23
b)	After Issue	[●]
c)	Issue Price	[●]

## **OUTSTANDING LITIGATIONS OR DEFAULTS**

### **OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS**

Except as stated herein, there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against the Company, [its Subsidiaries], its Directors or its Promoter or Companies promoted by its Promoters and there are no defaults, non-payment or overdue of statutory dues, institutional/ Bank dues or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its [Subsidiaries], Promoters or Directors.

#### **Claims against the Company:**

##### **1. Civil Disputes**

- (i) M/s PHEW, Meerut failed to supply the boiling equipments as per clause 14 of agreement dated July 27 1994 with the Company. Due to delay as per the terms and condition of agreement the Company wrote a letter to State Bank of India, Meerut for invoking Bank Guarantee No. 40/51 for Rs. 2615000.00 and 40/47 for Rs. 3300000.00.

M/s PHEW, Meerut filed an arbitration suit under clause 17 of agreement to settle their claims. They further prayed for injunction for stopping the Company to invoking the Bank guarantees. On 28<sup>th</sup> November'1995 Plaintiff obtained an ex-parte injunction restraining the encashment of Bank guarantee.

M/s. PHEW then filed another injunction application dated January 12, 1996 with regard to the second Bank guarantee dated November, 1994, which was for a sum of Rs.33 lacs. It obtained an ex-parte injunction in respect thereto on the same day. Being unaware of this we wrote a letter dated 16<sup>th</sup> January'1996 to the respondent Bank invoking the said Bank guarantee no.40/47. In the said letter it was stated that M/s. PHEW had failed to deliver the equipment as per the terms of the agreement and that the Company had bought equipment from various markets due to which the advance amount which had been paid to M/s. PHEW, in respect of which the Bank guarantee had been issued, remained unadjusted.

The Company got information of the filing of the suit and the injunction application only after January 16, 1996. Accordingly, the Company appeared in court on January 18, 1996 even though no notice had been served on them. There was delay in the disposal of the injunction application, and so the Company approached the High Court for appropriate directions and the Allahabad High Court vide its order dated May 10, 1996 directed the Civil Judge, Meerut Cant, to dispose to the suit within the time fixed by it.

By an order dated 20<sup>th</sup> August'1996, the Second Civil Judge (Sr. Division), Meerut vacated the ex-parte injunctions, which had been granted and dismissed the injunction applications.

On August 22, 1996 the Company approached the Defendant no 2 Bank for the encashment of the Bank guarantees, but without success.

M/s. PHEW then filed revision petition No 257 of 1996 on September 10, 1996 before Allahbad High Court challenging the order dated August 20, 1996 of the trial court. The Allahbad High court took up the revision petition and disposed it of on the same day and, after setting aside the order dated August 20, 1996 it remanded the matter back to the trial court for fresh decision but, at the same time, directed that till the disposal of injunction application the Bank guarantees in question shall not be invoked or encashed and as trial court delayed in disposing of the case, we filed SLP no 22809/1996 in Supreme Court for dismissing the injunction. Supreme Court dismissed the injunction on 7/05/1997 and we encashed the Bank guarantees.

The Civil Judge, Meerut has not yet appointed the Arbitrator.

- (ii) A contract of Loading & Unloading at Budhwala center was granted to Lekhraj Singh although there was no written agreement in this regard. On receiving complains from Sh.R.R.Yadav, then Cane Inspector, the contract was cancelled. Lekhraj Singh objected to the cancellation and sought relief from court for awarding the contract to other person of his choice and refund of Rs. 1000/- with interest and Rs.8400/- with interest being amount advanced by him to labourers. His application was dismissed by the court.

The issues are framed. The Company has filed objection on the matter of court fees. The court is now called for evidence of Lekhraj Singh.

- (iii) A suit for recovery of money was filed by the State Bank of India against the borrower, namely Prem Heavy Engineering Works. The Company has been impleaded as Opposite party No.6.

Upon the creation of the Debt Recovery Tribunal ("DRT") at Jabalpur, the case was first transferred there. When a separate DRT was created for the State of Uttar Pradesh, the case was transferred from Jabalpur to Allahabad. Thereupon when a DRT was set up in Lucknow for Uttaranchal and Western Uttar Pradesh, the case was again transferred to Lucknow, where it has been registered as T.A. Case No.694 of 2002.

A written reply has already been filed on behalf of the Company, wherein, it has been asserted that the opposite party No.6( has unnecessarily been dragged into this litigation by the Bank in collusion with the other opposite parties. A copy of the judgement passed in S.L.P. No. 22809 of 1996 Dwarikesh Sugar Industries Ltd. V. Prem Heavy Engineering Industries has also been filed.

The next hearing of the case is on January 1, 2005.

## 2. Criminal Disputes

- (i) A revision was filed by Mr.V.K.Khanna against order of the lower court, Nagina dated October 11, 1999, summoning him to appear in the matter. The accused, V K khanna applied for certified copy of the aforesaid order dated October 11, 1999 vide an application on March 17, 2001 and obtained the copy on March 24, 2001. Mr Khanna has moved a revision before ADJ, Bijnor along with an application under section 5A of Limitation Act praying that his application for revision is within time limit & the summon order of lower court is illegal. The Company has advanced its arguments against its application under section 5 of Limitation Act that Mr.V.K.Khanna cannot file revision as the time limit for filing of revision has expired and court order is reserved. On limitation ground revision has been allowed in favour of V.K.Khanna.



### 3. Labour Disputes

- (i) A detailed charge sheet was served to Mr. Gyan Prakash, Mr. Arun Kumar and four other clerks who tried to embezzle the cane weighing at the cane gate. Domestic enquiry was conducted in the matter and ultimately three of them had been terminated with effect from February 24, 2004 while other three clerks were acquitted. Two of them have filed their cases at ALC (Bijnor) for conciliation. In all the three cases the Company has filed the written statement. Mr. Gyan Prakash and Mr. Arun Kumar have filed separate cases in the matter. The next date in all cases is fixed on September 10, 2004.
- (ii) A detailed charge sheet was served to Mr. Lotan Singh, Mr. Mukesh Kumar, Mr. Subhash Chandra and two other clerks who tried to take a truck on record fraudulently and purposely they prepared a forged document i, e, a challan.. Domestic enquiry was conducted in the matter and ultimately four of them had been terminated with effect from October 13, 2003. Three of them have filed their cases at ALC (Bijnor) for conciliation. In all the three cases the Company has filed its written statement. Mr. Lotan Singh, Mr. Mukesh Kumar and Mr. Subhash Chandra have all filed separate cases in the matter. The next date in all the cases is fixed on September 10, 2004.
- (iii) Mr. Ishrar Ahmad filed an application for compensation that is entertained by ALC/ Workmen compensation commissioner, Bijnor and lodged as WCA 27/03 against Harbansh Lal & Mahendra Singh Sugar Loading & Unloading Contractors and the Company as defendant no. 2. The Company has appeared in court and filed the written statement stating that there was no such contractor with the Company as mentioned. The case is at the stage of cross examination of Mr. Ishrar Ahmad. The next date in the case is September 10, 2004.
- (iv) Mr. Rajendra Singh was engaged as temporary weighment clerk on November 20, 1995 but he has not been taken on duty since 1999 - 2000. The Company pleaded on the ground of shortage of cane. The case is now at the argument stage but has been lying pending there since the labour court is lying vacant.
- (v) Mr. Sushil Kumar along with three persons namely Mr. Sanjay Kumar, Mr. Suresh Chand and Shri Surendra Pal Singh, who have been found to have committed misconducts of forcibly collecting money on the pretext of collecting contributions from the workers in the factory. In the circumstances, the Factory Manager of the Company vide letter No: D.S.I.L. / D.N. / Pers / 5681 dated November 8, 2000 issued a joint charge sheet to all three persons. On November 8, 2000, four workmen namely Shree Sushil Kumar, Sanjay Kumar, Mr. Suresh Chand and Surendra Pal Singh, on the pretext of creating a law and order situation, caused industrial unrest, breach of industrial peace and strike in the factory. They also concocted a story of theft and leveled false allegations against the management, instigating, agitating and coercing the workers to go on strike. Consequently, the workers went on strike and the whole maintenance process was paralysed for more than two hours.

The Management decided to conduct a domestic enquiry. After the domestic enquiry the above mentioned workmen were found guilty hence they were terminated except Mr. Suresh who was awarded a minor penalty of stoppage of two increments. Later, Mr. Suresh Chand was found guilty in another case and his employment was also terminated. All of them filed cases which are pending with Labour Court Rampur as there is no Presiding Officer at Rampur.

- (vi) Mr. Virendra Kumar was a seasonal khalasi. His services was terminated on the ground of long absence (more than a year). The case is pending at the Labour Court at Rampur as there is Presiding Officer at Rampur. The case is at the stage of workman evidence.
- (vii) Dwarikesh Sugar Mill Karamchari Union came into existence on October 19, 2000 when it was got registered with Registrar Trade Union Kanpur vide Registration no. 8935. But on receiving various complaints regarding irregularities in the formation of the said union, the Registrar of the trade union cancelled the Registration of the said union vide its order dated February 2, 2001. Aggrieved with the cancellation order of the Registrar Mr. Sushil Kumar, the secretary of the said union filed above said miscellaneous appeal. The appeal was fixed for judgment but the Company moved an application which was disallowed by D.J. Kanpur. The Company got relief against that from the high court at Allahabad. The case is pending for direction of high court at Allahabad in the matter.
- (viii) The workman Mr. Jagdish Singh was a turner in the factory. On February 15, 2001 the said workman was caught red handed while he was trying to carry out an "immandasta". He confessed his guilt and was dismissed with effect from March 27, 2001 vide General Manager's order dated March 27, 2001. The said workman put his case before the conciliation officer and the DLC consigned to record his case vide order dated March 26, 2002. The workman, dissatisfied with the said order filed a writ petition before high court. The Company has filed its counter affidavit. The case is pending for listing.
- (ix) Kanhaiya Singh was a temporary weighment clerk of the Company's factory. He is now under suspension on account of failure to follow rules of the Company. Home inquiry is going on.  
  
Kanhaiya Singh filed a complaint Case before A.C.J.M. Nagina under sections 323,504 and 506 of the Indian Penal Code against Additional Manager (Cane) Sh. Ramesh and Security Officer Sh. Raghav Tiwari on April 9, 2003.  
  
Kanhaiya Singh has deposed his evidence under section 200 and 202 of the Criminal Procedure Code. Both the parties have agreed for compromise which is still pending.
- (x) Mr. Pankaj Kumar was suspended at Mozipur Dharma center, wherein Mr. Rambahar Singh, the complainant (one of the Company's supplier for sugarcane) alleged that he has supplied sugarcane to Mr. Pankaj Kumar during his suspension period. The Company replied saying that Mr. Pankaj Kumar's licence was suspended by the Assistant Sugar Commissioner and he was asked to handover the charge immediately and any act done by Mr. Pankaj Kumar was without the authority and permission of the Company. The Company has also replied that they have not received any cane on the alleged receipts issued by Pankaj Kumar. The Company has made all the payments, which were due for the supply of sugarcane and obtained a No Objection Certificate from the concerned society for clearance of the entire dues for the season 2002- 2003. The Company has also taken a stand that the complainant in the present case is not a consumer with in meaning of the Consumer protection Act 1986 and therefore the present complaint is not maintainable. The case has been filed against the Company, Sahakari Ganna Vikas Samiti, Najibabad, D.M., Bijnor and the State of U.P. The Company has filed its writ petition. However the written submissions from the other defendants are not filed and are awaited.
- (xi) A writ petition has been filed by Anoop Kumar of Harganpur for the Company's alleged refusal to take supply of ratoon sugarcane of 91269 variety. As per Cane Commissioner's

order the Company was supposed to accept the supply of 91269 ratoon crop only. However since Mr. Anoop Kumar did not supply ratoon crop it was not accepted. The Company has filed its counter affidavit and placed facts on records to prove that he did not have any plant crop of 91269 in year 2001-2002, so that he could supply ratoon crop 91269 in season 2002-03.

Mr. Anoop Kumar has not filed any rejoinder in this case and the case is undated.

- (xii) Mr. Sushil Kumar, a former employee of the Company filed a case against the Company being aggrieved due to the termination of his employment. He was actively involved in trade union activities. He filed an application under section 156(3) before ACJM, Nagina which was rejected. After that he moved a revision before the District Judge for revising the ACJM order. The District Judge rejected his application and restored the order of the ACJM. Aggrieved by the order, he has approached the Allahabad high court for relief. The Company has filed its counter affidavit. No date has been fixed for hearing.

#### **4. Excise Disputes**

#### **EXCISE CASES**

##### **Claims against the Company**

1. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number 20/DSIL/95/1421 dated November 21, 1995 for an amount of Rs. 69,570 along with a penalty of Rs. 50,000/-. The case has been remanded by CESTAT vide order number A/ 04-NB (SM ) dated April 28, 2004 for de novo adjudication and date of heading is yet to be fixed (O-I-O No.82-86/MBD/99 dated December 20, 1999).
2. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(15)(17)/124/OFF/96/5650 dated June 3, 1996 for an amount of Rs. 1,18,319 along with the penalty of Rs. 50, 000/-. The case has been remanded by CESTAT vide order number A/ 04-NB (SM ) dated April 28, 2004 for de novo adjudication and date of heading is yet to be fixed (O-I-O No.82-86/MBD/99 dated December 20, 1999).
3. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(15)(17)/123/OFF/96/3082 dated May 1, 1996 for an amount of Rs.5,60,905 along with the penalty of Rs . 50, 000/-. The case has been remanded by CESTAT vide order number A/ 1164-1166/02-NB (SM) dated August 12, 2002 for de novo adjudication and date of heading is yet to be fixed (O-I-O No. 9/97 dated January 24, 1997 ).
4. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(15)(17)/125/OFF/96/4041 dated July 1, 1996 for an amount of Rs.1,02,136 along with the penalty of Rs . 50, 000/-. The case has been remanded by CEGAT vide order number A/ 1164-1166/02-NB (SM) dated August 12, 2002 for de novo adjudication and date of heading is yet to be fixed (O-I-O No. 04/offence/97 dated November 24, 1997).
5. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(15)(17)/260/OFF/96/4602 dated August 1, 1996 for an amount of Rs.36,749 along with the penalty of Rs . 50, 000/-. The case has been remanded by CEGAT vide order number A/ 1164-1166/02-NB (SM) dated August 12, 2002 for de novo adjudication and date of heading is yet to be fixed (O-I-O No. 02/offence/97 dated December 5, 1997)
6. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number 20/DSIL/97/39 dated January 15, 1998 for an amount of Rs.48,500

along with the penalty of Rs . 25, 000/-. The case has been remanded by CEGAT vide order number A/971-02/NB (SM) dated July 25, 2002 for de novo adjudication and date of heading is yet to be fixed (O-I-O No. 15-16/MBD/99 dated September 30, 1999)

7. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number 20/DSIL/97/137 dated February 28, 1998 for an amount of Rs. 98,473 along with the penalty of Rs. 50, 000/-. The case has been remanded by CEGAT vide order number A/971-02/NB (SM) dated July 25, 2002 for de novo adjudication and date of heading is yet to be fixed (O-I-O No. 15-16/MBD/99 dated September 30, 1999)
8. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)47/DEM/MBD/04/1485 dated 23<sup>rd</sup> March 2004 for an amount of Rs.1,39,957. The case is pending for adjudication.
9. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)/DEM/MBD/109/ 2004/3177 dated July 8, 2004 for an amount of Rs.58,986. The date of hearing is not yet fixed.
10. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)60/DEMAND/2001/3360 dated September 17, 2001 for an amount of Rs. 8,786. The case is pending for adjudication.
11. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)177/DEMAND/2001/5791 dated December 26, 2004 for an amount of Rs.5,498. The case is pending for adjudication.
12. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30) 51 /DEMAND/2002/2326 dated April 3, 2002 for an amount of Rs.95,592. The case is pending for adjudication.
13. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30) 249/DEMAND/2002/6517 dated September 17, 2002 for an amount of Rs. 2,086. The case is pending for adjudication.
14. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)349/DEMAND/02/1072 dated May 9, 2003 for an amount of Rs. 77,011. The case is pending for adjudication.
15. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)74/DEMAND/03/1930 dated July 29, 2003 for an amount of Rs.47,752. The case is pending for adjudication.
16. A demand has been raised on the Company by the Commissioner of Central Excise vide a show cause notice bearing number V(30)350/DEMAND/02/396 dated March 10, 2003 for an amount of Rs.77,113. The date of hearing is not yet fixed.

#### **CASES PENDING WITH COMMISSIONER (APPEALS), CENTRAL EXCISE, MEERUT**

##### **Demand Issued on Utilization of Modvat on Capital Goods**

1. The Company filed an appeal before the Commissioner (Appeals), Central Excise, Meerut, vide order-in-original no. SCN NO. V(30) ADJ /DEM/18/04/314 dated January 30, 2004 & O-I-O NO. V (30) ADJ/DEM/18/04//2318 dated 28.04.2004 for an amount of Rs. 8,103. Appeal along with stay application has been filed on July 2, 2004. Date of hearing has not been fixed.

## **CASES PENDING WITH CUSTOM, EXCISE & SALES TAX APPELLATE TRIBUNAL**

1. The Company filed an appeal before the Custom, Excise & Sales Tax Appellate Tribunal vide order-in-original no. 16-19/MBD/2001-02 dated September 19, 2001 for an amount of Rs. 13,128. The last hearing was held on July 26, 2004. However, the decision in the matter is still pending.
2. The Company filed an appeal before the Custom, Excise & Sales Tax Appellate Tribunal vide order-in-original no. 18-19/MBD/2000 dated July 20, 2000 for an amount of Rs. 12,883. The next date of hearing has been fixed on October 12, 2004. The total amount of Rs. 12,883 has been pre deposited vide RG-23A-part-II entry no. 18 dated April 12, 2004 as per CESTAT Order No. S/288-04-NB (SM) dated March 22, 2004.

### **Claims by the Company:**

#### **1. Civil Disputes**

- (i) The Company has filed a case for refund of court fee, which was earlier paid for filing of the case for obtaining interest on the delayed encashment of Bank Guarantee by State of U.P. The case was later settled out of the court.

The matter regarding the refund of court fee is being followed up by letters and reminders are sent to Chief Justice , District Magistrate , Udyog Bandhu at Bijnor . Court fee has not yet been refunded.

- (ii) A civil suit for recovery of advance of Rs.54400/- paid to the party for supply of 2 nos. of spur pinion. However the party supplied only 1 and failed to supply the other. Since the court in which this case was filed was lying vacant the Company has moved the application for transfer of the case. The case has been transferred to small cause court. In this case summons have been served on the respondents .The written statement has been filed by the defendants .Now issues will be framed.

The Court has ordered for ex parte proceedings .The case is at the stage of evidence of the Company.

- (iii) This is a civil case for supply of secondhand & defective Juice Flow establisher and PH control system. In this case the defendant did not appear on March 27, 2001. The case is to be heard ex-parte for leading the Company's evidence. This case has been transferred to Civil Judge, Bijnor Court. The case is at the stage of evidence of the Company.
- (iv) The case is regarding the Registration of Trade Union. No date has been fixed for final disposal of the case.
- (v) The Company has filed a case against the levy of Toll Tax on Bridge on the river Kho on Nagina Badapur Marg. The bridge was built in 1975 with the construction cost of Rs.3133000.00. The state government is levying toll tax at the rate of Rs.30.00 per truck.

As per the Act they can levy the tax for a period of 20 years or the period of the recovery of construction cost which ever is earlier vide Govt. of UP under Section 2 of India Toll Tax Act 1851, and as this bridge was built in the year 1975 the 20 years completed in the year 1995.

But the PWD department produced the new Government Order stating that they can levy the toll tax for a period of 50 years or the construction cost recover with interest.

The Company has issued interrogatories to the PWD department for submitting the accounts.

They have submitted the reply of interrogatories. Next date is fixed for evidence of the Company.

- (vi) An injunction suit is filed against Nagina Truck Union in Civil Judge, Sr. Division, Bijnor court. The Company has got a stay against any activities of Nagina Truck Union obstructing the Company and its agents and any one in the area to engage the Truck of any other Union. The case has been heard & interim order restraining Nagina Truck union from interfering in the free availability of transport vehicles to factory is granted. Stay order will be continued till disposal of Case.

Nagina Truck union has filed an appeal in DJ court; Bijnor against this stay . Appeal has been dismissed by Court.

- (vii) The Company has filed a case for obtaining additional release for free sale of sugar out of season 2001-2002 stock for payment of arrears of cane price. The Company has been given additional release of one lakh quintal by High Court by its order dated August 7, 2002.

As per the order this matter will get merged with petition no 18605 of 2002 & 11764 of 2002 and heard together.

Union of India has filed their counter affidavit dated September 23, 2002 in the matter .As informed Mr Awasthi has been instructed to file the Company's rejoinder. A reply has been sent to him. However, the same has not yet been filed.

- (viii) A writ is filed against C.C. order dated November 15 2002 regarding setting up of cane centers at Mirzapur & Mirzalipur in the season 2001-02. The Company filed a writ in the Allahabad High Court contending that these centers are very close to our factory and they cane supply cane at factory gate. The High Court granted a stay in the matter.

The matter is although infructuous as it pertains to season 2002-03, however can be useful for the subsequent season if similar reservation of these centers is ordered by Cane commissioner.

- (ix) The Cane Commissioner vide his order December 12, 2002 allotted Jogirampuri, Chandanwala, Narulapur 1 & 2 to Kisan Sahakari Chini Mill . The Company filed an appeal before Cane Commissioner for allotment of these centers to them. The Cane Commissioner did not allot these centers to the Company. The Company moved a writ petition before the Allahabad High Court on January 13, 2003 and the court passed an order to lift Sugar Cane from these centers freely lost by the Company as well Kisan Sahakari Chini Mill till a decision to the appeal was given. Aggrieved by the order, the Company filed an appeal. The Company failed to file an appeal before Sugar Secretary, Lucknow within the time limit allowed by law. The Company again made an application before Allahabad High Court for allowing them the time for filing an appeal before Sugar Secretary for redressal of their grievance. Since the matter was specific for year 2002-2003. It has now become infructuous.

- (x) In the case of DSIL v/s Nagina Public Carrier Association and others, Case no.661/2002 the Hon'ble Civil Court has given relief to the Company. The Hon'ble Court has ordered on November 30, 2002 that the defendants, their agents and servants are restrained during the pendency of suit from interfering the plaintiff in transporting its goods through the trucks of its own choice.

Against this order on December 24, 2002 Nagina Public Carrier Association filed an appeal before D.J. Court, Bijnor. In this matter defendant's number are 18. Only the Company has appeared in the court till now. Summons are issued by court to serve on rest defendants, the service of which is still not completed.

Stay order continues in favour of the Company. The appeal has been dismissed. Stay Order will be continued till disposal of original suit No. 661 of 2002.

- (xi) The Company has filed a Civil Suit before the Civil Judge. In this suit the Company has prayed for relief that the defendants, their agents, servants and employees be permanently restrained by mean of a permanent prohibitory injunction from obstructing the free movement of vehicles into & from the factory premises.

On November 11, 2002 the Court has ordered that the defendants, their agent and servants are restrained during the pendency of the suit from interfering with the Company in transporting its goods through the truck of its own choice.

Opposite party had knowledge of the aforesaid order passed by the Court on November 30, 2002 but in spite of the same, opposite party on January 19, 2003 at Hazipur Chauraha blocked and obstructed the transport of goods & knowingly disobeyed the aforesaid order of the Hon'ble Court.

The Company filed a contempt case before Civil Judge (Senior Division) Bijnor and prayed that the opposite party be punished for disobedience of the order.

- (xi) The Company filed a writ petition (no. 2459) against Union of India in relation to the use of the word "Dwarkadhish" by another Company, "Dwarkadhish" Sakhar Karkhana" at the Mumbai high court seeking for change of the name of the Company Dwarkadhish" Sakhar Karkhana. The Mumbai high court passed an order directing the Registrar of Companies, Mumbai to pass a suitable order after hearing both the parties. On October 29, 2002 The Registrar of Companies, Mumbai subsequent to hearing the parties stated and made clear that since the powers of Central Government were delegated to the Regional Director, the Registrar of Companies, Mumbai was not the statutory authority to dispose off the application.

Subsequently the Company has filed a petition with the Mumbai high court to direct the Regional Director to pass an order in the same matter.

The case is undated.

## **2. Criminal Disputes**

- (i) A criminal complaint is filed by Mr.R.L.Sahu against Mahendra Singh for cheating the factory by short supplying sugar cane purchase at center and therefore causing loss of Rs.20615.53 only.

The accused has appeared before the Court & the matter is now at the stage of evidence of Mr.R.L.Sahu under section 244 .

Since he has resigned, the Company will produce some other employee familiar with the case to depose evidence.

- (ii) A criminal case is filed against Shri A K Mittal, partner of Raymech systems .The case is filed against him under sections 420 & 406 of the Indian Penal Code for cheating the Company by supplying defective material in supply of Bagasse conveyor. Summons have

been issued to party but could not be served .The party is staying at Delhi & summons are sent by court to DCP, West Zone, Delhi. This case is against Director of Raymech (Division of Hydro con Engg project Pvt.Ltd). The Company is attempting to get the certified copy of Document from Registrar of Companies, Delhi for getting the correct address of Raymech systems to serve the summons.

- (iii) Ram Niwas Joshi and his companions, blocked the road outside the factory on July 19, 2003 & thereby blocked the inflow of trucks, trollies and buggies coming to the factory for supply of sugarcane. In spite of this condition when some farmers tried to supply sugarcane ,they stopped them & abused them & threatened saying that only their Union's trucks will carry sugarcane to factory. This situation continued for 5 hours.

In these hours because of shortage of sugarcane supply, factory had to close down causing economic loss to the factory on account of this illegal act.

The Applicant moved an application under section 156(3) of the Criminal Procedure Code before ACJM, Nagina. On February 28 2003, after hearing the court ordered to register this case as a complaint case. Sh. Surendra Singh and Sh. Ramesh Singh are witnesses in this case.

On July31, 2003, the complainant Sh. Raghav Tiwari deposed his evidence under section 200 of the Criminal Procedure Code. The next date is fixed for evidence of witnesses under section 202 of the criminal procedure code.

- (v) An FIR was lodged by the Company against Jagdish with Nagina Dehat Police Station for stealing the Company's property including Stainless Steel, Welding Electrodes etc. The FIR has been registered and the case was filed by the State against him. He was arrested and released on bail. The charge sheet is called from coping section at Bijnor Court for serving on the accused. No date has been fixed.
- (vi) A criminal case filed against Mr Alok Mittal for the breach of contract for supplying old equipment by fraud. Mr.Alok Mittal, Director, Digital Utilities refused to payback the amount of Rs.34650.00 paid to him for automation of juice stabilization system against our purchase order dated 08/10/97.Evidence of the Company and evidence of one witness has been completed, evidence of another witness, Mr P K Khandelwal is to be recorded.

### **3. Labour Disputes**

(i) The District Judge Kanpur passed an order dated August 29, 2001 in relation to the appeal no. 47/01 according to the Company's request for hearing the appeal as a suit. The Company filed the said writ petition against the order dated August 29, 2001 passed by DJ Kanpur. The case is pending for final hearing.

- (ii) The Company filed an application against the staging of demonstration by the group of employees on November 12 2002 in front of factory gate and represented that by their demonstration our business will be affected and the Company will not be able to start our crushing season on November 23, 2002. The group of employees also said that they may



stop the Company's workers and the Company's business would be affected adversely. The Company requested the court to give directions to stop the demonstration under section 39 of Civil Procedure Code. The court ordered that no Dharna / pradarshan etc should be held /conducted within 50 meters of our factory premises boundary wall The temporary stay has been granted in this case and is continue. Court has ordered for Ex-Parte Evidence of the Company.

- (iii) The case is filed by the Company due to the employees not obeying the stay order of ACJ, Bijnor for carrying out of any activities which would obstruct the free movement in to and from the factory. The group of employees also said that they may stop the Company's workers and the Company's business would be affected adversely. The Company requested the court to give directions to stop the demonstration under section 39 of Civil Procedure Code. On November 19, 2000 the employees staged dharna in front of the factory violating the court orders and also against the provisions of section 144 of Cr.P.C. This case is at stage of leading evidence of the Company.
- (iv) Mr. Pankaj Kumar was working, as a weighment clerk at Mozipur Dharma center. Mr. Pankaj Kumar's licence was cancelled and he was asked to surrender the charge of the center to Sh. Hemraj. However he refused to handover the charge and continued to illegally carry on the weighment of sugarcane and even threaten to beat our Company's Officers Sh. Anil Singh and Sh. Ratan Singh. An FIR was filed against Pankaj Kumar under sections 408/352/504/506 of the Indian Penal Code and he was arrested and released by the court on bail. Court has issued a notice to him for his appearance . He has not appeared in the Court till now. The Court has issued non bailable warrant against him.

#### **4. Trade Tax Disputes**

1. HSD Oil was being provided by the Company from their domestic diesel pump to the cane transporters for transporting sugar cane from the cane purchasing centres to the factory and the cost was recovered from the bills of the transporters for transporting sugar cane. Survey was conducted by SIB, Trade Tax Team on March 31, 2000 at the diesel pump. Although no demand has been raised by the IT department but the Company has deposited an amount of Rs. 10,60,000 (Rupees ten lacs and sixty thousand only) on the value of the HSD oil provided to the transporters together with interest there upon. Additional Commissioner of IT, vide order-dated January 7, 2004 granted permission for reassessment, which was served on January 23, 2004 as the department's contention was that recovery of diesel cost from the transporters was sale and liable to tax. Against the order of the Additional Commissioner of IT, the Company filed writ petition in the Allahabad High Court on February 16, 2004 challenging the reopening of case. The Allahabad High Court, vide it's order dated February 19, 2004, has stayed the reassessment proceedings till further orders. The IT department has filed a counter affidavit on March 24, 2004. No demands have been raised in this case.
2. HSD Oil was being provided by the Company from their domestic diesel pump to the cane transporters for transporting sugar cane from the cane purchasing centres to factory and the cost was recovered from the bills of the transporters for transporting sugar cane. Survey was conducted by SIB, Trade Tax Team on March 31, 2000 at the diesel pump. The Company deposited an amount of Rs. 2.99 Lacs, although no demand has been raised by the department, but to prove their bonafide under protest on the value of the HSD oil provided to the transporters together with interest there upon. Additional Commissioner, granted permission for reassessment, which was served on June 9, 2003, as the department's contention was that recovery of diesel cost from the transporters was sale and liable to tax. The Company filed a writ petition in the Allahabad High Court on February 16, 2004 challenging the reopening of case. The

Allahabad high court granted interim stay till further orders. The Department has filed counter affidavit against which a rejoinder has been filed by the Company. no demand has been made in this case.

3. A survey was conducted by SIB, Trade Tax Team on March 31, 2000 at the Company's diesel pump. Original Assessment was completed on June 28, 2000 with a nil tax liability. Case was reopened under section 21 and the Assessing Officer assessed the alleged sale on account of HSD oil to the cane transporters and also the iron steel/cement provided to the civil contractors for the Company's civil jobs and value recovered from their bills. The Company deposited an amount of Rs. 9.66 Lacs under protest on its own on the value of the HSD oil provided to the transporters together with interest there upon. The remaining amount of Rs 0.23 Lacs was deposited as the appellate authority granted stay for 30% amount of the disputed tax. First Appeal filed before DC was accepted but the case was remanded to the Assessing Officer. An appeal was filed before the Tribunal for deciding the appeal on merits but Trade Tax Tribunal also remanded the case to the Assessing Officer for reassessment. The Company filed revision petition in the High Court on July 6, 2004. The Court directed standing counsel to produce records of original assessment as well as proceedings under section 21 on July 24, 2004 and till such time also stayed the reassessment proceedings. The disputed tax amount is Rs. 12.74 lacs.
4. Alleged sale on account of HSD provided to bagasse shifting contractor and cement/steel provided to civil contractors for the Company civil job was assessed to tax by the Assessing Officer. The Company had deposited an amount of Rs. 0.06 Lacs under protest on the value of the HSD oil provided to the bagasse shifting contractor. The Company filed an appeal before the Joint Commissioner (appeal). The Joint Commissioner (Appeal), granted stay for 50% amount against which the Company filed an appeal before Trade Tax Tribunal who granted stay for 75% of the disputed tax till decision on 1<sup>st</sup> Appeal. In compliance to stay order of the Tribunal, an amount of Rs 1.21 lacs deposited under protest. The case was fixed for hearing on August 24, 2004. It has been adjourned to September 15, 2004. The disputed amount of tax is Rs. 4.78 Lacs.
5. An assessment order was passed by the Assessment Order creating a demand on account of 2% entry tax on free sale sugar on the ground that since delivery of the sugar is given at factory gate hence all sale to Ex-UP Buyer will also be liable to Entry tax. The Company Filed writ petition against order before the High Court at Allahabad. High Court has stayed the entire demand vide order dated May 16, 2003. The has filed a rejoinder against the department's counter affidavit. The amount of tax which is disputed is Rs. 9.08 lacs.
6. The Assessment Officer, passed an Interim Assessment order for August and September 2003 taxing the entire sale of sugar to Ex-UP Buyer to Entry tax on the pretext that sale is completed at the factory gate itself and hence UP sales and liable to Entry tax. The Company filed writ in Allahabad High Court on January 22, 2004. The court, vide it's order dated January 22, 2004, has stayed the demand till further orders. In the IOC case, the Allahabad high court has held the entire entry tax act as ultra virus, which is now sub-judice before the Supreme Court. The tax department has filed its counter affidavit to which the Company has filed its rejoinder. The disputed amount of tax is Rs 21.58 lacs.

The Assessment Officer taxed the issuance of Debit Note worth Rs 2.79 Lacs to the contractors for Cement. The Company has deposited the entire demand under protest. First Appeal is disallowed by the Joint Commissioner. The Company has filed an appeal before the Trade Tax Tribunal. The disputed amount of tax is Rs. 0.33 lacs.

#### **4. Income Tax Dispute**

- (i) The Company has filed an appeal before the Commissioner of Income Tax, Appeals against the order passed by the Assessing Officer for the assessment year 2000 –2001. The order of the Deputy Commissioner of Income Tax was based on the fact that the Company did not claim depreciation as per Income Tax Act, 1961 in the computation of income. The Company has filed an application before the Commissioner of Income Tax, Appeals contending that the option to claim depreciation lies with the assessee.

The amount involved in Rs. 7,72,39,622.

The hearing is adjourned to September 14, 2004.

- (ii) The Company has claimed capital receipt generated out of free sale of sugar for the assessment years 1997-1998 and 1998-1999 and has utilised the amount towards repayment to Financial Institutions, interest to Financial Institutions, repayment of principals to Banks and interest to Banks. The Deputy Commissioner of Income Tax, held that only repayment of principal to Financial Institutions should be allowed. The Company filed an application with the Commissioner of Income Tax, Appeals contesting the disallowance and the Commissioner of Income Tax, Appeals has concurred with the Deputy Commissioner of Income Tax for both the assessment years.

Subsequently the Company filed an appeal with the Income Tax Appellate Tribunal for the assessment years 1997 – 1998 and 1998 – 1999.

The amount involved for the assessment year 1997 – 1998 is Rs. 4,62,80,518.

The amount involved for the assessment year 1998 – 1999 is Rs. 77,54,043.

The next hearing has been fixed for September 29, 2004.

- (iii) The Company has claimed capital receipt generated out of free sale of sugar for the assessment years 1999 - 2000 and has utilised the amount towards repayment to Financial Institutions, interest to Financial Institutions, repayment of principals to Banks and interest to Banks. The Deputy Commissioner of Income Tax, held that only repayment of principal to Financial Institutions should be allowed. The Company filed an application with the Commissioner of Income Tax, Appeals contesting the disallowance and the Commissioner of Income Tax, Appeals has concurred with the Deputy Commissioner of Income Tax for both the assessment years.

Subsequently the Company filed an appeal with the Income Tax Appellate Tribunal for the assessment year 1999-2000.

The amount involved for the assessment year 1999-2000 is Rs. 2,76,92,351.

The appeal has been filed April 27, 2004.

#### **5. Claims by the Company's Directors or Promoters**

There are no claims by the Company's Directors or Promoters.

#### **6. Claims against the Company's Directors or Promoters**

Cases against Mr. G.R.Morarka, Chairman and Managing Director of the Company

- (i) A case was filed by Lloyd Finance Limited against Indian Sugars and Refineries Limited, Mr. Rajendraprasad R. Morarka and Mr. G.R.Morarka for dishonour of six cheques amounting to Rs. 2,91,384 issue between August 15, 1999 and January 15, 2000 under section 138 (c) and 141 of the Negotiable Instruments Act, 1881.

Lloyds Finance Limited has made Mr. G.R.Morarka as a party to the case in the capacity of a Director of Indian Sugars and Refineries Limited at the trial court at Girgaum, Mumbai.

Mr. G.R.Morarka has filed an application for recalling of proceedings against himself wherein he has submitted that he has wrongly been made a party to the case as he had resigned his directorship as on September 15, 1997 and the same has been recorded with the Registrar of Companies as on October 8, 1997. Lloyds Finance Limited has filed a reply stating that the application of Mr. Morarka be dismissed as the contentions and the averment made in the same are false and require to be proved with leading evidence. The next date of hearing has been fixed for October 29, 2004.

- (ii) A case was filed by Lloyd Finance Limited against Indian Sugars and Refineries Limited, Mr. Rajendraprasad R. Morarka and Mr. G.R.Morarka for dishonour of a cheque amounting to Rs. 48,564 issued on February 2 2000 under section 138 (c) and 141 of the Negotiable Instruments Act, 1881.

Lloyds Finance Limited has made Mr. G.R.Morarka as a party to the case in the capacity of a Director of Indian Sugars and Refineries Limited at the trial court at Girgaum, Mumbai.

Mr. G.R.Morarka has filed an application for recalling of proceedings against himself wherein he has submitted that he has wrongly been made a party to the case as he had resigned his directorship as on September 15, 1997 and the same has been recorded with the Registrar of Companies as on October 8, 1997. Lloyds Finance Limited has filed a reply stating that the application of Mr. Morarka be dismissed as the contentions and the averment made in the same are false and require to be proved with leading evidence. The next date of hearing has been fixed for October 29, 2004.

- (iv) Mr. Radheshyam Morarka was the Director was Indian Sugars and Refineries Limited and acted a guarantor to Salarjung Sugar Mills Limited, a subsidiary of Indian Sugars and Refineries Limited, for a loan amounting to Rs. 24,00,000, which they had taken from State Bank of Mysore, Hospet.

State Bank of Mysore, Hospet filed a case against Mr. G.R.Morarka being the heir of Mr. Radheshyam Morarka, in the event of Salarjung Sugar Mills Limited defaulting in making payments to the Bank.

Mr. G.R.Morarka filed for exclusion from liability in the case on the basis that Mr. Radheshyam Morarka was not a director of Salarjung Sugar Mills Limited and that he had not signed as a guarantor at the time of renewal of the loan documents.

The matter has adjourned to September 14, 2004.

## **7. Claims involving the Promoter group Companies and other ventures of the Company's Promoters**

### **Cases against the Promoter group Companies**

- (i) **Morarka Finance Limited**

There are no claims against Morarka Finance Limited

- (ii) **Dwarikesh Trading Company Limited**

There are no claims against Dwarikesh Trading Company Limited

**(iii) Dwarikesh Samvad Limited**

There are no claims against Dwarikesh Samvad Limited

**(iv) Dwarikesh Sugarcane Research Institute Limited**

There are no claims against Sugarcane Research Institute Limited

**Cases by the Promoter group Companies**

**(i) Morarka Finance Limited**

1. Morarka Finance Limited had taken a loan of Rs. 34,45,890 from SBI Mutual Fund wherein the plaintiffs deposited 3,12,500 shares of Pampasar Distilleries Limited. Subsequently the plaintiffs made a payment of Rs. 34,45,890 by their cheque dated February 8, 1994. The defendant accepted the cheque but however did not return the shares. However, on payment of an extra amount of Rs. 5,25,000 the said shares were returned. Subsequently, Morarka Finance Limited filed a case against SBI Mutual Fund and others for recovery of the amount of Rs. 5,25,000.

The case is pending at the Mumbai high court and date for the next hearing has not been fixed.

2. Morarka Finance Limited issued a temporary loan of Rs. 75,00,000 at the rate of 7.5% per month for a period of four months to Asia Television Network Limited (ATN) in January 1995. In February 1995, ATN directors Mr. Siddharth Shrivastava issued two post dated cheques of Rs. 75,00,000 and Rs. 22,50,000 for payment of temporary loan and interest dated June 17, 1995. Both these cheques were dishonoured by the Bank on June 19, 1995 and notice was issued to ATN, Mr. Anil Shrivastava and Mr. Siddharth Shrivastava on June 28, 1995. Subsequently a case was filed by Morarka Finance Limited against ATN, Mr. Anil Shrivastava and Mr. Siddharth Shrivastava.

The court passed an order against ATN and Mr. Anil Shrivastava to pay a fine of Rs. 15,00,000 each since Mr. Siddharth Shrivastava was not present, a non bailable warrant was issued against him.

ATN and Mr. Anil Shrivastava filed an appeal against Morarka Finance Limited in the Sessions Court against order of Chief Metropolitan Magistrate and the same was dismissed.

They filed an appeal in the high court against the order of the sessions court. The high court admitted the appeal and ordered the accused to deposit Rs. 3,50,000 and the complainant to withdraw the amount of Rs. 15,00,000 already deposited with the Chief Metropolitan Magistrate.

The date of the final hearing of the criminal matter has not been fixed.

The Chief Metropolitan Magistrate issued an order against Mr. Siddharth Shrivastava as guilty of offence punishable under sections 138 and 141 of the Negotiable Instruments Act, 1882 and sentenced to undergo simple imprisonment for a period of one month and a fine of Rs. 10,00,000.

**(ii) Dwarikesh Trading Company Limited**

1. Yashodhan Industrial Investment Company Limited (merged with Dwarikesh Trading Company Limited on September 2002), moved an application against

State Bank of Mysore, Hospet, contending that the defendant has fraudulently filed Form 8 and Form 13 to create a charge over the plaintiff Company. The defendant in its written statement has contended that the plaintiff's former name was Salarjung Sugar Mills Limited and that the said Company has availed financial facilities from the defendant and that the plaintiff Company was the owner of the Sugar Mill and agricultural land admeasuring 302.36 acres and had offered the same as security.

The amount contested in the said matter is Rs. 24,00,000.

The next hearing has been fixed for January 2, 2005.

**(iii) Dwarikesh Samvad Limited**

There are no claims made by Dwarikesh Samvad Limited.

**(iv) Dwarikesh Sugarcane Research Institute Limited**

There are no claims made by Dwarikesh Sugarcane Research Institute Limited.

**16. RISK ENVISAGED BY MANAGEMENT & IT'S PERCEPTIONS TO ADDRESS THE RISK:**

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

**A. RISKS SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY**

1. The Company has received a summons notice (bearing no. TA/OA No 822 of 2000 dated January 17, 2001) from the Debt Recovery Tribunal ('DRT'), Allahabad u/s 19 of The Recovery of Debt due to Banks and Financial Institutions Act, 1993 read with Rules 12 & 13 of Debt Recovery Tribunal (Procedure Rules) 1993 in State Bank of India ('SBI') v/s. M/s. Prem Heavy Engineering Works Private Limited ('PHEW') for recovery of their dues including bank guarantees amounting to Rs. 59.15 lacs encashed by the Company.

Management Perception. This pertains to bank guarantees issued by SBI (PHEW's Banker) in favour of the Company in respect of performance of certain contracts to be executed by PHEW. The company had invoked the bank guarantees. SBI has taken up with the DRT for recovery of their dues from PHEW. The said summons has been issued enabling the Company to file the reply if required. As such the dispute is between SBI and PHEW and does not have any financial implication on the Company.

2. Two case have been filed by Lloyd Finance Limited against Indian Sugars and Refineries Limited, Mr. Rajendraprasad R. Morarka and Mr. G.R.Morarka for dishonour of cheques amounting to Rs. 2,91,384 and Rs. 48,564 under section 138 (c) and 141 of the Negotiable Instruments Act, 1881. Lloyds Finance Limited has made Mr. G.R.Morarka as a party to the case in the capacity of a Director of Indian Sugars and Refineries Limited at the trial court at Girgaum, Mumbai.

Management Perception: Mr. G.R.Morarka has filed an application for recalling of proceedings against himself wherein he has submitted that he has wrongly been made a party to the case as he had resigned his directorship as on September 15, 1997 and the same has been recorded with the Registrar of Companies as on October 8, 1997. Lloyds Finance Limited has filed a reply stating that

the application of Mr. Morarka be dismissed as the contentions and the averment made in the same are false and require to be proved with leading evidence. The next date of hearing has been fixed for October 29, 2004.

3. Mr. Radheshyam Morarka was the Director was Indian Sugars and Refineries Limited and acted a guarantor to Salarjung Sugar Mills Limited, a subsidiary of Indian Sugars and Refineries Limited, for a loan amounting to Rs. 24,00,000, which they had taken from State Bank of Mysore, Hospet. State Bank of Mysore, Hospet filed a case against Mr. G.R.Morarka being the heir of Mr. Radheshyam Morarka, in the event of Salarjung Sugar Mills Limited defaulting in making payments to the Bank.

Management Perception: Mr. G.R.Morarka filed for exclusion from liability in the case on the basis that Mr. Radheshyam Morarka was not a director of Salarjung Sugar Mills Limited and that he had not signed as a guarantor at the time of renewal of the loan

4. There are 18 labour cases pending against the Company in various labour courts at Rampur, Bijnor, Moradabad pertaining to disputes such as re-instatement in service etc.

Management Perception. These types of disputes are normal in manufacturing units. Most of these cases are being resolved. As such there is no material financial implication on the working of the Company.

5. The Company has not provided for the following contingent liabilities as on July 31, 2004
 

(a) In respect of show cause notices from Central Excise department regarding CENVAT claims on capital goods disputed by the department and levy of penalty and interest on the above amount due against which the Company has preferred appeals.	<b>Rs. 18.90 Lacs</b>
(b) In respect of trade tax and entry tax demand received from Uttar Pradesh trade tax authorities in various cases, in respect of which the Company has preferred appeals.	<b>Rs.59.08 Lacs</b>

6. The Corporate Office of the Company has been taken on lease offices premises on the 5<sup>th</sup> floor (in Maker Chambers V, Nariman Point, Mumbai ) from its Associate Company, Morarka Finance Limited. The Lease Agreement was executed in November 1994 for a period of 11 months. Subsequently the Lease Agreement has been renewed every year till date. The lease agreement is neither adequately stamped nor registered.

7. The Corporate Office of the Company has been taken on lease offices premises on the 6<sup>th</sup> floor (in Maker Chambers V, Nariman Point, Mumbai ) from its Associate Company, Dwarikesh Trading from the Group Company viz. Morarka Finance Limited. The Lease Agreement was executed in November 1994, for a period of 11 months. Subsequently, the Lease Agreement has been renewed every year till date. The Lease Agreement is not adequately stamped or registered.

Management Perception for (6) and (7)

Since the registration of the Lease is not mandatory and is recommended in the interest of the Lessor, the Company has not got the Agreement registered. However, as recommended by the Company's Legal Advisors to the Issue, the Company has since started the procedure for taking appropriate steps.

8. Any significant change in the key managerial personnel of the Company may affect the performance of the Company.

Management Perception. The Company is located in the sugar belt in Central UP with a number of other sugar companies. The Company has a professional setup (including a well developed ERP

System) and is providing accommodation and other amenities within the Company premises. Hence, no problems are envisaged in attracting fresh talent and retaining the existing employees.

9. One of the group companies Morarka Finance Ltd. (MFL), had incurred a loss of Rs. 0.24 lacs in the year 2002-2003

Management Perception MFL is engaged mainly in investment in securities. The loss is on account of the fall in the dividend income for FY 2002-2003, which were only Rs. 0.57 lacs as compared to Rs. 70.57 lacs for FY 2001-2002. However, for FY 2003-2004, the Profit after tax of MFL was Rs. 13.38 lacs with a dividend income of Rs. 24.28 lacs.

10. The cogeneration expansion project is bagasse based, which is derived from sugarcane. Any constraint in the availability of sugarcane may affect the current or future productivity of the cogeneration plant. The change in pricing policy of sugarcane may also affect the profits.

Management Perception. The Company is located in the sugar belt of Central UP and has adequate supply of sugarcane to meet the production requirement. The Company also has a good track record of timely payments to the cane growers. Hence, the Company does not foresee any difficulty in procuring adequate quantities of sugarcane.

11. The Company proposes to set up facilities for manufacture of industrial alcohol, manufacture of refined sugar and proposes to add balancing equipments for expanding the capacity of existing sugar plant. The Company has not placed orders for any plant and machinery or any fixed assets (other than that required for industrial alcohol) aggregating Rs 2,126 lacs proposed to be funded by this IPO.

Management perception: The orders for all plant and machinery and other fixed assets aggregating Rs. 1,200 lacs for setting up the industrial alcohol project have been already placed and the project is scheduled for completion by February 2005. The Company has received competitive quotations for all its plant and machinery and other fixed assets. The plant and machinery required for manufacture of refined sugar will be housed adjacent to the existing sugar mills. Hence the installation can be done only during off-season that is during July – August 2005. The orders will be placed by April –May 2005.

## **FACTORS EXTERNAL TO THE COMPANY**

### **Specific To Sugar Industry**

1. The sugar industry is cyclical in nature.

Management Perception. In spite of the cyclical nature of the industry, the Company's operations have been profitable and has paid dividend for continuously since 1996. Further, the Company is diversifying into manufacture of industrial alcohol and power, which would reduce the dependence on sugar.

2. The Company is into production of sugar and proposes to expand its co-gen capacity and also manufacture refined sugar and industrial alcohol. Hence, the Company depends on adequate availability of sugar cane, which is dependent on good monsoon and agro-climatic condition.

Management Perception. Monsoon has been favourable in UP for quite a few years. The farmers of the area have bore wells for irrigation. The Company's factory is located in Central UP, where the water table of the area is quite high due to proximity to Ganges and perennial rivers. Hence, no problems are envisaged in sourcing adequate quantity of water for sugar cane crop.

3. The sugar industry is subject to government controls & regulation.



Management Perception. As a part of the liberalization process, the government of India has de-licensed the sugar industry. Introduction of adverse conditions may affect the Company's profitability and future growth.

4. Sale of sugar is subject to monthly release mechanism where there is a restriction on the sale of sugar that can be sold in the open market. Any decontrol of sugar, in the area of monthly release mechanism, may lead to a glut in the market leading to depressing prices and the Company will be put to loss.

Management Perception. In the decontrolled scenario, all sugar units will be able to sell without any quantity restriction. Efficient and financially sound companies will be able to withstand the adverse impact, if any, which may be caused on account of decontrol. The Company with its strong financial position is confident of facing this challenge.

5. Government has put sugar imports on Open General License ('OGL') allowing private parties to import sugar. Consequently, import of sugar at prices lower than the domestic sugar cost would impact the domestic industry. This is a threat to the domestic industry, which has little control over cost price of sugarcane, which is the primary input for producing sugar.

Management Perception. The government of India has tightened controls on imports by announcing levy obligation on imports. Further, the Government of India has already applied mechanism of monthly release of stocks on imports. Besides, this imported sugar has been subjected to a customs duty of 60% from the year 2000-01 to provide a level playing field to the domestic industry.

6. The Company may face competition from other established companies and future entrants into the industry.

Management Perception. Competition is inevitable in any line of business. However, sugar is an essential commodity and presently being sold without branding excepting few places in North India. Thus, competition is unlikely to affect the Company

7. Sugarcane production, the major raw material is dependent on monsoons. With the rainfall expected to be below normal in the current year, the production of sugarcane may be adversely affected. As per the food ministry, the country's sugar output in the current year up to September is expected to fall by 31 percent to 13.8 million tonnes from 20.1 million tonnes a year ago. Further, the Company has virtually no control over the raw material price as the government decides the same.

Management Perception. To some extent, sugarcane is a weather resistant crop and a high or low rainfall does not affect its production much. However a drastic change in weather conditions could adversely affect the production of sugarcane.

8. The Ministry of Consumer Affairs, Food & Public Distribution imposes levy sugar quota, which specifies that producers/owners of sugar factories shall sell the specified quantity of sugar through Public Distribution System (PDS) at a predetermined price. The price fixed by the Government for sale of levy sugar through PDS may be less than the total cost of production resulting in loss. There is an inherent limitation to increasing the price of free sale sugar (sugar sold in the open market) due to the threat of sugar being imported to balance the prices.

Management Perception: The realisation for levy sugar for 2003-2004 is Rs 1,293 per quintal, which is higher than the Company's cost of production. The sale price of levy sugar is directly related to the sugar cane prices and hence if and when the sugar cane prices go up, the price realized on levy sugar is also likely to be revised upwards. Moreover, the proportion of levy sugar quota is very low (around 10% of total production) as compared to sale of sugar in the open market. Hence any loss on the sale of levy sugar can easily be absorbed. Further, imports are not cheaper as landed cost of sugar considering custom duty @ 60 % proves to be costlier. Moreover, globally there is a fall in the production of sugar & hence the international price of sugar with the duties would not pose any threat to the Company.

9. Under the “Cane Reservation System” all cane growers in the reserved area of the mill are required to supply cane to the specified mill and the mill is obliged to crush all cane bonded to them. The output of the mill becomes dependent on procurement of sugar cane. Any installation of new sugar factories close to the existing sugar factories would adversely affect the financial viability of both and discourage the factories from investing in cane development in their area.

Management Perception. There is a restriction placed by the state government of UP that there should be minimum distance of 15 Kms between two sugar factories. Moreover, the Company has a track record of prompt payment (of cane dues) to the farmers and has a transparent weighing system. Hence, the Company is confident of obtaining sustained and higher procurement of cane from the farmers of its command area.

10. As per the Indian Sugar Mills Association, most of the sugar factories in India incurred huge losses during the FY 2002-03. Cumulatively, the loss suffered by the industry in the last two years is reckoned at over Rs. 5000 crores.

Management Perception. The FY 2002-03 was a difficult year for the sugar industry in general as the realisation of the finished goods was low. However, the situation since then has substantially improved in FY 2003-04 and the health of sugar industry has by and large improved. Moreover losses were suffered, in FY 2002-03, by those sugar companies, which were of uneconomic size or lesser efficient ones or in the co operative or Public Sector. The Company has a consistent track record of profits for last 10 years and has declared dividend continuously for the past 7 years including FY 2002-2003

11. Over the years banks have developed a high-risk perception of the sugar industry and have become extremely weary in enhancing the cash credit limits to the factories, to the requisite levels consistent with higher production and stocks. The gap between the requirement of credit and the one sanctioned by the banks is widening year after year which is reflected in increasing arrears of sugarcane prices thereby undermining the well being of large masses of sugarcane farmers.

Management Perception. Sugar industry scenario has substantially improved since FY 2003-04 and there is a positive outlook of the banking sector towards the sugar industry in general. Our submission is substantiated by the fact that there is single banker to the Company for its entire working capital requirement right from the inception of the Company. The Union Budget 2004- 05 has emphasized on increasing credit to the agricultural sector. The Common Minimum Programme (CMP) of the present government has special emphasis on the farmers and the agricultural sector in general.

12. The present Government has introduced several pro-agricultural policies; any change in government could have an impact on the economic liberalization and deregulation policies.

Management Perception. Sugar cane, the main raw material for the manufacture of sugar being an agricultural product, the Company's fortunes may not be adversely affected by any change in the Government policies towards this sector.

### **Specific To Power Industry**

13. The Company proposes to expand its co-gen capacity of 9MW to 17 MW. Of this 9MW will be used for captive consumption and the balance (about 7.5 Mw +/-10%) will be sold to State grid. There is risk of delay in realization of dues from the State Government.

Management Perception: The Company has already entered into a long term agreement with Uttar Pradesh Power Corporation Limited (UPPCL) for supply of power up to 7.5 MW with an option of increasing the same by 10 % for a period of 10 years from the year 2001 at a predetermined price with escalation clause. Also, the Company has been recovering the dues in the past regularly.

14. The Company is in a labour intensive industry. Labour strikes, lockouts etc. can significantly reduce its productivity.

Management Perception The plant of the Company is a modern with a high level of automation. Moreover, the Company has smooth industrial relations with its workers. The Company has not had any strike by the labour force right from its inception.

15. The Electricity Act, 2003 eliminated some of the subsidies to the power sector, leading to an increase in the cost of power. Regulatory Commission is empowered to specify the terms and conditions for determination of tariff. Any change in tariff could have unfavorable effect the Company's profitability. Further any other change in the regulatory framework could have a negative impact on the company.

Management Perception. We do not foresee any problem as we have long term arrangement for supply of power to UPPCL at a predetermined price with escalation clause..

### **General**

16. Certain factors beyond the control of the company could have a negative impact on the company's production. Terrorist attack, draught, floods etc involving India and other countries can adversely affect the financial markets and the company.

Management Perception. Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001 and New Delhi on Dec 13, 2001 and other acts or violence or war may negatively affect the Indian markets where the equity shares of the Company will trade. Also as a result of such events India or certain other countries may enter into armed conflict with other countries. The consequences of any potential armed conflicts are unpredictable and the Company may not be able to foresee events that could have a material adverse effect on its business, financial condition or results of operation. Moreover, sugar being an essential commodity will always be in demand irrespective of any such calamity mentioned above.

## 17. DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company has appointed Intime Spectrum Registry Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance officer of the Company. All grievances relating to the present Issue may be addressed to the registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bank and Branch. The Company would monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

### Investors' grievances redressal mechanism

The Registrar to the Issue M/s Intime Spectrum Registry Limited will handle investors' grievances pertaining to this Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the Registrars to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors in respect of the complaints, if any, to be received, shall adhere to the following schedules-

	Nature of the Complaint	Time Taken
1	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

The Company has appointed Mr. B.J. Maheshwari as Compliance Officer who would directly deal with SEBI with respect to implementation/ compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre Issue/post Issue related problems. The Compliance officer will be available at the Corporate Office of the Company.

## PART - II

### **A. GENERAL INFORMATION:**

#### **Consents**

Consents in writing of the Directors, Auditors, Company Secretary (Compliance Officer), Bankers to the Company, Registrars and Transfer Agents of the Company, Lead Managers to the Issue, Legal Advisor to the Issue, Registrars to the Issue, Bankers to the Issue, to act in their respective capacities have been obtained and filed along with Copy of Prospectus with the Registrar of Companies, Kanpur, Uttar Pradesh as required under Section 60 of the Act, and none of them have withdrawn the said consents up to the time of delivery of a copy of this Prospectus for Registration with the said Registrar of Companies, Kanpur, Uttar Pradesh.

M/s. Sharp & Tannan, Chartered Accountants, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Draft Prospectus and also of the tax-benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of a copy of this Draft Prospectus for Registration with the Registrar of Companies, Kanpur, Uttar Pradesh.

#### **Expert Opinion**

The Company has not obtained any expert opinions, except that of M/s. Crawford Bayley & Co. as Legal Advisors to the Issue and M/s Sharp & Tannan, Chartered Accountants, who have given the tax benefits certificate.

#### **Changes in the Board of Directors during the last three years:**

<b>Date of Appointment</b>	<b>Name of Director</b>	<b>Date of Cessation / Resignation</b>	<b>Remark</b>
30-11-2000	Mr. Yashpal Gupta	14-06-2004	Resigned as IDBI Nominee
23-08-2002	Mr. K.P. Medhekar	-	Appointed as Additional Director
14-06-2004	Mr. Milind Vichare	-	Appointed as a Nominee Director by IDBI

Except for the above there is no other change in the Directors during last 3 years.

#### **Changes in Auditors during the last three years and reasons thereof:**

There has been no change in the Auditors during last 3 years.

#### **Authority for the Issue**

Pursuant to Section 81(1A) of the Companies Act, 1956, the present Issue of Equity Shares has been authorized vide Special Resolution passed at the Extra-Ordinary General Meeting of the Company held on 20<sup>th</sup> August 2004.

#### **INTEREST ON EXCESS APPLICATION MONEY**

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the Refund Orders are not despatched within 30 days from the date of closure of the subscription list as per the SEBI's circular SMD/RCG/33/1819/96 dated May 15, 1996.

### **ISSUE OF SHARE CERTIFICATES**

In case the Company issues Letters of Allotment, the related equity Share Certificates will be despatched through registered post within two (2) months from the date of allotment in exchange for the Letters of Allotment.

### **APPLICATION OF SECTION 269SS OF THE INCOME TAX ACT, 1961.**

In respect of the provisions of Section 269SS of the Income Tax Act, 1961, the subscription against the Equity Shares should be effected only by an account payee cheque or an account payee draft, if the amount payable is Rs. 20,000/- or more. In case the payment is made in contravention of this provision, the application money will be refunded and no interest will be paid.

### **DENOMINATION OF SHARE CERTIFICATES**

As the trading of the Company's shares will be undertaken in dematerialized form only, the Company shall Issue the shares to all applicants who provide their demat account details in dematerialized form only. However, an investor will have an option to hold the shares in physical form or demat form. The Registrar to the Issue will Issue to the said allottee a single certificate for all the shares allotted to the said applicant in case an investor requests for rematerialization of his shares.

### **ISSUE MANAGEMENT TEAM:**

#### **LEAD MANAGERS TO THE ISSUE**

##### **UTI Securities Limited**

SEBI Registration No. INM000007458  
Unique Identification Number - 100000489  
4<sup>th</sup> Floor, Merchant Chamber,  
41, Sir Vithaldas Thackersey Marg,  
New Marine Lines, Mumbai – 400 020.  
Tel: (022) 5667 0672 / 5667 0607  
Fax: (022) 2203 0165  
Email: dsil@utisel.com

#### **REGISTRARS TO THE ISSUE**

##### **Intime Spectrum Registry Limited**

C-13 Pannalal Silk Mills Compound  
L B S Marg, Bhandup (West)  
Mumbai - 400 078  
Tel: (022) 5555 5454  
Fax: (022) 5555 5353  
E-mail: dsil@intimespectrum.com

#### **AUDITORS TO THE COMPANY**

**M/s Sharp & Tannan,**  
Chartered Accountants  
Parsn Manere, 2nd Floor,  
Block A/3, 602 Mount Road,  
Chennai - 600 006

#### **BANKERS TO THE COMPANY**

**Punjab National Bank**  
Najibabad Branch  
Najibabad, Dist.- Bijnor  
Uttar Pradesh.

<p><b>BANKERS TO THE ISSUE:</b></p> <p><b>Punjab National Bank</b> Foreshore Road, G J Bhonsale Marg, Mumbai – 400 021.</p> <p><b>HDFC Bank</b> Sandoz House, Dr. Annie Besant Road, Worli, Mumbai.</p>	<p><b>LEGAL ADVISOR TO THE ISSUE</b></p> <p><b>M/s Crawford Bayley &amp; Co</b> 4<sup>th</sup> Floor, State Bank Buildings, N.G.N. Vaidya Marg, Fort, Mumbai – 400 023. Tel: (022) 2266 3713 Fax: (022) 2266 3978</p>
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**COMPLIANCE OFFICER/COMPANY SECRETARY:**

**Mr. B. J. Maheshwari,**  
Dwarikesh Sugar Industries Limited  
Dwarikesh Nagar, Pin - 246 762,  
Village Bundki, Tehsil Nagina,  
Dist. Bijnor, Uttar Pradesh.  
Tel: 01343 – 267056 - 267064  
Fax: 01343 – 267065  
Email : - [bjmaheshwari@dwarikesh.com](mailto:bjmaheshwari@dwarikesh.com)

Investors are requested to contact the Compliance Officer in case of any pre Issue / post Issue related problems such as non-receipt of letter of allotment /share certificate / Refund Orders, non-demat account credit, etc.

## **B. FINANCIAL INFORMATION**

### Auditors Report

The Board of Directors  
**Dwarikesh Sugar Industries Limited**  
Dwarikesh Nagar-246 762,  
Bijnor (Uttar Pradesh)

### **Subject: Your Proposed Public Issue**

Dear Sirs,

We have examined and found correct the Audited Accounts of M/s Dwarikesh Sugar Industries Limited for the past five financial years ended on 30<sup>th</sup> September, 1999, 2000, 2001, 2002, 2003 and the ten months ended 31<sup>th</sup> July, 2004 being the last date upto which the accounts of the Company have been made up and audited by us. Subject to paragraph 2(d) of Auditors Report and Notes on Accounts No. 8 in Schedule B of the said audited financial statements, at the date of signing this report, we are not aware of any material adjustment which would affect the result shown by these accounts in accordance with the requirement of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (SEBI Guidelines) and our terms of reference with the Company dated 17<sup>th</sup> August 2004 requesting us to make this report for the purpose of the Offering Memorandum as aforesaid, we report that:

- (a) The restated profits of the Company for the financial years ended 30<sup>th</sup> September, 1999, 2000, 2001, 2002, 2003 and for the ten months ended 31<sup>st</sup> July, 2004 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Account appearing in Annexure III, and IV respectively to this report.
- (b) The restated assets and liabilities of the Company as at 30<sup>th</sup> September, 1999, 2000, 2001, 2002, 2003 and as 31<sup>st</sup> July, 2004 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- (c) We have examined the cash flow statement relating to the Company for the year ended 30<sup>th</sup> September, 2003 and for the ten months period ended 31<sup>st</sup> July, 2004 appearing in Annexure V to this report.
- (d) The rates of dividends paid by the Company in respect of the financial years ended 30<sup>th</sup> September, 1999, 2000, 2001, 2002 and 2003 are as shown in Annexure VI to this report.
- (e) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:-
- (f) Performance Ratios as appearing in Annexure VII to this report.
- (g) Capitalisation Statement as at 31<sup>st</sup> July, 2004 as appearing in Annexure VIII to this report
- (h) Statement of tax shelters as appearing in Annexure IX to this report
- (i) Details of other income as appearing in Annexure X to this report



- (j) Details of sundry debtors as appearing in Annexure XI to this report
- (k) Details of loans and advances made to persons or Companies in whom / in which directors are interested as appearing in Annexure XII to this report
- (l) Details of unsecured loans as appearing in Annexure XIII to this report
- (m) Details of secured loans as appearing in Annexure XIV to this report.
- (n) Details of Other ratios as appearing in Annexure XV to this report.
- (o) Details of transactions with related parties as appearing in Annexure XVI to this report.
- (p) Details of aggregate value and market value of quoted as appearing in Annexure XVII to this report.
- (q) Details of expenditure incurred on the project as appearing in Annexure XVIII to this report.
- (r) Details of qualifications appearing in the financial statements as given in Annexure XIX to this report.
- (s) Details of changes in Significant Accounting Policies as given in Annexure XX to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Account attached in Annexure III & IV respectively to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

Thanking you,

**Sharp & Tannan**  
**Chartered Accountants**

**L. Vaidyanathan**  
**Partner**  
**Membership No.16368**

**Date : September 1, 2004**  
**Place : Chennai**

**Statement of Profit & Loss Account**
**Annexure - I  
(Rs. In Lacs)**

Financial Year ended September 30th	1999	2000	2001	2002	2003	2,004 (10 months)
<u>Income</u>						
Sales						
Of products manufactured by the Company (Net off excise duty)	8,309.45	9,352.59	9,045.66	12,143.60	7,941.36	12,642.01
Of products traded by the Company	61.15	14.69	9.93	19.95	0.80	-
Exports Incentives	-	-	-	-	-	-
Increase in stock/ (Decrease in stock)	808.40	514.35	528.30	(1,515.09)	3,069.95	(1,192.52)
Other Income	54.67	12.66	11.33	22.17	31.14	36.01
<b>Total Income</b>	<b>9,233.67</b>	<b>9,894.29</b>	<b>9,595.22</b>	<b>10,670.63</b>	<b>11,043.25</b>	<b>11,485.50</b>
<u>Expenses</u>						
Materials Manufacturing & Others	6,383.09	6,722.76	6,985.24	8,261.52	8,629.83	8,009.87
Personnel expenses	479.25	535.76	528.78	567.95	575.93	523.44
Selling and administration expenses	336.71	370.94	442.00	456.18	303.06	330.26
Interest and Bank Charges	913.87	920.36	1,018.11	861.10	724.41	628.36
Depreciation / obsolescence	357.49	401.99	367.53	429.81	428.97	385.26
<b>Total Expenses</b>	<b>8,470.41</b>	<b>8,951.81</b>	<b>9,341.66</b>	<b>10,576.56</b>	<b>10,662.20</b>	<b>9,877.19</b>
Profit before taxes & exceptional items	763.25	942.48	253.55	94.08	381.05	1,608.31
Exceptional item due to difference of SMP & SAP *	58.80	-	-	-	568.93	-
Deferred Tax Liability	-	-	-	-	903.45	-
Profit before taxes & after exceptional item	704.45	942.48	253.55	94.08	(1,091.33)	1,608.31
Less: Provision for taxation	43.50	21.99	20.25	0.80	45.95	77.52
<b>Profit After Tax</b>	<b>660.95</b>	<b>920.49</b>	<b>233.30</b>	<b>93.28</b>	<b>(1,137.28)</b>	<b>1,530.79</b>
Balance of Profit Brought Forward	231.13	229.79	306.88	298.87	292.16	(1,096.88)
Deferred Tax Liability	-	-	-	-	129.16	41.49
Prior Period Adjustment	-	-	-	-	-	-
Tax Adjustment of Prior Year	(0.89)	(36.24)	-	(8.81)	-	0
<b>Total Profit</b>	<b>892.97</b>	<b>1,186.52</b>	<b>540.18</b>	<b>400.96</b>	<b>(974.28)</b>	<b>392.42</b>
Profit Available for Appropriation	892.97	1,186.52	540.18	400.96	(974.28)	392.42
<u>Appropriations</u>						
Transfer to General Reserve	500.00	700.00	100.00	-	-	-
<u>Dividends</u>						
on preference shares	13.20	13.20	30.83	68.20	68.20	39.03
% of share capital	12%	12%	12% & 11%	12% & 11%	12% & 11%	11%
on Equity Shares	133.81	133.81	113.41	37.80	37.80	-
% of share capital	15.00%	15.00%	15.00%	5.00%	5.00%	-
Additional tax on proposed dividend	16.17	32.64	(2.93)	2.80	16.60	5.00
<b>Balance Carried to Balance Sheet **</b>	<b>229.79</b>	<b>306.88</b>	<b>298.87</b>	<b>292.16</b>	<b>(1,096.88)</b>	<b>348.39</b>

\* - Out of total additional cane price payable amounting to Rs. 627.73 Lacs, Rs. 568.93 Lacs Pertains to year ended on 30.09.2003 & Rs. 58.80 Pertains to Year ended on 30.09.1997

\*\* Provision for Deferred tax liability has become applicable from 1st April, 2003

**Statement of Assets and Liabilities**
**Annexure - II**  
**(Rs. in Lacs)**

Particulars	Financial Year ended September 30th					
	1999	2000	2001	2002	2003	31-July-04 10-months
<b>A. Fixed assets :</b>						
Gross Block	6,523.49	7,260.51	7,375.37	8,487.99	9,107.58	9,097.20
Less: Depreciation	1,035.75	1,429.75	1,790.77	2,210.94	2,629.72	2,934.70
Net Block	5,487.74	5,830.76	5,584.60	6,277.05	6,477.86	6,162.50
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after Revaluation Reserve	5,487.74	5,830.76	5,584.60	6,277.05	6,477.86	6,162.50
Capital Work in Progress	382.45	20.74	589.94	512.79	14.53	1,088.39
<b>Total Fixed Assets (A)</b>	<b>5,870.19</b>	<b>5,851.50</b>	<b>6,174.54</b>	<b>6,789.84</b>	<b>6,492.39</b>	<b>7,250.89</b>
<b>Investments (B)</b>	<b>0.02</b>	<b>9.31</b>	<b>9.30</b>	<b>33.79</b>	<b>40.68</b>	<b>34.60</b>
<b>C. Current Assets,</b>						
Loans and Advances						
Inventories	3,568.28	4,080.84	4,603.95	3,112.16	6,159.04	5,054.29
Sundry Debtors	1.02	0.53	0.75	13.10	43.61	8.62
Cash and Bank Balances	117.76	161.85	21.24	310.62	14.08	30.12
Loans and Advances	326.83	1,319.18	313.07	300.30	288.61	338.15
<b>Total (,C)</b>	<b>4,013.89</b>	<b>5,562.40</b>	<b>4,939.01</b>	<b>3,736.18</b>	<b>6,505.34</b>	<b>5,431.18</b>
<b>D Liabilities &amp; Provisions</b>						
Secured Loans	5,503.68	6,268.27	6,312.02	5,571.46	7,836.13	6,465.74
Unsecured Loans	18.35	17.72	164.20	278.00	280.04	8.00
Current Liabilities and provisions	633.40	631.47	556.89	627.31	626.71	1,588.37
Deferred Tax Liability					643.88	685.37
<b>Total (D)</b>	<b>6,155.43</b>	<b>6,917.46</b>	<b>7,033.11</b>	<b>6,476.77</b>	<b>9,386.76</b>	<b>8,747.48</b>
<b>Net worth (A+B+C-D)</b>	<b>3,728.67</b>	<b>4,505.75</b>	<b>4,089.74</b>	<b>4,083.03</b>	<b>3,651.64</b>	<b>3,969.19</b>
<b>Represented by:</b>						
<b>Share Capital:</b>						
Equity - (E)	892.07	892.07	756.04	756.04	756.04	756.04
Preference - (F)	110.00	110.00	610.00	610.00	610.00	110.00
Reserve & Surplus	2,726.59	3,503.68	2,723.70	2,716.99	2,285.60	3,103.15
Less: Revaluation Reserve	-	-	-	-	-	-
Reserves (Net of Revaluation Reserves) - (G)	2,726.59	3,503.68	2,723.70	2,716.99	2,285.60	3,103.15
<b>Net worth (E+F+G)</b>	<b>3,728.67</b>	<b>4,505.75</b>	<b>4,089.74</b>	<b>4,083.03</b>	<b>3,651.64</b>	<b>3,969.19</b>

**SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF PRESENTATION:**

The Company maintains its accounts on accrual basis following the historical cost convention and on the basis of going concern in compliance with the provisions of Section 211 (3c) and the other relevant provisions of the Companies Act, 1956. However, insurance and other claims are accounted for as and when admitted by the appropriate authorities.

**2. FIXED ASSETS:**

Fixed assets are capitalised at cost of acquisition including directly attributable costs such as freight, insurance and specific installation charges for bringing the assets to their working condition for use.

Emergency machinery spares of irregular use and critical insurance machinery spares are capitalised as plant & machinery.

Pre-operative expenses incurred upto the date of commencement of commercial production are capitalised as part of fixed assets.

**3. INVESTMENT:**

Long-term investments are stated at cost, after providing for diminution in value, where in the opinion of the management such diminution is of a permanent nature.

**4. DEPRECIATION:**

Depreciation is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in respect of computers (including accessories and peripherals), which are depreciated fully in the year of addition. Depreciation on other additions/deletions is provided pro-rata from/upto the month of addition/deletion.

Depreciation on emergency machinery spares of irregular use and critical insurance spares are depreciated over the balance useful life of the parent asset.

**5. INVENTORY VALUATION:**

Raw materials and stores & spares (including those in transit)	: At cost on weighted average basis.
Work-in-process	: at raw material cost plus proportionate production overheads.
Finished goods	
Sugar	: at lower of cost or net realisable value
Molasses	: at cost (at equivalent sugar content in molasses as certified by Management)
Traded goods	: at cost on FIFO basis.

**6. REVENUE RECOGNITION:**

Sales includes excise duty and is accounted for upon despatch of goods from the factory.

**7. CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE:**

Events occurring after the date of the Balance sheet are considered upto the date of approval of accounts by the Board of Directors, where material.

**8. GOVERNMENT GRANTS:**

Grants relating to specific fixed assets are deducted from the original cost of specified assets.

## **9. RETIREMENT BENEFITS:**

Contribution to provident and pension funds are accrued & accounted each year. Provision for leave encashment is determined and accrued on actual liability basis and provision for gratuity is accrued on the basis of actuarial valuation.

## **10. EXCISE DUTY:**

Excise duty liability accruing on manufacture is accounted for as and when the liability for payment arises under Central Excise Act, 1944. Excise duty on finished goods lying in bonded warehouse is not accrued.

## **11. INTANGIBLE ASSETS:**

Preliminary and share issue expenses are charged to Profit & Loss Account in the year of incurrence.

## **12. BORROWING COST:**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

## **13. FOREIGN CURRENCY TRANSACTIONS:**

Exchange difference arising on account of forward contracts are dealt with in the Profit & Loss account over the period of the contracts.

## **14. TAXES ON INCOME:**

Tax on income for the current period is determined on the basis of taxable income & tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on expected outcome of assessments/ appeals.

Deferred Tax is recognized on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**Annexure - IV**

## **NOTES ON ACCOUNT**

### **1 SECURITIES FOR SECURED LOANS:**

A Term Loans from Industrial Development Bank of India of Rs. 1,330 lacs and Punjab National Bank of Rs. 1,125 lacs are secured by *pari passu* first charge on movable fixed assets including movable plant & machineries, machinery spares, tools and accessories, both present and future (save and except book debts). The term loans are further secured by equitable mortgage on immovable properties situated at villages Bundki and Rajpura, Post office Medhpurasultan, Tehsil Nagina, District Bijnor, Uttar Pradesh and by second charge on current assets of the Company. The term loans are also personally guaranteed by the Chairman & Managing Director of the Company. Out of term loans of Rs.1,125 lacs from Punjab National Bank, term loan of Rs.360 lacs is further guaranteed by the promoter Companies, viz. (a) Morarka Finance Limited and (b) Dwarikesh Trading Company Limited.

B. Cash credit & buffer stock loan of Rs. 3,872.28 lacs (including demand loan in foreign currency amounting to Rs. 1,967.09 lacs) from Punjab National Bank is secured by hypothecation of current assets of the Company viz. stock of sugar, molasses, chemicals, stores & spares, and are further secured by second charge on Company's immovable properties situated at Villages

Bundki, and Rajpura, Post Office Medhpurasultan, Tehsil Nagina, District Bijnor, Uttar Pradesh and movable fixed assets including movable plant & machineries, machinery spares, tools and accessories, both present and future (save and except book debts). The cash credit facilities are also personally guaranteed by the Chairman & Managing Director of the Company.

- C. Interest free trade tax loan of Rs.138.46 lacs (including Rs.31.26 lacs added during the year) from Pradeshia Industrial & Investment Corporation of UP Limited is secured by second charge on Company's immovable properties situated at Villages Bundki, and Rajpura, Post Office Medhpurasultan, Tehsil Nagina, District Bijnor, Uttar Pradesh and movable fixed assets including plant & machineries, machinery spares, tools and accessories, both present and future (save and except book debts). The charge ranks *pari-passu* with the charges already created in favour of Punjab National Bank in respect of cash credit facilities extended by them. The above amount is repayable at the end of 5 years from the respective year of collection.

		As on 31 <sup>st</sup> July 04 Rupees	As on 30 <sup>th</sup> Sept. 03 Rupees
2.	Contingent liability not provided for		
	(c) In respect of show cause notices from Central Excise department regarding CENVAT claims on capital goods disputed by the department and levy of penalty and interest on the above amount due against which the Company has preferred appeals.	1,889,650	3,631,092
	(d) In respect of trade tax and Entry Tax demand received from Uttar Pradesh trade tax authorities in various cases, in respect of which the Company has preferred appeals.	5,908,421	2,660,762

3. Additional information pursuant to Paragraphs 3 & 4 of Part II, Schedule VI, of the Companies Act, 1956.

### Particulars of Capacity, Production, Stock and Turnover

#### I Capacities & Production

- a.) Capacities (Metric Tonnes of Sugar Cane Crushing per day)

	Unit	Licensed Capacity	Installed Capacity
Sugar Cane	TCD	6,500 (5,000)	6,500 (5,000)

Note: Capacities are as certified by the Management.

#### b.) Production

	Unit	Actual Production
Sugar	Qtls	781,104 (882,075)
Molasses	Qtls.	293,976 (390,557)

## II Particulars of Inventory & Turnover

### Turnover

Class of Goods	Unit	Quantity	Value (Rs.)
a) Sugar	Qtls.	882,731 (600,578)	1,236,142,334 (729,040,680)
b) Molasses	Qtls.	293,976 (390,531)	54,099,136 (67,925,666)
c) Fertilizers (Traded)	Kgs.	Nil (654)	Nil (79,732)
d) Electricity	KWH	6,743,286 (7,260,753)	18,279,146 (19,053,400)
e) Miscellaneous sale			46,466,128 <u>(52,221,363)</u> 1,354,986,744 <u>(868,320,841)</u>

### Inventories

			Opening Stock		Closing Stock	
	Class of goods		Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
	Sugar		522,604 (241,107)	597,802,366 (289,711,760)	420,977 (522,604)	478,436,151 (597,802,366)
	Molasses		Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
	Fertilisers		19 (5,234)	3,610 (50,637)	19 (5,234)	3,610 (50,637)

## (B) Raw Material &amp; Chemicals Consumed

		Quantity (Qtls.)	%	Value (Rs.)
a)	Sugar Cane	7,524,089 (8,648,300)		799,113,555 (789,552,253)
b)	Chemicals			10,703,648 (11,843,145) 809,817,203 (801,395,398)
Indigenous			100 (100)	809,817,203 (801,395,398)
Imported			Nil (Nil)	Nil (Nil)
Total			100 (100)	809,817,203 (801,395,398)
(C)	C I F VALUE OF IMPORTED GOODS			Nil (Nil)
(D)	EXPENDITURE IN FOREIGN CURRENCY: Interest on FCNR (B):			9,562,748 (8,651,587)
(E)	EARNINGS IN FOREIGN CURRENCY			Nil (Nil)

Note: Figures in the bracket are for the previous years

4. Estimated excise duty of Rs.36,498,706/- (previous year Rs.44,421,340/-) on finished goods lying in the excise bonded warehouse but not cleared before 31<sup>st</sup> July,2004 has not been provided and hence not included in the inventory valuation. However, there is no effect on the profit for the period on account of the above treatment.
5. Estimated amount of contracts remaining to be executed on capital account, net of advance of Rs.31,528,000/- (previous year Rs. Nil) and not provided for is Rs.64,910,000/-(previous year Rs.1,288,148/-).
6. Auditor's remuneration charged to accounts:

	2003-2004 (10 months) Rupees	2002-2003 Rupees
a. Audit Fees	150,000	120,000
b. Tax audit fees	10,000	10,000
c. Reimbursement of expenses	67,549	66,031
	<u>227,549</u>	<u>196,031</u>



- 7.a Managerial Remuneration Paid/ Provided as per provisions of Schedule XIII.  
Computation of profit u/s 349 and u/s 350 of Companies Act. 1956

	2003-2004 Rupees
Profit as per Profit & Loss account	86,157,189
Add: Managerial remuneration as stated in 7.b below	1,567,253
Diminution in value of investment	456,925
Loss on sale of fixed assets	1,286,502
Provision for taxes	7,752,000
	<u>97,219,869</u>
Loss on sale of fixed assets	1,286,502
Profit u/s 349	95,933,367
Ceiling on remuneration 5% as per Schedule XIII	4,796,668

- 7.b

	2003-2004 (10 months) Rupees	2002-2003 Rupees
Remuneration to Managing Director:		
Salary	1,550,000	1,950,000
Medical reimbursement	17,253	33,135
	<u>1,567,253</u>	<u>1,983,135</u>

Provision for commission will be made in the annual accounts for year ending September, 2004

8. Loans and Advances include Rs.2,330,519/ representing sales tax and interest thereon paid as a matter of abundant caution under protest under applicable Trade & Sales tax Act, based on the enquiry made on the Company by Uttar Pradesh Trade tax authorities in respect of diesel, steel and cement provided to contractors/ sugar cane transporters during the years 1997-98 to 2000-2001.

However, the Company is confident of the non-applicability of any sales tax levy on this score as these items have been provided strictly for the activities directly related to the manufacturing process. The Issue of diesel and other items have also not been classified as revenue income and has always been treated as store consumption. The Company has paid the amount purely to establish its bona fide intentions and is confident of settling the Issue in its favour and does not consider it necessary for making any provision.

9. Sales includes excise duty of Rs.90,786,461/- collected from customers and represents sale of Sugar, Molasses, Bagasse and Power.
10. The Company has not capitalized any borrowing cost during the year.
11. The Company has not taken any assets on finance/ operating lease. Accordingly Accounting Standard 19 on leases is not applicable. The Company has taken various office/ residential premises on cancelable lease which are renewable on expiry of the lease period.
12. The Company is governed by the provisions of section 115 JB of the Income Tax Act, 1961, since there is no taxable income under the normal computation. Accordingly, provision for income tax has been made under the provisions of Minimum Alternate Tax (MAT).

Provision for wealth tax of Rs.62,528/- represents provision made for the Assessment year 2004-05 as per the provisions of Wealth Tax Act, 1957.

13. Deferred Tax Assets & liability are attributable to the following items:

	As at 31.07.04		As at 30.09.03	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Difference between book depreciation and tax depreciation		152,165,708		150,050,958
Preliminary expenses yet to be claimed	45,514		66,932	
Non Payment of taxes and duties	188,821			
Non payment of leave & gratuity	3,078,216			
Brought forward losses & depreciation	80,315,845		85,595,717	
Total	83,628,396	152,165,708	85,662,649	150,050,958
Net Deferred Tax Asset /(Liability)	(68,537,312)		(64,388,309)	

14. 12% Redeemable Preference Share of Rs. 100/- each are redeemable at par in September 2008 and 11% Redeemable preference Share of Rs. 100/- each has been redeemed during the current period.

15. Hitherto the Company was providing and paying for sugar cane price at State Administrative Price (SAP) fixed by the State Government. From the crushing season 2002-2003 the Company, based on the decision of Indian Sugar Mill Association (ISMA), had provided and paid for such purchases on Statutory Minimum Prices (SMP) fixed by the Central Government. The ISMA had relied on the decision of Hon'ble Allahabad High Court in the year 1995-96 on the same matter against which the State Government had filed an appeal with the Hon'ble Supreme Court asserting its right for fixing the price for purchases of sugar cane in the State. The matter has now been decided by the Hon'ble Supreme Court in favour of the State Government vide order dated 5<sup>th</sup> May 2004 and accordingly provision of Rs.99,112,276/- has been made during the period including Rs.62,772,718/- in respect of earlier years shown as exceptional item.

16. Capital Redemption Reserve represents reserve created for the purpose of:

- Buy-back of Equity Shares in the year 2000-2001 in terms of provision of section 77AA of the Indian Companies Act 1956.
- Redemption of 500,000 11% preference shares of Rs.100/- each amounting to Rs.50,000,000/- during the period in terms of section 80 of the Indian Companies Act 1956.

17. There are no amounts outstanding in respect of unpaid dividend /fixed deposits for more than seven years to be transferred to Investor Education And Protection Fund.

18. The Company has invested in 20,000 Equity Shares of Rs. 10/- each and 20000 10% preference shares of Rs. 100/- each of M/s Dwarikesh Samvad Limited. The above Company has accumulated losses and has made profits during 2003-2004. Having regard to the long- term interest in the above Company, the management is of the opinion that no provision is considered necessary since the Company is continuing its operations as a going concern.

19. Debts outstanding for more than six months represents 2.5% early payment discount wrongly deducted by U. P. Power Corporation Limited (UPPCL), since the actual payment has been received beyond the credit period agreed in terms of power purchase agreement dated 29.09.2001. The Company, together with other suppliers of power, is disputing this unilateral deduction by the UPPCL. The management is confident of recovering this amount and accordingly no provision has been considered necessary.

20. The Company is required to pay purchase tax to Uttar Pradesh Government on all its purchases of sugarcane during the seasons 2001-2002, 2002-2003 and 2003-2004 @ Rs. 2 per quintal vide State Government Circular nos 4000/C.D/46-2000-31401/98-99 dated 27<sup>th</sup> October 2001, 2736/S/CHI.U.ANU-1/02-1623/96 dated 11<sup>th</sup> December 2002 and 182S.CHI.U.ANU-1/04-1623/96 dated 30<sup>th</sup> January 2004 respectively.

The circulars have also fixed the cane price payable for each season for different varieties of cane purchased from the farmers. The cane price paid to farmers includes Rs.1.75 per quintal out of subsidy of Rs.2 per quintal. The total amount debited to purchases on account of the above for the period is Rs. 13,167,156/-. The Company has paid to the Government Treasury balance of Rs.0.25 per quintal (net amount payable) and filed necessary returns in this regard.

21. Demand loan in foreign currency aggregating to Rs. 1,967.09 lacs from Punjab National Bank has been covered fully by forward contracts. The charges paid for such contract have been accounted over the period of commitment and accordingly included under interest and commitment charges-others and the prepaid portion under loans and advances.

22. Sundry Debtors/Creditors and Loans and Advances balances are subject to confirmation.

23. (a) As per information available on records, there are no sums outstanding to small-scale industrial undertakings.

(b) The Company has not made any delays in settlement of balances due to small-scale undertakings and hence no provision for interest on delayed payment has been made.

24. Figures for the previous year have been regrouped / reclassified, wherever necessary, however the same are not comparable with the figures of the current period (ie) from 1<sup>st</sup> October 2003 to 31<sup>st</sup> July 2004, as the figures are for a period of 10 months.

## 25. Segment Information for the period ended 31<sup>st</sup> July, 2004

### (i) Information about Primary Business segment

Particulars	Sugar	Co-Gen.	Adjustment	Total
<b>Revenue</b>				
External Revenue	1,336,707,598	18,279,146		1,354,986,744
Internal Revenue		88,502,993	(88,502,993)	---
<b>Total Revenue</b>	<b>1,336,707,598</b>	<b>106,782,139</b>	<b>88,502,993</b>	<b>1,354,986,744</b>
<b>Results</b>				
Segment Result				160,894,339
Less: Unallocated Expenditure				62,836,147
<b>Profit before tax</b>				<b>93,058,192</b>
Provision for tax				11,901,003
Profit after tax				86,157,189
<b>Other Information</b>				
Segment Assets	1,133,043,422	138,623,105		1,271,666,527
Segment Liabilities	158,836,319			158,836,319
Capital Expenditure	10,969,641	82,189		11,051,830
Depreciation	37,721,178	8,887,602		46,608,780

Revenue in respect of captive power consumption of co generation plant has been arrived at based on the rates at which the same would have been purchased from State Electricity Board.

(ii) The Company does not have any Secondary Business Segment since there were no exports during the year

<b>26. Earning per share:</b>		
	<b>31<sup>st</sup> July 04</b>	<b>30<sup>th</sup> Sept. 03</b>
Profit after tax	86,157,189	20,593,488
Less: Preference dividend including corporate tax	5,643,715	6,820,000
Profit attributable to Equity Share holders	80,513,474	13,251,054
Number of equity share out standing during the period	15,120,782	7,560,391
Nominal value of Equity Shares (Rs.)	5	10
Earning per share (Rs.)	5.32	1.75

## ANNEXURE – V

<b>CASH FLOW STATEMENT FOR THE PERIOD ENDED</b>		<b>(Rs. in Lacs)</b>	
	<b>30-Sept-2003 (12 months)</b>	<b>31-July-2004 (10 months)</b>	
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>			
Net Profit Before Tax after exceptional items	381.05	980.58	
Adjustments for			
Depreciation	428.97	385.26	
Interest Expenses	724.41	628.36	
Income Tax payment		41.49	
Loss on sale of fixed Assets	3.88	12.87	
<b>Operating profits before working capital changes</b>	<b>1,538.31</b>	<b>2,048.56</b>	
<b>Adjustments for :</b>			
Inventories	(3,046.88)	1,104.74	
Trade Receivables	(22.57)	(14.55)	
Trade payables	2,761.56	2,158.64	
<b>Cash generated from operations</b>	<b>1,230.42</b>	<b>5,297.40</b>	
Interest Paid	(724.41)	(628.36)	
Direct tax paid	(45.95)	(119.01)	
<b>Net cash from Operating Activities (A)</b>	<b>460.07</b>	<b>4,550.03</b>	
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>			
Capital work in Progress			
Purchase of Fixed Assets	(139.06)	(1,184.38)	
Sale of Investments/Fixed Assets	3.65	27.75	
Increase in investments	(6.89)	6.08	
<b>Net cash from investing Activities (B)</b>	<b>(142.31)</b>	<b>(1,150.55)</b>	
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>			
Proceeds from Issue of share capital, share warrants			
Proceeds from Borrowings	(491.70)	(2,839.41)	
Repayment of term loans			
Redemption of 11% preference shares		(500.00)	
Dividend (preference Shares)	(68.20)	(39.03)	
Dividend (Equity Shares)	(37.80)		
Additional tax on dividend	(16.60)	(5.00)	
<b>Net cash from Financing Activities (C)</b>	<b>(614.31)</b>	<b>(3,383.44)</b>	
<b>Net Increase in cash and Cash equivalents (A+B+C)</b>	<b>(296.54)</b>	<b>16.04</b>	
Cash and Cash equivalents at beginning of the year	310.62	14.08	
Cash and Cash equivalents at end of the year	14.08	30.12	

Notes :Figure in ( ) denotes cash outflow

**ANNEXURE – VI****Statement of dividend paid for last five years**

Sr. No.	Year	Equity %	Preference %	
			11%	12%
1	1998-1999	15%		12%
2	1999-2000	15%	11%	12%
3	2000-2001	15%	11%	12%
4	2001-2002	5%	11%	12%
5	2002-2003	5%	11%	12%

**ANNEXURE – VII****STATEMENT OF PERFORMANCE RATIOS FOR THE YEARS 1998-99 TO 2002-2003 and for the period of 10 months ended on 31st July 2004**

	30-Sept-1999	30-Sept-2000	30-Sept-2001	30-Sept-2002	30-Sept-2003	31-Jul-04 (10 Months) Post split	31-Jul-04 (10 Months) Post Consolidation
1. Earning Per Share (Rs.)	7.91	10.56	2.63	0.41	1.75	5.32*	10.64*
2. Return On Net worth (%)	19.33	21.23	5.70	2.50	5.64	21.71	21.71
3. Net asset Value / Book Value Per Share (Rs.)	40.56	49.28	46.03	45.94	40.23	25.52*	51.04*

\* - Equity shares were reclassified (Splitted) from Rs. 10 per share to Rs. 5 per share w.e.f. 22nd May 2004. The same were reconsolidated in Rs.10 share on August 20, 2004

1. Earning per Share (Rs.) = Profit available to equity share holders/No. of Equity Shares

2. Return on Net worth (%) = Profit after tax/Net worth \* 100

3. Net asset Value / Book Value per Share (Rs.) = Net Worth - Preference share capital/No. of Equity Shares

**CAPITALISATION STATEMENT**
**Annexure VIII**

Particulars	(Rs. in Lacs)		
	As At 30/Sep/03	As At 10 Months 31/Jul/04	Post Issue
<b>TOTAL DEBT:</b>			
Short Tem Debt	5,333.47	3,879.98	3,879.98
Long Term Debt	2,782.70	2,593.76	2,593.76
<b>Total Debt</b>	<b>8,116.17</b>	<b>6,473.74</b>	<b>6,473.74</b>
Share Holders Funds:			
Share Capital	1,366.04	866.04	1,256.04
Reserves	2,285.60	3,103.15	5,853.15
<b>Total shareholders Funds</b>	<b>3,651.64</b>	<b>3,969.19</b>	<b>7,109.19</b>
Long Term debt/share holders fund	0.76	0.65	0.36

Note : Share capital means equity share capital + preference share capital

**STATEMENT OF TAX SHELTERS**
**Annexure IX**

	YEAR ENDED (Rs. in Lacs)				
	30-Sep-99	30-Sep-00	30-Sep-01	30-Sep-02	30-Sep-03
Tax rate : Basic	35%	35%	35%	35%	35%
surcharge	-	(10%)3.5%	(13%)4.55%	(2%)0.70%	(5%)1.75%
Tax rate including surcharge	35.00%	38.50%	39.55%	35.70%	36.75%
Profit/ (Loss) before tax	763.26	942.48	253.55	94.08	381.05
Adjustments:	-	-	-	-	-
Taxable Profit u/s 115j/115B	763.26	942.48	253.55	94.08	381.05
Difference between tax depreciation and book depreciation	280.85	181.04	132.00	734.27	320.53
Net Adjustments	280.85	181.04	132.00	734.27	320.53
Tax Saving on above	98.30	69.70	52.21	262.13	117.79
Loss carried forward from the previous year: (As per assessed loss/returned income)					
A.Y.1997-98	530.69	530.69	530.69	530.69	530.69
A.Y.1998-99	926.25	926.25	926.25	926.25	926.25
A.Y.2000-01	0.00	358.88	358.88	358.88	358.88
A.Y.2001-02	0.00	0.00	150.40	150.40	150.40
A.Y.2002-03	0.00	0.00	0.00	494.38	494.38
A.Y.2003-04	0.00	0.00	0.00	0.00	480.12
Total loss carried forward	1,456.94	1,815.82	1,966.22	2,460.60	2,940.72
MAT Rate : Basic	7.50%	7.50%	7.50%	7.50%	7.50%
Surcharge	-	(10%)3.5%	(13%)4.55%	(2%)0.70%	(5%)1.75%
MAT Rate including surcharge	7.50%	8.25%	8.48%	8.765%	7.88%
<b>Tax on book profit u/s 115JA</b>	<b>57.24</b>	<b>77.75</b>	<b>21.50</b>	<b>8.25</b>	<b>30.03</b>

**Annexure X****DETAILS OF OTHER INCOME****(Rs. in Lacs)**

Particulars	30-Sep-99	30-Sep-00	30-Sep-01	30-Sep-02	30-Sep-03	31-Jul-04 (10 Months)
Interest Received	1.16	1.08	1.02	5.02	3.68	0.59
Miscellaneous Income	7.00	4.56	3.69	12.20	25.00	34.68
Small balances written back	4.49	3.34	1.40	0.03	0.35	(0.01)
purchase tax remission 1996-97	23.01					
Income tax refund	6.94				0.49	
Cane nursery farm expenses	0.38					
Service tax	11.69					
Hire Charges		3.68	4.05	0.42		0.03
Transportation charges				2.95		
Dividend PNB Gilts Ltd			1.16	1.55	1.62	0.72
<b>Total</b>	<b>54.67</b>	<b>12.66</b>	<b>11.33</b>	<b>22.17</b>	<b>31.14</b>	<b>36.01</b>

**Annexure - XI  
(Rs. in Lacs)****Sundry Debtors**

Particulars	30-Sep-99	30-Sep-00	30-Sep-01	30-Sep-02	30-Sep-03	31-Jul-04 (10 Months)
Customer Sugar	0.96	0.53	0.75	0.19	0.35	0.18
customer						
other(Bagasse/Molasses)	0.06			12.91	43.26	
UPPCL (Power)						8.43
<b>Total</b>	<b>1.02</b>	<b>0.53</b>	<b>0.75</b>	<b>13.10</b>	<b>43.61</b>	<b>8.61</b>

**Annexure – XII****Loans & Advances made to persons or Companies in which directors are interested**

	31 <sup>st</sup> July 04	30 <sup>th</sup> Sept. 03
Morarka Finance Limited	3,000,000	3,000,000
Dwarikesh Trading Company Limited	5,000,000	5,000,000
Dwarikesh Samvad Limited	427,246	587,450
<b>Total</b>	<b>8,427,246</b>	<b>8,587,450</b>

**Annexure - XIII****DETAILS OF UNSECURED LOANS****(Rs. in Lacs)**

Particulars	30-Sep-99	30-Sep-00	30-Sep-01	30-Sep-02	30-Sep-03	31-Jul-04 (10 Months)
Fixed deposit from public	17.35	16.72	16.75	15.20	9.25	6.05
Fixed deposit from shareholders	1.00	1.00	1.00	1.00	1.00	1.00
Payable to Promoters				39.82	43.68	0.64
Payable to Promoters Group						
Payable to Group Companies			146.45	221.98	226.12	0.32
Sales tax Deferral Loan						
<b>Total</b>	<b>18.35</b>	<b>17.72</b>	<b>164.20</b>	<b>278.00</b>	<b>280.04</b>	<b>8.00</b>



**Annexure - XIV**

**SECURED LOANS**

**(Rs. in Lacs)**

<b>Particulars</b>	<b>30-Sep-99</b>	<b>30-Sep-00</b>	<b>30-Sep-01</b>	<b>30-Sep-02</b>	<b>30-Sep-03</b>	<b>31-Jul-04 (10 Months)</b>
<b>Term Loans</b>						
IDBI	2,998.42	1,293.57	1,823.73	975.00	910.00	1,330.00
ICICI		1,000.00	750.00	750.00	500.00	
PNB	137.50	855.00	675.00	1,395.00	1,215.00	1,125.00
SDF	37.13	12.38	---	---	---	---
Sales tax deferment	81.08	133.18	143.48	153.40	154.65	138.46
Working Capital	2,249.55	2,974.14	2,919.81	2,298.06	5,056.48	3,872.28
<b>Total</b>	<b>5,503.68</b>	<b>6,268.27</b>	<b>6,312.02</b>	<b>5,571.46</b>	<b>7,836.13</b>	<b>6,465.74</b>

**ANNEXURE – XV****Other Ratios**

Particulars	30-Sep-99	30-Sep-00	30-Sep-01	30-Sep-02	30-Sep-03	31-Jul-04 (10 Months)
Debts equity Ratio (Long term debts (excluding cash credit)/ Shareholders fund i.e. (Equity + Reserve))	0.90	0.75	0.97	1.52	1.54	1.18
Current Ratio (Current Asset / Current Liabilities)	1.39	1.54	1.42	4.04	1.73	1.55
Inventory Turnover (Turnover / Inventory)	2.52	2.47	2.12	4.21	1.41	2.68
Net Profit to Sale (Net Profit / Turnover)	8.02%	9.51%	2.39%	0.78%	2.37%	6.36%
Gross Profit Ratio (Gross Profit / Turnover)	22.64%	22.51%	16.82%	10.57%	17.67%	19.35%
Assets Test Ratio (Net Current Assets - Inventory/ Current Liabilities)	0.15	0.41	0.10	0.67	0.09	0.11
Material Consumption to Sale (material Consumption/ Sale adjusted with difference of opening / closing stock of finished goods)	1.61	1.66	1.55	1.75	1.10	1.70

**ANNEXURE – XVI****Details of transaction with related Parties during FY 2001-02**

Sl. No.	Name of Related Party	Relationship	Nature of Transaction	Volume of Transaction (Rupees)	Amount due to (Rupees)	Amount due from (Rupees)
1	Morarka Finance Limited	Associate Company	ICD	93.14	93.14	
	Morarka Finance Limited	Associate Company	Office rent			
2	Dwarikesh Trading Co. (P) Ltd.	Associate Company	ICD	120.33	120.33	
	Dwarikesh Trading Co. (P) Ltd.	Associate Company	Office rent			
3	Tantuvi	Division of Associate Company	ICD	8.50	8.50	
4	Dwarikesh Samvad Ltd.	Associate Company	Purchase of Services	12.76	3.76	9.00
	Dwarikesh Samvad Ltd.	Associate Company	Investment in Shares	22.00		
5	Shri G.R.Morarka	Key Managerial Person	Unsecured Loan	39.82	39.82	

	Shri G.R.Morarka	Key Managerial Person	Remuneration	30.00		
6	Dwarikesh Sugar Cane Research Centre	Associate Company	ICD			

**Details of transaction with related Parties during FY 2002-03**

Sl. No.	Name of Related Party	Relationship	Nature of Transaction	Volume of Transaction (Rupees)	Amount due to (Rupees)	Amount due from (Rupees)
1	Morarka Finance Limited	Associate Company	ICD	34.82	84.63	
	Morarka Finance Limited	Associate Company	Office rent	0.92	0.99	
2	Dwarikesh Trading Co. (P) Ltd.	Associate Company	ICD	14.73	131.19	
	Dwarikesh Trading Co. (P) Ltd.	Associate Company	Office rent	0.92	3.60	
3	Tantuvi	Division of Associate Company	ICD	2.30	7.22	
4	Dwarikesh Samvad Ltd.	Associate Company	Purchase of Services	18.63		5.87
	Dwarikesh Samvad Ltd.	Associate Company	Investment in Shares			
5	Shri G.R.Morarka	Key Managerial Person	Unsecured Loan	5.11	43.68	
	Shri G.R.Morarka	Key Managerial Person	Remuneration			
6	Dwarikesh Sugar Cane Research Centre	Associate Company	ICD	3.09	3.09	

**Details of transaction with related Parties during the period from 01.10.03 to 31.07.04**

Sl. No.	Name of Related Party	Relationship	Nature of Transaction	Volume of Transaction (Rupees)	Amount due to (Rupees)	Amount due from (Rupees)
1	Morarka Finance Limited	Associate Company	ICD	10,400,374	16,772	
2	Morarka Finance Limited	Associate Company	Office rent	149,150	Nil	
2	Dwarikesh Trading Co. (P) Ltd.	Associate Company	ICD	16,051,821	---	69,952
	Dwarikesh Trading Co. (P) Ltd.	Associate Company	Office rent	434,850	Nil	
3	Tantuvi	Division of Associate Company	ICD	795,121	Nil	
4	Dwarikesh Samvad Ltd.	Associate Company	Service Purchased	1,839,795	---	427,276
5	Shri G.R.Morarka	Key Managerial Person	Unsecured Loan	4,808,766	63,841	
6	Dwarikesh Sugar Cane Research Centre	Associate Company	ICD	568,353	14,850	

**ANNEXURE – XVII****Aggregate and Market value of Shares as at 31st July 2004****Rs. In Lacs**

<b>Quoted Investments</b>	<b>No. of Shares</b>	<b>Cost</b>	<b>Market Value</b>
PNB Gilts Ltd.	59,700	17.91	12.60

**ANNEXURE – XVIII****Details of expenditure on the Projects at 31st July 2004****Rs. In Lacs**

<b>Description</b>	<b>Amount</b>
<b><u>Industrial Alcohol Project</u></b>	
Building and Civil works	215.79
Plant & Machinery	115.00
<b>Total</b>	<b>330.79</b>

<b>Sources of Funds</b>	<b>Amount</b>
Internal Accruals	330.79
<b>Total</b>	<b>330.79</b>

**Annexure XIX****Extract of Qualifications in Accounts:**

<b>A)</b>	<b>For the Year ending 30.09.2003:</b>
	Point g of Auditors report reads as under:
	The Company had accounted for deferred tax asset of Rs.9,03,45,182/- crores based on managements' projection of future profitability which is not in the line with the interpretations given by the Institute of Chartered Accountants of India for accounting for such asset u/s. AS-22. The auditors had reported in the Auditors Report that had the above deferred tax asset not been considered, the opening General Reserve would be Rs.2,29,83,008/- as against the reported of Rs.11,33,28,190/- and the deferred tax liability would have been Rs.14,99,84,025/- as against the reported figure of Rs.6,43,88,308/-.

**Annexure XX****Changes in the Significant Accounting Policies**

There are no changes in accounting policies during last Five Years

## **C. STATUTORY AND OTHER INFORMATION**

### **MINIMUM SUBSCRIPTION**

"If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act 1956."

### **EXPENSES OF THE ISSUE**

The expenses of the Issue payable by the Company inclusive of fees payable to the Lead Manager, Fees of Legal Advisors, Stamp Duty, Printing, Publication, Advertising and Distribution expenses, Bank charges, Fees payable to the Registrars to the Issue, Listing Fees, Underwriting Commission, Brokerage and other Miscellaneous Expenses which are estimated to be approximately 8 % of the Issue size, and will be met out of the proceeds of the Issue.

#### **Fees Payable to the Lead Manager to the Issue**

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed with the Lead Manager, a copy of which is available for inspection at the Corporate Office of the Company.

#### **Fees Payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Corporate Office of the Company.

### **UNDERWRITING COMMISSION**

An underwriting commission to the extent of 1.5 % of the total amount underwritten is payable to the underwriters on the offer price of the Equity Shares offered by this prospectus to the public for subscription and underwritten in the manner mentioned in this Prospectus.

### **BROKERAGE**

Brokerage will be paid by the Company at the rate of 1.5 % on the issue price of Equity Shares offered to the Public on the basis of allotment made against applications bearing the stamp of the members of any recognised Stock Exchanges in India in the broker's column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

### **PREVIOUS ISSUE OF CAPITAL DURING LAST FIVE YEARS:**

The Company has not made any Public/Rights issue of equity/ debentures what so ever prior to this issue. The details of issue of capital has been outlined in the paragraph on the build up of the share capital under the capital structure.

### **COMMISSION AND BROKERAGE ON PREVIOUS ISSUE**

Except for the brokerage payable as mentioned in this Prospectus, no sums have been paid since the date of incorporation of the Company till the date of issue of the Prospectus or are payable as commission, brokerage or discount for subscribing or agreeing to subscribe or for procuring or agreeing to procure any subscription for any shares in the Company including the Promoters their associates, relatives and friends.

### **ISSUES OTHERWISE THAN FOR CASH**

The Company has issued 11,59,691 Equity Shares by way of Bonus by capitalization of free reserves. Except for the above no further shares are issued for consideration other than cash.

## **OUTSTANDING REDEEMABLE PREFERENCE SHARES AND DEBENTURES**

The Company has issued 1,10,000 Redeemable Preference Shares of Rs. 100/- each, which is outstanding as on the date of this Prospectus. The Company has not issued any Debentures since its incorporation

## **OPTIONS TO SUBSCRIBE**

Except as otherwise stated in this Prospectus, the Company has not entered into, nor does it at present propose to enter into any contract or arrangements whereby any option or preferential right of any kind has been, or is proposed to be, given to any person to subscribe for any shares of the Company.

## **PURCHASE OF PROPERTY:**

Except as stated in "Objects of the Issue" in this Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition, if any, were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- The amount of the purchase, if any, is not material.

Except as elsewhere stated in this Prospectus, the Company has not purchased any property in which any of its Promoters and/ or Directors, have any direct or indirect interest in any payment made thereof.

## **CLASSES OF SHARES**

The authorized share capital of the Company is Rs 2400,00,000 (Rupees Two thousand four hundred lacs only) divided into 1750,00,000 (One thousand seven hundred fifty lacs) Equity Shares of Rs.10/- each, 1,50,000 (One Lac fifty thousand) Preference shares (Series I) of Rs.10/- each and 5,00,000 (Five Lacs) preference shares (Series II) of Rs.10/- each entitled to dividend at such rate as the Board may determine at the time of the issue.

## **INTEREST OF PROMOTERS AND DIRECTORS**

1. The Company has taken the Inter Corporate Deposits from:
  - (a) Morarka Finance Limited.
  - (b) Dwarikesh Trading Company Limited.
  - (c) Tantuvi, a division of Dwarikesh Trading Company Limited.
2. The Company has taken premises on Lease at 511, Maker Chamber V, 5<sup>th</sup> floor, Nariman Point from Morarka Finance Limited and at 613, Maker Chamber V, 6<sup>th</sup> floor, Nariman Point from Dwarikesh Trading Company Limited.
3. Dwarikesh Samvad Limited provides services to the Company for maintenance and development of software.
4. Shri G. R. Morarka has advanced an unsecured loan to the Company.

All the Directors may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of

- a) The shares, if any, held by them or by the relatives or by firms or Companies of which any of them is a partner and a Director/Member respectively.

- b) The shares, if any, out of the present issue that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors/Members of to firms in which they are partners.
- c) Transactions with entities disclosed as related party in Auditors Report.

Except as stated above, in paragraph titled "Details of transaction with Related Parties" and elsewhere, if any, in this Prospectus, the Company has not entered into any contracts, agreements or arrangement in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangement or are proposed to be made.

## **REMUNERATION OF CHAIRMAN AND MANAGING DIRECTOR**

Shri. G.R. Morarka was re-appointed as Managing Director w.e.f. 1 April 1999 for a period of 5 years. The necessary consent under Section 269 of the Act and other provision was obtained from shareholders in the fifth Annual General Meeting of the Company held on March 30<sup>th</sup>, 1999. His term as Managing Director expires on 18<sup>th</sup> April, 2004. Shri. G.R. Morarka was re-appointed w.e.f. 19<sup>th</sup> April, 2004 for a period of 3 years subject to approval of the shareholders in the 10<sup>th</sup> Annual General Meeting and such other approvals as were required. His term expires on 31<sup>st</sup> March 2007

### **Minimum Remuneration**

#### **Category A**

##### **1. Remuneration:**

- a) **Salary:** upto 5% of the net profits, computed in accordance with Section 349 & 350 of the Companies Act, 1956 subject to minimum remuneration as prescribed in Part - II of Schedule XIII of the Companies Act, 1956 (resolution of Board meeting held on 21<sup>st</sup> February 2004 and resolution of the General meeting of the Company held on 29<sup>th</sup> March 2004)

##### **b) Perquisites:**

###### **(i) Contribution to Provident Fund, Superannuation And Annuity Fund**

The Company's contribution to Provident Fund and Superannuation or Annuity Fund as per the rules of the Company as applicable to senior executives.

###### **(ii) Gratuity:**

As per the rules of the Company as applicable to the senior executives.

###### **(iii) Leave:**

Leave with full pay or encashment of leave at the tenure of the contract.

###### **(iv) Other perquisites:**

Subject to overall ceiling on remuneration mentioned herein below, the managing director may be given any other allowance, benefits and perquisites as the board of directors may from time to time decide.

Explanation:

Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

##### **c) Amenities:**

- (i) Conveyance facilities

The Company shall provide suitable conveyance facilities as may be required by the Managing Director.

- (ii) Telephone, telefax, mobile and other communication facilities:  
The Company shall provide Telephone, telefax, mobile and other communication facilities at the managing director's residence.

#### **Category B**

(a) **Provident fund, superannuation fund and gratuity:**

The managing director is entitled to the benefits under the Provident Fund Scheme and Superannuation Fund or Annuity Fund in accordance with the Company's rules and regulations in force from time to time. Gratuity payable should not be exceed halfmonth's salary for each completed year of service.

Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites. Contribution to the provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.

#### **Category C**

Provision of chauffeur driven car on Company's business and telephone, telefax, mobile and other communication facilities at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company to the Managing Director. Salaries, Perquisite or amenities specified in Category B & Category C are not be included in the coputation of ceiling on minimum remuneration specified herein above.

### **2. Commission:**

1% of the amount of net profit as appearing in the audited annual profit & loss account for each corporate accounting year of the Company, unless otherwise decided by the board of any corporate year subject, however, that the total remuneration (i.e. salary, perquisites, commission or in any other form) in any one financial year shall not exceed the maximum limits prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII of the said act, as may for the time being, be in force.

### **3. Overall Remuneration:**

The aggregate of salary, commission and perquisites in any Financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said act as may for the time being , be in force.

### **4. Minimum Remuneration:**

In the event of loss or inadequacy of profits in any Financial year during the currency of tenure of service of the Managing Director, the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under Section II of part II of Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof as may for the time being, in force.

#### **Payment of Benefit to Promoters and Officers of the Company**

Save as stated elsewhere in this prospectus, no amount or benefit has been paid or given to the Company's Promoters or officers since the incorporation of the Company nor is intended to be paid or given to any promoter or any officer of the Company except their normal remuneration and/or reimbursement for services as Directors, Officers or Employees of the Company or otherwise in accordance with Law.



**Export Obligation**

The Company does not have any Export obligations.

**Revaluation of Assets:**

The Company has not revalued any of its assets since its incorporation

**D. Main provisions of Articles of Association of Dwarikesh Sugar Industries Limited.**

<b>Issue of Shares</b>	4 (a) The Authorised Share Capital of the Company is Rs. 24,00,00,000/- (Rupees Twenty Four Crores only) dividend into 1,75,00,000 (one crore seventy Five Lacs only) Equity shares of Rs. 10/-each & 1,50,000 (One Lac Fifty Thousand Only) Cumulative Redeemable Preference Shares of Rs. 100/- each (Series – I) and 5,00,000 (Five lacs only) Preference Shares of Rs. 100/- each (Series – II)
	4(b) Any shares of the Company for time to time being (whether forming part of the original capital or of any increased capital of the Company), may be issued either with the sanction of the Company in general meeting or by the Board, with such rights and privileges annexed thereto and upon such terms and conditions as the general meeting sanctioning the Issue of such shares may direct, and if no such direction shall be given and in all other cases as the Directors shall determine and, in particular, such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company and any Preference Shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.
<b>Non Voting Shares</b>	4A. Subject to the provisions of the Act and all other applicable provisions of law, the Company may Issue shares, either equity or any other kind with non-voting rights and the resolutions authorising such Issue shall prescribe the terms and conditions of the Issue.
<b>Increase of Capital by the Company and how carried into effect</b>	5. (i) The Company in General Meeting may, from time to time, increase the Capital by creation of new Shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe.
	5. (ii) Subject to Section 86 to 88, 91 and 92 of the Act, the new Shares shall be issued upon such terms and conditions, and with such rights and privileges annexed there to as the General Meeting resolving upon the creation thereof or any subsequent General Meeting before the Issue thereof shall direct, and if no such direction be given, as the Directors shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of the assets of the Company or otherwise and with a right of voting at general meetings of the Company in conformity with Sections 87 and 88 of the Act. When capital is increased under this Article, the Directors shall comply with the provision of section 97 of the Act.

<b>" OPTION TO DEMATERIALISE SECURITIES "</b>	<b>11B.</b> Notwithstanding anything contained in these Articles, the Company may in accordance with the provisions of the Depositories Act, dematerialise any or all of its shares, debentures and other marketable securities for subscription in a dematerialised form and on the same being done, the Company shall be entitled to maintain a Register of Members / debenture holders holding shares both in material and dematerialised form in electronic or any other mode as permitted by law either in respect of the existing shares/debentures and or any future issue. Provided that, the provisions set forth in Articles 21, 22, 27 & 29 shall not apply to shares which have been dematerialised.
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## **"NOMINATION"**

	<p><b>ARTILCE 11C</b></p> <p>(a) Every shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act</p> <p>(b) Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.</p> <p>(c) Notwithstanding anything contained in any other law for the time being in force or in any deposition, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.</p> <p>(d)Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority".</p>
	<p><b>ARTICLE 11D</b></p> <p>i) A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:-</p> <p>(a) to register himself as holder of the share or debenture, as the case may be; or</p> <p>(b) to make such transfer of the shares and / or debentures, as the deceased shareholder or debenture holder, as the case may be, could have made</p>

	<p>ii) If the nominee elects to be registered as holder of the shares or debentures, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.</p> <p>iii) A nominee shall be entitled to the share dividend / interest and other advantages to which he would be entitled if he were the registered holder of the shares or debentures, provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company</p> <p>iv) Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not complied within ninety days, the Board may thereafter withhold payment or all dividends, bonuses or other moneys payable in respect of the shares or debentures, until the requirement of the notice have been complied with".</p>
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## "CALLS"

	<p>33. The Directors may from time to time by a resolution passed at a meeting of the Board (and not by a circular resolution) make such calls as they think fit upon the Members in respect of all moneys unpaid on the shares (whether on account of the nominal value of the share or by way of premium) held by them respectively and not by the conditions of allotment thereof made payable at fixed time and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board of Directors. A call may be made payable by instalments. A call may be revoked or postponed as the Board of Directors may determine.</p>
Calls to be made on uniform basis	<p>34. All calls for share capital shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article, shares of the same nominal value on which different amounts have been required to be paid up shall not be deemed to fall under the same class.</p>
When calls deemed to have been made	<p>35. A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed. □</p>
Notice of call	<p>36. At least fourteen days notice of every call shall be given either by advertisement or by written notice sent to the respective registered addresses of members specifying the time and place of payment and to whom such call shall be paid. Provided that the Directors may by notice in writing to the members revoke the call or extend the time for payment thereof.</p>

When amount payable	37. If by the terms of Issue of any share or otherwise, any amount is made payable at any fixed time or by instalments at fixed times, whether on account of the nominal amount of the shares or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice has been given, and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly.
Directors may extended time	38. The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the Members whom from residence at a distance or other cause, the Board of Directors may deem fairly entitled to such extension; but no Member shall be entitled to such extension save as a matter of grace and favour.
When interest on call or instalment payable	39. If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof or any such extension thereof as aforesaid, the holder for the time being of the share in respect of which the call shall have been made, or the instalment shall be due, shall pay interest for the same at rate of nine per cent per annum from the day appointed for the payment thereof to the time of the actual payment, or at such other rate as the Directors may from time to time determine. The Board of Directors may in their absolute discretion waive the payment of interest under this clause in the case of any person liable to pay such call.
Partial payment not to preclude forfeiture	40. Neither the receipt by Company of a portion of any Money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.
Evidence for action on call	41. On the trial or hearing of any action or suit brought by the Company against any member or his legal representatives for the recovery of any money due for any call or other money in respect of his share, it shall be sufficient to prove that the name of the member in respect of whose shares of money is sought to be recovered is entered in the Register as the holder, or one of the holders, of shares at or subsequently to the date at which the money sought to be recovered is alleged to have become due, that the resolution making the call is duly recorded in the Minute Book and that notice of such call was duly given to the member or his legal representatives sued, in pursuance of these presents and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
<b>PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST:</b>	42. The Directors may, if they think fit subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made the Company may pay

	<p>interest at such rate as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.</p> <p>The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.□□The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.</p>
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## FORFEITURE AND LIEN

If call or installment not paid notice may	43. If any member fails to pay any call or instalment on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or instalment remains unpaid, serve a notice on such member, requiring him to pay the same together with any interest that may have incurred and all expenses that may have been incurred by the Company by reason of such non-payment.
From of Notice	44. The notice shall name a day ( not being less than fourteen days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment is payable will be liable to be forfeited.
If notice not complied with share may is forfeited.	45. If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all call or instalments, interest and expenses, due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.
Notice of forfeiture to a Member	46. When any share have been so forfeited, notice of the forfeiture shall be given to the Member in whose name in stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
Forfeited shares to become property of the Company	47. Any shares so forfeited shall be deemed to be the property of the Company, and the Directors may sell, re-allot and otherwise dispose of the same to the original holder there or to pay other person upon such terms and in such manner as they may think fit.
Arrears to be paid notwithstanding forfeiture.	48. Any member whose shares have been forfeited shall notwithstanding be liable to pay, and shall forthwith pay to the Company, all calls, instalments, interest and expenses owing upon or in

	respect of such shares at the time of the forfeiture until payment, at such rate not exceeding nine percent per annum as the Directors may determine, and the Directors may enforce the payment; thereof if they think fit, but shall not be under any obligation so to do.
Effect of Forfeiture	49. The forfeiture of a share shall involve the extinction of all interest in, and also of all claims and demands against the Company in respect of the share, and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
Evidence of forfeiture.	50. A duly verified declaration in writing that the declarant is a Director of the Company, and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares and the person to whom the shares are sold shall be registered as the holder of such shares and shall not be bound to see the application of the purchase money nor shall his title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or deposition.
Power to share forfeiture	51. The Directors may at any time before any shares so forfeited shall have been sold, re-allotted, or otherwise disposed of, annul the forfeiture thereof upon such conditions as they may think fit.
<b>COMPANY'S LIEN ON SHARE/ DEBENTURES:</b>	52. The Company shall have a first and paramount lien upon all the shares debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the Registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares debentures wholly or in part to be exempt from the provisions of this clause.
As to enforcing lien by sale	53. For the purpose of enforcing such lien, the Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his heirs, executors or administrator, or his committee, curator bonis, or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after such notice.
Application of proceeds of sale	54. The net proceeds of such sale shall be received by the Company and after payment of the costs of such sale, shall be applied in or towards payment of such part of the amount in respect of which

	the lien exists as is presently payable and the residue (if any) shall be paid to such member, his heirs, executors, administrators or assigns or his committee, curator bonus or other legal representatives as the case may be.
Validity of Sales under Articles 47 be to 53	55. Upon any sale after forfeiture or for enforcing a lien purported exercise of the powers hereinbefore given, the Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of such shares. The validity of the sale shall not be impeached by any persons, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. Upon any such sale as aforesaid the Certificates in respect of the shares sold shall, unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member, stand cancelled and become null and void and of no effect, and the Directors shall be entitled to Issue a new Certificate or Certificate in lieu thereof to the purchaser of purchasers concerned.

## TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Transfer not to be registered except on production instrument of transfer	56.	No transfer of any shares or debenture shall be registered by the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the Company along with the certificate relating to the share or debenture or if no debenture and the transferor shall be deemed to remain the holder of such share or debenture until the name of the transferee is entered in the Register in respect thereof. Provided that were, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit. Provided further that nothing in this clause shall prejudice any power of the Company to register as shareholder or debenture holder any person to whom the right to any share in, or debentures of, the Company has been transmitted by operation of law.
Application for transfer	57.	(1) An application for the Registration of transfer of the shares or other interest of a member in a Company may be made either by the transferor or by the transferee.
		(2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered, unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

		(3) For the purposes of sub-clause (2), notice to the transferee shall be deemed to have been duly given if it is despatched by pre-paid registered post to the transferee at the address given in the instrument of transfer, and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary courses of post.
<b>INSTRUMENT OF TRANSFER</b>	58.	The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and Registration thereof.
Article 56, 57 and 58 not to apply in respect of those shares, debentures or other marketable securities entered in the records of the Depository.	58 A.	Nothing contained in Articles 56,57 and 58 shall apply to the transfer of shares, debentures or other marketable securities effected by the transferor and the transferee, both of whom are entered as beneficial owners in the records of the Depository.
Applicability of Depositories Act:-	58 B.	In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any certificates and where share and securities are being held in an electronic and fungible form, the provisions of the Depositories Act shall apply.
<b>TRANSFER OF SECURITIES</b>	Art.59	The provisions of Section 111 of the Companies Act, 1956, regarding powers to refuse Registration of Transfer and appeal against such refusal should be adhered to. Provided that Registration of transfer shall not be refused on the ground of the transfer being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures <u>in whatever</u> lot shall not be refused
Notice of refuses to be given to transferor and transferee.	60.	If the Company refuses to register the transfer of any share or transmission of any right therein, the Company shall within two month from the date on which the instrument of transfer or the intimation of transmission was lodged with the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of the transmission, as the case may be and thereupon the provisions of the Section III of the Act or of any statutory modification thereof for the time being shall apply.
No transfer to infant, etc.	61.	No transfer shall be made to an infant, insolvent or person of unsound mind.
When transfer to be retained.	62.	All instruments of transfer which shall be registered shall be retained by the Company, until destroyed by order of the Board of Directors but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same.



<b>NO FEE ON TRANSFER OR TRANSMISSION</b>	63. No fee shall be charged for Registration of transfer transmission. Probate Succession Certificate and Letters of administration. Certificate of Death or Marriage. Power of Attorney or similar other document.
When transfer register may be closed.	64. The Company may on giving seven days previous notice by advertisement in some newspaper circulating the district in which the registered office of the Company is situated, close the transfer books and register of members or register of debentures for any time or times not exceeding in the whole forty-five days in each year but not exceeding thirty days at a time.
Share of deceased shareholder.	65. The executor or administrator or a deceased shareholder (whether a European, Hindu, Mohamedan, Parsi or otherwise) shall be the only person recognised by the Company as having any title to his share except in case of joint holders, in which case the surviving holder or holders or the executor or administrator of the last surviving holder shall be the only person entitled to be so recognised but nothing herein contained shall release the estate or a deceased joint-holder from any liability in respect of any share jointly held by him. The Company shall not be bound to recognise such executor or administrator unless he shall have obtained probate or letters of administration or other legal representation, as the case may be, from a duly constituted Court in India or from any court or authority authorised by any Act of Parliament or of the State Legislature or by any order or notification of Central or State Government to grant such probate or letters of administration or other legal representation, as the case may be from a duly constituted Court in India or from any court or authority authorised by any Act of Parliament or of the State Legislature or by any order or notification of Central or State Government to grant such probate or letters of administration; provided nevertheless that in special cases it shall be lawful for the Directors to dispose with the production of probate or letter of administration or such other legal representation upon such terms as to indemnity or otherwise as the Directors may deem fit.
As to transfer of shares of deceased or bankrupt members (Transmission clause).	66. Subject to the provisions of Articles 64 and 65 any person becoming entitled to shares in consequence of the death, lunacy or bankruptcy or insolvency of any member, or by the marriage of any female member, or by any lawful means other than by a transfer in accordance with these presents, upon producing such evidence that he sustains the character in respect of which he proposes to act under this clause, or of his title, as the Directors think sufficient and upon giving such indemnity as the Directors may require, may with the consent of the Directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares, or may subject to the regulation as to transfers hereinbefore contained, transfer such shares. The clause is hereinafter referred to as "the transmission clause".

Controller with the Estate Duty Act, 1953.	67. If any Member of the Company dies and the Company though any of its principal officers within the meaning of Section 18 of the Estate Duty Act, 1953, has knowledge of the death, it shall not be lawful for the Company to register the transfer of any shares standing in the name of the deceased Member unless the Company is satisfied that the transferee has acquired such shares for valuable consideration or there is produced to it a certificate from the Controller. Deputy Controller or Assistant Controller of Estate Duty that either the Estate duty in respect thereof has been paid or will be paid or none is due as the case may be. Where the Company has come to know through any of its principal officers of the death of any Member, the Company shall, within one month of the receipt of such knowledge, furnish to the Assistant Controller or to the Deputy Controller of Estate Duty who is exercising the function of the Income Tax Officer in the case of the Company, such information as may be prescribed by the Estate Duty Rules 1953.
The Company not liable for disregard of a notice prohibiting Registration of a transfer.	68. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares, made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in same shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting Registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company and the Company shall not be bound on required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, through it may have been entered or referred thereto in some books of the Company; but the Company shall nevertheless, be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.
Register of Transfers.	69. The Company shall keep a book, to be called the "Register of Transfers", and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

## **BORROWING POWERS**

Power of borrow.	70. Subject to the provisions of Section 292 and 293 of the Act, the Board of Directors may, from time to time, at its discretion by a resolution passed at a meeting of the Board, accept deposits from members, either in advance of calls or otherwise, and generally raise or secure the payment of any sum or sums of money for the purpose of the Company not exceeding the aggregate of the paidup Capital of the Company and its free reserve (not being reserves set apart for any specific purpose). Provided whenever the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aforesaid aggregate, the Board of Directors shall not borrow such moneys without the consent of the Company in General Meeting. No deb. incurred by the Company in excess of the limit imposed by this clause shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this clause had been exceeded.

Conditions on which they may be borrowed.	71. The Directors may by a resolution passed at a meeting of the Board (and not by a circular resolution) raise or secure the payment or repayment of such sum or sums, in such manner and upon such terms and conditions in all respects as they think fit and, in particular, by Issue of bonds, debentures or debenture stock of the Company or any mortgage, charge or other security upon all or any part of the undertaking or property of the Company (both present and future) including its uncalled capital for the time being.
Securities may be assignable free from equities.	72. Debentures, debenture stock, bonds or other securities may be made assignable free any equities between the Company and the person to whom the same may be issued.

## VOTES OF MEMBERS

Members for arrears not to vote.	113. No member shall be entitled to vote, either personally or by proxy for another member, at any General Meeting or meeting of a class of shareholders or upon a poll, in respect of any shares registered in his name on which any call or other sums presently payable have not been paid or in regard to which the Company has, and has exercised, any right of line.
Voting Rights.	114. (a) Every member, not disqualified by the last preceding Article, shall be entitled to be present, and to speak and vote at such meetings and on a show of hands, every member of the Company present in person or by proxy shall have one vote on every Resolution or question placed before the Company and upon a poll, every member having equity share capital shall his voting right in proportion to his share of the paid-up equity capital of the Company.
	(b) Subject are aforesaid, and save as provided in clause (c) of this Article, every member of the Company holding any preference share capital shall, in respect of such capital, have a right to vote only on resolution or questions placed before the Company which directly affect the rights attached to his preference shares. Any Resolution for winding up the Company or for repayment or reduction of its share capital shall be deemed directly to affect the rights attached to preference shares within the meaning of this clause.
	(c) Subject as aforesaid, every member of the Company holding any preference share capital shall in respect of such capital be entitled to vote on every Resolution or question placed before the Company at any meeting, if the dividend due on such capital or any part of such dividend has remained unpaid.
	(i) in the case of cumulative preference share, in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting, and
	(ii) in the case of non-cumulative preference shares either in respect of a period of not less than two years ending with the expiry of the financial year immediately preceding commencement of the meeting or in respect of an aggregate period of not less than three years comprised in the six years ending with the expiry of the Financial year aforesaid.

	For the purpose of this clause, dividend shall be deemed to be due on preference shares in respect of any period, whether a dividend has been declared by the Company on such shares for such period or not;
	(i) on the last day specified for the payment of such dividend for such period as is specified in any instrument executed by the Company in that behalf; or
	(ii) in case no day is so specified, on the day immediately following such period.
	(d) Where the holder of any preference share has a right to vote on any Resolution in accordance with the aforesaid provisions of this Article on a show of hands he shall, if present in person have one vote, and upon a poll, he shall as the holder of such share, whether present in person or by proxy have the voting right in the same proportion as the capital paid up in respect of the preference share bears to the total paid up equity capital of the Company.
	(e) In case the Company may accept from any member the whole or a part of the amount remaining unpaid on any share (whether equity or preference share) held by him, although no part of the amount has been called up, the member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable.
Representation of corporation at meetings of Companies or creditors.	115. (a) A body corporate (whether a Company within the meaning of the Act or not) may, if it is a member of the Company, by Resolution of its Board of Directors or other governing body, authorise such person as it thinks fit, to act its representative at any meeting of the Company, or at any meeting of any class of members of the Company. If such body corporate be a credit (including a holder of debenture) of the Company, it may be Resolution of its Directors or other governing body, authorise such person as it thinks fit to act its representative at any meeting of any creditors of the Company held in pursuance of the provisions contained in any Debenture or Trust Deed, as the case may be.
	(b) A person authorised by a Resolution as aforesaid shall be entitled to exercise the same rights and powers (including in right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were a member, creditor or holder of the Company as the case may be.

## **DIRECTORS**

Number of Directors.	127. Until otherwise determined by a General Meeting and subject to Section 252 of the Act, the number of Directors shall not be less than three nor more than 12 including any Debenture Directors. The first Directors of the Company are  1. SHRI GAUTAM RADHESHYAM MORARKA. 2. SHRI MADHAV NARAYAN MEDHEKAR. 3. SHRI AJAY SURESH MODI.
Special Directors.	128. The Company shall, subject to the provisions of the Act, be entitled to agree with any person, firm or corporation that he or it shall

	have the right to appoint his or its nominee or nominees on the Board of Directors of the Company.
Term of office of Special Directors.	129. The Special Directors appointed under the last Preceding Article 128 shall be entitled to hold office until requested to retire by the person, firm or corporation who may have appointed them and will not be bound to retire by rotation or be subject to Articles 146, 147, 148 and 153 of the Articles of Association of the Company. A Special Director shall not require any qualification. As and when a Special Director vacates office. Whether upon request as aforesaid or by death, resignation or otherwise, the person, firm or corporation who appointed such Special Director may appoint any other Director in his place. The Special Director may at any time by notice in writing to the Company resign his office. Subject as aforesaid, a Special Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company.
Debenture Director.	130. Any trust deed securing and covering the Issue of debentures of the Company may provide for the appointment of a Director (in these presents referred to as "the Debenture Director") for and on behalf of the debenture holders for such period as is therein provided not exceeding the period for which the debentures or any of them shall remain outstanding and for the removal from office of such Debenture Director and on a vacancy being caused whether by resignation, death, removal or otherwise, for appointment of a Debenture Director in the vacant place. The Debenture Director shall not be liable to retire by rotation or be removed from the office except as provided as aforesaid. The Debenture Director shall not be bound to hold any qualification shares.
Nominee Directors	<p>130A. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI), General Insurance Corporation of India (GIC) Oriental Fire and General Insurance Company Ltd. (OFGI), The New India Assurance Company Ltd. (OFGI), The New India Assurance Company Ltd. (NIA) National Insurance Company Ltd. (NIC) United India Insurance Company Ltd. (UII) and Life Insurance Corporation of India LIC) or so long as Unit Trust Of India (UTI), continue to hold debentures in the Company by direct subscription or private placement, (each of which IDBI, IFCI, ICICI, GIC, OFGI, NIA, NIC, UI, LIC, AND UTI hereinafter in this article referred to as "the Corporation)" the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors wholetime or non-wholetime (which Director or Directors is / are herein after referred to as "Nominee Director/s)", on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place's.</p> <p>The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the opinion of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same right and privileges and be subject to the same obligations as any other Director of the Company.</p>

	<p>The Nominee Director/s so appointed shall hold the said office only so long as any moneys owing by the Company to the Corporation or so long as the Corporation holds Debenture in the Company as a result of direct subscription or private placements and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation is paid off or of the Corporation ceasing to hold Debentures in the Company.</p> <p>The Nominee Director/s so appointed under this Articles shall be entitled to receive all notices of and attend all General Meetings. Board Meetings, and of the Meetings of the Committee of which the Nominee Director/s is/ are member/s as also the minutes of such meeting. The Corporation shall also be entitled to receive all such notices and minutes.</p> <p>The Company shall pay to the Nominee Director/s sitting fees and expenses which the other Directors of the Company are entitled but if any other fees commission monies or remuneration in any form is payable to the Directors of the Company the fees commission monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and same shall accordingly be paid by the Company directly to the corporation.</p> <p>Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s.</p> <p>Provided that if any such Nominee Director/s is an Officer of the Corporation the sitting fees in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.</p> <p>Provided further that if such Nominee Director/s is an Officer of the Reserve Bank of India the sitting fees in relation to such Nominee Director/s shall also accrue to IDBI and the same shall accordingly be paid by the Company directly to IDBI.</p> <p>Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a wholetime Director in the Management of the affairs of the Company. Such Nominee Director/s shall be entitled to receive such remuneration, fees commission and monies as may be approved by the Corporation.</p> <p>Provided that the aforesaid right to appoint a wholetime Director shall be exercised by the Corporation only in the event of the Company committing any default in the observance of terms and conditions of the Agreement entered into between the Company and the Corporation</p>
Appointment of Alternate Director	<p>131. The Board of Directors of the Company may appoint an Alternate Director to act for a Director (hereinafter called "the Original Director") during his absence for a period of not less than three months</p>

	from the State in which the meeting of the Board are ordinarily held. An Alternate Director appointed under this Article shall vacate if and when the Original Director returns to the State in which the meetings of the Board are ordinarily held. If the term of office of the Original Director is determined before he so returns to the State aforesaid, any provision in the Act or in these Articles for the automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director. Such Alternate Director shall not be required to hold any qualification shares so long as the Original Director holds the necessary qualification shares prescribed by the Articles.
Directors may fill up vacancies and add to their number.	132. Subject to the provisions of Sections 260, 261, 262 and 284 (6) of the Act, the Board of Directors shall have power, at any time, and from time to time, to appoint any person to be a Director, Either as an addition to the Board or to fill a casual vacancy occurring on account of the office of any Director appointed by the Company in general meeting being vacated before his term of office would expire in the normal course, but so that the total number of Directors shall not any time exceed the maximum fixed as above. Any person so appointed as an addition to the Board shall retain his office only upto the date of the next Annual General Meeting but shall be eligible for re-election at such meeting. Any person appointer to fill a casual vacancy as aforesaid shall hold office only upto the date upto which the Director in whose place is appointed would have office if it had not been vacated as aforesaid.
Qualifications of Directors.	133. A Director shall not be required to hold any qualification shares.
Remuneration of Directors	134. Subject to provisions of Section 198, 309, 310 and 311 of the Act, the remuneration payable to the Directors of the Company may be as hereinafter provided. Subject as aforesaid, the remuneration of each Director, for his services for each meeting of the Board or Committee of the Board attended by him shall be such sum as may be permitted by the provisions of Section 310 or any other provisions of the Companies Act, 1956 or its amendments from time to time.
	Such reasonable additional remuneration as may be fixed by the Board may be paid to any one or more of its number for services rendered by him or them in signing the Share Certificates in respect of the Company's Capital or any Debentures issued by the Company. The Directors shall be paid such further remuneration (if any) as the Company in General Meeting shall from time to time determine; and such additional remuneration and further remuneration shall be divided among the Directors in such proportion and manner as the Board may from time to time determine and in default of such determination shall be divided among the Directors equally.
Special Remuneration of Director performing extra-service.	135. Subject as mention in Article 134 hereof, if any Director be called upon to perform extra services or make any special exertions or efforts (which expression shall include work done by a Directors as a member of any Committee formed by the Directors) the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts either by a fixed sum or a

	percentage of profits or otherwise as may be determined by the Board, and such remuneration may be either in addition to or in substitution for his remuneration above provided.
Travelling expenses incurred by Director	136. The Board of Directors may allow and pay to any Director who is not a bonafide resident of the place where the meeting of the Board are held and who shall come to the place for the purpose of attending a meeting such sum as the Board may consider fair compensation for his travelling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified and if any Director be called upon to go or reside out of his usual place or residence for the Company's business, he shall be entitled to be paid reimbursed any travelling or other expenses incurred in connection with the business of the Company.
Directors may not notwithstanding vacancy.	137. The continuing Directors may act notwithstanding any vacancy in their body, but so that if and so long as their number falls below the minimum number above fixed the continuing Directors shall not except in emergency or for the purpose of increasing the number of Directors to that number or filling up vacancies, or for summoning a General Meeting of the Company, act so long as the number is below the minimum.
When office of Directors to be	138. Subject to the provisions of Section 283 (2) of the Act, the office of a Director shall become vacant if:



vacaned.	<p>(a) he fails to obtain within the time specified in sub-section (1) of Section 270 of the Act, or at any time thereafter ceases to hold, the share qualification, required of him by these Article; or</p> <p>(b) he has been found to be of unsound mind by a Court of competent jurisdiction; or</p> <p>(c) he applies to be adjudicated an insolvent; or</p> <p>(d) he is adjudged an insolvent; or</p> <p>(e) he fails to pay call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government has, by notification in Official Gazett, removed the disqualification incurred by such failure; or</p> <p>(f) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board of Directors; or</p> <p>(g) he becomes disqualified by an Order of Court under Section 203 of the Act; or</p> <p>(h) he is removed pursuance of Section 284 of Act; or</p> <p>(i) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private Company of which he is a Director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or</p> <p>(j) he acts in contravention of Section 299 of the Act; or</p> <p>(k) he is convicted by a Court of any offence involving moral turpitude and his sentenced in respect thereof to imprisonment for not less than six months; or</p> <p>(l) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.</p>
Director may contract with Company.	<p>139. Except with the consent of the Board or Directors by a Resolution passed at its meeting before the contract is entered into or within two months of the date on which it was entered into, a Director or his relative, a firm in which such Director or relative is a partner, any other partner in such a firm, or a private Company of which the Director is a member or director shall not enter into any contract with the Company for the sale, purchase or supply of goods materials or services in which either the Company or the Director, firm, partner, or private Company, as the case may be, trades or does business, provided that the value of such goods and materials and the cost of such services do not exceed Five Thousand Rupees in aggregate in any calendar year comprised in the period of the contracts. The</p>

	Director so contracting or being so interested shall not be liable to the Company for any profit realised by such contract or the fiduciary relation thereby established.
Disclosure of Interest.	140. Every Director who is in any way whether directly or indirectly concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered in by or on behalf of the Company, shall disclose the nature of his concern or interest at meeting of the Board of Directors. In the case of a proposed contract or arrangement, the disclosure required to be made by a Director as aforesaid shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not, at the date of that meeting, concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he becomes so concerned or interested. In the case of any other contract or arrangement the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
Notice of Disclosure of Interest.	141. For the purposes of the foregoing Article 140 hereof, a general notice given to the Board of Directors by a Director to the effect that he is a Director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year at a time by a fresh notice given in the last month of the financial year in which it is given but may be renewed for a further period of one financial year in which it would have otherwise expired. No such general notice, and no renewal thereof, shall be of effect unless, either it is given at a meeting of the Board of Directors, or the Director concerned take responsible steps to secure that it is brought up and read at the first meeting of the Board after it is given.
Interested Director set participate in Board's Proceedings.	142. No Directors shall, as a Director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote shall be void; provided that the Board of Directors, or any of its number, may vote on any contract of indemnity against loss which it or any one or more of their number may suffer by reason of becoming or being sureties or surety for the Company. Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into with a public Company, or a private Company which is a subsidiary of a public Company, in which the interest of the Director aforesaid consists not more than shares of such number of value therein, as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company, referred to above, or in his being a member holding not more than two per cent of its share capital. This Article is subject to the provisions of Sub-Section (2) (e) of Section 300 of the Act.

Directors of Contracts in which Directors are interested.	143. The Company shall keep one or more registers in accordance with Section 301 of the Act and shall enter therein such of the particulars as may be relevant having regard to the application thereto of Section 297 and Section 299 of the Act, as the case may be. The Register aforesaid shall also specify in relation to each Director of the Company, the names of the bodies corporate and firms of which notice has been given by him under Article 140 or Article 141 hereof. The Register shall be kept at the Registered office of the Company and shall be open to inspection at such office and extracts may be required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.
Directors may be Directors of Companies prompted by the Company.	144. A Director may be or become a Director of any Company promoted by the Company, or in which it may be interested as a vendor, share holder, or otherwise, and such Director shall be accountable for any benefits received as a Director or shareholder of such Company except in so far as Section 309 (6) or Section 314 of the Act may be applicable.
Disclosure to members in case of contract appointing a Manager or Managing Director.	145. Whenever the Company enters into a contract for the appointment of a Manger or Managing Director of the Company in which contract any Director of the Company is directly or indirectly concerned or interested, or varies any such existing contract, the Company (in accordance with Section 302 of the Act) shall within 21 days from the date of entering into the contract or the varying of such contract send as abstract of the terms of such contract or variation, as the case may be, together with a memorandum clearly indicating the nature of the interest of the Director in such contract or in such variation, to every member of the Company, and the contract shall be open to the inspection of any member at the office, and in this connection all the other provision of Section 302 of the Act shall be duty complied with.

#### **ROTATION OF DIRECTORS**

Rotation and retirement of Directors.	146. At the first Annual General Meeting of the Company, all the Directors shall retire and at every subsequent Annual General Meeting, one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. The retiring Director shall retain his office until dissolution of the meeting at which his successor is elected. The Special Directors and Debenture Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.

Ascertainment of Directors, retiring by rotation and filing of vacancies.	147. Subject to Section 284 (5) of the Act, the Directors to retire by rotation under Article 146, at every Annual General Meeting shall be those who have been longest in the office since their last appointment, but as between persons who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot.
Eligibility for re-election Company to appoint successors.	148. A retiring Director shall be eligible for re-election. <input type="checkbox"/>
	149. Subject to the provisions of Section 258, 259, 261 and 284 of the Act, the Company, at the Annual General Meeting at which a Director retires in manner aforesaid may fill up the vacated office by electing the retiring Director or some other person thereto.
Provisions in default of appointment.	150. (a) If the place of the retiring Directors is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday.
	(b) If at the adjourned meeting also the place of retiring Directors be not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting unless -
	(i) at that meeting or at the previous meeting a Resolution for the re-appointment of such Director has been put to the meeting and lost;
	(ii) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so reappointed; <input type="checkbox"/>
	(iii) he is not qualified or is disqualified for appointment;
	(iv) a resolution whether special or ordinary, is required for the appointment or reappointment by of any provisions of the Act; or
	(v) the proviso to sub-section (2) of Section 263 or sub-section (3) of Section 280 of the Act is applicable to the case.
Single Resolution for the appointment of several Directors prohibited.	151. At the General Meeting of the Company a motion shall not be made for the appointment of two or more persons as Directors of the Company by a Single Resolution, unless a Resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it, and the provisions of Section 262 of the Act in this behalf shall apply in all respects.
Company may increase or reduce the number of directors.	152. Subject to Section 252, 255 and 31 of the Act, the Company, by Ordinary Resolution, from time to time, increase or reduce the number or Directors, within the limits fixed in that behalf by the Articles, and may alter their qualification.

Removal of Directors.	153. The Company may, (subject to the provisions of Section 284 of the Act) remove any Director before the expiration of his period of office and appoint another person instead. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.
Notice of candidature of Director except in certain cases.	154. (1) Subject to the provisions of the Act and these Articles any person who is not retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some member intending to propose him has at least fourteen clear days before the meeting left at the office of the Company a notice in writing under his hand signifying his candidature for the office of Director of the intention of such member to propose him as a candidate for that office, as the case may be.
	(2) Every person (other than a Director retiring by rotation or otherwise or the person who has left at the office of the Company a notice under sub-clause (1) above signifying his candidature for the office of a director) proposed as a candidate for the office of Director shall sign. and file with the Company his consent in writing to act as a Director, if appointed.
	(3) A person other than -
	(a) a Director reappointed after retirement by rotation or immediately on the expiry of his term of office, or
	(b) an additional or alternate Director or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a Director or reappointed as an additional or alternate Director immediately on the expiry of his term of office, or
	(c) a person named as a director of the Company under the Articles as first registered.
	shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.
Register of Director etc. and notification of change.	155. (a) The Company shall keep at its registered office a register containing the particulars of its Directors, Managers, Secretaries and other persons mentioned in Section 303 of the Act and shall send to the Registrar a Return containing the particulars specified in such Section and shall otherwise comply with the provisions of the said Section in all respects.
Register of shares or Debentures held by Directors.	(b) The Company shall also keep at its registered office a register in respect of the Shares and/or Debentures of the Company held by its Directors as required by section 307 of the Act and shall otherwise duly comply with the provisions of the said Section in all respects.

Disclosure by Director by appointment to any other body corporate.	156. (a) Every Director (including the person deemed to be a Director by virtue of the explanation to sub-section (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company, shall within twenty days of his appointment to any of the above Offices in any other body corporate, disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.
Disclosure by Director holding of shares and Debentures of the Company etc.	(b) Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.

## DIVIDENDS

Division of profits.	185. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital called up on the shares held by them respectively. Where a dividend has been so declared the warrant in respect thereof shall be posted within forty two days from the date of the declaration of the shareholder entitled to the payment of the same.
The Company in General Meeting may declared dividend.	186. The Company in General Meeting may declare dividends, to be paid to members according to their respective rights and may fix the time for payment but no dividend shall exceed the amount recommended by the Board of Directors.
Dividends only to be said out of profits.	187. (a) No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both provided that:-
	(i) if the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year provide for depreciation out of profits of that financial year or out of profits of any other previous financial year or years.

		(ii) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both. □
	(b)	The declaration of the Board as to the amount of the net profits shall be conclusive.
Interim dividend.	188.	The Board of Directors may, from time to time, pay to the members interim dividend as in their judgement the position of the Company justifies.
Capital paid in advance at interest not to earn dividend.	189.	Where capital is paid in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits or dividends.
Dividend in proportion to amount paid up.	190.	The Company shall pay dividends in proportion to the amount paid up or credited as paid up on each share, where a large amount is paid up or credited as paid up on sum share than on others.
Retention of dividends until completion of transfer under transmission article.	191.	The Board of Directors may retire the dividends payable upon shares in respect of which any person is, under transmission Article 66, entitled to become a member or which any person under that Article is entitled to transfer, until such person shall become a member, in respect of such shares or duly transfer the same.
No Member to receive dividend whilst indebted to the Company and Company's right of reimbursement thereout.	192.	No member shall be entitled to receive payment of or no interest or dividend in respect of his share of shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the Board of Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

Transfer of Shares must be registered.	193. A transfer of shares shall not pass the right to any dividend declared thereon before the Registration of the transfer.
Dividend to joint holders.	194. Any one of several persons who are registered as the joint holders of any share may give effectual receipt for all dividends and payment on account of dividends in respect of such share.
Dividends how remitted.	195. Unless otherwise directed, any dividend may be paid by cheque or warrant or by payslip or receipt having the force of a cheque or warrant sent through the post to the Registered address of the member or person entitled or in case of joint holders to that one of them first named in the Register in respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or payslip or receipt lost in transmission or for any dividend lost, to the member or person entitled thereto by the forged endorsement on any cheque or warrant or the forged signature on any payslip or receipt or the fraudulent recovery of the dividend by any other means.
<b>UNPAID OR UNCLAIMED DIVIDEND:</b>	<p>196. Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 42 days from the date of declaration to any shareholder entitled to the payment of the dividend the Company shall within 7 days from the date of expiry of the said period of 42 days, open a special account in that behalf in any scheduled Bank called "Unpaid Dividend of Dwarikesh Sugar Industries Limited" and transfer to the said account the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.</p> <p>Any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of five years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government. A claim to any money so transferred to the above fund may be preferred to the Central Government/ Committee appointed by the Central Government by the shareholders to whom the money is due.</p> <p>No unclaimed or unpaid dividend shall be forfeited by the Board.</p>
Special provision in reference to dividends.	197. Any General Meeting sanctioning or declaring a dividend in terms of these Articles shall direct payment of such dividend only in cash, provided that nothing in these Articles contained shall be deemed to prohibit the capitalisation of profits or reserves of the Company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time unpaid on any shares held by the members of the Company.



Capitalisation.	<p>198. Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to credit of the General Reserve Fund, or any Capital Redemption Reserve Fund account or in the hands of the Company and available for dividend or representing premiums received on the Issue of shares and standing to the credit of the share premium account be capitalised and distributed amount be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at per or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock, and that such distributed or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum. Provided that a Share Premium Account and a Capital Redemption Reserve Account may, for the purposes of this Article be applied only in the paying up of unissued shares to be issued to Members of the Company as fully paid Bonus Shares.</p>
Surplus moneys.	<p>199. Subject to the provisions of the Act, a General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company, or any investment representing the same, or any other undistributed profits of the Company not subject to charge for Income-tax, be distributed among the members of the footing that they receive the same as capital.</p>
Fractional Certificates.	<p>200. For the purpose of giving effect to any resolution under the two last preceding Articles, the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient, and in particular may Issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that cash payments shall be made to any member upon the footing of the value so fixed or that fractions of less than Rs. 10/- may be disregarded in order to adjust the rights of all parties and may vest any such ash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Directors. Where requisite, a proper contract shall be delivered to the Registrar for Registration in accordance with Section 75 of the Act, and the Directors may appoint any person to sign such contract on behalf of the person entitled to the dividend or capitalised fund, and such appointment shall be effective.</p>

Dividend and call together.	201. Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each members shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between the Company and the members, be set off against the calls.
Interest on capital raised for construction etc.	202. The Directors may pay interest on capital raised for the construction of works or buildings or the provision of any plant which cannot be made profitable for a lengthy period, When and so far as they shall be authorised so to do by and in accordance with Section 208 of the Act.

#### **SECRECY CLAUSES:**

Secrecy Clause	224. Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the Company with the customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge of his duties except when required so to do by the Directors or by law or by person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
Members and entitled to information	225. No member shall be entitled, except to the extent expressly permitted by the Act or these regulations, to enter upon the property of the Company or to require discovery of any informations respecting any detail of the Company's trading or any matter which is or may be in the nature of trade secret, mystery of trade, or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be in expedient in the interest of the members of the Company to communicate to the public.

## WINDING-UP

Distribution Assets in Special.	226. (1) If the Company shall be wound-up whether voluntarily or otherwise, the Liquidators may, with the sanction of a Special Resolution, divide among the contributories in specie or kind any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributies, or any of them as the Liquidators, with the like sanction, shall think fit.
	(2) If thought expedient, any such division may be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on, any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to section 484 of the Act.
	(3) In case of the shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said share may, within ten days after the passing of the Special Resolution, by notice in writing direct to the Liquidator to sell his proportion and pay him the net proceeds, and the Liquidator shall, if practicable, act accordingly.

## INDEMNITY

Indemnity	227. Subject to the provision of Section 201 of the Act, every Director, Manager and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of Directors out of the funds of the Company to pay all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entering into or in any way in the discharge of duties, including expenses and in particular and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such Director, Manager, Officer or servant in defending any proceedings, whether civil or criminal in which judgement is given in his favour or he is acquitted, or in connection with any application under Section 633 of the Act in which relief is granted to him the Court and the amount for which such idemnity if provided shall immediately attach as a lien on the property of the Company and have a priority as between the members over all other claims.
Individual responsibility of Directors	228. Subject to the provisions of Section 201 of the Act, no Director, Manager or other officer of the Company shall be liable for the Acts, receipts and neglects of any other Director of officer or for

	<p>joining in any receipt of other act for conformity or for any loss or expense happening to the Company through the insufficiency of title to any property acquired by order of the Directors, for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities, or effects shall be deposited or for any loss occasioned by an error of judgment or oversight on his part, or for any other loss, damage or misfortunes whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own dishonesty.</p>
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## **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and agreements referred to in Para "A" below (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before the date of this Prospectus) which are / or may be deemed to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred to in Para "B" below all of which have been attached to the copy of this Prospectus and which have been delivered to the Registrar of Companies, for Registration and may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Prospectus until the date of closing of subscription list.

### **MATERIAL CONTRACTS**

1. Memorandum of Understanding dated September 09, 2004 between the Company and the Lead Manager to the Issue, UTI Securities Limited.
2. Memorandum of Understanding dated September 08, 2004 between the Company and the Registrar to the Issue, Intime September Registry Limited.
3. Copy of tri-partite agreement entered among NSDL, the Company and the Registrar & Transfer Agents to the Company dated 12-09-2000.
4. Copy of tri-partite agreement entered among CDSL, the Company and the Registrar & Transfer Agents to the Company dated 15-12-2000.

### **MATERIAL DOCUMENTS**

1. Memorandum of Association and Articles of Association of the Company
2. Certificate of Incorporation dated 01-11-1993.
3. Fresh Certificate of incorporation dated 18-04-1994 consequent to change of name from Dwarka Sugars Limited to Dwarikesh Sugar Industries Limited.
4. Copy of special resolution passed at EGM dated 20-08-2004 u/s 81 (1A) authorizing the Issue of Equity Shares.
5. Copy of Listing application made to BSE & NSE.
6. In-principal approvals from BSE & NSE dated [•] and dated [•] respectively.
7. Copies of Auditors Reports issued by Statutory Auditors of the Company M/s. Sharp & Tannan, Chartered Accountants, dated September 01, 2004.
8. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s. Sharp & Tannan, Chartered Accountants, dated September 01, 2004.
9. Certificate from the Statutory Auditors of the Company M/s. Sharp & Tannan, Chartered Accountants, dated September 01, 2004 regarding the sources and deployment of funds.
10. Consent letters from Directors, Lead Managers, Bankers to the Issue, Bankers to the Company, Auditors, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in the Prospectus
11. Power of Attorney(s) executed by the directors for signing and making correction in the Prospectus on their behalf
12. Copies of Annual Reports for the last 5 accounting periods i.e. FY 2000, FY 2001, FY 2002, FY 2003 and FY 2004 and Balance sheet for 10 months as at July 31, 2004.
13. Copy of sanction letter from Punjab National Bank for credit facilities and Term Loan.
14. Copy of Appraisal Report of UTI Securities Limited.
15. A copy of the SEBI observation letter no. [•] dated [•].

### **PART - III:**

#### **DECLARATION**

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be.

We, the directors of Dwarikesh Sugar Industries Limited, hereby declare and confirm that no information / material likely to have a bearing on the decision of the investors in respect of the Equity Shares issued in terms of the Prospectus has been suppressed / withheld and / or incorporated in the manner that would amount to misstatement / misrepresentation.

Signed by the Directors:

1. **Mr. G.R. Morarka**
2. **Mr. Suresh Neotia**
3. **Mr. Vivek Saraogi**
4. **Mr. S.S. Vaidya**
5. **Mr. M.G. Diwan**
6. **Mr. K.P. Medhekar**
7. **Mr. Milind Vichare**
8. **Mr. L.N. Heda**

**Place: Mumbai**

**Dated: \_\_\_\_\_**