



PROSPECTUS

K. M. SUGAR MILLS LIMITED

(The Company was incorporated as K.M. Sugar Mills Private Limited on 17th December 1971, with the Registrar of Companies, Uttar Pradesh, Kanpur, and was converted into a public limited company on 13th September 1974. The Company was converted back to a private limited company on 24th April 2002 and then again converted into a public limited company with its present name K.M. Sugar Mills Limited on 20th April 2005.)

Registered Office: 11, Moti Bhawan, Collectorganj, Kanpur – 224 001

Tel No: (0512) 2310762; Fax No: (0512) 2310762.

Corporate Office and Works: Post Office Moti Nagar, District Faizabad – 224 201.

Tel No: (05278) 254 059, 254 173; Fax No: (05278) 254 031

Email: ipo@kmsugar.com; Website: www.kmsugar.com

Contact person: Mr. Sanjiva Gaur, Company Secretary and Compliance Officer

PUBLIC ISSUE OF 64,00,000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PREMIUM OF RS. 42/- PER SHARE AGGREGATING Rs. 3,328 LACS

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the Equity Shares of K.M. Sugar Mills Limited (the "Company"), there has been no formal market for the Equity Shares of the Company. **The face value of shares is Rs. 10/- and the issue price of Rs. 52/- per share is 5.2 times of the face value.** The Issue Price (as has been determined and justified by the Lead Manager and K.M. Sugar Mills Limited as stated herein under the paragraph on the Basis for issue price) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor 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 the 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. vii of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

K.M. Sugar Mills 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 aspects 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.

LEAD MANAGER TO THE ISSUE



UTI SECURITIES LIMITED

1st Floor, Dheeraj Arma,
Anant Kanekar Marg, Station Road,
Bandra (East), Mumbai – 400 051.
Tel No: (022) 5551 5801, 5551 5812
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Email: kmsml@utisel.com
Contact Person: Mr. Abhijit Diwan

REGISTRAR TO THE ISSUE



**INTIME SPECTRUM
REGISTRY LIMITED**
Crisp. Clear. Connected

INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (west),
Mumbai – 400 078.
Tel No: (022) 5555 5491-94
Fax No: (022) 5555 5499
Website: www.intimespectrum.com
Email: kmsugar@intimespectrum.com
Contact person: Mr. Vishwas Attawar

ISSUE PROGRAMME

ISSUE OPENS ON: FRIDAY, OCTOBER 14, 2005

ISSUE CLOSURES ON: WEDNESDAY, OCTOBER 19, 2005

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on The Bombay Stock Exchange Limited, (BSE), (also the Designated Stock Exchange). The in-principle approval has been received from BSE for the listing of the Equity Shares vide its letter dated 22nd August 2005.

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DEFINITIONS AND ABBREVIATIONS

Definitions

| Term | Description |
|--|---|
| "KMSML" or "the Company" or "our Company" or "K. M. Sugar Mills Limited" or "we" or "us" and "our" | K.M. Sugar Mills Limited, a public limited company incorporated under the Companies Act, 1956 |

Conventional/General Terms

| Term | Description |
|-----------------|--|
| Act | The Companies Act, 1956 |
| BSE | The Bombay Stock Exchange Limited |
| CDSL | Central Depository Services (India) Limited |
| Directors | The Directors of the Company, i.e. K.M. Sugar Mills Limited |
| Equity Shares | The Equity Shares of face value of Rs. 10/- each of the Company |
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed there under. |
| FIIs | Foreign Institutional Investor as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 registered with SEBI and as defined under FEMA (Transfer or Issue of security by a person resident outside India) regulations, 2000 and under other applicable laws in India. |
| GAAP | Generally Accepted Accounting Practices |
| IT Act | The Income Tax Act, 1961, as amended from time to time |
| NSE | National Stock Exchange of India Limited |
| RBI | Reserve Bank of India |
| SEBI | The Securities and Exchange Board of India constituted under the SEBI Act |
| SEBI Act | Securities and Exchange Board of India Act, 1992, as amended from time to time. |
| SEBI Guidelines | SEBI (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI, as amended from time to time. |

Offering related terms

| Term | Description |
|------------------------|---|
| Applicant | Any prospective investor who makes an application for shares in terms of this Prospectus |
| Application Form | The form in terms of which the investors shall apply for the Equity Shares of the Company |
| Depository | A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time |
| Depositories Act | The Depositories Act, 1996, as amended from time to time |
| Depository Participant | A Depository participant as defined under the Depositories Act |



| Term | Description |
|---------------------------|---|
| Issue/Fresh Issue/IPO | Initial Public Offering of 64,00,000 Equity Shares by K.M. Sugar Mills Limited |
| Issue Closing Date | The date on which the issue closes for subscription by the public |
| Issue Opening Date | The date on which the issue opens for subscription by the public |
| Issue Period | The period between the Issue opening date and Issue closing date and includes both these dates |
| Issue Price | The price at which the Equity Shares will be issued by the Company under this Prospectus |
| Prospectus/Offer Document | Refers to this document, in terms of which the present Issue of Equity Shares are proposed to be made, to be filed with ROC, Uttar Pradesh and Uttaranchal, Kanpur |
| Project | The proposed project of the Company for: <ul style="list-style-type: none"> Expansion cum balancing of sugarcane crushing capacity from 4500 TCD to 6500 TCD |
| Registrar | Registrar to the Issue, viz. Intime Spectrum Registry Limited |
| Stock Exchange(s) | Unless otherwise mentioned refers to The Bombay Stock Exchange Limited, (BSE) |

Company related terms

| Term | Description |
|--------------------------------|---|
| Act | The Companies Act, 1956 |
| Articles | The Articles of Association of K.M. Sugar Mills Limited |
| Auditors | The statutory auditors of the Company M/s Mehrotra & Mehrotra, Chartered Accountants |
| Board/Board of Directors | The Board of Directors of K.M. Sugar Mills Limited |
| Directors | The directors of our Company, unless the context otherwise requires |
| Equity Shares | The Equity Shares of face value of Rs. 10/- each of the Company |
| Fiscal or FY or Financial Year | <ul style="list-style-type: none"> Twelve months ending 31st March 2000 Twelve months ending 31st March 2001 Twelve months ending 31st March 2002 Eighteen months ending 30th September 2003 Twelve months ending 30th September 2004 |
| Indian GAAP | Generally accepted accounting principles in India |
| Insurance Act | Insurance Act, 1938, as amended from time to time |
| IRDA | Insurance Regulatory and Development Authority constituted under the IRDA Act |
| IRDA Act | Insurance Regulatory and Development Authority Act, 1991, as amended from time to time |



| Term | Description |
|---------------------------------------|---|
| IT Act | The Income Tax Act, 1961, as amended from time to time |
| Memorandum/ Memorandum of Association | The Memorandum of Association of K.M. Sugar Mills Limited |
| Non Resident | A person who is not an NRI, an FII and is not a person resident in India |
| NRI/ Non-Resident Indian | A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 |
| Promoters | Mr. L.K. Jhunjhunwala Mr. Aditya Jhunjhunwala Mr. Sanjay Jhunjhunwala L.K. Jhunjhunwala (HUF) |
| RoC | Registrar of Companies, Uttar Pradesh and Uttaranchal, Kanpur |
| Registered Office of the Company | 11, Moti Bhawan, Collectorganj, Kanpur – 208 001 |

Company/ Industry-related Terms

| Term | Description |
|--------------|---|
| B.E. | Bachelor of Engineering |
| BOD | Biological Oxygen Demand |
| COD | Chemical Oxygen Demand |
| Cogeneration | Cogeneration of Power implies generation of power from by-product i.e. bagasse while main operations of the Company are different from power generation, and no external raw material is consumed for generating power. |
| DG | Diesel Generator |
| ETP | Effluent Treatment Plant |
| FSQ | Free Sale Quota |
| GRPF | Grooved Roller Pressure Feeder |
| ISMA | Indian Sugar Mills Association |
| KLPD | Kilo Litre Per Day |
| KWH | Kilo Watt per Hour |
| Mech. | Mechanical |
| MPNG | Ministry of Petroleum and Natural Gases |
| MRM | Monthly Release Mechanism |
| MT | Metric Tonne |
| MW | Mega Watt |
| OGL | Open General License |
| PDS | Public Distribution System |



| Term | Description |
|-----------------|--------------------------|
| PPA | Power Purchase Agreement |
| SMP | Statutory Minimum Price |
| SAP | State Advised Price |
| SDF | Sugar Development Fund |
| SO ₂ | Sodium Oxide |
| TCD | Tons crushed per day |
| TPD | Tons per Day |
| TRS | Total Reducing Sugar |

ABBREVIATIONS

| Term | Description |
|----------|---|
| AGM | Annual General Meeting of the Company |
| AS | Accounting Standard |
| A. Y./AY | Assessment Year |
| BVQI | Bureau Veritas Quality International |
| CAGR | Compounded Annual Growth Rate |
| CII | Confederation of Indian Industries |
| CEGAT | Central Excise Customs and Gold Appellate Tribunal |
| CESTAT | The Customs, Excise, Service Tax Appellate Tribunal |
| CLB | Company Law Board |
| CDSL | Central Depository Services (India) Limited |
| CIBIL | Credit Information Bureau (India) Limited |
| DCA | Department of Company Affairs |
| DP | Depository Participant |
| DRT | Debt Recovery Tribunal |
| EGM | Extra-ordinary General Meeting of the Company |
| EPS | Earnings Per Share |
| EU | European Union |
| FVCI | Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000 |
| FIPB | Foreign Investment Promotion Board, Ministry of Finance, Government of India |
| FI | Financial Institution |
| FICCI | Federation of Indian Chambers of Commerce and Industry |
| F.Y / FY | Financial Year |



| Term | Description |
|-----------|--|
| GOI | Government of India |
| HUF | Hindu Undivided Family |
| IPO | Initial Public Offer |
| ISO | International Standards Organization |
| KVA | Kilo Volt Ampere |
| L/C | Letter of Credit |
| LIC | Life Insurance Corporation of India |
| MBA | Masters in Business Administration |
| MF | Mutual Fund |
| MOU/ MoU | Memorandum of Understanding |
| MNC | Multinational Company |
| NAV | Net Asset Value |
| NRIs | Non Resident Indians as defined under FEMA |
| NSDL | National Securities Depository Limited. |
| PAN | Permanent Account Number |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| PBDIT | Profit Before Depreciation, Interest and Tax |
| PBIT | Profit Before Interest and Tax |
| RBI | Reserve Bank of India |
| TNW | Total Net Worth |
| USD | United States Dollar |
| UP / U.P. | Uttar Pradesh |
| UPPCL | Uttar Pradesh Power Corporation Limited |



FORWARD-LOOKING STATEMENTS, CERTAIN CONVENTIONS AND MARKET DATA

In this Prospectus, the terms “we”, “us”, “our Company”, “the Company”, “KMSML” or “KM” unless the context otherwise implies, refers to K.M. Sugar Mills Limited.

For additional definitions used in this Prospectus, see the sections ‘Definitions and Abbreviations’ on page i of this Prospectus. In the section entitled “Description of Equity Shares and terms of Articles of Association”, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Prospectus was obtained from internal Company reports, data and industry publications. Industry publication data generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

This Prospectus contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”. Similarly, the statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us, that could cause actual results to differ materially from those contemplated by the relevant forward looking statements.

Important factors that could affect our results to differ materially from our expectations includes, inter alia, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political and agricultural conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in laws and regulations in the education and information technology industry and changes in competition in the said industry.

For further discussion of factors that could cause our actual results to differ, refer to the section entitled “Risk factors” beginning on page no. vii of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we, our Directors, the Lead Manager, nor any of their affiliates, have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

In this Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “Crore” means “ten million”. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Prospectus are to the legal currency of India.



RISK FACTORS

Investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or a part of your investment.

Note: *Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:*

RISKS INTERNAL TO THE COMPANY

1. The following outstanding litigations are pending against our Company (KMSML), our Promoters, Directors and our group companies.

(A) Pending criminal cases against our Company:

- 1) Mr. Vijay Shankar Pandey filed a case under the Motor vehicle Act against KMSML contending that he suffered personal injury and damage to his bullock cart on account of an accident with a tractor trolley of KMSML and has claimed an amount of Rs. 78,000/- as damages. The matter is pending before the Motor Accident Claim Tribunal.
- 2) Smt. Ajmatul Nisha and others filed a case before Additional District Judge I, Faizabad against KMSML claiming damages on the ground that her husband died in accident by Truck No. UP 42 - 6040, a vehicle of KMSML and has claimed an amount of Rs. 13,59,000/- as damages. The matter is pending before the Motor Accident Claim Tribunal.
- 3) Smt. Meena Singh and others filed a case against KMSML and Oriental Insurance Company for damages on ground that her husband died in an accident with Truck No. USY 611 – vehicle of KMSML. An order has been passed against the Insurance Company for the recovery of Rs. 65,000/-. KMSML deposited Rs. 10,000/- with the Court and has requested Oriental Insurance Company to refund Rs. 10,000/- to it but Oriental Insurance Company has refused to do so and has made a review application and KMSML has objected to the same. The matter is pending before the Motor Accident Claim Tribunal.
- 4) U.P. Pollution Control Board made a complaint before the Chief Judicial Magistrate, Lucknow, being case no. 358 of 1985 stating that KMSML and its Directors had not taken the requisite permission for disposal of their effluent. The Chief Judicial Magistrate however acquitted the Company and its Directors from the charges. The Pollution Control Board has filed a Criminal appeal before High court against the acquittal order. The matter is pending before the High Court.

(B) Pending cases against the promoters:

- 1) KMSML had issued a cheque amounting Rs.19,900/- to Sri Ram as the purchase price of sugar Cane. However the said cheque bounced due to insufficient funds. Accordingly, Sri Ram filed a complaint under Section 138 of Negotiable Instrument Act. The matter is pending before the chief judicial magistrate.
- 2) Shri Ashok Kumar Chaudhery and his brothers filed a suit against Shri Aditya Jhunjunwala and Shri Laxmi Kant Jhunjunwala praying for permanent injunction suit to restrain them from using certain



land bearing No. 554 situate in Faizabad. The Promoters have clarified that the said land was acquired by their group company viz. K.M. Gases Pvt. Ltd. Shri Ashok Kumar Chaudhery and his brothers have claimed that as a result of the acquisition of the said land, the way to their garden through that land was obstructed and that setting up of the plant on the said land resulted in discharge of poisonous gasses which was detrimental to the productivity of their garden. The Promoters have clarified that K.M. Gases Pvt. Ltd. is producing Oxygen and Dissolved Acetylene Gas and not producing any poisonous gases. The plaintiff did not get stay order from the Court. The Matter is pending before the Civil Judge Senior Division-II.

- 3) Shri Aditya Jhunjhunwala purchased land in Village – Mohammadpur, Tehsil – Beekapur, District Faizabad. Certain adjacent lands were also purchased by K.M. Construction Pvt. Ltd., a group company. The names of the purchasers were recorded in the land records. However, subsequently the same was rejected by the Revenue Officer on the ground that the lands were surplus vacant lands in terms of the UP Imposition of Ceiling on Land Holding Act, 1960. Meanwhile, the land was given to Niti Ram and others on lease by the Collector. An appeal was filed before the Additional Commissioner, Faizabad against the said order of the Revenue Officer and the Commissioner directed that Shri Aditya Jhunjhunwala and K.M. Construction Pvt. Ltd were entitled to the land and cancelled the lease executed in favour of Shri Niti Ram and others. Against the aforesaid order, Shri Niti Ram and others have filed a writ petition against the decision of the Additional Commissioner, Faizabad claiming their rights to the said land as lessees thereof. The Matter is pending before the Hon'ble High Court.

(C) Labour cases involving our Company

- 1) There are 53 labour related matters involving our Company and pertaining to claiming illegal dismissal of services from our Company and claiming reinstatement/back wages. The estimated liability on account of these cases on our Company is Rs. 16.82 lacs and is not ascertainable in certain matters. For further details please refer to the section titled 'Legal and other information' on page no 123 of this Prospectus.

(D) Civil cases involving our Company

- 1) There are 10 civil cases involving our Company, wherein the estimated liability amounts to Rs. 1.38 lacs and is not ascertainable in certain matters. For further details please refer to the section titled 'Legal and other information' on page no 123 of this Prospectus.

(E) Excise and Income Tax disputes involving our Company

- 1) There are 2 excise related cases involving our Company, wherein our Company has already deposited the disputed amounts (Rs. 6,33,108/-) with the respective authorities.
- 2) There are Income tax cases involving our Company for assessment years 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1990-91, 1991-92, 1992-93, 1993-94, 2001-02. Our Company has paid all the disputed amounts, except an amount of Rs. 8,19,913/- for a case relating to the assessment year 2001-2002.

(F) Litigations involving our Group Companies

1) K.M. Gases Private Limited

- a. K .M. Gases Pvt. Ltd. Moti Nagar, Faizabad purchased a godown and land from Shri Mahendra



Kumar Singh and Indra Sen Singh in Village – Hanshapur, Tehsil – Sadar, Faizabad. The Faizabad Development Authority has alleged that the godown was constructed after implementation of development rules and accordingly the company should deposit a sum of Rs. 7,35,804 with the authority, failing which the godown would be demolished. K.M. Gases Pvt. Ltd., has on the other hands contended before the Chairman, Faizabad Development Authority that the godown was constructed in accordance with the Regulations and that the order of the Faizabad Development Authority should be set aside. The Matter is pending before the Chairman of the Faizabad Development Authority.

- b. The Husband of Smt. Ram Janki met with an accident with a truck of K.M. Gases Pvt. Ltd. and expired. Smt. Ram Janki together with her 2 sons and her daughter filed the case before the Motor Accident Claim Tribunal, Lucknow claiming Rs.20,32,880/- as compensation and the Tribunal has by its order dated on 18th March,, 2004 directed K.M. Gases Pvt. Ltd. to pay compensation of a sum of Rs. 12,11,100/- together with interest at the rate of 7% to the claimants. K.M. Gases Pvt. Ltd. has filed an appeal before the Hon'ble High Court Allahabad, Lucknow Bench, against the Judgment of the Tribunal. The Matter is pending before Hon'ble High Court.
- c. U.P. Power Corporation raised a revised electricity bill for Rs. 8,34,760.98 in the month of July 2004. K.M. Gases Pvt. Ltd. deposited 50% of the amount under protest and challenged the bill and made an application before the Consumer Forum on the ground that the electricity bill had been raised based on the urban rate schedule and not the rural rate schedule and a result there was a substantial increase in the electricity bill. The Electricity Consumer Redressal Forum, Faizabad after hearing both parties passed order against K.M. Gases Pvt. Ltd. K.M. Gases Pvt. Ltd. has filed a suit before Regulatory Commission against the aforesaid order of the Consumer Forum. The Matter is pending before Electricity Regulatory Commission.

2) Marvel Business Private Limited

- a. Shri Jawahar, father of Ram Bux, met with an accident with a tractor belonging to Marvel Business Pvt. Ltd. and expired. Ram Bux filed a Motor Accident Claim Case before District Court, Faizabad and the Court directed Marvel Business Pvt. Ltd. to pay a compensation of Rs.2,02,000/- together with interest to Ram Bux, son of the late Shri Jawahar. Marvel Business Pvt. Ltd. deposited a sum of Rs.25000/- in High Court and filed an appeal before Hon'ble High Court Allahabad, Lucknow Bench, Lucknow against the aforesaid District Court Judgment. The matter is pending before the Hon'ble High Court.
- b. The father of Kumari Kamlesh met with an accident with a tractor belonging to Marvel Business Pvt. Ltd. and he succumbed. She filed a Motor Accident Claim Case before District Court, Faizabad and the Court had held Marvel Business Pvt. Ltd. responsible for payment of compensation equivalent to Rs. 6,23,000/- together with interest. Marvel Business deposited a sum of Rs.25000/- in High Court and filed an appeal before Hon'ble High Court Allahabad, Lucknow Bench, Lucknow against the aforesaid District Court Judgement. The Matter is pending before the Hon'ble High Court.
- c. The husband of Smt. Krishna Devi met with an accident with a tractor owned by Marvel Business Pvt. Ltd. and expired. The Tractor was being used for transport by KMSM. Accordingly Smt.



Krishna Devi together with her family filed the case before the Motor Accident Claim Tribunal, Faizabad being case no.74/97 against Marvel Business Pvt. Ltd. and Preeti Jhunjhunwala and the Tribunal directed Marvel Business Pvt. Ltd. to pay a sum of Rs. 1,95,000/- with 6% interest w.e.f. 17th May, 1997 as compensation to the claimants. Marvel Business Pvt. Ltd. has deposited a sum of Rs. 25,000/- in favour of Registrar High Court Lucknow Bench. Marvel Business and Preeti Jhunjhunwala have filed an appeal before High Court Allahabad, Lucknow Bench, Lucknow against the Judgment of the Tribunal. The Matter is pending before Hon'ble High Court.

2. **Our Company had made loss of Rs. 1044.72 lacs for the financial year ended 30th September 2003 (18 months period) due to lower sugar prices during the period. Our Company had also made losses of Rs. 361.71 lacs for the year ended 31st March 2000.**
3. **The name of our Chairman, Mr. L.K. Jhunjhunwala has been listed on Credit Information Bureau (India) Limited's website as a willful defaulter.**

Shreeji Finvest Private Limited (SFL), a company being managed and controlled by Mr. P.C. Jhunjhunwala, (brother of Mr. L.K. Jhunjhunwala) is carrying on business as a NSE & SEBI registered broker had borrowed a sum of Rs. 100 lacs from erstwhile Global Trust Bank Limited (GTB) as loan. Mr. L.K. Jhunjhunwala was one of the Directors in SFL when the said loan was availed. SFL defaulted in the repayment of the loan amount to GTB and GTB has filed a case against SFL and the guarantors for the loan, i.e. Mr. P.C. Jhunjhunwala and his wife Smt. Uma Jhunjhunwala. Since Mr. L.K. Jhunjhunwala was one of the Directors of SFL, his name is also appears on the CIBIL website as a wilful defaulter. Mr. L.K. Jhunjhunwala has resigned from the Board of SFL with effect from 30th April 2003. SFL has entered into a One Time Settlement (OTS) on 6th April, 2004 with Oriental Bank of Commerce (OBC) for the settlement of dues.

The amount due in terms of the OTS has been paid by SFL. OBC vide its letter no. OBC/FRT/P-126/2005 dated 7th July 2005 has stated that since the amount due in terms of OTS has been paid, the matter has been referred to the bank's competent authority for considering the removal of names of SFL, its directors and guarantors from RBI's wilful defaulters list. Since SFL has repaid the entire amount as per OTS it has requested OBC to delete the name of Mr. L.K. Jhunjhunwala from the list of wilful defaulters. The Bank has already intimated RBI/ CIBIL about this matter.

4. **Mr. L.K. Jhunjhunwala, our Chairman, is facing recovery proceedings filed by IDBI and State Bank of Patiala (SBP) as one of the guarantors of Indo Korea Sports Limited (IKSL).**

Mr. L.K. Jhunjhunwala, had been one of the guarantors for the term loan granted by IDBI and also guarantor to the credit facilities granted by State Bank of Patiala to IKSL. IKSL had defaulted in repayment of IDBI's and SBP's dues because of the sudden demise of its main promoter, Mr. Ajay Bajoria, a close relative of Mr. L.K. Jhunjhunwala. IKSL has been declared as a sick industrial company by the Board for Industrial and Financial Reconstruction vide its order no 235/2000 (II) dated 12th September 2001. IDBI and SBP had filed recovery suits against IKSL and their guarantors at Debt Recovery Tribunal (DRT) for recovery. IKSL has entered into an OTS with IDBI on 03rd August 2004 and with SBP on 31st March, 2005 for settlement of dues of Rs. 106 lacs and Rs. 28.65 lacs respectively in installments. After entering into OTS, IKSL has made certain payments to IDBI and SBP and the outstanding amounts due to them are Rs.85 lacs and Rs.21.45 lacs respectively.



IKSL have since paid the entire amount due to IDBI (Rs. 86 lacs) and SBP (Rs. 22.59 lacs) and has requested IDBI and SBP to withdraw the suits filed against the Company and its guarantors, including our Chairman Mr. L.K. Jhunjhunwala.

5. Loss making group companies

The following group companies/ventures promoted by the promoters are loss making.

Rs. in lacs

| Sr. No | Name of the Company | Loss for the year ended 31 st March 2005 | Loss for the year ended 31 st March 2004 | Loss for the year ended 31 st March 2003 |
|--------|--|---|---|---|
| 1. | Benaras Inorganics Private Limited | — | 0.02 | 0.13 |
| 2. | Jhunjhunwala Securities Private Limited | 0.15 | 0.25 | — |
| 3. | K.M. Leasing Limited | 0.03 | 32.79 | 0.15 |
| 4. | Mercury Properties Private Limited | — | 0.64 | 2.80 |
| 5. | Prakash Properties Limited | — | 0.07 | 0.13 |
| 6. | Rameshwaram Properties Private Limited | — | 0.07 | 1.09 |
| 7. | Shailja Properties Private Limited | — | 0.04 | 0.02 |
| 8. | Shree Shakti Credits Limited | — | — | 0.04 |
| 9. | Thermocrafts (India) Private Limited | — | 0.04 | 0.07 |
| 10. | Zar International Private Limited | — | — | 0.04 |
| 11. | Madkini Hydro Power Private Limited | — | 0.04 | 0.02 |
| 12. | Nidhi Financial Services Private Limited | — | 0.08 | 0.07 |

6. K.M. Leasing Limited (KMLL), one of the group company of K.M. Sugars Mills Ltd has violated compliance of provisions under listing agreement with Uttar Pradesh Stock Exchange and has also violated SEBI (SAST) Regulations.

KMLL, our group company listed on Uttar Pradesh Stock Exchange (UPSE), had received a letter dated 15th December, 1999 from the UPSE, for non submission of various documents/information required under the provisions of listing agreements.

KMLL also received a letter no. CFD/DCR/RC/TO/30587/05 dated 11th January 2005 from SEBI, in respect of violation of Regulation 6(2) & 6 (4) of SEBI SAST for the year 1997 and Regulation 8(3) for the period from 1998 to 2002 in respect of not filing the required information in accordance with the said Regulations. KMLL has vide its letter dated 1st March 2005 replied to SEBI stating that it has complied with said Regulations and has requested SEBI to drop the proceedings against KMLL.



7. One of our group companies, Jhunjhunwala Securities Private Limited (JSPL), a member of the Uttar Pradesh Stock Exchange (UPSE) has received a notice from the UPSE, vide its letter no MIRSD/DR-1/AK/22516/04 dated 08th October 2004 to pay the fee liability amounting to Rs. 52,081/-, payable under the SEBI (Interest Liability Regularization) Scheme 2004.

JSPL in its reply to SEBI vide its letter dated 11th November 2004 has stated that they have paid the fee and filed the fee computation, duly certified by a Chartered Accountant as per Schedule III of SEBI regulation, 1992 (amended). JSPL is awaiting SEBI's reply in the matter.

8. Defaults to Banks and Financial Institutions

- Our Company had issued 15% redeemable Non Convertible Debentures (NCDs) of Rs. 250 lacs to IFCI, redemption of which was to be made in 10 quarterly installments beginning from 15th July 2003. Our Company has defaulted in the redemption of these NCDs. Towards redemption of the said NCDs, we have paid Rs. 125 lacs in July 2005 and the balance Rs. 125 lacs in September 2005 towards full and final redemption of NCD principal. A letter confirming the full and final repayment of the NCD has been issued by IFCI.
 - Our Company has defaulted in the repayment of the loan taken from Sugar Development Fund (SDF) of Rs. 404 lacs in the year 1996. The said loan was repayable in 5 equal annual installments of Rs. 80.80 lacs each after one year of the repayment of IFCI dues or expiry of 8 years from the date of disbursement, whichever is earlier. As per the records available with SDF, as on 31st March, 2005 there is an outstanding amount of Rs. 235.18 lacs (including interest and penal interest, subject to reconciliation with the controller of accounts). Out of which, our Company has paid Rs. 80.80 lacs in two tranches, i.e. Rs. 69.49 lacs on 06th April 2005 and Rs. 11.31 lacs on 11th May 2005.
9. One of our group companies, Marvel Business Private Limited was issued 9,40,000 shares of our Company at Rs. 10/- per share on 24th March 2005, which is lower than the issue price.
10. Litigation regarding difference between Statutory Minimum Price (SMP) and State Advised Price (SAP) for the crushing season 2002-2003 amounting to Rs. 9.30 crores.

For the season 2002-2003, the SMP of sugarcane was fixed at Rs. 69.50 per quintal. The U.P. Sugar Mills Association had filed a writ petition in the Allahabad High court, citing the state cannot announce SAP, which was upheld by the Allahabad High court. As a result the Uttar Pradesh State Government did not announce any SAP for sugarcane. The decision of the Allahabad High court was challenged by the Uttar Pradesh State Government in the Supreme Court.

The Honourable Supreme Court in its judgment, dated 5th May 2004 has upheld the right of Uttar Pradesh State Government to fix the State Advised Price (SAP) of sugarcane at levels higher than the SMP, thereby setting aside the order of the Allahabad High Court which had held SAP to be untenable.

After the Supreme Court judgement, the UP State Government has announced SAP for the sugar season 2002-03 at Rs. 95 per quintal, on 05th October 2004 with retrospective effect. The same was challenged by the Uttar Pradesh Sugar Mills Association, by filing a review petition before Allahabad High Court. The said review petition is pending before the Allahabad High court. However, the Allahabad High Court has ordered the sugar companies to pay 50% of the dues in two installments, i.e. 25% within one month and the next 25% within six months from the date of order i.e. 29th April 2005.



Our Company has paid the entire dues on account of the above difference between the SAP and SMP amounting to Rs. 9.30 crores under protest to sugar societies on 20th April 2005.

11. The recovery rate of the Sugar Companies in eastern U.P, where our factory is located is less as compared to the sugar companies in the other regions.

The sugar recovery from crushing of sugar cane by our Company is low as compared to other companies in India. The average recovery ratio in the country for the 2003-04 was 10.22% and for East U.P. Zone for the same period was 9.93%. Our recovery rate for the same period was 9.55% and the recovery rate of our Company for crushing season 2004-2005 was 9.66%.

12. Our production and sale of ethanol may be affected due to non – availability of Rectified Spirit or Molasses locally.

Rectified Spirit is a raw material used for producing Ethanol. Production of rectified spirit is directly related to availability of molasses, which is a byproduct of the sugar unit. As a result, production of Ethanol is dependent on availability of molasses. At present from the in house supply of Rectified Spirit, we can run our Ethanol plant only for a period of 5-6 months and for the rest of the year we need to depend on the market for availability of Molasses or Rectified Spirit. We expect to reduce this risk to some extent by expanding our sugar crushing capacity.

13. The Company is yet to receive the following permissions for the proposed expansion of its crushing capacity from 4500 TCD to 6500 TCD:

| Sr. No | License/Approval | Licensing Authority | Status/Comments |
|--------|---|--|---|
| 1. | Boiler Inspector Certificate | Boiler Inspector | Application for the same shall be made after erection of the boiler. |
| 2. | Consent from the Pollution Control Board | Uttar Pradesh Pollution Control Board | Application has been made and consent will be granted after commissioning of ETP. |
| 3. | Revised Factory expansion layout plan | Assistant Director of factories | Application shall be made after completion of civil and structural works. |
| 4. | Release Order for export of sugar (export obligation) | Ministry of Consumer Affairs, Food and Public Distribution | Application has been made and Release Order awaited |

All the above licences/approvals are required in the normal course of business and the Company does not envisage any difficulty in obtaining the same from the respective authorities.

14. Our success depends largely on our senior management and our ability to attract and retain our key personnel. Any significant changes in the key managerial personnel, may affect the performance of the Company.

Our success depends on the continued services and performance of the members of the senior management team and other key employees. Competition for senior and experienced personnel in the industry is intense at present. The loss of the services of our senior management or other key personnel could seriously impair our



ability to continue to manage and expand our business which may adversely affect our financial condition. We do not maintain any 'key man' life insurance for our senior members of our management team or other key personnel.

15. Our project to set up a 60 KLPD Ethanol Plant at Ahmednagar is dependant on our receiving orders against the tender submitted by us for supply of Ethanol to the Oil Companies.

We propose to set up a 60 KLPD Fuel Grade Ethanol plant in Ahmednagar, District, Maharashtra, for total cost of Rs.500 lacs (including working capital requirement of Rs.232 lacs). Our company has participated in the tender called by HPCL on behalf HPCL, BPCL, IOC and IBP for supply of ethanol in Maharashtra. The tender has been opened in January 2005 and was cancelled. Subsequently fresh tenders were called for and our Company has participated in the same. The tender was opened in August 2005 and the final award for supply of ethanol is subject to negotiation. At present, we have kept this project on hold pending finalisation of the order by the oil companies. If we are not successful in getting the order, the project shall be delayed or cancelled and we may suffer financial losses to extent of the money spent in this project. Our investment on this project as on date is only Rs.35 lacs.

16. In case our Company is not able to fulfil its export obligation, there may be penalties/ strictures imposed on our Company.

The Government has allowed domestic sugar companies to import duty free raw sugar and process it into white crystal sugar. The government has imposed an obligation to export 95% of the quantity imported within 24 months of the date of import. Our Company has imported 10,000 MT of duty free raw sugar and converted it into white crystal sugar during the period January 2005 to April 2005. Accordingly, we have to comply with the export obligation within the next 24 months.

Recently our Company has received an order for export of 9,000 tons of white sugar to Nepal, for which application for requisite approval has been made to the central government.

17. While the project has been appraised by UTI Securities Limited, the appraising agency has no financial stake in the project. Further, there will not be any monitoring of the project by any Bank/FI.

18. Pending utilization in the project, the proceeds of the issue will be invested in non-productive assets such as government securities and short term bank deposits. This deployment may not result in adequate returns for our Company.

19. The contingent liabilities of our Company as on 30th June 2005, as certified by the statutory auditors are as follows:

- a) Claims against the Company not acknowledged as debts in respect of some pending cases of employees under the labour law – Rs. 16,82,008.32
- b) Claims against the Company not acknowledged as debts in respect of other criminal and civil cases – Rs. 14,37,000/-
- c) Estimated value of contracts remaining to be executed on capital account & not provided for - Rs. 7,05,00,350/-.



20. Our Company had a negative cash flow of Rs. 177.55 lacs for the 9 month period ending 30th June 2005, including a negative cash flow from operations of Rs. 987.65 lacs.

21. One of our group companies, Shyam Sunder Sanjay Kumar Sugar Mills Private Limited (SKSMPL), is in the same line of business in which our Company operates, and may cause a conflict of interest.

SKSMPL, was incorporated on 10th September 1976, with the main object of manufacturing sugar. Our promoters Mr. L.K. Jhunjhunwala and Mr. Sanjay Jhunjhunwala hold 10% and 12% of the share capital of SKSMPL respectively. However, SKSMPL has not been in operation for the past several years.

22. Critical weakness and threats as per appraisal report of UTI Securities Limited.

- Cyclical nature of the sugar industry
- Availability of raw material dependent on monsoon
- Highly regulated government controls
- No control over the raw material prices as the same is decided by the central and state governments
- Diversion of sugar cane to jaggery manufactures and other sugar mills

RISKS SPECIFIC TO THE PROJECT/SUGAR INDUSTRY

1. We may face shortage of sugar cane for our proposed expansion of Sugar Crushing facilities from 4500 TCD to 6500 TCD due to:

- a. A new sugar unit is being set up by one of the Sugar Companies in the neighbouring Akbarpur District, about 40 kms from the Company.
- b. Harvesting of sugarcane takes nearly 12-14 months, as a result there may not be enough sugarcane available for our Company for the forthcoming season.

The new plant being set up by one of the sugar companies is expected to be operational from the coming sugar crushing season. After this, the sugarcane supply may be diverted from our mill to the new unit. However, after the proposed expansion for crushing capacity, we may face shortage of sugar cane unless we take steps to increase the supply. The Company has filed a Special Leave Petition (SLP) to the Supreme Court to restrain the Cane Commissioner from reserving/allotting cane area (already reserved for KMSML) to the new unit being set up in Akbarpur district. For further details on this matter please refer to the chapter 'Legal and other information' on page 123 of this prospectus.

Keeping in view, the proposed expansion, our Company has already launched an intensive cane development campaign for increasing the cane area and cane productivity. Our Company has informed farmers in our command area about the proposed expansion, encouraging them to increase the area under sugarcane cultivation. Our Company has also planned to open 12 new cane purchasing centers in remote areas for lifting of sugarcane.

2. The Company operates in a highly regulated market. Policy decision by the government may not be favorable and that may have an impact over our revenues and profitability.

Sugar, being an essential commodity, is subject to various restrictions and regulations imposed by the State/ Central Government like Government controls over fixation of cane price, distribution and sale of sugar, both levy and free because of the release mechanism. Accordingly, the performance of our Company at par with the industry depends upon government policies and regulations.



3. The Company's business is dependent on agricultural production.

Sugar industry is an agro based industry and its main raw material is sugarcane. In India, agriculture is primarily dependent on climatic conditions. Therefore, in any year, if there is a shortfall of sugarcane production on account of adverse climatic conditions, our performance may be affected adversely.

4. Sugar Industry is cyclical in nature.

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 and consequent increase in sugarcane prices. Higher prices for cane attracts the farmers to switch back again to sugarcane.

5. 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. Removal of monthly release mechanism of sugar may lead to a glut in the market leading to depressing prices and the Company may be put to loss.

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.

6. 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.

The Government of India has tightened controls on imports by announcing levy obligation on imports. Besides, this imported sugar has been subjected to a customs duty of 60% to provide a level playing field to the domestic industry.

7. The Company may face competition from other established Companies and future entrants into the industry.

Since the sugar industry is going through a boom period, more and more additional capacities are being added by existing sugar companies and also by new entrants in this field. The supply of sugar in the market will increase once these additional capacities start productions. This additional supply of sugar in the market will impact the sugar price if it is not supported by proportionate increase in demand. Our profit margin may get reduce incase of fall in future sugar price and the same will have a direct impact on our share price.

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.

8. Sugarcane, the major raw material for production of sugar is dependent on monsoons. Further, the Company has virtually no control over the raw material price, which is determined by the Government.

9. 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 maintain the price at a reasonable level.



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 (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.

- 10. 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 and discourage the factories from investing in cane development in their area.**

There is a restriction placed by the Government that there should be a minimum distance of 15 km 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.

EXTERNAL RISK FACTORS

- 1. Certain factors beyond the control of the Company like terrorist attacks, droughts, floods, tsunamis, earthquakes etc. or any other acts of violence involving India and other countries can adversely affect the Company and financial markets, where the Equity Shares of the Company will be traded.**
- 2. Changes in the Government of India policies could impact the liberalisation of the Indian economy and adversely affect economic conditions in India generally and our business in particular.**

A significant change in India’s economic liberalisation and deregulation policies could affect business and economic conditions in India generally and our business in particular. A significant change in the Indian government’s or the state government’s economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business and financial condition and prospects in particular.

- 3. Volatility of share prices on listing**

After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop. The prices of our Equity Shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Indian and global securities market;
- Our results of operations and performance, in terms of market share;
- Performance of the Indian economy;
- Changes in Government policies;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant developments in India’s economic liberalization and deregulation policies; and
- Significant developments in India’s fiscal and environmental regulations.



4. No public market for the shares of our Company

There has been no public market for the Equity Shares of our Company and the prices of the Equity Shares may fluctuate. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold in this Issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

Notes to Risk factors:

1. Pre-issue Net worth of the Company as on 30th September 2004 is Rs. 2,227.23 lacs and as on 30th June 2005 is Rs. 2733.57 lacs.
2. Size of the present Issue - Public Issue of 64,00,000 Equity Shares of Rs. 10/- each issued at a premium of Rs. 42/- for cash at par aggregating Rs. 3,328 lacs.
3. The average cost of acquisition of Equity Shares of the Promoters is given below:

| Name of our Promoters | Average cost of acquisition of shares (Rs.) |
|------------------------|---|
| Mr. L.K. Jhunjunwala | 0.70 |
| Mr. Aditya Jhunjunwala | 0.56 |
| Mr. Sanjay Jhunjunwala | 3.30 |
| L.K. Jhunjunwala (HUF) | 2.09 |

4. Book value of the Equity Shares of the Company as on 30th September 2004 and as on 30th June 2005 is Rs. 42.37 and Rs. 22.78 per share respectively.
5. The Company has issued 1,07,80,000 Equity Shares of Rs. 10/- each as bonus shares by capitalization of free reserves, details of which are mentioned in the notes to Capital Structure.
6. The Company has issued 5000 Equity Shares of Rs. 100/- each at par for redemption of preference shares of Rs. 5 lacs, details of which are mentioned in the notes to Capital Structure.
7. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with BSE, the Designated Stock Exchange.
8. Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue.
9. There are no contingent liabilities as on 30th June 2005, except as mentioned in the Auditors Report.
10. All information shall be made available by the Company and the Lead Manager to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
11. Investors are free to contact the Lead Manager for any complaints/information/clarification pertaining to this Issue. For contact details of the Lead Manager, please refer to the cover page of this Prospectus.
12. Investors are advised to refer the paragraph on "Basis for Issue Price" on page no. 25 of this Prospectus before making an investment in this Issue.
13. For details of liens and encumbrances on the properties and assets of the Company please see Section on Financial Statements on page 74 of this Prospectus. The Company has also created encumbrances on its properties in pursuance of the Bridge Loan, availed by it, particulars whereof are given in the Paragraph on "Bridge Loan Arrangements" on Page 19 of this Prospectus
14. For details of related party transactions, please refer to the Auditors Report.



SUMMARY

Summary of Industry and Business of our Company

You should read the following summary together with the risk factors and the more detailed information about us and our financial data included in this Prospectus.

Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, see "Forward Looking Statements and Market Data" on page no. vi in this Prospectus.

The Industry

Sugar industry is the second largest agro-based industry located in the rural India. About 45 million sugarcane farmers, their dependents and a large mass of agricultural labourers are involved in sugarcane cultivation, harvesting and ancillary activities, and constituting 7.5% of the rural population. Besides, about 0.5 million skilled and semi-skilled workers, mostly from the rural areas are engaged in the sugar industry. Some of the sugar factories have also diversified into byproduct based industries and have invested/put up distilleries, chemical plants, paper and board factories and cogeneration plants. The industry generates its own replenishable biomass and uses it as fuel without depending on fossil fuel. Sugar industry contributes about Rs.1650 crores to the Central Exchequer as excise duty and other taxes annually. In addition, about Rs.600 crores is realized by the State Governments annually through various taxes. At the prevailing sugar cane price, the total sugar cane produced in the country value at about Rs.24000 crores per year.

There are 553 installed sugar mills in the country located in 18 states of the country. About 60% of these mills are in the cooperative sector, 35% in the private sector and rest in the public sector.

Our Business

The Company's business operations can be segregated into:

1. Sugar Division
2. Distillery Division

Sugar Division

White Plantation Sugar:

The Company has sugar manufacturing facility in Faizabad district of Uttar Pradesh. The present capacity of the plant is 4500 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 whiter in colour than "30". The Company sells sugar in Bulk to wholesalers/agents.

Distillery Division

K.M. Sugar has its own Distillery unit with the capacity of 45 KLPD. Our Company manufactures Rectified Spirit, Ethanol and Extra Neutral Alcohol (ENA).

Bio Compost (Ancillary Unit)

Our Company also has a Bio Compost unit, which manufactures bio fertiliser called 'Moti Super'. The Bio Fertiliser is manufactured by utilising the by-product of sugar unit, i.e. Press Mud and the by-product of Distillery division, i.e. Spent Wash along with culture.

The Bio Fertiliser is manufactured in the Company's own plant with a process called 'Triochem Bio-Compost' process, which takes around 45 days for converting press mud into bio-compost.



OFFERING DETAILS

| | |
|--|--|
| Equity Shares offered: | |
| Fresh Issue by the Company | 64,00,000 Equity Shares of face value of Rs.10/- each at a price of Rs. 52/- |
| Of which: | |
| Reserved for permanent employees of the Company, including wholetime Directors | 6,00,000 Equity Shares of face value of Rs. 10/- each at a price of Rs. 52/- |
| Net Issue to the Public | 58,00,000 Equity Shares of face value of Rs.10/- each at a price of Rs. 52/- |
| Equity Shares outstanding prior to the Issue | 1,20,00,000 Equity Shares of face value of Rs.10/- each |
| Equity Shares outstanding after the Issue | 1,84,00,000 Equity Shares of face value of Rs.10/- each |
| Use of Issue proceeds | The issue is being made to fund the balancing cum expansion of sugarcane crushing capacity from 4500 TCD to 6500 TCD. For further information please refer the details under the heading 'Objects of the Issue' on page no. 18 of this Prospectus. |



SUMMARY OF FINANCIAL/OPERATING DATA

The following summary financial data has been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. Mehrotra & Mehrotra Chartered Accountants dated 12th September 2005 in the section titled "Financial Information". You should read this financial data in conjunction with our financial statements for each of Fiscal 2000, 2001, 2002, 2003 and 2004 and for the nine month period ended 30th June 2005, including the Notes thereto and the Reports thereon, which appears under the paragraph on "Auditors Report" on page 74 in this Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 117 of this Prospectus.

Summary of Profit and Loss Account as restated

(Rs. in lacs)

| | ParticularsFor the period ended | | | | | |
|---|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31.3.2000 (12 months) | 31.3.2001 (12 months) | 31.3.2002 (12 months) | 30.9.2003 (18 months) | 30.9.2004 (12 months) | 30.06.2005 (9 months) |
| Income | | | | | | |
| <i>Sales</i> | | | | | | |
| - Manufacturing | 3,626.20 | 6,464.14 | 7,245.04 | 13,554.55 | 7,726.67 | 8806.25 |
| - Trading | - | 0.23 | 22.02 | 39.51 | 15.39 | 0.91 |
| Other Income | 77.34 | 220.20 | 170.09 | 222.83 | 159.84 | 187.08 |
| Increase / (decrease) in stock | 1,048.21 | 771.09 | 12.93 | (2,904.95) | 699.00 | 2955.46 |
| | 4,751.75 | 7,455.66 | 7,450.08 | 10,911.94 | 8,600.90 | 11949.70 |
| Expenditure | 5,119.98 | 7,346.48 | 7,144.59 | 10,706.26 | 8,176.30 | 11493.74 |
| Raw material consumed | 3,410.48 | 4,513.43 | 4,713.00 | 6,445.83 | 5,119.05 | 8890.32 |
| Operating Expenses | 543.15 | 1,017.27 | 978.10 | 1,818.41 | 1,399.11 | 1074.66 |
| Employees' Emoluments | 237.13 | 277.36 | 284.84 | 421.03 | 308.21 | 296.58 |
| Financial Charges | 378.89 | 485.58 | 403.21 | 645.13 | 337.56 | 354.87 |
| Depreciation | 301.79 | 280.70 | 317.88 | 413.80 | 286.35 | 211.50 |
| Excise duty and cess | 248.54 | 441.85 | 151.76 | 842.61 | 572.08 | 367.64 |
| Excise duty on closing stock of FG | - | 330.29 | 295.80 | 114.05 | 153.94 | 298.17 |
| Provision for Diminution in value of investments | - | - | - | 5.40 | - | - |
| | 5,119.98 | 7,346.48 | 7,144.59 | 10,706.26 | 8,176.30 | 11493.74 |
| Profit before tax and other adjustments | (368.23) | 109.18 | 305.49 | 205.68 | 424.60 | 455.96 |
| Prior period items | (6.37) | 5.96 | 5.83 | 26.44 | (0.19) | 2.12 |
| Profit before tax | (374.60) | 115.14 | 311.32 | 232.12 | 424.41 | 458.08 |
| Provision for Tax | | | | | | |
| Current Tax | - | - | - | | 45.00 | 36.00 |
| Deferred Tax | - | - | (202.49) | 320.39 | (134.93) | 176.31 |
| Net Profit after tax | (374.60) | 115.14 | 513.81 | (88.27) | 514.34 | 245.77 |



Adjusted Statement of Profit and Loss (As per SEBI Guidelines)

| Particulars | For the period ended | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31.3.2000 (12 months) | 31.3.2001 (12 months) | 31.3.2002 (12 months) | 30.9.2003 (18 months) | 30.9.2004 (12 months) | 30.06.2005 (9 months) |
| Profit before taxes and other adjustments | (368.23) | 109.18 | 305.49 | 205.68 | 424.60 | 455.56 |
| (As per audited accounts as above) | | | | | | |
| Less : Prior period expenses debited in | | | | | | |
| 2000-01 | 6.06 | - | - | - | - | - |
| 2001-02 | (0.03) | (3.24) | - | - | - | - |
| 2002-03 | 1.12 | (0.30) | 25.70 | - | - | - |
| 2003-04 | (0.63) | 0.09 | (0.13) | 0.27 | - | - |
| 2004-05 (9 months) | | | | 0.30 | 1.82 | |
| Less : Differential Cane Price relating to the Year 2002-03 | | | | (930.58) | | 930.58 |
| Less: Provision for taxation | - | - | - | - | (45.00) | (36.00) |
| Less: Deferred Tax | - | - | 202.49 | (320.39) | 134.93 | (176.31) |
| Adjusted profit and loss | (361.71) | 105.73 | 533.55 | (1,044.72) | 516.35 | 1,174.23 |



Summary of Assets and Liabilities as restated

(Rs. in lacs)

| Particulars | Balance sheet as on | | | | | |
|---|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 31/03/2000 | 31/03/2001 | 31/03/2002 | 30/09/2003 | 30/09/2004 | 30/06/2005 |
| <u>Fixed Assets:</u> | | | | | | |
| Gross Block | 5,554.72 | 5,845.47 | 6,073.88 | 6,344.84 | 6,683.63 | 6542.94 |
| Less: Depreciation | 3,389.51 | 3,693.07 | 4,042.27 | 4,456.40 | 4,739.12 | 4,840.05 |
| Net Block | 2,165.21 | 2,152.40 | 2,031.61 | 1,888.44 | 1,944.51 | 1702.89 |
| Less: Revaluation Reserve | 265.09 | 224.55 | 190.22 | 148.72 | 124.79 | 105.30 |
| Net Block after adjustment of Revaluation Reserve | 1,900.12 | 1,927.85 | 1,841.39 | 1,739.72 | 1,819.72 | 1597.59 |
| Capital Work in Progress | 218.82 | 102.21 | 74.52 | 126.26 | 232.04 | 776.35 |
| Total (A) | 2,118.94 | 2,030.06 | 1,915.91 | 1,865.98 | 2,051.76 | 2373.94 |
| <u>Investments (B)</u> | 136.03 | 76.02 | 66.02 | 61.11 | 55.21 | 0.21 |
| Current Assets, Loans and Advances | | | | | | |
| Inventories | 3,700.89 | 4,478.18 | 4,527.15 | 1,686.99 | 2,476.20 | 5836.67 |
| Sundry Debtors | 125.48 | 131.77 | 249.62 | 281.13 | 735.22 | 335.20 |
| Cash and Bank Balances | 68.22 | 81.89 | 123.43 | 176.9 | 304.62 | 127.07 |
| Loans and Advances | 654.04 | 882.57 | 849.07 | 695.18 | 1,030.10 | 2081.70 |
| Total (C) | 4,548.63 | 5,574.41 | 5,749.27 | 2,840.20 | 4,546.14 | 8380.64 |
| <u>Liabilities and Provisions:</u> | | | | | | |
| Secured Loans | 4,165.09 | 3,321.87 | 3,214.46 | 1,962.45 | 2,937.28 | 5346.26 |
| Unsecured Loans | 99.3 | 72.97 | 32.09 | 32.15 | 21.43 | 93.38 |
| Deferred Tax Liability/ (Assets) | - | - | -202.49 | 117.91 | -29.96 | 146.35 |
| Current Liabilities and Provisions | 1,305.61 | 2,949.42 | 2,822.98 | 909.71 | 1,497.13 | 2435.23 |
| Total (D) | 5,570.00 | 6,344.26 | 5,867.04 | 3,022.22 | 4,425.88 | 8021.22 |
| Net Worth (A+B+C-D) | 1,233.60 | 1,336.23 | 1,864.16 | 1,745.07 | 2,227.23 | 2733.57 |
| <u>Represented by</u> | | | | | | |
| Paid up Share Capital: | | | | | | |
| Equity Shares (A) | 306.00 | 306.00 | 306.00 | 306.00 | 306.00 | 1,200.00 |
| Reserves and Surplus | 1,195.84 | 1,257.93 | 1,751.53 | 1,590.95 | 2,049.18 | 1,647.67 |
| Less: Revaluation Reserve | 265.09 | 224.55 | 190.22 | 148.73 | 124.8 | 105.30 |
| Reserve and Surplus after adjustment of Revaluation Reserve (B) | 930.75 | 1,033.38 | 1,561.31 | 1,442.22 | 1,924.38 | 1542.37 |
| Total (A+B=C) | 1,236.75 | 1,339.38 | 1,867.31 | 1,748.22 | 2,230.38 | 2,742.37 |
| Misc. Expenditure upto the extent not W/off.(D) | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 8.80 |
| <u>Net Worth (C-D)</u> | 1,233.60 | 1,336.23 | 1,864.16 | 1,745.07 | 2,227.23 | 2,733.57 |



GENERAL INFORMATION

K.M. SUGAR MILLS LIMITED

Registered Office: 11, Moti Bhawan, Collectorganj, Kanpur – 224 001

Tel No: (0512) 2310762; Fax No: (0512) 2310762.

Corporate Office and Works: Post Office Moti Nagar, District Faizabad – 224 201.

Tel No: (05278) 254 059, 254 173; Fax No: (05278) 254 031

Registered with the Registrar of Companies, Uttar Pradesh and Uttaranchal, Kanpur Company Registration

Number: 3492 of 1971

Email: ipo@kmsugar.com; Website: www.kmsugar.com

Our Board of Directors

| Sr. No | Name of Director | Designation |
|--------|-------------------------|-------------------------|
| 1. | Mr. L.K. Jhunjhunwala | Chairman |
| 2. | Mr. Aditya Jhunjhunwala | Managing Director |
| 3. | Mr. Sanjay Jhunjhunwala | Joint Managing Director |
| 4. | Mr. S.C. Aggarwal | Executive Director |
| 5. | Mr. H.P. Singhania | Independent Director |
| 6. | Mr. Kirti Singh | Independent Director |
| 7. | Mr. R.S. Shukla | Independent Director |
| 8. | Mr. O.P. Yadav | Independent Director |
| 9. | Mr. D.K. Kapila | Independent Director |

BRIEF PROFILE OF CHAIRMAN, MANAGING DIRECTOR, WHOLE TIME DIRECTOR.

1) MR. L.K. JHUNJHUNWALA - CHAIRMAN

L. K. Jhunjhunwala, aged 61 years, is an Arts graduate and has about 42 years of experience in business mainly in sugar industry. He has been associated with the Company since inception as a promoter and has been actively managing the affairs of the Company.

Mr. was also associated with various industry associations particularly in the sugar industry. He is the former President of U.P. Sugar Mills Association and East U.P. Sugar Mill Association and the current President of Associate Chamber of Commerce & Industry, U.P.

2) MR. ADITYA JHUNJHUNWALA - MANAGING DIRECTOR

Mr. Aditya Jhunjhunwala, aged 34 years, is the elder son of Mr. L.K. Jhunjhunwala. He is a commerce graduate and has about 12 years of business experience mainly in sugar and distillery industries. He is looking after the overall operations of the Company.

Like his father he is actively associated with industry organizations. He is the President of East U. P. Sugar Mills Association. He was the Chairman of the Eastern Zone (northern region) of Confederation of Indian Industries (CII) and also the ex President of Indian Small Hydro Power Association.

3) MR. SANJAY JHUNJHUNWALA - JOINT MANAGING DIRECTOR

Mr. Sanjay Jhunjhunwala, aged 29 years, is the younger son of Mr. L.K. Jhunjhunwala. He has done his graduation in Commerce



and holds a MBA degree from the University of Wales, Cardiff, UK.

He has about 8 years of business experience mainly in sugar industry. He has implemented modern management techniques, in the Company, which have proved immensely beneficial. He is presently looking after the overall operations of the company alongwith the Managing Director.

4) MR. S.C. AGGARWAL – EXECUTIVE DIRECTOR

Mr. Aggarwal has been with the Company since June 2001. He is a science graduate from National Sugar Institute. He has an experience of 22 years in the sugar industry. He is responsible for ensuring overall supervision of operations. He implements management policy decisions. He is also responsible for setting targets for output and ensuring their achievement. He is also involved in planning and coordination of various departments of the Company. Moreover, he is also involved in developing quality system.

ISSUE MANAGEMENT TEAM

LEAD MANAGER TO THE ISSUE

UTI SECURITIES LIMITED

SEBI REGISTRATION NUMBER: INM000007458

MAPIN UIN: 100000489

1st Floor, Dheeraj Arma,
Anant Kanekar Marg, Station Road
Bandra (East), Mumbai – 400 051
Tel No: (022) 5551 5801 / 5551 5812
Fax No: (022) 5502 3194
Website: www.utisel.com
Email: kmsml@utisel.com
Contact Person: Mr. Abhijit Diwan

REGISTRAR TO THE ISSUE

INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (west),
Mumbai – 400 078.
Tel No: (022) 5555 5491-94
Fax No: (022) 5555 5499
Website: www.intimespectrum.com
Email: kmsugar@intimespectrum.com
Contact person: Mr. Vishwas Attawar

AUDITORS TO THE COMPANY

M/S. MEHROTRA & MEHROTRA

CHARTERED ACCOUNTANTS

C-561, Defence Colony,
New Delhi – 110 024.
Tel No: (011) 2433 2977, 5155 1761
Fax No: (011) 2433 7501
Email: virenderbisht@rediffmail.com



LEGAL ADVISOR TO THE ISSUE

M/S KANGA & CO.

Advocates, Solicitors & Notary
Readymoney Mansion, 43, Veer Nariman Road
Mumbai – 400 001.
Tel No: (022) 5633 2288, 5633 9653
Fax No: (022) 5633 9656, 5633 9657
Email: kmsml@kangacompany.com
Contact person: Mr. Kishore M. Vussonji

BANKERS TO THE COMPANY

STATE BANK OF INDIA

Mid Corporate Group – Lucknow Center
Commercial Branch, 6A, Way Road, Gokhale Marg
Lucknow – 226 001.
Tel No: (0522) 2206 061-64
Fax No: (0522) 2208 168
Email: commintbran@satyam.net.in

PUNJAB NATIONAL BANK

Sahebganj Branch, Faizabad – 224 001.
Tel No: (05278) 260 174/260 196

COMPANY SECRETARY AND COMPLIANCE OFFICER

MR. SANJIVA GAUR

K.M. SUGAR MILLS LIMITED

Post Office Moti Nagar,
District Faizabad – 224 201.
Tel No: (05278) 254 094, 254 173
Fax No: (05278) 254 031
Email: cs@kmsugar.com

The 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/demat credits not made etc.

PROJECT APPRAISAL

The project has been appraised by UTI Securities Limited vide their appraisal report dated 15th June 2005.

Details about the appraiser:

UTI SECURITIES LIMITED

1st Floor, Dheeraj Arma,
Anant Kanekar Marg,, Station Road, Bandra (east),
Mumbai – 400 051.
Tel No: (022) 5551 5999
Fax No: (022) 5502 3194
Website: www.utisel.com
Email: kmsml@utisel.com

BANKERS TO THE ISSUE

ICICI BANK LIMITED

Capital Markets Division
30, Mumbai Samachar Marg
Mumbai – 400 001.
Tel No: (022) 2265 5285
Fax No: (022) 2261 1138
Email: sidhartha.routray@icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

HDFC BANK LIMITED

2nd Floor, Trade World
New Building, Kamala Mills
Senapati Bapat Marg, Lower Parel,
Mumbai – 400 013.
Tel No: (022) 2498 8484
Fax No: (022) 2496 3871
Email: viral.kothari@hdfcbank.com
Contact Person: Mr. Viral Kothari

UTI BANK LIMITED

11, Halwasiya House
M.G. Marg, Hazratganj
Lucknow – 226 001.
Tel No: (0522) 2273 780
Fax No: (0522) 2272 278
Email: sameer.garg@utibank.co.in
Contact Person: Mr. Sameer Garg

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.



UNDERWRITING

The Company intends to get the issue fully underwritten.

| Sr. No | Name and Address of the underwriter | Date of agreement | Amount underwritten (Rs. Lacs) |
|--------------|--|---------------------------------|--------------------------------|
| 1. | UTI Securities Limited 1 st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra (east), Mumbai – 400 051. Tel: (022) 5551 5801, 5551 5812 Fax: (022) 5502 3194 Website: www.utisel.com Email: kmsml@utisel.com Contact Person: Mr. Abhijit Diwan | 10 th September 2005 | 1664.00 |
| 2. | Enam Financial Consultants Private Limited Khatau Building, 2 nd Floor, 44, Bank Street, Fort, Mumbai – 400 023. Tel: (022) 2267 7901 Fax: (022) 2266 5613 Website: www.enam.com Email: ajays@enam.com Contact Person: Mr. Ajay Sheth | 10 th September 2005 | 1664.00 |
| Total | | | 3328.00 |

In the opinion of the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on 12th September 2005 and our Company has issued letters of acceptance to the Underwriters.

In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount.



CAPITAL STRUCTURE

The share capital of our Company is set forth below:

| | No. of Shares (Rs.) | Nominal Value Aggregate Value (Rs.) |
|---|------------------------|---|
| A. AUTHORISED CAPITAL | | |
| 2,00,00,000 Equity Shares of Rs. 10/- each | 20,00,00,000 | 20,00,00,000 |
| B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | |
| 1,20,00,000 Equity shares of Rs. 10/- each | 12,00,00,000 | 12,00,00,000 |
| C. PRESENT ISSUE – PUBLIC ISSUE OF | | |
| 64,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 42/- per share | 6,40,00,000 | 33,28,00,000 |
| D. RESERVATION FOR EMPLOYEES | | |
| 6,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 42/- per share | 60,00,000 | 3,12,00,000 |
| E. NET OFFER TO THE PUBLIC THROUGH THIS PROSPECTUS | | |
| 58,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 42/- per share | 5,80,00,000 | 30,16,00,000 |
| F. PAID UP CAPITAL AFTER THE PRESENT ISSUE | | |
| 1,84,00,000 Equity shares of Rs. 10/- each | 18,40,00,000 | |
| G. SHARE PREMIUM ACCOUNT | | |
| Before the issue | | Nil |
| After the issue | | 26,88,00,000 |

Details of Increase in Authorized Capital

| 1 | Sr. No | Particulars Of Increase | Date of Meeting | AGM / EGM |
|---|--------|-------------------------------|-----------------|-----------|
| | 1. | Rs. 18 lacs | Incorporation | - |
| | 2. | Rs. 18 lacs to Rs. 25 lacs | 28-01-1974 | EGM |
| | 3. | Rs. 25 lacs to Rs. 100 lacs | 25-04-1987 | EGM |
| | 4. | Rs. 100 lacs to Rs. 200 lacs | 25-07-1990 | EGM |
| | 5. | Rs. 200 lacs to Rs. 500 lacs | 24-12-1993 | EGM |
| | 6. | Rs. 500 lacs to Rs. 750 lacs | 18-09-1994 | AGM |
| | 7. | Rs. 750 lacs to Rs. 2000 lacs | 28-02-2005 | EGM |



Notes to the Capital Structure

1. Equity Share Capital History

| Date on which Equity Shares were allotted/ made fully paid-up | Number of Equity Shares | Cumulative shares | Face Value (in Rs) | Issue Price (in Rs) | Nature of payment of consideration | Reason for allotment | Share Premium (in Rs. Lacs) | Cumulative Share Premium (in Rs. Lacs) |
|---|-------------------------|-------------------|--------------------|---------------------|------------------------------------|--|-----------------------------|--|
| 17-12 1971 | 18,000 | 18,000 | 100 | 100 | Other than cash | Subscribers to the MOA | — | — |
| 25-02-1984 | 5,000 | 23,000 | 100 | 100 | Other than Cash | Redemption of Preference Shares | — | — |
| 28-01-1988 | 23,000 | 46,000 | 100 | — | Bonus | Bonus issue in the ratio of 1:1 | — | — |
| 22-07-1988 | 5,000 | 51,000 | 100 | 100 | Cash | Rights issue | — | — |
| | 51,000 | | 100 | | | | | |
| The above 51,000 Equity Shares of Rs. 100/- each were split into 5,10,000 Equity Shares of Rs. 10/- each on 13 th August 1994. | | | | | | | | |
| 13-08-1994 | 5,10,000 | 5,10,000 | 10 | 10 | — | Share split from Rs. 100/- to Rs. 10/- | — | — |
| 13-08-1994 | 25,50,000 | 30,60,000 | 10 | — | Bonus | Bonus issue in the ratio of 5:1 | — | — |
| 24-03-2005 | 9,40,000 | 40,00,000 | 10 | 10 | Cash | Further Issue to Marvel Business (P) Limited | — | — |
| 31-03-2005 | 80,00,000 | 1,20,00,000 | 10 | — | Bonus | Bonus issue in the ratio of 2:1 | — | — |
| Total | 1,20,00,000 | | 10 | | | | | |

2. Shares issued for consideration other than cash

We have not issued any shares for consideration, other than cash except as mentioned in the table above.



3. Promoters Contribution and Lock-in in respect of Promoters whose name figure in the Prospectus as Promoters in the paragraph on "Promoters and their Background" is as under:

As per clause 4.1.1 of the SEBI DIP guidelines, the core promoters have ensured at least 20% of the post issue capital would be held by them.

| Sr. No | Name of Promoter / Person in Promoter Group | Date of allotment/ Transfer and made Fully paid-up | Consider -ation | No. of Shares | Face Value (Rs.) | Issue / Transfer | % of post issue | Lock in period# paid up capital |
|--------|---|--|------------------|----------------|------------------|------------------|-----------------|---------------------------------|
| 1 | Mr. L.K. Jhunjhunwala | 17-12-1971 | Other than cash | 4500 | 100 | 100 | | 3 years |
| | | 07-03-1973 | Cash | (1500) | 100 | 100 | | 3 years |
| | | 19-10-1977 | Cash | (10) | 100 | 100 | | 3 years |
| | | 04-04-1978 | Cash | (10) | 100 | 100 | | 3 years |
| | | 07-05-1978 | Cash | 2100 | 100 | 100 | | 3 years |
| | | 20-09-1979 | Cash | (10) | 100 | 100 | | 3 years |
| | | 25-02-1984 | *Other than Cash | 991 | 100 | 100 | | 3 years |
| | | 01-08-1987 | Cash | (1500) | 100 | 100 | | 3 years |
| | | 28-01-1988 | Bonus | 4561 | 100 | — | | 3 years |
| | | 22-07-1988 | Cash | 992 | 100 | 100 | | 3 years |
| | | | | 10114 | 100 | | | 3 years |
| | | Share split from Rs. 100/- to Rs. 10/- on 13 th August 1994 | | | | | | |
| | | 13-08-1994 | Split | 101140 | 10 | — | | 3 years |
| | | 13-08-1994 | Bonus | 505700 | 10 | — | | 3 years |
| | | 02-08-2001 | Cash | (300000) | 10 | 10 | | 3 years |
| | | 31-03-2005 | Bonus | 613680 | 10 | — | | 3 years |
| | | Total (A) | | 920520 | 10 | | 5.00 | 3 years |
| 2 | Mr. L.K. Jhunjhunwala (HUF) | 25-02-1984 | *Other than cash | 417 | 100 | 100 | | 3 years |
| | | 01-08-1987 | Cash | 1500 | 100 | 100 | | 3 years |
| | | 28-01-1988 | Bonus | 1917 | 100 | 100 | | 3 years |
| | | 22-07-1988 | Cash | 417 | 100 | 100 | | 3 years |
| | | | | 4251 | | | | 3 years |
| | | Share split from Rs. 100/- to Rs. 10/- on 13 th August 1994 | | | | | | |
| | | 13-08-1994 | Split | 42510 | 10 | — | | 3 years |
| | | 13-08-1994 | Bonus | 212550 | 10 | — | | 3 years |
| | | 15-06-1998 | Cash | (12000) | 10 | 10 | | 3 years |
| | | 02-08-2001 | Cash | 300000 | 10 | 10 | | 3 years |
| | | 31-03-2005 | Bonus | 1086120 | 10 | — | | 3 years |
| | | Total (B) | | 1629180 | | | 8.85 | 3 years |



| Sr. No | Name of Promoter / Person in Promoter Group | Date of allotment/ Transfer and made Fully paid-up | Consider -ation | No. of Shares | Face Value (Rs.) | Issue / Transfer | % of post issue | Lock in period# paid up capital |
|--------|---|--|------------------|---------------|------------------|------------------|-----------------|---------------------------------|
| 3 | Mr. Aditya | 07-03-1973 | Cash | 500 | 100 | 100 | | 3 years |
| | Jhunjhunwala | 29-01-1980 | Cash | 250 | 100 | 100 | | 3 years |
| | | 02-11-1981 | Cash | 250 | 100 | 100 | | 3 years |
| | | 25-02-1984 | *Other than Cash | 778 | 100 | 100 | | 3 years |
| | | 28-01-1988 | Bonus | 1778 | 100 | — | | 3 years |
| | | 22-07-1988 | Cash | 387 | 100 | 100 | | 3 years |
| | | | | 3943 | 100 | | | 3 years |
| | | Share split from Rs. 100/- to Rs. 10/- on 13 th August 1994 | | | | | | |
| | | 13-08-1994 | Split | 39430 | 10 | — | | 3 years |
| | | 13-08-1994 | Bonus | 197150 | 10 | — | | 3 years |
| | | 31-03-2005 | Bonus | 473160 | 10 | — | | 3 years |
| | | Total (C) | | 709740 | 10 | | 3.86 | 3 years |
| 4 | Mr. Sanjay | 13-08-1994 | Cash | 1200 | 10 | 10 | | 3 years |
| | Jhunjhunwala | 27-12-1995 | Cash | 141540 | 10 | 10 | | 3 years |
| | | 15-06-1998 | Cash | 12000 | 10 | 10 | | 3 years |
| | | 28-06-2000 | Cash | 1200 | 10 | 10 | | 3 years |
| | | 31-03-2005 | Bonus | 311880 | 10 | — | | 3 years |
| | | Total (D) | | 467820 | 10 | | 2.54 | 3 years |
| | | Grand Total (A+B+C+D) | | | | | 20.25 | 3 years |

* Redemption of Preference Shares

The Lock-in period shall commence from the date of allotment of shares in the public issue.

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

- 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.



5. Details of capitalization of reserves by the Company in the past

We have issued 1,07,80,000 Equity Shares of Rs. 10/- each as bonus shares by capitalization of free reserves as detailed below:

| Sr. No | Date of Allotment | No of Shares | Ratio |
|--------|-------------------------------|-----------------|-------|
| 1. | 28 th January 1988 | 230000* | 1:1 |
| 2. | 13 th August 1994 | 2550000 | 5:1 |
| 3. | 31 st March 2005 | 8000000 | 2:1 |
| | Total | 10780000 | |

* 23000 Equity Shares of Rs. 100 each

6. 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 mentioned herein:

| Sr. No | Name | Date of transaction | Buy/Sell | Number of shares | Price per shares (Rs) |
|--------|----------------------------|---------------------|---|------------------|-----------------------|
| 1. | Madhu Jhunjunwala | 24-03-2005 | Sold | 104460 | 30 |
| 2. | Madhu Jhunjunwala | 24-03-2005 | Gift given to Vatsal and Virdhi Jhunjunwala | 60000 | — |
| 3. | K.M. Gases Private Limited | 24-03-2005 | Purchased | 104460 | 30 |
| 4. | Vatsal Jhunjunwala | 24-03-2005 | Gift received from Madhu Jhunjunwala | 30000 | — |
| 5. | Virdhi Jhunjunwala | 24-03-2005 | | 30000 | — |

7. Particulars of top ten shareholders on the date of filing this Prospectus with RoC.

| Sr. No. | Name of the Shareholders | No. of shares | % of the paid up capital |
|---------|-----------------------------|-----------------|--------------------------|
| 1. | Marvel Business (P) Limited | 2820000 | 23.50 |
| 2. | P. C. Jhunjunwala | 1988820 | 16.57 |
| 3. | L. K. Jhunjunwala HUF | 1629180 | 13.58 |
| 4. | Uma Jhunjunwala | 1275300 | 10.63 |
| 5. | L. K. Jhunjunwala | 920520 | 7.66 |
| 6. | Naina Jhunjunwala | 799200 | 6.66 |
| 7. | P. C. Jhunjunwala HUF | 765180 | 6.38 |
| 8. | Aditya Jhunjunwala | 709740 | 5.91 |
| 9. | K.M. Gases (P) Limited | 440640 | 3.66 |
| 10. | Sanjay Jhunjunwala | 467820 | 3.90 |
| | Total | 11816400 | 98.45 |



8. Particulars of top ten shareholders 10 days prior to the date of filing of this Prospectus with RoC.

| Sr. No. | Name of the Shareholders | No. of shares | % of the paid up capital |
|---------|-----------------------------|-----------------|--------------------------|
| 1. | Marvel Business (P) Limited | 2820000 | 23.50 |
| 2. | P. C. Jhunjhunwala | 1988820 | 16.57 |
| 3. | L. K. Jhunjhunwala HUF | 1629180 | 13.58 |
| 4. | Uma Jhunjhunwala | 1275300 | 10.63 |
| 5. | L. K. Jhunjhunwala | 920520 | 7.66 |
| 6. | Naina Jhunjhunwala | 799200 | 6.66 |
| 7. | P. C. Jhunjhunwala HUF | 765180 | 6.38 |
| 8. | Aditya Jhunjhunwala | 709740 | 5.91 |
| 9. | K.M. Gases (P) Limited | 440640 | 3.66 |
| 10. | Sanjay Jhunjhunwala | 467820 | 3.90 |
| | Total | 11816400 | 98.45 |

9. Particulars of top ten shareholders 2 years prior to the date of filing of this Prospectus with RoC.

| Sr. No. | Name of the Shareholders | No. of shares | % of the paid up capital |
|---------|--------------------------|----------------|--------------------------|
| 1. | P. C. Jhunjhunwala | 662940 | 21.66 |
| 2. | L. K. Jhunjhunwala HUF | 543060 | 17.75 |
| 3. | Uma Jhunjhunwala | 425100 | 13.89 |
| 4. | L. K. Jhunjhunwala | 306840 | 10.03 |
| 5. | Naina Jhunjhunwala | 266400 | 8.71 |
| 6. | P. C. Jhunjhunwala HUF | 255060 | 8.34 |
| 7. | Aditya Jhunjhunwala | 236580 | 7.73 |
| 8. | Madhu Jhunjhunwala | 164460 | 5.37 |
| 9. | Sanjay Jhunjhunwala | 155940 | 5.10 |
| 10. | K. M. Gases (P) Limited | 42420 | 1.39 |
| | Total | 3058800 | 99.97 |

- 10.** The Company, its Promoters, Directors and the Lead Manager to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares from any person.
- 11.** Our Company has not raised any bridge loan against the proceeds of this Issue, except as stated in under the para 'Objects of the Issue' on page 18 of this Prospectus.
- 12.** 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 during finalizing the allotment, subject to minimum allotment being equal to 100 Equity Shares, which is the minimum application size in this issue.
- 13.** There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.



14. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this 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 our Equity Shares) whether preferential or otherwise, or, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
15. An applicant cannot make an application for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
16. At any given time, there shall be only one denomination for the Equity shares of the Company and the Company shall comply with such disclosure norms as specified by SEBI from time to time.
17. As on the date of filing of this Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The shares locked in by the Promoters are not pledged to any party. The Promoter may pledge the Equity Shares with banks or Financial Institutions as additional security for loan whenever availed by them from banks/Financial Institutions, provided the pledge of shares is one of the terms of sanction of loan.
18. **Shareholding Patterns of the Company before and after the Issue**

| Category | Pre-Issue | | Post Issue | |
|------------------------------|-----------------|---------------|--------------------|---------------|
| | No. of Shares | % holding | No. of Shares | % holding |
| Promoters & Promoters' Group | 12000000 | 100.00 | 12000000 | 65.22 |
| Employees | 0 | 0.00 | 6,00,000 | 3.26 |
| Public | 0 | 0.00 | 58,00,000 | 31.52 |
| Total | 12000000 | 100.00 | 1,84,00,000 | 100.00 |

The post issue shareholding pattern indicated above is on the assumption that all the shareholders in their respective categories will subscribe to 100% of the shares offered in their respective categories.

19. Since the entire money of Rs. 52/- per share (Rs. 10/- face value + Rs. 42/- premium) is being called on application, all the successful applicants will be issued fully paid-up shares.
20. The Equity Shares of our Company are fully paid up and there are no partly paid up shares as on date.
21. In case of under subscription in the net offer to the public portion, spillover to the extent of under subscription shall be permitted from the reserved category to the net public offer portion.
22. **We have not revalued our assets since inception except as disclosed below:**

The following assets were revalued in the financial year 1992-1993.

| Asset | Amount as on 01 st April 1992 | Revaluation amount | Total amount after revaluation |
|------------------------------------|--|------------------------|--------------------------------|
| Plant & Machinery (Sugar Division) | 11,24,90,459.23 | 11,64,70,782.53 | 22,89,61,241.76 |
| Plant & Machinery (Gas Division) | 72,54,752.55 | 56,98,578.72 | 1,29,53,331.27 |
| Building (Sugar Division) | 69,97,902.04 | 4,47,096.01 | 74,44,998.05 |
| Total | 12,67,43,113.82 | 12,26,16,457.26 | 24,93,59,571.08 |

The assets of the Company were not revalued since its inception and were being shown at a lower value in comparison to its market value. Hence the Company decided to get the above assets revalued at the market value of March 1992. We have not issued any shares out of the revaluation reserves.



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23. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our promoters to the persons who receive firm allotments, if any, in this issue.
 24. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
 25. Our Company has 13 members as on 12th September 2005.



OBJECTS OF THE ISSUE

Funds requirement

The Issue is being made to raise funds for the following purposes:

1. To fund the balancing cum expansion of cane crushing capacity from 4500 TCD to 6500 TCD
2. To meet the additional working capital requirements
3. To repay the bridge loan as mentioned on page 19 of this prospectus
4. To meet the expenses of the Issue
5. To list the Equity Shares offered through this Issue on The Bombay Stock Exchange Limited

The objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present issue.

Cost of Project and Means of Finance

The cost of the project and means of finance as estimated by our management and appraised by UTI Securities Limited are given below:

Cost of the Project

The Cost of Project as appraised by UTI Securities Limited, vide their appraisal report dated 15th June 2005 is as under:

| Rs. in lacs | |
|---|----------------|
| Particulars | Amount |
| Plant and Machineries | 2757.00 |
| Civil Works | 243.00 |
| Contingencies | 100.00 |
| Additional Margin Money for Working Capital | 150.00 |
| Public issue expenses | 250.00 |
| General Corporate Purposes* | 256.00 |
| Total | 3756.00 |

Means of Finance

| Particulars | Amount |
|---|----------------|
| Proceeds from the Initial Public Offer [#] | 3328.00 |
| Internal accruals | 428.00 |
| Total | 3756.00 |

*General Corporate Purposes

The funds requirement has been ascertained at the Issue price of Rs. 52/- per Equity Share. The excess amount of Rs. 256 lacs shall be used for General Corporate purposes. The amount that is in excess of the funds required for the proposed project and the issue expenses, will be utilized for the general corporate purposes. The management, in accordance with the policies of the Board, will have the flexibility of utilizing surplus amounts from the proceeds of the issue.



Bridge Loan arrangements:

We have been sanctioned a short term loan of Rs. 750 lacs each from United Bank of India and The Federal Bank Limited for commencing the implementation of the expansion plans as mentioned under 'Objects of the Issue'. The interest rate is 9.25% per annum. The term loan will be repaid out of the Issue proceeds by way of a single bullet payment, or six months from the date of disbursement, whichever is earlier. We will use a portion of the Issue proceeds to repay this loan to the extent used in the projects mentioned as part of the Objects of the Issue. As on 31st August 2005, the Company has spent Rs. 383.52 lacs from the bridge loan, as certified by the statutory auditor of the Company.

Our Company undertakes that:

1. We shall stop drawing monies from the aforesaid bridge loan from the date we have access to the funds from the public issue.
2. As and when our Company has access to funds from the public issue, the amount drawn out of the aforesaid bridge loan till such time, shall be repaid from the public issue proceeds.

Brief terms of sanction of the bridge loan:

1. Interest charged @ 9.25% p.a.
2. *Parri Passu* 1st charge on the fixed and movable assets (comprising building, plant & machinery) of the proposed expansion project.
3. Hypothecation of present and future tangible and intangible assets and properties of the expansion project, together with all interests, commissions, charges and expenses payable to or incurred by the bank including those for the enforcement of any of the security.
4. Personal guarantees of Mr. Aditya Jhunjhunwala (Managing Director of our Company) and Mr. Sanjay Jhunjhunwala (Joint Managing Director of our Company).

BRIEF DETAILS ABOUT THE PROJECT

Expansion of Cane Crushing Capacity

KMSML is now planning to expand the crushing capacity from 4500 TCD to 6500 TCD at its existing factory at Motinagar, near Masodha in Faizabad District of Uttar Pradesh, which is approximately 5 kms from Faizabad, with funding from the present public issue. The factory is situated on sub highway from Faizabad to Sultanpur/Allahabad and therefore well connected.

Benefits of Expansion

1. The proposed expansion of crushing capacity from 4500 TCD to 6500 TCD will reduce the cost of production since we will be able to crush maximum possible cane in the limited period of the crushing season.
2. Keeping in view of the existing equipments, it becomes more viable and economical for the Company to increase the capacity upto 6500 TCD.
3. We will be able to retain the cane availability from the farmers and preventing diversion of cane to other factories.
4. The increase in crushing capacity will reduce our dependency on the market for purchase of molasses at high prices for the distillery division.

The Company is therefore optimizing the utilization of its existing machineries and equipments, by adding supplementary equipments to hike the capacity to 6500 TCD

The Company does not propose to purchase any additional land as the current project is an expansion of existing capacity at the existing facility only. There is no requirement for construction of any new buildings and the only requirement towards civil works is for the erection of the new machinery proposed to be installed.



The cost of expansion and other details are given below:

Plant and Machinery

Detailed cost

The details of the Plant & Machinery required for expanding the crushing facilities from 4500 to 6500 TCD alongwith the required civil costs are given in the table below:

(Rs. In lacs)

| Sr. No | Particulars | Description | Suppliers name | Equipment Cost | Civil Cost | Total Cost |
|--------|---|---|--|----------------|------------|------------|
| 1 | Cane Unloader | 01 No. new + Extension of gantry | Uttam Industrial Engg, Ghaziabad | 50.0 | 10.0 | 60.0 |
| 2 | Auxiliary Carrier | 01 No. - 90" Wide x 30 Mtr. Long | Various suppliers | 8.0 | 7.0 | 15.0 |
| 3 | Main Cane Carrier | 102" wide x 65 mtr. Long x 4 strand x 8" pitch chain | Kay Kay Industries and various suppliers | 90.0 | 10.0 | 100.0 |
| 4 | Cane belt conveyor I | 2.40 mtr. Wide x 27 mtr. Long | Teknik Plant & Equipment Pune | 15.0 | 3.0 | 18.0 |
| 5 | H.O. cutter at aux. C.C. | 01 No. | Various suppliers | 4.0 | 2.0 | 6.0 |
| 6 | Cutter 1st or (on main cane carrier) | 350+550=900 HP Motor + shifting + Domite tip knife | Uttam Industrial Engg, Ghaziabad | 5.0 | 1.5 | 6.5 |
| 7 | H.O. Cutter at main carrier | Head on cutter with Domite tip knife & 1000 HP Bellis' turbine | Uttam Industrial Engg, Ghaziabad | 32.0 | 5.0 | 37.0 |
| 8 | Shredder | 2.0mt. Dia x x 2.3 wid, shaft suitable for 102" width | Uttam Industrial Engg, Ghaziabad | 65.0 | 5.0 | 70.0 |
| 9 | Drive moter with transformer, starter etc. | 1500 + 1500 KW power motor, starter, transformer etc. | Various suppliers | 60.0 | 2.0 | 62.0 |
| 10 | Cane belt conveyor II from shredder to zero mill (proposed for future) | New rake elevator 2.4 mtr. Widex 38 mtr. long with 75 HP VFD - 01 No. | Teknik Plant & Equipment Pune | 35.0 | 4.0 | 39.0 |
| 11 | Magnetic separator | 01 No. with belt | Teknik Plant & Equipment Pune | 12.0 | 1.0 | 13.0 |
| 12 | On line cane weighment system | 01 No. | Teknik Plant & Equipment Pune | 10.0 | 0.0 | 10.0 |
| 13 | Rake Elevator No. I, Between Zero mill (proposed for future) & 1st mill | Elevator modified into inter carrier with 9"pitch x 2 strand chain | Various suppliers | 3.0 | 1.0 | 4.0 |



| Sr. No | Particulars | Description | Suppliers name | Equipment | Civil Cost | Total Cost |
|--------|-------------------------|--|--|-----------|------------|------------|
| 14 | Mill No. 2 | Addition of GRPF with 500 HP D.C. drive | S.S. Engineers, Pune | 100.0 | 5.0 | 105.0 |
| 15 | Mill No. 3 | TRPF to be converted into GRPF with 350 HP drive | S.S. Engineers, Pune | 25.0 | 1.0 | 26.0 |
| 16 | Mill No. 4 | TRPF to be converted into GRPF with 350 HP drive | S.S. Engineers, Pune | 25.0 | 1.0 | 26.0 |
| 17 | Transmission Gearing | | | | | |
| A) | For 2nd mill | Replacement of final motion transmission gear | Ashoka Machine Tools Corp, New Delhi | 35.0 | 2.0 | 37.0 |
| B) | For 3rd mill | Replacement of final motion trans. Gear, pinion & matching of 1st motion gear pinion teeth & fitting of gear guard | Ashoka Machine Tools Corp, New Delhi | 45.0 | 2.0 | 47.0 |
| C) | For 4th mill | 1st motion plumber block with bearing replacement by spherical roller bearing | Various suppliers | 10.0 | 1.0 | 11.0 |
| 18 | Rotary Screen | 01 Pc. | Uttam Industrial Engg, Ghaziabad | 20.0 | 2.0 | 22.0 |
| 19 | Bagasse Elevator | Width - 2.0 Mtrs. | Various suppliers | 6.0 | 1.0 | 7.0 |
| 20 | Belt Conveyor B.C. - 2 | Width - 1.4 Mtr. x 46 Mtr. long | Teknik Plant & Equipment Pune | 20.0 | 2.0 | 22.0 |
| 21 | R.B.C. - 2 | 1.7 Mtr. x 45 Mtr. long | Engtech Associates, Allahabad | 25.0 | 3.0 | 28.0 |
| 22 | Boilers | 50 T Boiler | Walchandnagar Industries Ltd, Pune | 550.0 | 10.0 | 560.0 |
| 23 | Power Turbine | 10 MW | Triveni Engg & Industries Ltd, Bangalore | 650.0 | 10.0 | 660.0 |
| 24 | Power House with Gantry | Power house with gantry for 10 MW turbine | Various suppliers | 30.0 | 25.0 | 55.0 |
| 25 | E. O. T. Crane | 30 T Capacity x 01 No. | Uttam Industrial Engg, Ghaziabad | 35.0 | 0.0 | 35.0 |
| 26 | Raw Juice Heater | 500 M2 x 01 Nos. | Shivani Multi utility Engg, Ghaziabad | 30.0 | 2.0 | 32.0 |
| 27 | Air Compressor (syrup) | 01 No. of 1200 cub. Mtr. Per hour | Ingersolrand Industries Ltd New Delhi | 12.0 | 1.0 | 13.0 |
| 28 | Evaporators | S.K. 2500 sq.mt. x 01 Nos. | Engtech Associate Allahabad | 80.0 | 2.0 | 82.0 |
| | | Conv. 600 sq. mt.x 01 No. | | 50.0 | 1.0 | 51.0 |



| Sr. No | Particulars | Description | Suppliers name | Equipment | Civil Cost | Total Cost |
|--------|--|---|--|---------------|--------------|----------------|
| 29 | "A" – Pan | 100 Tonnes x 01 No. | | 80.0 | 4.0 | 84.0 |
| 30 | "C" – Pan, C - MASS. % CANE = 08 | Continuous pan of capacity 40 TPH | Shrijee Engg Works, Mumbai | 100.0 | 2.0 | 102.0 |
| 31 | Injection Pumps | 5 LGPH x 01 No | Geeta Pumps, Saharanpur | 8.0 | 1.0 | 9.0 |
| 33 | Expansion of Spray Pond & making new tunnel | Expansion of spray pond and making new tunnel | Various suppliers | 35.0 | 40.0 | 75.0 |
| 34 | Crystalliser | | | | | |
| A) | "A" - Crystallizer | 100 T x 01 Nos. | Shivani Multi utility Engg, Ghaziabad | 18.0 | 1.0 | 19.0 |
| B) | "B" - Crystallizer | 100 T x 01 Nos. | | 18.0 | 1.0 | 19.0 |
| C) | "C" - Crystallizer | 100 T x 02 Nos. | | 36.0 | 2.0 | 38.0 |
| 35 | Centrifugal Machines (with staging, magma mixer, magma pump, Massecuite & Molasses Pumps) | | | | | |
| A) | "A" Centrifugal | One KB 1750 | Thysen Krupp Industries Ltd, Pune | 60.0 | 1.0 | 61.0 |
| B) | "B" Centrifugal Machine | 01 Nos .x NK1503 | National Heavy Engg Co-op Ltd, Pune | 25.0 | 1.0 | 26.0 |
| C) | "CFW" Centrifugal Machine | one NK1503 (New) | | 25.0 | 1.0 | 26.0 |
| D) | "CAW" Centrifugal Machine | | | | | |
| 37 | Sugar drying And conveying | New hoppers with FBD system. | Project & System Engineers Pune | 25.0 | 2.0 | 27.0 |
| 38 | Sugar Bag conveying system | Sugar House to G.No.1,5,8. | Teknik Plant & Equipment Pune | 40.0 | 2.0 | 42.0 |
| 39 | Molasses Storage Tank | Dia. 18 Mtr. x Height 9.75 Mtr. x 01 No., | Various suppliers | 40.0 | 25.0 | 65.0 |
| 40 | E.T.P. | Addition of equalisation tank, aerator, clarifier, sludge drying bed etc. (as per requirement of 6500 TCD | Environmental & Technical Research center, Gorakhpur | 20.0 | 25.0 | 45.0 |
| 41 | Hot Water ugr | 01 No. as stand by | Various suppliers | 5.0 | 2.0 | 7.0 |
| 42 | Seed Conveying System | 01 No. as stand by | Teknik Plant & Equipment Pune | 4.5 | 1.0 | 5.5 |
| 43 | Miscellaneous for pipe lines, valves etc. | | Various suppliers | 80.5 | 9.5 | 90.0 |
| | Grand Total | | | 2757.0 | 243.0 | 3000.00 |



We have placed orders for all major plant and machinery/equipments and have already paid Rs. 713.46 lacs towards payments (including advances) for the plant and machineries.

For the proposed expansion, our Company has not placed order for any second hand plant and machinery.

LOCATION

The expansion of the proposed crushing capacity will be carried out in the existing facilities.

SCHEDULE OF IMPLEMENTATION

The implementation schedule of the proposed expansion capacity from 4500 TCD to 6500 TCD is given below:

Schedule of Implementation

| Sr. No. | Activities | Commencement | Completion |
|---------|---|--|--|
| 1 | Placing orders for Machineries & Equipments | 4 th week of March, 2005 | 4 th week of May, 2005 |
| 2 | Receiving of Machineries & Equipments | 1 st week of May, 2005 | 2 nd week of October, 2005 |
| 3 | Civil works | 1 st week of May, 2005 | 1 st week of October, 2005 |
| 4 | Installation of Plant and Machineries | 2 nd week of July, 2005 | 1 st week of November, 2005 |
| 5 | Trial Run | 1 st week of November, 2005 | 2 nd week of November, 2005 |
| 6 | Commissioning | 2 nd week of November, 2005 | |

Proposed Quarter wise Deployment of Funds

| Particulars | Till 31 st August 2005 | Till 30 th September 2005 | Till 31 st December 2005 | Till 31 st March 2005 | Total |
|--------------------------|--|---|--|-------------------------------------|----------------|
| Building and Civil works | 78.06 | 90.00 | 74.94 | 0.00 | 243.00 |
| Plant & Machinery | 713.46 | 200.00 | 1693.54 | 150.00 | 2757.00 |
| IPO expenses | 20.00 | 20.00 | 210.00 | 0.00 | 250.00 |
| Total | 811.52 | 310.00 | 1978.48 | 150.00 | 3250.00 |
| | Contingencies | | | | 100.00 |
| | Margin money for additional working capital | | | | 150.00 |
| | General Corporate Purpose | | | | 256.00 |
| | Total | | | | 3756.00 |

Issue Expenses

Issue Expenses have been estimated at Rs. 250 lacs, details of which are given on page 162 of this prospectus.

CONTINGENCIES

We have placed order for all major plant and machineries required for the project; hence we do not anticipate any major price escalation. However, to take care of the upward revision in the prices of plant and machinery and other equipments by the suppliers, we have kept a contingency provision of Rs.100 lacs in the project cost.

APPRAISAL

In compliance with the listing norms of The Bombay Stock Exchange Limited (vide its press release dated 04th March 2002), the project has been appraised by UTI Securities Limited for the purpose of IPO of Equity Shares, vide its appraisal report dated 15th June 2005, which forms part of the material documents.



Scope of Appraisal:

The scope of the appraisal is limited to meet the BSE listing norms for IPO.

Deployment of funds in the Project as on 31st August 2005

We have incurred the following expenditure on the project till 31st August 2005. The same has been certified by our statutory auditors, M/s. Mehrotra & Mehrotra, Chartered Accountants vide their certificate dated 12th September 2005:

| Deployment of Funds | Rs. in Lacs |
|--------------------------|---------------|
| Plant and Machinery | 78.06 |
| Building and Civil works | 713.46 |
| Issue expenses | 20.00 |
| Total | 811.52 |

| Sources of Funds | Rs. in Lacs |
|-------------------|---------------|
| Bridge Loan | 383.52 |
| Internal accruals | 428.00 |
| Total | 811.52 |

Interim Use of Funds

Our Company plans to temporarily invest the issue proceeds, pending utilization in the project, in high quality interest bearing liquid instruments, including Bank Deposits or for reducing overdraft to save on interest costs. Such investments would be in accordance with the investment policies approved by our Board of Directors from time to time.

In case the Issue does not go as planned, we will make alternative arrangements like availing of fresh loans from bank(s) to meet the shortfall, if any.

OTHER PROJECTS UNDER IMPLEMENTATION:

The Company is also implementing the following project:

(A) Setting up of Ethanol Plant at Ahmednagar, Maharashtra.

Our Company also proposes to set up a 60 KLPD Fuel Grade Ethanol plant in Ahmednagar, District, Maharashtra, for a total cost of Rs. 500 lacs (Rs. 268 lacs towards plant & machinery and other fixed cost & balance Rs. 232 lacs towards working capital requirements). Our Company has already invested Rs.35 lacs on this project from internal accruals. The Company has placed orders for the main Plant and Machineries, worth Rs. 131.40 lacs. The Company had applied to Punjab National Bank, Ahmednagar and Bank of Baroda, Faizabad for funding of the project as term loan and working capital facilities amounting to Rs. 500 lacs.

In this regard the Company has already taken on lease 9,000 sq. mts of land for a lease period of 95 years from Maharashtra Industrial Development Corporation (MIDC) located at Supa Parner Industrial Area, Ahmednagar District, Maharashtra, in the year 2004 for a consideration of Rs. 3.60 lacs.

We have participated in the tender called by Hindustan Petroleum Corporation Ltd. (HPCL) on behalf HPCL, BPCL, IOC and IBP for supply of ethanol in Maharashtra State. The tender has been opened in January 2005 and was cancelled. Subsequently fresh tenders were called for and our Company has participated in the same. The tender was opened in August 2005 and the final award for supply of ethanol is subject to negotiation. Our investment on this project as on date is only Rs.35 lacs.



BASIC TERMS OF THE ISSUE

Principal Terms and Conditions of the Issue

The Equity Shares being issued are subject to the terms of this Prospectus, the terms and conditions contained in the Application Form, the Memorandum and Articles of the Company, provisions of the Act, other applicable acts and the letters of allotment/ Equity Share certificates or other documents and the Guidelines issued from time to time by the Government of India, SEBI and The Bombay Stock Exchange Limited.

Terms of Payment:

Applications should be for minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The entire Issue price of the Equity Shares of Rs. 52/- per share (Rs. 10/- face value + premium of Rs. 42/-) is payable on application.

In case of allotment of lesser number of Equity Shares than the number of shares applied for, the Company shall refund the excess amount paid on application, subject to minimum allotment size being the minimum application size.

BASIS FOR ISSUE PRICE

Qualitative Factors:

1. Our Company has ISO 9001: 2000 certification for Quality Management System pertaining to manufacture and supply of 'Plantation – White Sugar' from International Certification Services (ICS) accredited by Joint Accreditation System of Australia and New Zealand.
2. Our Company has a distillery unit of 45 klpd attached to the sugar plant which manufactures rectified spirit, ethanol and extra neutral alcohol.
3. Our Company has captive power generation capacity, sufficient water availability, and efficient effluent treatment plant and also has adequate infrastructure facilities with regard to land, utilities and space for storage etc for future expansion.
4. We have well-equipped laboratory facilities for analysis and testing of sugar cane, sugar, molasses and alcohol.
5. We have in-house storage capacity to store upto 2,40,000 quintals of sugar, 1,80,000 quintals of molasses and 25,00,000 litres of alcohol.

Quantitative Factors

1. Adjusted Earnings Per Share

| | EPS (Rs.) | Weight |
|-----------------------------|-------------|--------|
| 2001-02 | 16.79 | 1 |
| 2002-03 | (22.76)* | 2 |
| 2003-04 | 16.90 | 3 |
| Nine months ended 30-06-05 | 13.05* | 4 |
| Weighted Average EPS | 7.42 | |

* Annualized

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. 52/- per share

| | |
|---|-------------|
| ■ Based on 2003-04 EPS of Rs.16.90 | 3.07 |
| ■ Based on 30-06-05 EPS of Rs.13.05* | 3.98 |
| ■ Based on weighted average EPS of Rs. 7.42 | 7.01 |

* Annualized



Sugar Industry P/E

| | |
|--------------------------------------|-------|
| i. Highest – Bajaj Hindustan Limited | 18.90 |
| ii. Lowest - Pratappur Sugar | 4.50 |
| iii. Average | 12.50 |

*Source: Capital Markets Volume XX/13 – August 29 – September 11, 2005

Accounting Ratios of some of the Companies in the same Industry group:

| Particulars | EPS (Rs) | P/E | RONW (%) | NAV (Rs.) |
|-------------------|----------|------|----------|-----------|
| Dwarikesh Sugars | 11.70 | 9.70 | 43.90 | 77.90 |
| Kesar Enterprises | 25.20 | 7.10 | 2.40 | 88.90 |
| Riga Sugar | 4.00 | 6.70 | 10.80 | 39.40 |
| Rana Sugar | 4.10 | 7.30 | 11.80 | 22.90 |

*Source: Capital Markets Volume XX/13 – August 29 – September 11, 2005

3. Return on Net Worth

| | | RONW % | Weight |
|----|----------------------------|--------------|--------|
| a) | 2001-02 | 27.56 | 1 |
| b) | 2002-03 | (85.55)* | 2 |
| c) | 2003-04 | 39.89 | 3 |
| d) | Nine months ended 30-06-05 | 57.28* | 4 |
| | Weighted Average | 20.52 | |

* Annualized

■ Minimum Return on Total Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 13.05* is 39.61%

* Annualized (EPS for the 9 month period ended 30th June 2005 is Rs. 9.79)

4. Net Asset Value

| | | |
|----|---------------------------------------|-------|
| a) | As on 30 th September 2004 | 42.37 |
| b) | As on 30 th June 2005 | 22.78 |
| c) | After Issue | 32.94 |
| d) | Issue Price | 52.00 |

- The face value of our shares is Rs.10/- per share and the Issue Price is 5.20 times of the face value of our Equity Shares.
- The Lead Manager believes that the Issue Price of Rs. 52/- per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the Auditors Report in the Prospectus to have a more informed view about the investment proposition.



TAX BENEFITS STATEMENT

We hereby certify that the enclosed annexure states the tax benefits available to the shareholders of K.M. Sugar Mills Limited (the Company) under the provisions of the Income Tax Act, 1961 and other direct tax laws as are presently in force.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

The shareholder is advised to consider his/her/its own case, the tax implication of an investment in the equity shares, particularly in the view of the fact that certain recently enacted legislations may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

For Mehrotra & Mehrotra
Chartered Accountants

(Rajesh Jhalani)
Partner (M.No. 74809)

Place: New Delhi

Date: 12th September 2005

ANNEXURE TO THE CERTIFICATE

STATEMENT OF TAX BENEFITS

The Company has been advised that under the current tax laws, the following tax benefits, inter-alia will be available to the Company and its shareholders.

1. Under the Income Tax Act, 1961

(A) The Company

- 1) The company is eligible under section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.
- 2) The company would be eligible for depreciation @ 15% on the cost of Plant & Machinery as per the provisions of Income Tax Act, 1961. Further the company would be entitled to depreciation @ 80% of the cost of Plant & Machinery in the nature of energy saving devices and would also be entitled to depreciation on its other assets as per Rule 5 of the Income Tax Rules, 1962.
- 3) As per provisions of section 32(1)(iia) of the Income Tax Act, 1961 the company would be entitled to additional depreciation @ 20% of the actual cost of new Plant & Machinery during previous year ending on or after 31.3.2006 subject to the fulfillment of other conditions specified under the said section.
- 4) The company would be eligible for tax holiday as per the provisions of section 80 IA of the Income Tax Act, 1961, upto 100% of the taxable profit of its existing power generating unit generating power in the form of steam and electricity and also in respect of new power generating unit, if it starts generating power by 31st March 2006 subject to fulfillment of conditions specified in that section. The company would also be eligible to claim deduction u/s 80 JJAA of the Income Tax Act, 1961 in respect of its new units subject to fulfillment of conditions specified in that section.
- 5) Under Section 115 JAA (1A) of the Income Tax Act, 1961 tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose.



(B) The Shareholders

(I) Resident Indians

- 1) Under Section 10(34) of the Income Tax Act, 1961 income earned by way of dividend on the shares of the company is exempt from income-tax in the hands of the shareholders.
- 2) Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.
- 3) As per the provisions of section 111A of the Income Tax Act, 1961 tax on short term capital gain is charged to tax @ 10% (plus applicable surcharge and education cess) provided the capital gain arises from the transfer of equity shares of the company which are held for a period of not more than 12 months and on which security transaction tax has been charged.
- 4) As per the provisions of section 112 of the Income Tax Act, 1961 the long term capital gains arising from the transfer of shares of the company being long term capital asset, other than as mentioned in point 2 above, shall be chargeable to tax @ 20% (plus applicable surcharge and education cess) after indexation as provided in second proviso to Section 48, or @ 10% (plus applicable surcharge and education cess) without indexation.
- 5) Long term capital gains as stated in point 4 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds /shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections. In the case of individual or HUF members, exemption is also available u/s 54F subject to the fulfillment of the conditions specified in the said section.
- 6) In terms of section 88E of the Income Tax Act, 1961 the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions subject to the fulfillment of other conditions specified under the said section.
- 7) Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, [in cases not covered under section 10(38) of the Act] if any will be treated as long term capital gains and the gains shall be calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.

(II) Non-Resident Indians

- 1) 1. Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.
- 2) In The Case Of Non Resident Indians, taxability of long term capital gains and short term capital gains is similar to resident Indians. Refer paras above.
- 3) Further under Section 115E of the Income Tax Act, 1961 income by way of long term capital gains arising from the transfer of shares (otherwise than as mentioned in paras B.I.2 and B.I.4 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess) subject to the fulfillment of other conditions specified under Chapter XII –A of the Income Tax Act, 1961. Further above said long term capital gains shall be exempt under section 115F of Income Tax Act, 1961 subject to the fulfillment of other conditions specified under the said section.
- 4) Under section 115G 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.
- 5) Rebate of Securities Transaction Tax paid is available under section 88E of the Income Tax Act, 1961. Refer para B.I.7 above.



(III) Foreign Institutional Investors (FII)

- 1) Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.
- 2) Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.
- 3) Under Section 115AD(1)(iii) of the Income Tax Act, 1961 income by way of long term capital gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation are not available to FIIs.
- 4) Short term capital gains on transfer of securities shall be chargeable @ 30% / 10% (plus applicable surcharge and education cess) as per clause (ii) to Section 115AD of the Income Tax Act, 1961.
- 5) Long term capital gains as stated in point 3 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds/shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections.

(IV) Venture Capital Companies/ Funds

In terms of section 10(23FB) of the Income Tax Act, 1961 all venture capital companies /funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the company.

(V) Mutual Funds

As per the provisions of section 10(23D) of the Income Tax Act, 1961 any income of Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder or any other Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax.

2. Benefits available under the Wealth Tax Act, 1957

All assesses are entitled to exemption from wealth tax in respect of the shares of the company as shares or securities are not included in the definition of asset u/s 2(ea) of the Wealth Tax Act, 1957.

3. Benefits available under the Gift-tax Act, 1958

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax under the erstwhile Gift Tax Act. However, under section 56(2)(v) of the Income Tax Act, 1961, where any sum of money (which could include gift of shares also) exceeding twenty five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004, the whole of such sum, would be taxed as income in the hand of the recipient, Provided that this clause shall not apply to any sum of money received:

- a) from any relative; or
- b) on the occasion of the marriage of the individual; or
- c) under a will or by way of inheritance; or
- d) in contemplation of death of the payer.

For the purposes of this clause, "relative" means –

- a) spouse of the individual;
- b) brother or sister of the individual;
- c) brother or sister of the spouse of the individual;
- d) brother or sister of either of the parents of the individual;
- e) any lineal ascendant or descendant of the individual;



- f) any lineal ascendant or descendant of the spouse of the individual;
- g) spouse of the persons referred to in clauses (b) to (f).

4. Benefits available Under Central Excise Tariff

In respect of the Capital goods and allied machinery being purchased for ongoing projects, the benefit of Cenvat credit is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

5. Benefits available Under Finance Act 1994 -Service Tax

In respect of services availed for ongoing projects, the benefit of Cenvat-Service Tax is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

6. Benefits available Under Export Import Policy

Import of Capital Goods under Export Promotion Capital Goods scheme (EPCG scheme) at concessional rate of duty subject to fulfillment of obligations.

Notes:

- All the above benefits are as per the current tax laws and will be available only to the sole/ first named holder in case the Equity Shares are held by joint holders.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.



INDUSTRY OVERVIEW

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

(In million tons)

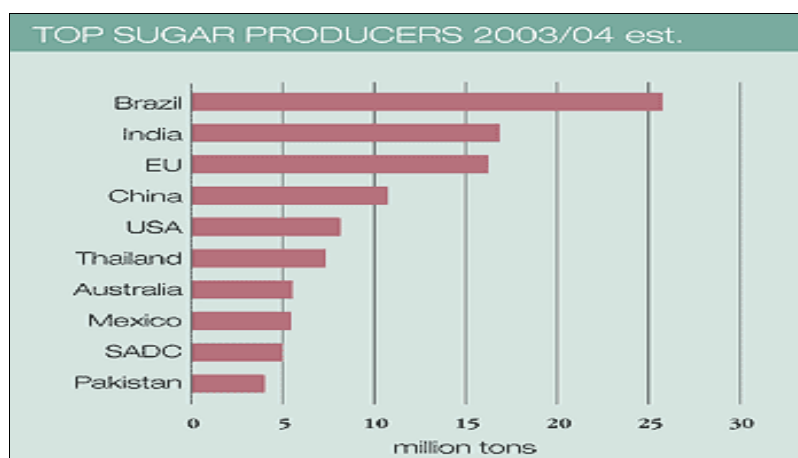
| Country | 2001-02 | 2002-03 | 2003-04 |
|------------------------|------------|------------|------------|
| Brazil | 20 | 24 | 26 |
| India | 20 | 22 | 14 |
| European Union | 24 | 26 | 24 |
| China | 8 | 11 | 11 |
| Mexico | 5 | 5 | 6 |
| Other Countries | 58 | 61 | 61 |
| World Total | 135 | 149 | 142 |

The cost of production is highest in EU, followed by South Africa, USA and Cuba and the cost of production in India is 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 annual 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.

Top ten producers:





World Sugar Consumption is forecast to increase by almost 3% to 143 million tons in 2004.

Output from the world's top ten producers is expected to exceed 105 million tons of sugar during the 2003 / 04 season, representing 73 % of total world production.

More than 41 million tons of Sugar, representing 29 % of total world production, is traded on global markets with the balance consumed in the country of origin. The sugar industry in Brazil is currently on a major expansion drive which, together with ideal growing conditions during the 2003/04 season, has significantly increased that country's sugar export availability.

Ethanol

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 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.

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.

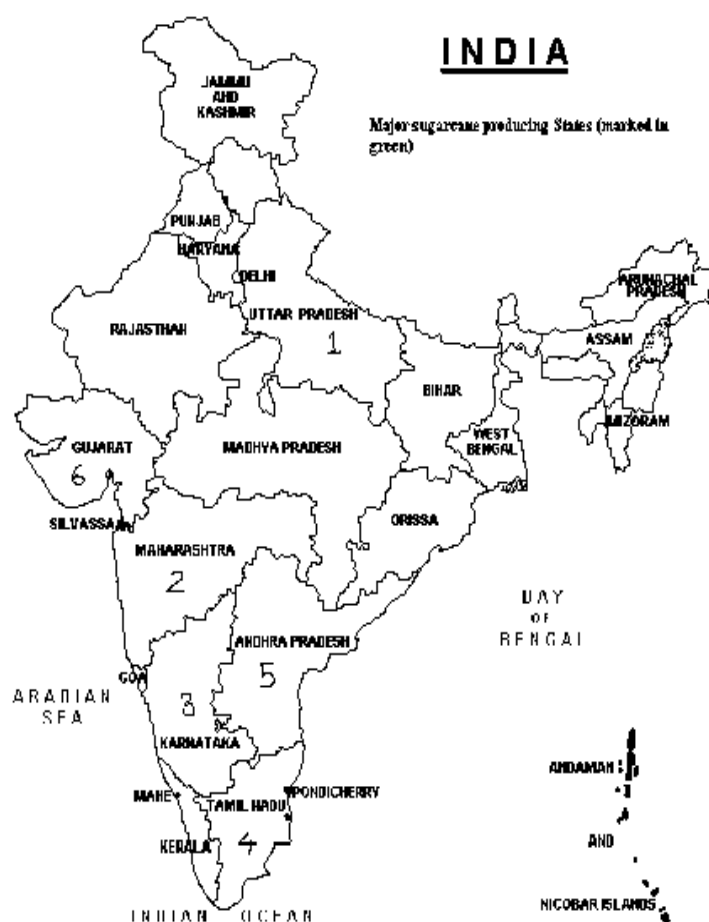
INDIAN SCENARIO

Sugar

India is one of 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 553 installed sugar mills in the country which are located across 18 different states, about 60% of these are in the co-operative sector, 35% are in the private sector and the rest 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.

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.

Traditional sweeteners Gur & Khandsari are consumed mostly by the rural population in India. In the early 1930's nearly 2/3rd of sugarcane production was utilized 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 1/3rd sugarcane production is utilized 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 lac 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. 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.

Alcohol Production

| (in million litres) | | | | | | |
|---------------------|----------------|-----------------------|----------------|-------------|------------|----------------------|
| 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

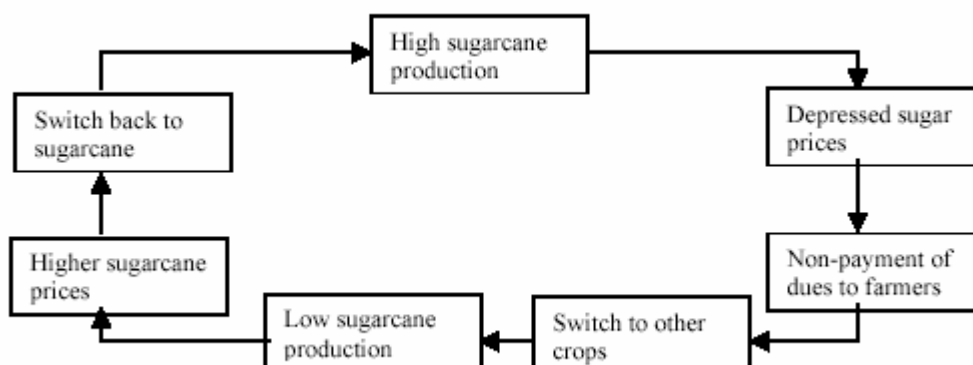
Bagasse is a major by-product of the sugar industry and is used for generation of steam and power required for processing of sugarcane. The Indian sugar industry is amongst the most diversified industry in the world, with an installed capacity to produce 750 MW co-generated power against a potential 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. Many 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, some of the SEBs have declined to adopt the tariff recommended by the MNES. In some cases, not with standing 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.



An illustration of the said sugar cycle is given below:



Demand-supply scenario in the last decade

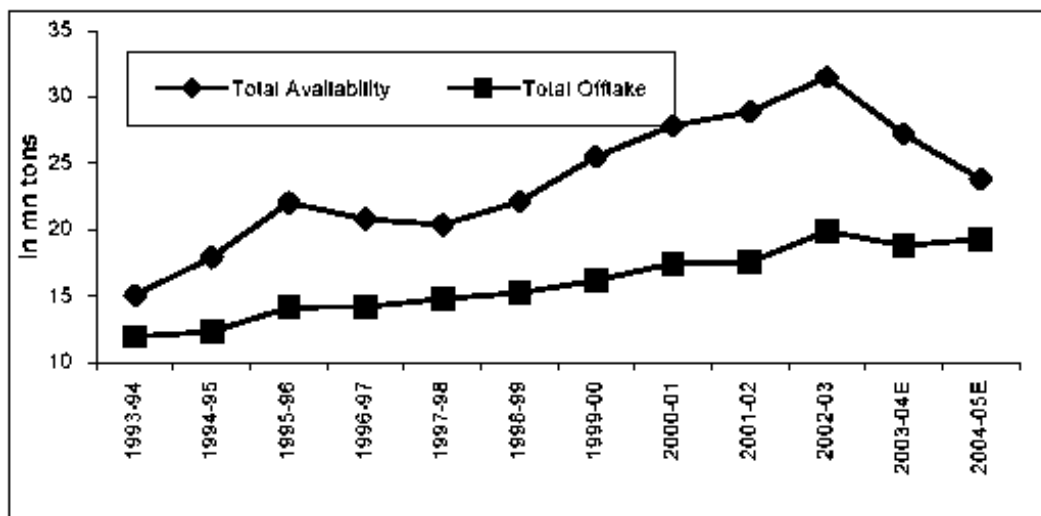
The sugar industry has been plagued with excess production and rising inventory leading to depressed sugar prices. The reasons for such dis-equilibrium can be traced back to the following:

- Between 1997 - 1998 to 2002 - 2003, 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.
- 2003-2004 – Due to draught conditions in Maharashtra and the subsequent low cane crop resulted in low production of sugar. As a result the sugar prices have been on the upside. The same trend of upward sugar prices have continued in 2004-2005.



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 |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|
| TOTAL AVAILABILITY | | | | | | | | | | | | |
| 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 |
| TOTAL OFFTAKE | | | | | | | | | | | | |
| i) Internal Consumption | | | | | | | | | | | | |
| 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

Sugarcane is the main raw material for sugar industry and accounts for about 70% of the cost of production of sugar. It is also the major source of income for millions of farmers. The determination of price for sugarcane is, therefore, a matter of critical importance both for the sugar industry and the cane growers. The Central Government fixes a Statutory Minimum Price factory wise, in terms of Clause 3 of the Sugarcane (Control) order, 1966 in respect of each sugar season having regard to the following:

- Cost of production of sugarcane
- Return to the growers from alternative crops and the general trend of prices of agricultural commodities



- Availability of sugar to consumers at a fair price
- Price at which sugar produced from sugarcane is sold by sugar producers
- Recovery of sugar from sugarcane

Further, under the Clause 5A of the Sugarcane (Control) Order 1966, the farmer is entitled to an additional payment out of the price realization by the factories. The Central Government before the onset of crushing season declares the SMP. For season 2002-03, 2003-04 and 2004-05, SMP of sugarcane was fixed at Rs. 69.50, 73.00, 74.50 per quintal respectively linked to a base recovery rate of 8.5% with a premium for higher recovery.

The U.P sugar factories have paid Rs. 107 per quintal for the sugar season 2004-05, based on the prices announced by the U.P Government, which is also referred to as State Advised Price (SAP).

For the sugar seasons 2003-04 and 2004-05, the U.P State government has granted a total relief of Rs. 2.50 per quintal of sugarcane in form of Cane Purchase Tax and Society Commission, which is directly passed to the cane growers by including the same as part of the total SAP paid as mentioned above.

In a Landmark judgment, the Honourable Supreme Court in its 3:2 majority judgment, dated 5th May 2004 has upheld the right of U.P State Government to fix the State Advised Price (SAP) of sugarcane, thereby setting aside the order of the Allahabad High Court which had held SAP to be untenable.

After the judgement of the Supreme Court, the UP State Government has announced SAP for the sugar season 2003-04, with retrospective effect. The same was challenged by the U P Sugar Mills Association, before Allahabad High Court and the Court has upheld the prices announced by the UP Government. As a result, we, like the other UP sugar mills have made a payment towards the arrears on account of differential prices of cane for the seasons 1996-97 and 2003-04.

For the season 2002-2003, the SMP of sugarcane was fixed at Rs. 69.50 per quintal. The U.P. Sugar Mills Association had filed a writ petition in the Allahabad High court, citing the state cannot announce SAP, which was upheld by the Allahabad High court. As a result the Uttar Pradesh State Government did not announce any SAP for sugarcane. The decision of the Allahabad High court was challenged by the Uttar Pradesh State Government in the Supreme Court.

The Honourable Supreme Court in its judgment, dated 5th May 2004 has upheld the right of Uttar Pradesh State Government to fix the State Advised Price (SAP) of sugarcane at levels higher than the SMP, thereby setting aside the order of the Allahabad High Court which had held SAP to be untenable.

After the Supreme Court judgement, the UP State Government has announced SAP for the sugar season 2002-03 at Rs. 95 per quintal, on 05th October 2004 with retrospective effect. The same was challenged by the Uttar Pradesh Sugar Mills Association, by way of a review petition before Allahabad High Court and the Court has ordered the sugar companies to pay 50% of the dues in two installments, i.e. 25% within one month and the next 25% within six months from the date of order i.e. 29th April 2005. The said review petition is pending before the Allahabad High court.

Our Company has paid the entire dues on account of the above difference between the SAP and SMP amounting to Rs. 9.30 crores under protest on 20th April 2005.

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, such quantity of sugar is 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. The balance 90% of the production by sugar companies is sold in the open market through dealers and distributors.

Release Mechanism of Sugar

Under the partial control of sugar industry followed by the Central Government, 90% of the sugar produced by sugar mills may be disposed off by them, without any restriction on price and movement. The balance 10% is to be supplied by them at prices fixed by the Central Government. However, both free sale sugar and levy sugar are subject to monthly quotas decided by the Central Government. The sugar produced in 4 to 5 months in a sugar seasons is controlled and regulated to be sold throughout the year. This release mechanism has been in place since 1942, when the Sugar and Sugar Products Control Order was first



promulgated and has since been followed except for a break during 1978-79, when monthly release was given up. The reason for monthly release of sugar has been to ensure that sugar is available throughout the year at reasonable prices to consumers, while at the same time maintaining the price at a steady level helps the industry.

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.

10% of the sugar produced by the factory is procured by the Government as levy sugar at a pre-determined price for supply to consumers through the Public Distribution System. This proportion of levy sugar was 60% in 1967-68 and has been gradually brought down to 10% from 2001-02.

Reduction in levy obligation

| Year | Levy Obligation |
|---------------------|-----------------|
| Before January 2000 | 40% |
| January 2000 | 30% |
| February 2001 | 15% |
| March 2002 | 10% |

Source: Industry

Trend in levy price

| Effective from | Rs per kg |
|--------------------------------|-----------|
| 10 th February 1997 | 10.70 |
| 01 st October 1997 | 11.40 |
| 15 th February 1999 | 12.00 |
| 01 st March 2000 | 13.00 |
| 01 st March 2001 | 13.25 |
| 01 st March 2002 | 13.50 |

In order to unshackle the sugar industry from government control, the S.K. Tuteja committee had recommended for scrapping of the monthly release mechanism for free sale by October 2005.

Policy initiatives – Sugar and other related Industry

- The Essential Commodities Act (ECA) was amended and the sugar release mechanism was brought within the direct purview of the ECA. 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.
- 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.
- The Government permitted futures trading in sugar and granted approval to three Companies for setting up Futures Exchange. The future trading in sugar commodity is functional from 2004 which will help in better realization of sugar prices to manufacturers by hedging.
- The government of U.P. has vide its letter dated 05th September 2005 has given permission for establishment of distillery for creation of new capacity of potable alcohol, if the capital investment is at least Rs. 100 crores, and 25% production and



sale of which should be of Indian made Foreign Liquor (IMFL).

- As per the order dated 18th July 2005 issued by the Government of India, Ministry of Consumer Affairs, Food & Public Distribution, it has been decided that expansion of sugar mills up to 10,000 TCD (earlier 5000 TCD) may be considered under the scheme of modernization/rehabilitation for Sugar Development Fund (SDF) loan.
- U.P. Electricity Regulatory Commission vide its order 19th July 2005 has announced the terms and conditions and tariffs for generation and supply of power through captive generating plants and renewable and non-conventional energy source base plants.

Import-export

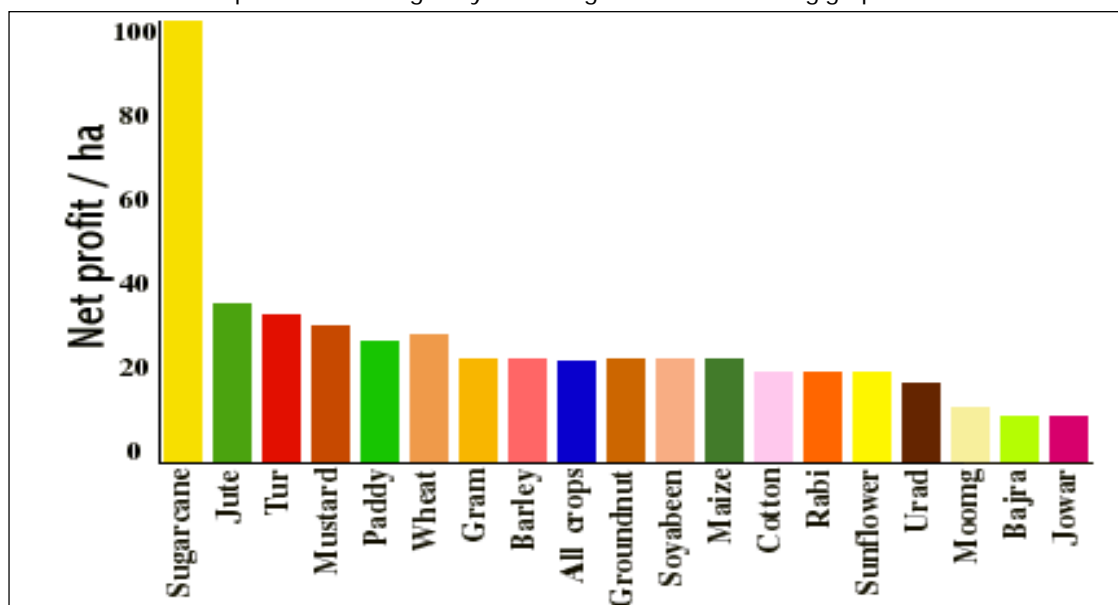
- Due to the demand supply gap and low production of sugar, in the previous years, the government allowed domestic sugar companies to import duty free raw sugar, process it into white crystal sugar. Further the government imposed an obligation to export 95% of the quantity imported within 24 months of the date of import, which has since been extended to 36 months.
- 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.
- 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.
- The GOI announced blending of 5% Ethanol with petrol in 9 States and 4 Union Territories.

Cultivated area for sugarcane

Sugarcane is generally more profitable relative to other crops. As per the recent International study report, the relative profitability per hectare of different crops in India during early 1990s is given in the following graph.



According to an International report, India ranks second in field cost of sugarcane next to Australia. Presently, about 4% of cultivated area is under sugarcane. India thus offers great potential for expansion of area and consequently that of sugarcane and sugar production in the world.

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



BUSINESS OVERVIEW

OUR BUSINESS

OUR BUSINESS DIVISIONS AND PRODUCTS

Our Company operates from its plant located at Faizabad. Our Company has 2 major divisions, namely, Sugar division and Distillery Division and an ancillary Bio Compost unit. The details of these divisions and their products are given hereunder:

I) SUGAR DIVISION

A. White Plantation Sugar:

Our Company has sugar manufacturing facility in Faizabad district of Uttar Pradesh. The present capacity of the plant is 4500 TCD. The Company manufactures and sells three grades of sugar viz. L 31, M 31 & S 31, made from white plantation sugarcane.

We are in the process of increasing the crushing capacities from 4500 TCD to 6500 TCD

Our Company manufactures White Crystal Sugar which is used for human consumption and in the industries like food and beverage, soft drinks etc.

B. Refining of raw sugar:

Apart from manufacturing sugar from sugar cane, our Company has also set up sugar refining facilities. Our Company imported 10,000 MT of duty free raw sugar and converted it into white crystal sugar during the period January 2005 to April 2005. The Company does not envisage any problem in meeting its export obligation.

Recently our Company has received an order for export of 9,000 tons of white sugar to Nepal, for which application for requisite approval has been made to the central government.

II) DISTILLERY DIVISION

KMSML has its own Distillery unit of capacity 45 KLPD and manufactures Rectified Spirit, Ethanol and Extra Neutral Alcohol (ENA) at its facility at Motinagar, Faizabad. Out of total production of rectified spirit 85% is grade-I quality and 15% is Grade-II.

Grade-I rectified spirit is used for following: -

1. For manufacturing extra neutral alcohol
2. For manufacturing Fuel grade Ethanol
3. For manufacturing country liquor and cheap grade Foreign Liquor
4. For manufacturing synthetic vinegar

Grade-II rectified spirit is used for the following: -

1. It is used in chemical based industries
2. It is used for manufacturing plastic granules, paints, Varnish etc.
3. For manufacturing absolute alcohol
4. For manufacturing denatured spirit

Extra Neutral Alcohol

It is used for manufacturing good quality foreign liquor

Fuel Grade Ethanol

Ethanol is used for mixing in petrol. Presently in India 5% ethanol is allowed for mixing with petrol.



Fuel Grade Ethanol Plant at Ahmednagar, Maharashtra

Our Company also proposes to set up a 60 KLPD Fuel Grade Ethanol plant in Ahmednagar, District, Maharashtra, at a total cost of Rs. 500 lacs. For more details on this project please refer the heading 'Other projects under implementation' on page 24 of this Prospectus.

BIO COMPOST UNIT

The Bio Compost unit manufactures bio fertiliser which is marketed in the name of 'Moti Super'. The Bio Fertiliser is manufactured by utilising the by-product of sugar unit, i.e. Press Mud and the by-product of Distillery division, i.e. spent wash along with culture.

The Bio Fertiliser is manufactured in our own plant with a process called 'Triochem process, which takes around 45 days for converting press mud into bio-compost.

Gas Division

Our Company set up a gas division for manufacturing of Industrial Oxygen Gas and Liquid Nitrogen in the year 1988 and the gas division was expanded to manufacture Dissolved Acetylene Gas in the year 2000. During the recent years the contribution from this unit has diminished substantially and the turnover for the year ended September 30, 2004 was Rs. 77 lacs only down from Rs 172 lacs in the year 2003. This, coupled with an obsolete technology, high production cost and being a non-core activity, have compelled the management to take a hard look at this business and was decided to close down this division. The employees in the gas division have been absorbed by the Company in other divisions.

Trading on the National Commodity & Derivatives Exchange Limited (NCDEX)

Our Company has recently started heading of its commodities i.e. sugar in the platform provided by NCDEX from March 2005 to ensure stable price realization in future.

Location of the plant:

The Company presently has its integrated plant for manufacturing of Sugar, Rectified Spirit, Extra Neutral Alcohol, Fuel grade ethanol and bio-compost.

The plant is located at Post Office Moti Nagar, Faizabad, Uttar Pradesh – 224 201.

Plant, Machinery, technology, processes etc:

The major plant and machinery in the existing facilities consists of Mills, Boilers, Turbines and Boiling House Equipments. The list of plant and machinery required for the proposed expansion project and the related details are given above in the section entitled 'Objects of the Issue'.

The technology and the manufacturing process followed by the company are mentioned under the heading "Manufacturing Process and Technology".

Our Company has not entered into any technical or financial arrangements with any persons/entities.

Infrastructure Facilities:

Land

Our Company already has free hold land of approximately 116.75 acres. The land is utilized for the manufacturing facilities including the main plant, warehouse, housing colony for employees, roads, play areas and green belt etc. The plant area has adequate space for the proposed expansion program.

Raw materials

Existing arrangements:

Sugarcane is the sole raw material required for production of sugar. In the present regulatory system, each sugar mill has a



Utilities

The utilities comprise mainly of steam and power plant comprising 3 Boilers , and 3 Turbine Besides the plant has an Effluent Treatment Plant, 2 Bore Wells, Workshop and a Laboratory for testing sugarcane and other inputs and for measuring quality of all the products in the intermediate and final stage.

Power

Existing arrangements:

The power requirement for our plant, currently at 5.5 MW which is met from the current bagasse based turbo generators, which has capacities to generate 7 MW of power. The Plant also presently has 5 DGs with total capacities of 1800 KVA. In addition the Company has supply facilities of 462 KVA from the UPPCL.

Requirement of power and its arrangements for the Project:

After the proposed expansion of 6500 TCD, the power requirements of the Company are expected to be at 10.50 MW. In addition to the existing 7MW and the Company proposes to add 10 MW of additional capacities to meet total requirement of power.

Water

The Company has 2 tube-wells for supply a total quantity of 420 m³/hr water which will be sufficient to meet the proposed expanded capacity.

Manpower

Existing arrangements:

We have 405 employees at present of which 387 are stationed at the plant. The details of the same are as under:

| Sr. No | Description | Factory | Registered Office and other locations | Total |
|--------|---|------------|---------------------------------------|------------|
| 1. | Management cadre (including wholtime directors) | 36 | 01 | 37 |
| 2. | Officers | 41 | 17 | 58 |
| 3. | Clerks/Supervisors | 26 | 00 | 26 |
| 4. | Workers* | 232 | 00 | 232 |
| 5. | Executive Trainees | 52 | 00 | 52 |
| | Total | 387 | 18 | 405 |

* include permanent and seasonal permanent (this category is a unique feature of the Sugar Industry and they remain on duty during crushing season and for off-season they are paid retaining and are entitled to all benefits admissible to other regular employees.)

Our Company has an optimum mix of employees with professional and technical background. It has 30 diploma holders in various disciplines such as Electrical, Mechanical, Electronics, and Instrumentation etc. The employees have vast experience and technical knowledge in their field of specialization.

Additional manpower requirements for the Project are as under:

Increase in the capacity of the plant will not require an immediate increase in manpower strength. The expanded capacity shall be maintained by the existing Key Managerial Personnel.

Further, we hire labourers on a temporary basis as and when the need arises, particularly during the crushing season. Our Company does not envisage any difficulty for the additional labour force as the same is available locally.



Some of our Company's workmen are represented by 'Motinagar Sugar Mill Karmachari Sangh' registered under the Indian Trade Unions Act, 1926 bearing Registration number 1060 of 20th November 2001. The Company has not had any strikes, lockouts or go-slow at any of its premises in the last 5 years except a 12 hour protest in the year 2001.

Environmental aspects – Effluent treatment

Our operations generate effluents, which are within the prescribed pollution levels.

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 and/or for land irrigation after suitable treatment.

The existing effluent treatment plant has a capacity to treat 500 kilo litre/day of effluents. Presently, the quantity of effluents from existing sugar plant is estimated in the range of 500 M3/ day. The existing ETP is adequate to handle the effluent generated from sugar plant. The Company has also proposed to enhance the capacity of the ETP corresponding with the increase in TCD capacity, and the cost for the same has been included in the current project cost.

The incoming effluent from plant is having a BOD of 600- 800 mg/litre. After treatment, through anaerobic and aerobic processes, its BOD comes down 30 mg/litre. The treated water is used for cooling or land irrigation.

We do not envisage any difficulty in meeting the required parameters to maintain a healthy environment.

Company has the required consents from the Pollution Control Board which is valid upto 31st December, 2005.

Our Company has engaged Ernst & Young (E&Y) to act as an advisor regarding matters related to Kyoto protocol under the United Nations framework. Under this engagement E&Y shall use its national and international reach to assist our Company in maximizing the transaction value of certified emission reduction (CER) units.

Export Obligation

The government has allowed domestic sugar companies to import duty free raw sugar, process it into white crystal sugar. Further the government has imposed an obligation to export 95% of the quantity imported within 24 months of the date of import. The Company has imported 10,000 MT of duty free raw sugar and converted it into white crystal sugar during the period January 2005 to April 2005. The Company does not envisage any problem in meeting its export obligation.

Recently our Company has received an order for export of 9,000 tons of white sugar to Nepal, for which application for requisite approval has been made to the central government.

Brief details about our customers:

The Company sells sugar in bulk quantities to wholesalers/agents, besides its levy quota to be sold to the government agencies like Food Corporation of India etc.

The major customers of the Distillery Division for fuel grade ethanol are Indian Oil Corporation Limited, Bharat Petroleum Limited, IBP Limited, Hindustan Petroleum Corporation Limited. Other products like Rectified Spirits and Extra Neutral Alcohol are sold to McDowell & Co Limited, Gemini Distilleries Limited, Eastern Distilleries & Chemicals Limited, Trident Alcochem Limited, Somaiya Organics etc.

The major customers of the Bio-Compost division are farmers and co-operative societies.

Research & Development:

Specific areas in which R & D activities are carried out by the Company.

- Screening and multiplication of high sugar cane varieties to balance varital positions.
- Increasing ratoon cane productivity by adoption of latest ratoon management practices like stubble shaving off barring, gap filling, nutrient application and spraying of urea with pesticides etc. Encouraging multiple ratooning for economic cultivation.
- Frontline field demonstrations on latest practices of cane cultivation.
- Sugarcane seed management by selection, thermotherapy and treatment with organo-murourial compound.



- e. Testing of soil fertility and recommendation of judicious nutrients for increasing productivity.
- f. Introduction of "Bud chip method" of sugarcane cultivation to minimize seed cost.

Benefits derived as a result of R & D

- a. Sugarcane varietal balances improved by reduction of old and rejected varieties in the area resulting in improved sugar recovery.
- b. Sugarcane productivity per unit area increased resulting in increased availability of raw material over the previous year.
- c. Several new and high sugared varieties introduced in the area for commercial exploitation.
- d. Healthy crops due to control of pests and diseases.
- e. Many farmers became aware of current practices of sugarcane cultivation.
- f. Minimized cost of seed and other inputs by the use of soil testing and adoption of seed technology etc.
- g. Irrigation potentiality increased in the area under cultivation.

Marketing & Selling arrangements:

Sugar Division

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 sold in the open market depends on market forces. The factories can sell sugar in open market only the quantities released by the Government of India every month for each factory.

Our Company sells free sugar mainly in East UP, West Bengal, Bihar and Assam through a network of agents, who in turn sell to wholesalers. Trade settlements are usually on cash terms. Levy Sugar is sold through the orders released by the Government from time to time.

Distillery Division

The main products of this division are Rectified Spirit, Extra Natural Alcohol, Fuel grade Ethanol and Denatured Spirit.

For Rectified spirit and ENA, sales representatives of the Company approach the manufacturers of country liquor and IMFL. These companies require Rectified spirit and ENA throughout the year. Final deals take place through negotiations pertaining mainly on the price and quality parameters.

For fuel grade ethanol, the Company participates in tenders floated by major oil companies. Final deals take place through negotiations pertaining mainly on the price front since the quality of the ethanol is pre determined.

For denatured spirit the sales representatives of the Company approach the manufacturers of chemical, plastics and paint companies among others. Denatured Spirit is one of the major raw materials required by these companies. Final deals take place through negotiations pertaining mainly on the price and quality parameters.

Bio Compost Division

The Company approaches the farmers and demonstrates them the benefits from using the Bio-fertilizer. The Company also approaches the Ministry of Agriculture and Co-operation (UP state govt) and through them sells the Bio-fertilizer (under the name of Moti Super) to the Co-operative societies which are spread throughout the state of Uttar Pradesh. The Company has also appointed dealers for stocking & marketing of its bio fertilizer.

Our Business Strategy

■ **Maximize revenue through capacity expansion and increase in efficiency.**

We are engaged in sugar manufacturing for more than 50 years in eastern U.P. Our sugar production for the year 2004-05 was 4.86 lacs quintals. The sugar division contributes more than 77% to the revenue. Our strategy for the division is to increase crushing capacity, optimize the utilization and thereby bring down cost of production and increase the profitability of the division.



■ **To focus on potential growth area of ethanol market**

We intend to increase our ethanol manufacturing capacity to benefit from the expected importance of ethanol in the fuel market.

■ **To reduce cost of borrowing**

We intend to reduce our cost of borrowing through negotiations with the lenders and by going in for foreign currency loans, etc.

■ **To enhance production efficiency**

We aim for higher production efficiency through labour productivity enhancement measures and modernization of equipments.

■ **Reduction of Operational cost**

We want to remain as a cost competitive company. Our focus shall be to reduce the operational cost to increase our competitiveness.

Capacity and capacity utilization

Sugar

| Description | Sugar Season | | | |
|--|--------------|-----------|-----------|-----------|
| | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 |
| Installed capacity (TCD) | 3500 | 3500 | 4500 | 4500 |
| Sugarcane crushed (TCD) | 2781 | 3028 | 3476 | 3679 |
| Capacity utilization (%) | 79.95 | 86.95 | 77.59 | 82.01 |
| No of days in the season during which the cane was crushed | 166 | 197 | 123 | 135 |

Distillery

| Description | For the year ended | | | |
|----------------------------|-----------------------------|-----------------------------|--|----------------------------|
| | 31 st March 2001 | 31 st March 2002 | 30 th Sept 2003 (18 month) | 30 th Sept 2004 |
| Installed Capacity (in KL) | 13500 | 13500 | 20250 | 13500 |
| Utilized capacity (in KL) | 11158 | 7101 | 11245 | 7719 |
| Utilization (%) | 82.65 | 52.60 | 55.53 | 57.18 |

Our Competitive Strengths

1. The Company has 3 plants namely; sugar unit, distillery (with ethanol producing capability) and a bio fertilizer unit located at Moti Nagar.
2. The location of the factory on the Faizabad-Allahabad National Highway is beneficial in terms of easy accessibility and transportation.
3. There is no sugar factory within 35 km radius and hence the Company has a large reserved cane area, resulting in good cane availability.
4. Our Company has been awarded ISO 9001:2000 certification for Quality Management System pertaining to manufacture and supply of 'Plantation – White Sugar' from International Certification Services (ICS) accredited by Joint Accreditation System of Australia and New Zealand. The Company follows modern management tools like Kaizen and 5S to improve productivity.



5. The Company has a 4500 TCD plant with semi automation and has adequate provision for expansion to take care of its future requirement.
6. For further expansion in capacity, the Company has adequate infrastructure with regard to land, utilities and space for storage, etc.
7. Our Company has a team of skilled and motivated workmen, which is an advantage to the Company. The Company believes in maintaining good relationship with its work force by motivating them through various incentives and activities.
8. Our Company is self reliant in meeting its requirement of power and water, etc. as the company has its own turbines to generate power and for off season the company has D G Sets to meet up its power requirement. The company also has a good ETP plant to recycle the polluted water in usable condition.

Management Practices followed by our Company

The Company started Quality Management System since year 2002 and has implemented ISO – 9001:2000, a symbol of excellence in the Sugar Unit, on Manufacturing and Supply of White Plantation Sugar in the year 2003. The plants operational efficiency has reached upto above 75%.

To tackle the problems of breakdown, the Company is in the initial stages of implementing TPM (Total Productivity Management) to reduce the breakdowns of the machines.

The Company has implemented the 5S concept of Sorting, Systematizing, Sanitation, Standardization and self – discipline, which makes the work place, i.e. the plant a better place to work, thereby improving operational efficiency.

The Company has also implemented KAIZEN, Kaizen means “improvement”. And it calls for never-ending efforts for improvement involving everyone in the organization - managers and workers alike. The Company has implemented 52 KAIZENS during the crushing season 2003-04.

Insurance

We maintain insurance policies with Iffco Tokio General Insurance Company Limited and ICICI Lombard to cover the following:

| Sr. No | Particulars | Nature of Policy |
|--------|-----------------------------------|-----------------------|
| 1. | Sugar Stock | Fire |
| 2. | Alcohol and Molasses stock | Fire |
| 3. | Plant and Machinery, Building etc | Fire |
| 4. | Plant and Machinery | Machinery Breakdown |
| 5. | Cash in transit and safe | Money policy |
| 6. | Vehicle Insurance* | Third Party Insurance |

* Vehicles of our Company are insured with policies from National Insurance Company, United India Insurance Company and The Oriental Insurance Company.

Our Insurance policies are for one year and we have been renewing these policies regularly.



Property

The details of our properties are provided below:

| Sr. No. | Location | Area | Name, address of Vendor | Freehold/ Leasehold/ Rental | Activities |
|---------|--|-------------|----------------------------------|-----------------------------|--|
| 1 | Moti Nagar, Faizabad – 224 201 | 116 acres | Government of Uttar Pradesh | Freehold | Works & Corporate Office Manufacturing facilities for sugar, distillery. |
| 2 | Ahmednagar | 9000 mtr. | MIDC | Leasehold | Proposed ethanol plant |
| 3 | 76, Eldeco Greens, Gomti Nagar, Lucknow – 226 010. | 3350 sq. ft | Mr. D.P. Sinha | Rental | Branch Office |
| 4 | 11, Moti Bhawan, Collectorganj, Kanpur – 208 001. | 440 sq. ft | Motilal Bhimraj Charitable Trust | Rental | Registered Office |

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 we have purchased or acquired or propose 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 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 money is not material. We have not purchased any property in which any of its promoters and/ or Directors, have any direct or indirect interest in any payment made thereof.



MANUFACTURING PROCESS AND TECHNOLOGY

SUGAR MANUFACTURING PROCESS

In India the cane is harvested manually and harvested cane is supplied by the sugar cane Grower's through bullock-cart and trolley at factory main gate or factory cane purchasing centre. After weighing of the cane it is unloaded on cane carrier by overhead three motion unloading cranes and truck-trippers. The sugar cane is passed through set of cutter and the fibrizers / shredders to disintegrate sugar cane cells for efficient milling. The prepared cane there passed through a set of milling tandem for the extraction of the juice by compression methods. The juice extracted is strained and fine bagacillo particles separated from the juice and return to milling tandem. After extraction of juice the remained residuals is called bagasse and is conveyed by means of carriers and used as fuel to the boilers.

The extracted juice is weighed again through mass flow meter. Double Sulphitation Process is followed for the manufacturing of the sugar. The raw juice is sent to juice heater and is heated up to 70°C before liming and sulphitation in a continuous juice sulphiter. Lime and sulphur dioxide (SO_2) are two major chemicals mixed with juice for clarification the juice. The treated juice is again heated up to 102°C to 103 °C and made to enter in a flash tank for the removal of gases and air, before entering into a continuous clarifier where the settling of the mud flocks takes place.

The clear juice is withdrawn from the upper region and sent for further processing while accumulated mud is sent to vacuum filter station where the mud solid particles are separated and muddy juice return back in to raw juice.

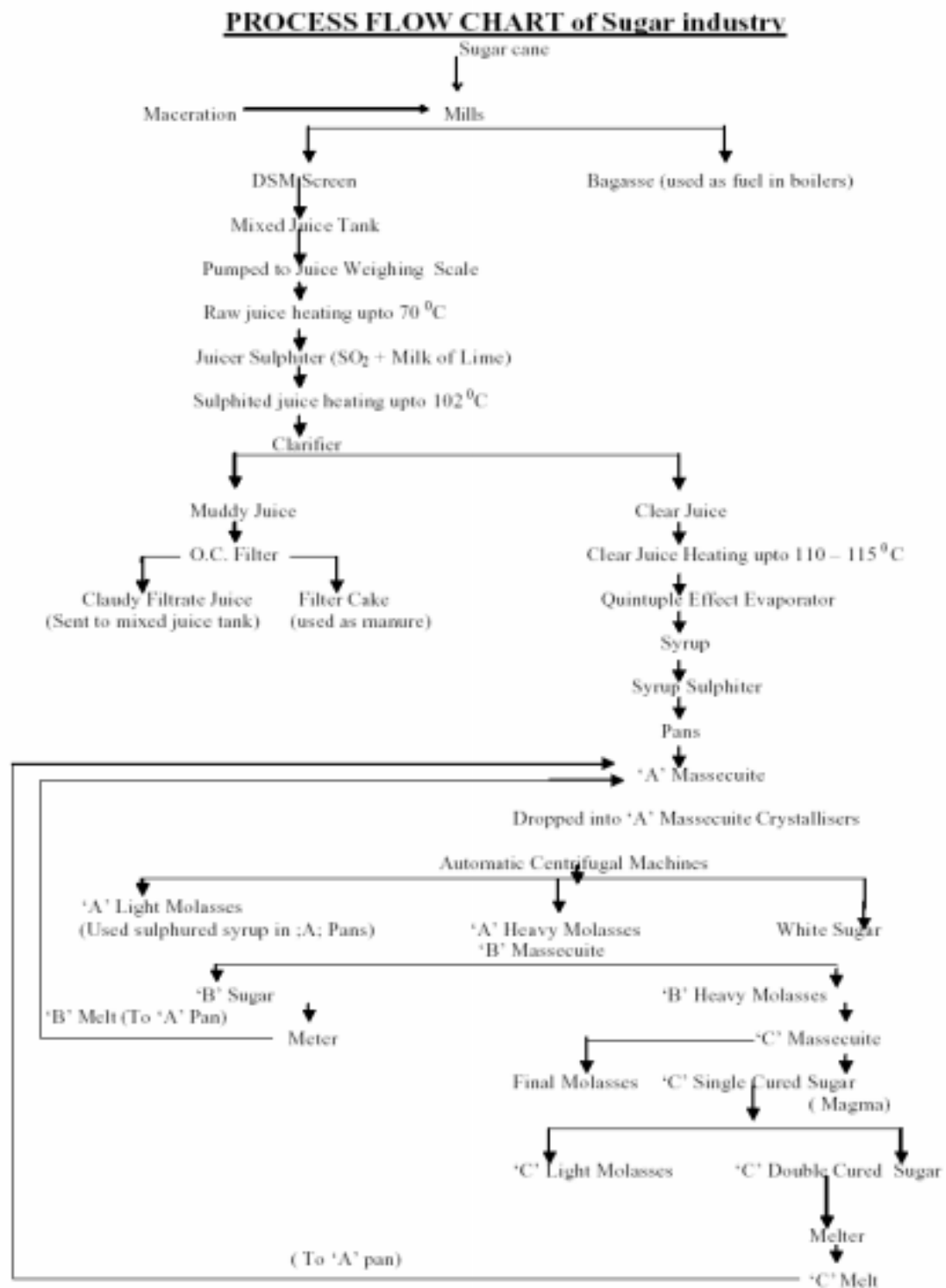
The clarified juice from the clarifier is further heated to around 115°C in a plate type heat exchange before entry into set of evaporators for thickening. Evaporators have consisted with 4 to 5 set bodies, which work under vacuum. The vapour from the 2nd effect is used to heat the pan. The syrup of approximate 58 °Brix to 63 °Brix is further clarified by passing through a continuous syrup sulphiter and pumps to pan supply tank at the pan floor.

A three or three and half boiling systems are followed with the use of true seeding methods in the pans for complete exhaustion. The process of crystallization is initiated in the pans and is completed in the crystallizers.

The Concentrated sulphated juice called syrup is boiled under vacuum with 25" Hg I pans where the crystallization of the sugar takes place. The mixture of sugar crystal and mother liquor is called massecuite which is dropped into the crystallizers where the further crystallization takes place. The sugar crystal is separated from the mother liquors by passing it through the centrifugals. The sugar discharge from the centrifugals is dried and cooled by multi-tray hopper and conveyed to sugar grader. Sugar is screened accordingly to their crystal size of L, M and S packed into 50/100 kg sugar bags. The mother liquor coming out for centrifugal machines which called Molasses which is further boiled in Pan to further crystallization of the remaining sugar in the molasses. Molasses, bagasse and press mud are the by-product of the sugar plant.



PROCESS FLOW CHARTS AND BRIEF DESCRIPTION OF VARIOUS PROCESSES USED BY K.M. SUGAR MILLS LIMITED





PROCESS DESCRIPTION FOR RECTIFIED SPIRIT

Molasses, the raw material for rectified spirit is stored in steel tanks. Molasses is first pumped to the molasses diluter located alongside the fermenter and diluted with water.

Diluted molasses is taken into the yeast vessel and sterilized by steam. Yeast seed materials is prepared and added to the yeast vessels by inoculating the yeast. The contents of the yeast vessels is aerated and then transferred to the yeast activation vessel. The purpose of aeration in the yeast activation is to allow time for the yeast cell multiplication. After this molasses is diluted continuously and fed to Alfa Laval single fermenter and yeast is added only one in phase wise manner.

The purpose of fermentation is to convert the fermentable sugars into alcohol. During fermentation sugars are broken down into alcohol and CO_2 . Significant heat release takes place during fermentation. However the fermentation temperature is maintained between 32 to 34°C by re-circulation of cooling water through forced re-circulation heat exchangers. The fermentation system has a provision for addition of antifoam, nutrients etc. Alcohol concentration of 5% v/v is maintained initially in fermenter, and then raised in between 7 to 8% v/v depending upon fermentable sugar content in molasses. Carbon dioxide is passed through a CO_2 scrubber in order to recover any alcohol being lost through escaping CO_2 . The alcohol containing water is returned to system from where it is mixed in fermented wash.

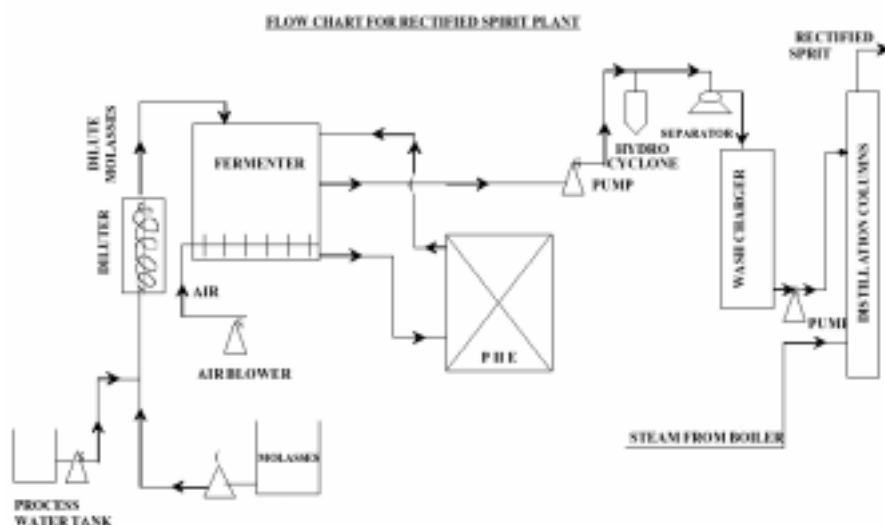
At the end of fermentation cycle, the fermented wash is fed to separator through hydro cyclone where in the sludge gets collected at the bottom and is fed to analyzer column. De-yeasted wash is collected in wash tank and yeast biomass is returned to fermenter.

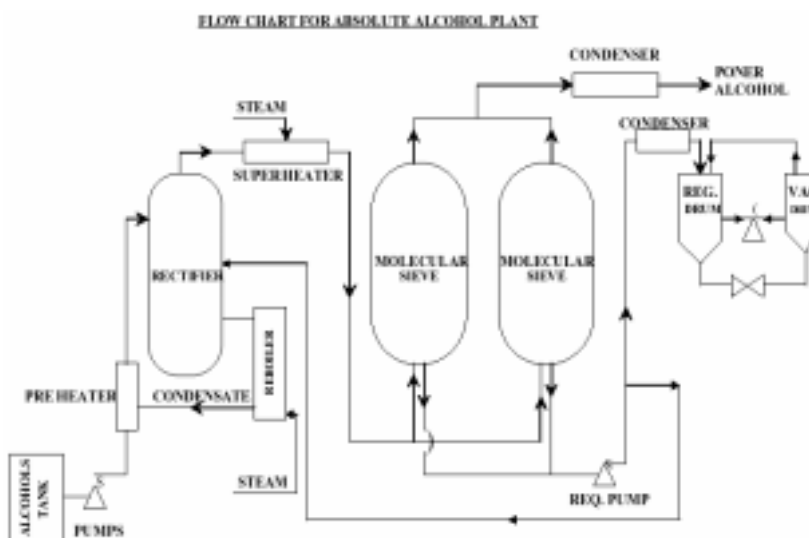
De-yeasted wash is fed to analyzer column where steam is injected in bottom for distillation. From the top of analyzer column alcohol vapour is fed to Rectifier column bottom. Steam is injected in rectifier column through exhaust column. The pure product is collected from the top of rectifier column through cooler having strength 93 to 95% v/v.

Condensers are used for condensation of alcohol and for refluxing purposes. Impure spirit is drawn through aldehyde column to improve quality.

PROCESS DESCRIPTION FOR ETHANOL

The rectifier feed pump through the feed pre-heater pumps rectified Spirit under flow control. The feed is preheated in this heat exchanger against steam condensate coming from the re-boiler. The preheated feed stream enters the rectifier whereas steam is provided to the rectifier column via re-boiler under flow control valve. Overhead vapour from the rectifier is fed to the molecular sieve super heater against steam. The superheated ethanol vapour is directed to the molecular sieve units for dehydration. The vapour passes up through one bed of molecular sieve beads in turn wise manner. Incoming water is adsorbed on the molecular sieve beads. Anhydrous ethanol vapour exits from the molecular sieve units. Anhydrous ethanol vapors from the molecular sieve units passes through the pressure control valve into the molecular sieve condenser where it is condensed against water. The anhydrous ethanol product flows by gravity through the molecular sieve product cooler to receiver and storage. The working control through out the process is by PLC. Thus, the quality of the product and optimization of inputs is maintained.





MANUFACTURING PROCESS FOR BIO-COMPOST

The process cycle for manufacturing of Bio-Compost is done in 4 steps as detailed as below:

| Step | Days | Process |
|------|--------------------------------------|--|
| 1. | 01 st to 05 th | Press mud is spread in window units and its moisture content is reduced from 70% to 50% with the help of mixing machine |
| 2. | 06 th to 35 th | Addition of primary culture and continuous spraying of spent wash by machine over press mud for maintaining moisture levels between 50% to 60% |
| 3. | 36 th to 45 th | Stop spraying and leave window unit for maintaining moisture level upto 30% and temperature upto 30° C. |
| 4. | 45 th day | Mixing of beneficial culture in Bio-Compost and packing |

EFFLUENT TREATMENT PROCESS ADOPTED BY K.M. SUGAR MILLS LIMITED

Process of Primary Treatment

Spent wash from Plant is taken to Buffer Tank where it is settled for one day to settle sludge. The spent wash having 45000-50000 BOD and COD 85000 – 95000 is fed to Bio gas digester through, Feed Pump. The digester is seeded earlier and kept ready to digest the above organic matters in the spent wash. Digester has a retention time of about 18 days. Digested wash gives bio gas, which is used as fuel for the boiler and the over flow goes to the gas pond to Lamda Clarifier for settling. The settled sludge from clarifier is returned to digester to maintain the Mixed Liquor Suspended Solids (MLSS) ratio and clear liquid goes to lagoon No.1 for secondary treatment.

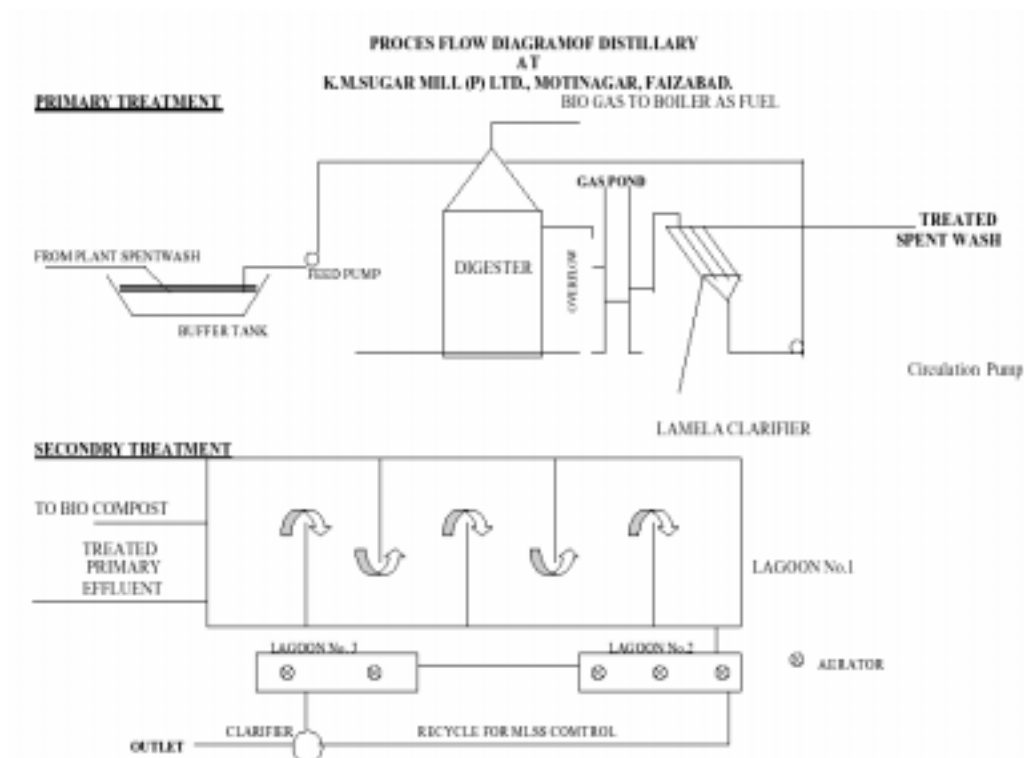
Secondary Treatment:

Primary treated effluent from Primary treatment system is taken to lagoon no.1 waiting tank and to lagoon no.2 and 3. In lagoon no. 2 and 3 effluent is aerated to reduce BOD and COD to norms and treated effluent is thrown out diluted with water.

Bio Composting:

Zero Pollution Treatment

Alternatively Primary treatment effluent is taken to Bio composting to produce Bio fertilizer, Effluent is mixed with sugar mill Press mud in ratio 1:3 and added with potent culture, daily spend wash is added and monitoring is done for pH and temperature along with aerotillering with help of aerotiller machine. Different windrows are made and finally bio fertilizer is obtained after 45 days. This is bagged for sale as Bio-fertilizer.



COMPETITION:

Sugar is an essential commodity and there is perennial demand for the same. In sugar industry under the present market conditions the competition is only in terms of the availability of required quantity of raw material i.e. sugarcane.

The nearest sugar factories are Dhampur Sugar Mills Limited, unit Rozagaon and Balrampur Chini Mills Limited, unit Haidergarh, which are approximately 45 and 70 kms respectively away from our factory.

A new sugar unit by one of the sugar companies is also being set up at approximately 40 kms distance from our factory in district Akbarpur. Hence, we are likely to have stiff competition for procurement of raw material. The Company has filed a Special Leave Petition (SLP) to the Supreme Court to restrain the Cane Commissioner from reserving/allotting cane area (already reserved for KMSML) to the new unit being set up in Akbarpur district. For further details on this matter please refer to the chapter 'Legal and other information' on page 123 of this prospectus.

However, after the proposed expansion to 6500 TCD capacity, K.M. Sugar Mills Ltd, will be in a position to increase the drawal percentage to meet the required quantity of the cane from the reserved area by reducing the diversions of cane to Gur, Khandsari and to neighbouring mills.



KEY INDUSTRY REGULATION

The sugar industry is one of the industries covered by Entry 33 of List III of the Seventh Schedule to the Constitution of India. Accordingly, both the Centre and the State are empowered to legislate on this subject, and such legislations would be applicable to the business of the Company.

Set out below is a summary of the significant legislations passed by the Central Government relating to the production, sale and purchase of sugar and sugarcane:

1. The Essential Commodities Act, 1955

The Essential Commodities Act, 1955 ("the Act") provides for the control of the production, supply, and distribution of trade and commerce in certain commodities. The terms 'food stuff' and 'food crop' have been identified as essential commodities under the Act. 'Sugarcane' being a 'food crop' and 'sugar' being 'food stuff' are covered under the class of essential commodities under the Act.

Section 2(e) of the Act defines 'sugar' as under:-

- i) any form of sugar containing more than ninety per cent of sucrose, including , sugar candy;
- ii) khandsari sugar or bura sugar or crushed sugar or any sugar in crystalline or powdered form; or
- iii) sugar in process in vacuum-pan sugar factory or raw sugar produced therein.

Section 3 of the Act, inter-alia, empowers the Central Government to issue directions for the purpose of maintaining or increasing supply of any essential commodity or securing its equitable distribution or to making it available at fair prices.

Clause (f) to Sub-section (2) of the said Section 3 inter-alia, provides that the Central Government is empowered to issue directions to require any person holding in stock or engaged in production of sugar to sell the whole or a part thereof to the Central Government or the State Government.

Sub-section (3-C) of the said Section 3 inter-alia, provides that the price at which the sugar is to be purchased or sold as aforesaid, is to be fixed by the Central Government, having regard to:

- a. the minimum price, if any, fixed for sugarcane by the Central Government;
- b. the manufacturing cost of sugar;
- c. the duty or tax payable thereon;
- d. securing a reasonable return of the capital employed in the business of manufacturing sugar.

Sub-section (3-C) of the said Section 3 provides for fixing different prices from time to time for different areas or factories or for different kinds of sugar.

2. The Levy Sugar Supply (Control) Order, 1979

The Central Government has notified The Levy Sugar Supply (Control) Order, 1979 in pursuance of the provisions of Section 3 of the Act which empowers the Central Government to issue directions to supply levy sugar of such type or grade, in such quantities and from such place of manufacture or storage to such persons or organizations, in such areas or markets or to the State Government as specified by the Central Government at a price not exceeding the price as determined by Central Government under the Act.

The term 'Levy Sugar' has been defined to mean the sugar requisitioned by the Central Government under the Act.

3. The Sugar (Control) Order, 1966

The Central Government has notified The Sugar (Control) Order, 1966 in pursuance of the provisions of Section 3 of the Act, which, inter-alia, authorizes the Central Government to regulate production, sale, movement and quality of sugar.

In terms of Clause 4 of the aforesaid Order, no producer shall sell or agree to sell or otherwise dispose of or deliver or agree to deliver any kind of sugar or remove any kind of sugar from the bonded godowns of the factory in which it is produced except in accordance with the directions issued in writing by the Central Government.



In terms of Clause 5 of the aforesaid Order, the Central Government may issue directions regarding production, maintenance of stocks, storage, sale, grading, packing, marking, weighment, disposal, delivery and distribution of any kind of sugar.

Further, the aforesaid Order provides for powers for attachment, seizure and sale of attached sugar and other administrative powers.

4. The Sugar (Packing and Marking) Order, 1970

The Central Government has notified The Sugar (Packing and Marking) Order, 1970 in pursuance of the powers conferred by provisions of Clause 5 of The Sugar (Control) Order, 1966 in pursuance of which the Central Government has issued directions regarding the specifications in which the bags are to be packed, the quantity of sugar to be packed in each bag and the markings to be made in to be made on the bags of sugar.

5. The Sugarcane (Control) Order, 1966

The Central Government has notified The Sugarcane (Control) Order, 1966 in pursuance of the provisions of Section 3 of the Act in terms whereof the Central Government is empowered to fix the minimum price of sugarcane to be paid by producers of the sugar for sugarcane purchased by them having regard to certain factors as mentioned in Clause 3 of the aforesaid Order. Further, a different price may be fixed for different areas or different qualities or varieties of sugarcane. Further, rebate from the price so determined are to be granted to the producers of sugar cane in terms of the provisions of the aforesaid Order.

The Central Government is empowered to direct the producers of the sugar to pay to the growers of sugarcane, an additional price in addition to the minimum price fixed in accordance with the provisions of the Second Schedule to the aforesaid Order.

The said Order also contains various provisions for regulating the distribution and movement of sugarcane by the Central Government. The Central Government is empowered to delegate certain powers conferred upon it by the aforesaid Order subject to such restrictions, exceptions and conditions, if any, as the Central Government may think fit.



HISTORY AND CORPORATE STRUCTURE

OUR HISTORY & BACKGROUND:

Our Company was originally formed as a partnership firm known as Kamlapat Motilal at Kanpur; the founder partners were Singhania and Jhunjhunwalas and they had set up a small sugar milling plant at Kanpur in the year 1942. The mill experienced acute shortage of cane and consequently the plant was shifted to present site at village Masodha, P.O Motinagar, Dist. Faizabad between 1949 and 1950.

During the year 1971 the firm was converted into Private Limited Company known as K. M. Sugar Mills (Pvt.) Ltd., and got registered with the Registrar of Companies, Uttar Pradesh, Kanpur. The Company became a deemed public company in the year 1974 in terms of provisions 43A of the Companies Act. The Company was converted back to a Private Limited Company under Section 43A (2A) of the Companies Act. in the year 2002. The Company was again converted into a public limited company with effect from April 20, 2005

At the time of the conversion of the firm into a Private Limited Company in 1971, Mr. L. K. Jhunjhunwala joined as Managing Director. During the year 1979, Singhania transferred their stake in the Company to Jhunjhunwalas.

Our Company expanded the sugar cane crushing capacity from 1800 TCD to 2500 TCD in the year 1980 and crushing capacities were increased from 2500 TCD to 3500 TCD in the year 2000 and further to 4500 TCD in the year 2002. The Company is now planning to increase its capacity upto 6500 TCD.

The Company started a gas division for manufacturing of Industrial Oxygen Gas and Liquid Nitrogen in the year 1988 and the gas division was expanded to manufacture Dissolved Acetylene Gas in the year 2000. The technology of the gas division became obsolete over a period of time and management decided to close down this division in the year 2005.

The distillery division of our Company was set up in the year 1995 to manufacture Rectified Spirit (45 KLPD) and Extra Neutral Alcohol (20 KLPD). In the year 2003 the division started production of Ethanol (30KLPD) and in the year 2004 the Extra Neutral Alcohol plant was modified to produce Ethanol and thereby increasing the total Ethanol production capacity to 50 KLPD.

Our Company started production of Bio-Fertilizer using the by product of the sugar and distillery division ie. Press mud and spent wash in the year 2000.

Our Company has also received the ISO 9001:2000 certification in 2003 for manufacture of white sugar.

Under Mr. L.K. Jhunjhunwala's guidance, the Company has made steady and consistent progress year after year. He became the Chairman of the Company in the year 2002.

Our Company's turnover has grown from Rs. 4751 lacs in FY2000 to Rs. 8600 lacs in FY2004 and Net profit grew from Rs. (374.60) lacs in FY2000 to Rs. 514.34 lacs in FY2004. Our turnover for the nine month period ended 30th June 2005 is Rs. 11950 lacs with profit after tax of Rs. 245.77 lacs.

The present management of KMSM is vested with the board of directors comprising Mr. L. K. Jhunjhunwala as the Chairman, Mr. Aditya Jhunjhunwala as Managing Director and Mr. Sanjay Jhunjhunwala as Jt. Managing Director and other directors as mentioned under the heading 'Management'.

Mr. P.C. Jhunjhunwala was one of the promoters of our Company. He shifted his base in early eighty's to Mumbai to concentrate on his other business interests. Though he continued to be on the board as Non Executive Director, he didn't take active interest in the business of the Company due to his other business interests.

In view of management's policy to comply with the Corporate Governance norms, the non- executive directors Mr. P C Jhunjhunwala and Mr. Sanjay Modi resigned from Board and Mr. D K Kapila, a professional director was inducted on the board with effect from 31st March 2005.



Major events in our history are given below:

| Year | Event |
|-----------|--|
| 1942 | Started operations as partnership firm in Kanpur |
| 1949-1950 | Shifted operations to Faizabad |
| 1958 | Purchased sugar factory at Bhatni, Dist. Deoria (U.P.) from M/s M P Sugar Mills Private Ltd. |
| 1971 | State of U.P. acquired the Bhatni Sugar Mills |
| 1971 | Incorporation of the Company |
| 1980 | Expansion of Sugar Division from 1800 TCD to 2500 TCD |
| 1988 | The Company set up its Gas Unit |
| 1993 | The Company commences setting up of its Distillery Unit |
| 1995 | Commencement of production of Rectified Spirit at licensed and installed capacity of 45 KLPD and ENA at licensed and installed capacity of 20 KLPD |
| 2000 | Increase in crushing capacity from 2500 TCD to 3500 TCD |
| 2002 | Distillery division achieved record production of 1,11,58,328 litres of Rectified Spirit |
| 2003 | Increase in crushing capacity from 3500 TCD to 4500 TCD |
| 2003 | Started production of Fuel Grade Ethanol |
| 2003 | ISO 9001 : 2000 certification by ICS |
| 2003 | The Company adopted the concept of Total Productivity Maintenance (TPM) and 5s Concept |
| 2004 | Started implementation of total productivity maintenance (TPM) |

Change in Registered Office

Our registered office is situated at 11, Moti Bhawan, Collectorganj, Kanpur – 208 001, Uttar Pradesh, India and is taken on rent. There has not been any change in the registered office of the Company since its incorporation.

Changes in Name:

There have not been any changes in the name of the Company, however the Company has changed its status from Private to Public Limited as detailed below:

| Previous Name/Status | Changed Name/Status | Date of Change | Reason |
|----------------------------------|--------------------------|--|--|
| K.M. Sugar Mills Private Limited | K.M. Sugar Mills Limited | 13 th September 1974 | Became a deemed public company under the provisions of section 43A(1A) of the Companies Act, 1956 |
| K.M. Sugar Mills Limited | K.M. Sugar Mills | 24 th April 2002 Private Limited | Companies Amendment Act (2000) came into force, doing away with the concept of deemed public company |
| K.M. Sugar Mills Private Limited | K.M. Sugar Mills Limited | 20 th April 2005 | Accessing the capital markets for expansion |



MAIN OBJECTS OF THE COMPANY:

The main objects of the Company as given in MoA are reproduced below:

1. To take possession or acquire, construct and operate sugar or other refineries, buildings, mills, factories, distilleries and other works including business hitherto carried on by Kamlapat Motilal and to hold and possess and manage the assets thereof and to discharge the liabilities of the same.
2. To purchase, manufacture, import, export, sell and generally to deal in sugar, sugar beets, sugar cane, molasses, gur, syrups, melada and alcohol and all products or by-products thereof, and food products generally.
3. To do business for utilizing the by-products of the company as the company may otherwise deem advantageous.

CHANGES IN MEMORANDUM OF THE COMPANY

Since incorporation of our Company, the following changes have been incorporated in the Memorandum, after approval of the members:

| Sr. No | Details of changes in MOA | Date of Resolution | AGM/EGM |
|--------|--|--------------------|---------|
| 1. | Addition of clause no 46 in other objects of the Company | 23-04-2005 | EGM |
| 2. | Changes in Authorized Capital | | |
| | Rs. 18 lacs | Incorporation | - |
| | Rs. 18 lacs to Rs. 25 lacs | 28-01-1974 | EGM |
| | Rs. 25 lacs to Rs. 100 lacs | 25-04-1987 | EGM |
| | Rs. 100 lacs to Rs. 200 lacs | 25-07-1990 | EGM |
| | Rs. 200 lacs to Rs. 500 lacs | 24-12-1993 | EGM |
| | Rs. 500 lacs to Rs. 750 lacs | 18-09-1994 | AGM |
| | Rs. 750 lacs to Rs. 2000 lacs | 28-02-2005 | EGM |

SUBSIDIARY COMPANIES

Presently, we do not have any subsidiaries.

SHAREHOLDERS AGREEMENTS

The Company does not have any subsisting Shareholding Agreements as on the date of filing this Prospectus.

OTHER AGREEMENTS

The Company has not entered into any other agreements including technical assistance agreements except the following:

Managing and Collection Agent for warehouse receipt based finance with ICICI Bank Limited

Our Company has entered into an agreement with ICICI Bank Limited to act as managing and collecting agents, under the warehouse receipt scheme for Agricultural cash credit facilities of upto Rs. 200 million.

Our Company acts as an agent of ICICI Bank for disbursement and collection of loans to farmers, and village level aggregators, ensuring proper operational guidelines as laid-down by ICICI Bank from time to time. The farmer or the village level aggregator is disbursed loan only on providing the sugar or other agricultural stock, and is disbursed 78% of the value of stock.

In lieu, our Company receives fees @ 1.25% on the amount disbursed as loan.

STRATEGIC PARTNERS

Presently, the Company does not have any strategic partners.

FINANCIAL PARTNERS

Presently, the Company does not have any financial partners.



MANAGEMENT

BOARD OF DIRECTORS

The Company is currently managed by a Board of Directors comprising of 9 directors. The Board comprises an optimum mix of technocrats with experience in the sugar industry and professionals. Mr. L.K. Jhunjhunwala is currently the Company's Chairman and is in-charge of the overall management of the Company subject to the supervision and control of the Board. He is ably supported by professional and technically qualified team of executives specialized in operations, finance, marketing and personnel.

The following table sets forth the details regarding the Company's Board of Directors as on the date of filing of this Prospectus.

| Sr. No. | Name of the Directors, Designation, Address, Age and Occupation | Details of directorships in other companies |
|---------|--|---|
| 1. | Mr. L.K. Jhunjhunwala Chairman Srikunj, Post Office Moti Nagar District Faizabad – 224 201. Age: 61 years Business | a. K.M. Leasing Limited b. Melkhet Power Private Limited c. Madkini Hydro Power Private Limited d. Jhunjhunwala Securities Private Limited e. Shailaja Properties Private Limited f. Satyam Trade Center Private Limited g. Nidhi Financial Services Private Limited h. Sunborne Company Private Limited i. Moti Chit and Finance Corporation |
| 2. | Mr. Aditya Jhunjhunwala Managing Director Srikunj, Post Office Moti Nagar District Faizabad – 224 201. Age: 34 years Business | a. K.M. Leasing Limited b. K.M. Constructions Private Limited c. K.M. Gases Private Limited d. Melkhet Power Private Limited e. Madkini Hydro Power Private Limited f. Chamoli Hydro Power Private Limited g. Shri Shakti Credits Private Limited h. Shailaja Properties Private Limited i. Himalaya Hydro Private Limited |
| 3. | Mr. Sanjay Jhunjhunwala Joint Managing Director Srikunj, Post Office Moti Nagar District Faizabad – 224 201. Age: 30 years Business | a. Melkhet Power Private Limited b. Thermocraft India Private Limited c. Jhunjhunwala Securities Private Limited d. Brahma Properties Private Limited |
| 4. | Mr. S.C. Aggarwal Executive Director K.M. Sugar Mills Limited Post Office Moti Nagar District Faizabad – 224 201. Age: 45 years Service | — |
| 5. | Mr. H.P. Singhania Independent Director Radha Kunj, 84/83, Kalpi Road Kanpur – 208 012. Age: 75 years Business | a. Sir Shadilal Enterprises Limited b. Meenakshi Synthetics Private Limited c. Sharad Carrier Private Limited d. Shri Radha Krishna Holdings Private Limited |
| 6. | Dr. Kirti Singh Independent Director C-9/9766, Vasant Kunj New Delhi – 110 070. Age: 70 years Consultant | — |



| Sr. No. | Name of the Directors, Designation, Address, Age and Occupation | Details of directorships in other companies |
|---------|--|---|
| 7. | Mr. R.S. Shukla Independent Director C-240, Indira Nagar Lucknow – 226 016. Age: 70 years Consultant | — |
| 8. | Mr. O.P. Yadav Independent Nominee Director IFCI Limited Agency Plaza, 5, Park Road Lucknow – 226 001. Age: 50 years Service | a. J.K. Cotton Spinning & Weaving Mills Company Limited b. Regency Hospitals Limited c. Asian Fertilizers Limited |
| 9. | Mr. D.K. Kapila Independent Director 504, Kanchanjunga Building Kaushambi Apartments Sahibabad – 201 010. Age: 54 years Practicing Chartered Accountant | BIFR Nominee Director in the following Companies: a. J.K. Cotton Spinning & Weaving Mills Company Limited b. Budge Budge Company Limited c. Sirpur Sudburg Auto Limited d. Nepa Limited |

BRIEF PROFILE OF OUR DIRECTORS OTHER THAN PROMOTERS

MR. S. C. AGGARWAL - EXECUTIVE DIRECTOR

Mr. Aggarwal has been with the Company since June 2001. He is a science graduate from the National Sugar Institute (NSI). He has an experience of 22 years in the sugar industry. He is responsible for ensuring overall supervision of operations. He implements management policy decisions. He is also responsible for setting targets for output and ensuring their achievement. He is also involved in planning and coordination of various departments of the Company. Moreover, he is also involved in developing quality system. Before joining the Company he worked with Piccadilly Agro Industries.

MR. H.P. SINGHANIA - INDEPENDENT DIRECTOR

Mr. Singhania, has been a director of this Company from 1979. He has been associated with various companies over the years and has made useful contributions with his experience.

He was a Board member of Bank of India, Ex Vice President of Board of Cricket for Control in India (BCCI), Marylbone Cricket Club (MCC), Lords, London and various companies of the JK group.

DR. KIRTI SINGH – INDEPENDENT DIRECTOR

Dr. Kirti Singh has done his Masters in Science and his Doctorate in Horticulture from University of Florida, USA. He has vast experience in the agricultural sector. In the past he held various positions of repute including being the Vice Chancellor of Narendradev University of Agriculture and Technology, Faizabad, Director of PUSA institute New Delhi. Presently he is of the Independent Director on the Company's board and provides critical input on technical matters, besides being engaged as a consultant on agricultural matters.

MR. R.S. SHUKLA – INDEPENDENT DIRECTOR

Mr. R.S. Shukla has done his B.Sc (Engg) and also is a Fellow Chartered Engineer from the Institution of Engineers (India). He is also a Fellow of the Sugar Technologists Association of India.

A technocrat, he has been involved with the sugar industry from 1980, acting as technical advisor for many sugar projects, including sugar factories at Trinidad & Tobago, West Indies. His association with the Company as an Independent Director and providing critical inputs/suggestions on various technical matters has been beneficial to the Company.



MR. O.P. YADAV – INDEPENDENT NOMINEE DIRECTOR

Mr. O.P. Yadav has done his M.A., LLB and CAIIB. He is appointed on our Board on behalf of IFCI Limited. He has been with IFCI since 1980.

MR. D.K. KAPILA – INDEPENDENT DIRECTOR

Mr. D.K. Kapila has done his B.Com (Hons) and also is a fellow of the Institute of Chartered Accountants of India. He has been a practicing Chartered Accountant from 1975, and is a partner in of M/s Jain Kapila Associates, Chartered Accountants. He has more than 29 years of experience in Audit, Income Tax and Company law matters.

BORROWING POWERS OF THE BOARD:

The Board of Directors of the Company has power to borrow upto Rs. 100 crores as per the Members' Resolution passed in the Extra Ordinary General Meeting of the Company held on 23rd April 2005.

Resolution under section 293 (1) (d)

"Resolved that pursuant to the provisions of section 293 (1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the shareholders be and is hereby accorded to the Board of Directors to borrow such sum or sums of money in any manner from time to time as may be required for the purpose of business of the Company with or without security and upon such terms and conditions as they may think fit notwithstanding that the moneys to be borrowed by the Company (apart from the temporary loans obtained by the Company's bankers in the ordinary course of the business) may exceed the aggregate of paid up share capital of the Company and its free reserves, that is to say that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 100 crores (Rupees One Hundred Crores only).

Compensation to Managing Directors / Wholetime Directors

In pursuance of resolution passed at the EGM held on 31st March 2005.

1) Compensation paid to Mr. L.K. Jhunjunwala – Chairman

Mr. L.K. Jhunjunwala has been appointed as the Chairman for a period of five years with effect from 01st April 2005. Remuneration of the Mr. L.K. Jhunjunwala shall be in accordance with the following terms and conditions.

Salary : Rs. 2,00,000/- per month or such sums as may be determined by the board from time to time with in the overall limits as prescribed in the Companies Act, 1956

Perquisites : Classified under the category A, B & C as follows:

Category A

- a. **Medical Expenditure:** Expenses incurred for self and his family subject to a maximum of one month's salary in a year or three month's salary in a block of three years.
- b. **Leave Travel assistance:** For self and his family once in two years, in accordance with the rules of the company.
- c. **Personal accident Insurance:** For an amount the annual premium of which does not exceed the limit, if any, prescribed in the schedule XIII and other applicable provisions of the Companies act, 1956.

Category B

- d. **Company's Contribution towards Provident Fund:** In accordance with the rules of the company and subject to the ceiling of 12% of salary.
- e. **Company's Contribution towards pension/superannuation Fund:** as per the rules of the Company, but so, however, that it shall together with Company's contribution to Provident Fund be limited to such amounts as are not taxable under the Income Tax act. Contribution to provident Fund will not be considered or included for the computation of ceiling on perquisites.
- f. **Gratuity:** In accordance with the rules of the Company, but shall not exceed one-half months salary for each completed year of services.



- g. **Encashment of Leave:** Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C

- h. **Leave:** In accordance with the rules of the company but not more than one month's leave for every eleven months of salary.
- i. **Travelling:** He shall be entitled to use Company's car with driver for the business use and also entitled to get reimbursement of travelling and other incidental expenses incurred in respect of his family when he accompanies his family on business trips and it will not be reckoned as perquisites.
- j. **Telephone:** Provision of telephone at residence (including payment of local calls and long distance official calls) shall not be reckoned as perquisites.
- k. **Other Perquisites:** Any other perquisites, benefits, amenities as applicable to senior management staff of the company, from time to time.

If during the currency of his tenure, the company has no profits or profits are inadequate in any financial year, he shall be entitled to such remuneration by way of salary and perquisites as in accordance with the limits specified above as well as schedule XIII of the Companies Act, 1956.

2) Compensation paid to Mr. Aditya Jhunjhunwala – Managing Director

Mr. Aditya Jhunjhunwala has been appointed as the Chairman for a period of five years with effect from 01st April 2005. Remuneration of Mr. Aditya Jhunjhunwala shall be in accordance with the following terms and conditions.

Salary : Rs. 1,00,000/- per month or such sums as may be determined by the board from time to time within the overall limits as prescribed in the Companies Act, 1956

Perquisites : Classified under the category A, B & C as follows:

Category A

- a. **Medical Expenditure:** Expenses incurred for self and his family subject to a maximum of one month's salary in a year or three month's salary in a block of three years.
- b. **Leave Travel assistance:** For self and his family once in two years, in accordance with the rules of the company.
- c. **Personal accident Insurance:** For an amount the annual premium of which does not exceed the limit, if any, prescribed in the schedule XIII and other applicable provisions of the Companies Act, 1956.

Category B

- d. **Company's Contribution towards Provident Fund:** In accordance with the rules of the company and subject to the ceiling of 12% of salary.
- e. **Company's Contribution towards pension/superannuation Fund:** as per the rules of the Company, but so, however, that it shall together with Company's contribution to Provident Fund be limited to such amounts as are not taxable under the Income Tax Act. Contribution to Provident Fund will not be considered or included for the computation of ceiling on perquisites.
- f. **Gratuity:** In accordance with the rules of the Company, but shall not exceed one-half month's salary for each completed year of services.
- g. **Encashment of Leave:** Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C

- h. **Leave:** In accordance with the rules of the company but not more than one month's leave for every eleven months of salary.
- i. **Travelling:** He shall be entitled to use Company's car with driver for the business use and also entitled to get reimbursement of travelling and other incidental expenses incurred in respect of his family when he accompanies his family on business trips and it will not be reckoned as perquisites.



- j. **Telephone:** Provision of telephone at residence (including payment of local calls and long distance official calls) shall not be reckoned as perquisites.
- k. **Other Perquisites:** Any other perquisites, benefits, amenities as applicable to senior management staff of the company, from time to time.

If during the currency his tenure, the company has no profits or profits are inadequate in any financial year, he shall be entitled to such remuneration by way of salary and perquisites as in accordance with the limits specified above as well as schedule XIII of the Companies Act, 1956.

3) Compensation paid to Mr. Sanjay Jhunjhunwala – Joint Managing Director

Mr. Sanjay Jhunjhunwala has been appointed as the Chairman for a period of five years with effect from 01st April 2005. Remuneration of the Mr. Sanjay Jhunjhunwala shall be in accordance with the following terms and conditions.

Salary : Rs. 1,00,000/- per month or such sums as may be determined by the board from time to time with in the overall limits as prescribed in the Companies Act, 1956

Perquisites : Classified under the category A, B & C as follows:

Category A

- a. **Medical Expenditure:** Expenses incurred for self and his family subject to a maximum of one month's salary in a year or three month's salary in a block of three years.
- b. **Leave Travel assistance:** For self and his family once in two years, in accordance with the rules of the company.
- c. **Personal accident Insurance:** For an amount the annual premium of which does not exceed the limit, if any, prescribed in the schedule XIII and other applicable provisions of the Companies act, 1956.

Category B

- d. **Company's Contribution towards Provident Fund:** In accordance with the rules of the company and subject to the ceiling of 12% of salary.
- e. **Company's Contribution towards pension/superannuation Fund:** as per the rules of the Company, but so, however, that it shall together with Company's contribution to Provident Fund be limited to such amounts as are not taxable under the Income Tax act. Contribution to provident Fund will not be considered or included for the computation of ceiling on perquisites.
- f. **Gratuity:** In accordance with the rules of the Company, but shall not exceed one-half months salary for each completed year of services.
- g. **Encashment of Leave:** Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C

- h. **Leave:** In accordance with the rules of the company but not more that one month leave for every eleven months of salary.
- i. **Travelling:** He shall be entitled to use Company's car with driver for the business use and also entitled to get reimbursement of travelling and other incidental expenses incurred in respect of his family when he accompanies his family on business trips and it will not be reckoned as perquisites.
- j. **Telephone:** Provision of telephone at residence (including payment of local calls and long distance official calls) shall not be reckoned as perquisites.
- k. **Other Perquisites:** Any other perquisites, benefits, amenities as applicable to senior management staff of the company, from time to time.

If during the currency his tenure, the company has no profits or profits are inadequate in any financial year, he shall be entitled to such remuneration by way of salary and perquisites as in accordance with the limits specified above as well as schedule XIII of the Companies Act, 1956.



4) Compensation paid to Mr. S.C. Aggarwal – Executive Director

Mr. S.C. Aggarwal has been appointed as the Chairman for a period of five years with effect from 01st April 2005. Remuneration of the Mr. S.C. Aggarwal shall be in accordance with the following terms and conditions.

Salary : Rs. 25,000/- per month or such sums as may be determined by the board from time to time with in the overall limits as prescribed in the Companies Act, 1956

Perquisites : Classified under the category A, B & C as follows:

Category A

- a. **Medical Expenditure:** Expenses incurred for self and his family subject to a maximum of one month's salary in a year or three month's salary in a block of three years.
- b. **Leave Travel assistance:** For self and his family once in two years, in accordance with the rules of the company.

Category B

- c. **Company's Contribution towards Provident Fund:** In accordance with the rules of the company and subject to the ceiling of 12% of salary.
- d. **Company's Contribution towards pension/superannuation Fund:** as per the rules of the Company, but so, however, that it shall together with Company's contribution to Provident Fund be limited to such amounts as are not taxable under the Income Tax act. Contribution to provident Fund will not be considered or included for the computation of ceiling on perquisites.
- e. **Gratuity:** In accordance with the rules of the Company, but shall not exceed one-half months salary for each completed year of services.
- f. **Encashment of Leave:** Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C

- g. **Leave:** In accordance with the rules of the company but not more that one month leave for every eleven months of salary.
- h. **Travelling:** He shall be entitled to use Company's car with driver for the business use.
- i. **Other Perquisites:** Any other perquisites, benefits, amenities as applicable to senior management staff of the company, from time to time.

If during the currency his tenure, the company has no profits or profits are inadequate in any financial year, he shall be entitled to such remuneration by way of salary and perquisites as in accordance with the limits specified above as well as schedule XIII of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Company has already taken necessary steps to implement the provisions of the Corporate Governance. The constitution of our Board of Directors is in compliance with the said provisions and it has the necessary committees in place in compliance with the said provisions:

- a. Audit Committee
- b. Remuneration Committee
- c. Shareholders Grievance Committee



Composition of Board of Directors:

Board Structure:

| Sr. No | Name of the Director | Designation | Nature of Directorship | Date of Expiry of Terms |
|--------|-------------------------|-------------------------|--|-----------------------------|
| 1 | Mr. L.K. Jhunjhunwala | Chairman | Promoter Director | 31 st March 2010 |
| 2 | Mr. Aditya Jhunjhunwala | Managing Director | Promoter Director | 31 st March 2010 |
| 3 | Mr. Sanjay Jhunjhunwala | Joint Managing Director | Promoter Director | 31 st March 2010 |
| 4 | Mr. S.C. Aggarwal | Executive Director | Executive Director | 31 st March 2010 |
| 5 | Mr. H.P. Singhania | Director | Non Executive & Independent Director | Retirement by rotation |
| 6 | Mr. R.S. Shukla | Director | Non Executive & Independent Director | Retirement by rotation |
| 7 | Dr. Kirti Singh | Director | Non Executive & Independent Director | Retirement by rotation |
| 8 | Mr. O.P. Yadav | Director (IFCI Nominee) | Non Executive & Independent & Nominee Director | — |
| 9 | Mr. D.K. Kapila | Director | Non Executive & Independent Director | Retirement by rotation |

Audit Committee

The Audit Committee was constituted in pursuance of the Resolution passed by the Board of Directors at its meeting held on 23rd April 2005.

The Audit Committee provides directions to and reviews functions of the Audit department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee.

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges.

Composition of Audit Committee:

| Sr. No. | Name of the Director | Designation in the Committee | Nature of Directorship |
|---------|-------------------------|------------------------------|--------------------------------------|
| 1 | Mr. D.K. Kapila | Chairman | Non Executive & Independent Director |
| 2 | Mr. R.S. Shukla | Member | Non Executive & Independent Director |
| 3 | H.P. Singhania | Member | Non Executive & Independent Director |
| 4 | Mr. Sanjay Jhunjhunwala | Member | Promoter Director |
| 5 | Mr. Sanjiva Gaur | Secretary | — |

The terms of reference of the Audit Committee are given below:

- To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and to review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control systems.
- To oversee our financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.



- f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- g) Discussions with internal auditors on any significant findings and follow up thereon.
- h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- i) Discussions with external auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- j) Reviewing our financial and risk management policies.
- k) To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividends) and creditors, if any.

Remuneration Committee

The Remuneration Committee was constituted in pursuance of the Resolution passed by the Board of Directors at its meeting held on 23rd April 2005.

The Committee performs the functions of Remuneration Committee as recommended in the Listing Agreement entered into with the Stock Exchanges. It determines our policy on specific packages for Executive Directors.

Composition of the Remuneration Committee:

| Sr. No. | Name of the Director | Designation in the Committee | Nature of Directorship |
|---------|----------------------|------------------------------|--------------------------------------|
| 1 | Mr. H.P. Singhanian | Chairman | Non Executive & Independent Director |
| 2 | Mr. R.S. Shukla | Member | Non Executive & Independent Director |
| 3 | Mr. D.K. Kapila | Member | Non Executive & Independent Director |
| 4 | Mr. Sanjiva Gaur | Secretary | — |

Shareholders Grievance Committee

The Shareholders Grievance Committee was constituted in pursuance of the Resolution passed by the Board of Directors at its meeting held on 23rd April 2005.

We have designated personnel to solve investors' problems along with our Registrars, Intime Spectrum Registry Limited. The Investors Grievances Committee will look into redressal of shareholder and investor complaints, issue of duplicate/split/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities.

Composition of the Shareholders Grievance Committee:

| Sr. No. | Name of the Director | Designation in the Committee | Nature of Directorship |
|---------|------------------------|------------------------------|--------------------------------------|
| 1 | Mr. H.P. Singhanian | Chairman | Non Executive & Independent Director |
| 2 | Mr. R.S. Shukla | Member | Non Executive & Independent Director |
| 3 | Mr. D.K. Kapila | Member | Non Executive & Independent Director |
| 4 | Mr. Aditya Jhunjunwala | Member | Promoter Director |
| 5 | Mr. Sanjiva Gaur | Secretary | — |

POLICY ON DISCLOSURES AND INTERNAL PROCEDURE FOR PREVENTION OF INSIDER TRADING

The Company is in compliance with and will continue to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992. In compliance with regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992, Company has framed a code of internal procedures and conduct for prevention of insider trading.



Mr. Sanjiva Gaur, the Company Secretary is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

SHAREHOLDING OF DIRECTORS:

A Director need not hold any shares in our Company to qualify him for the office of the Director of our Company.

| Sr. No | Name of the Director | Number of Shares | % of pre-issue paid up Share Capital |
|--------|------------------------|------------------|--------------------------------------|
| 1) | Mr. L.K. Jhunjunwala | 920520 | 7.66 |
| 2) | Mr. Aditya Jhunjunwala | 709740 | 5.91 |
| 3) | Mr. Sanjay Jhunjunwala | 467820 | 3.90 |
| 4) | Mr. H.P. Singhania | 3600 | 0.03 |
| | Total | 2101680 | 17.50 |

INTEREST OF DIRECTORS

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:

- 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.
- 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.
- Transactions, if any, with entities in which directors are interested have been disclosed as related party transactions in the Auditors Report.

Except as stated above and elsewhere 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.

Directors Remuneration for the year ended 30th September 2004

| Sr. No | Name of Director | Sitting Fees per meeting | Salaries / Perquisites | Commission | Total |
|--------|------------------------|--------------------------|------------------------|------------|----------------|
| 1. | Mr. L.K. Jhunjunwala | 0 | 840000 | 0 | 840000 |
| 2. | Mr. P.C. Jhunjunwala | 4000 | 0 | 0 | 4000 |
| 3. | Mr. Aditya Jhunjunwala | 0 | 510000 | 0 | 510000 |
| 4. | Mr. Sanjay Jhunjunwala | 0 | 510000 | 0 | 510000 |
| 5. | Mr. S.C. Aggarwal | 0 | 300000 | 0 | 300000 |
| 6. | Mr. H.P. Singhania | 4000 | 0 | 0 | 4000 |
| 7. | Mr. R.K. Shukla | 4000 | 0 | 0 | 4000 |
| 8. | Mr. Sanjay Modi | 0 | 0 | 0 | 0 |
| 9. | Mr. O.P. Yadav | 0 | 0 | 0 | 0 |
| 10. | Dr. Kirti Singh | 0 | 0 | 0 | 0 |
| | Total | 12000 | 2160000 | 0 | 2172000 |



Changes in the Board of Directors during the last three years

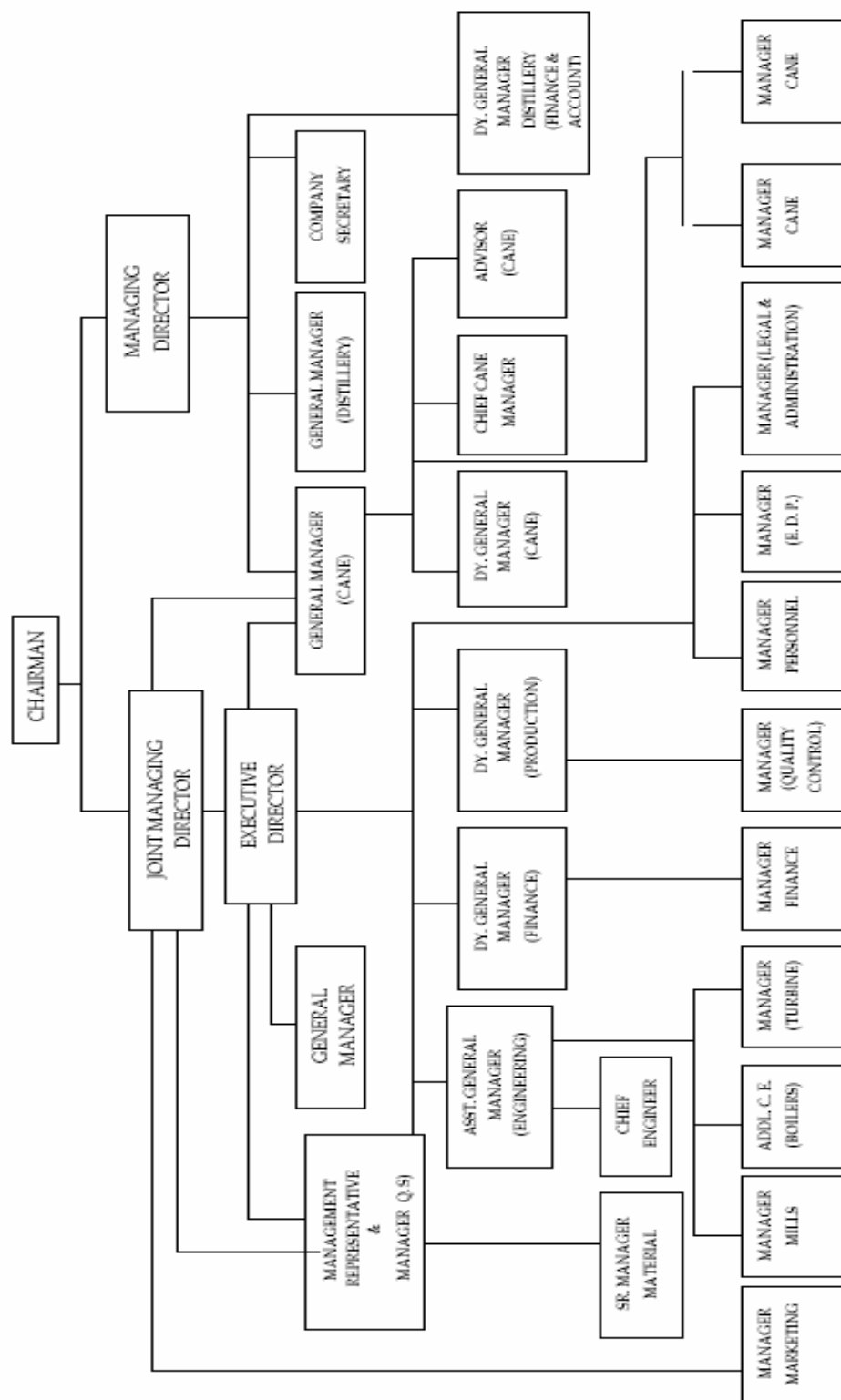
| Sr. No | Name of the Director | Date of appointment | Date of Resignation | Reasons |
|--------|----------------------------------|---------------------|---------------------|---|
| 1. | Mr. S.K. Bhandari (IFCI nominee) | 28-09-2004 | 22-02-2005 | Completion of tenure |
| 2. | Mr. O.P. Yadav (IFCI nominee) | 22-02-2005 | — | Appointed as Nominee Director by IFCI Limited |
| 3. | Mr. Sanjay Modi | — | 31-03-2005 | Resigned |
| 4. | Mr. P.C. Jhunjhunwala | — | 31-03-2005 | Resigned due to other preoccupations |
| 5. | Mr. D.K. Kapila | 31-03-2005 | — | Appointed as Independent Non Executive Director |

KEY MANAGEMENT PERSONNEL

| Sr. No | Name, Age & Designation | Qualification | Date of joining | Experience in years | Functional Responsibility | Previously employed with | Present Annual Compensation |
|--------|---|----------------------|-----------------|---------------------|---|--|-----------------------------|
| 1. | Mr. Mohammed Alludin Age: 57 years General Manager (Distillery) | B.Sc, ANSI | 17-04-2004 | 36 | Planning and coordination of Distillery Unit | Welcome Distillery (P) Limited | Rs. 3.86 lacs |
| 2. | Mr. R.K. Singhal Age: 46 years Deputy General Manager (Production) | B.Sc, NSI | 10-06-2002 | 20 | Overall in charge of production | Indo Gulf Industries Limited | Rs. 3.71 lacs |
| 3. | Mr. V.C. Pandey Age: 40 years Deputy General Manager (Finance) | M.Com, ICWA | 05-01-2004 | 16 | Overall in charge of Finance, budgeting and forecasting | Pratappur Sugar Mills | Rs. 2.31 lacs |
| 4. | Mr. Madhukar Mishra Age: 41 years General Manager (Finance) | M.Com, ICWA | 25-03-1995 | 23 | Maintenance & finalization of accounts, preparation of income tax, sales tax and excise returns and costing | Ferro Alloys | Rs. 5.36 lacs |
| 5. | Mr. K.N. Bora Age: 53 years Assistant General Manager (Engineering) | B.E. (Mech) | 19-08-2004 | 30 | Overall in charge of the plant maintenance and upkeep | Kesar Enterprises | Rs. 4.50 lacs |
| 6. | Mr. Santosh Gupta Age: 50 years Manager – Taxation | M.A., LLB | 01-09-1984 | 30 | Compliance of Sales Tax and Income Tax | — | Rs. 1.80 lacs |
| 7. | Mr. J.P. Pandey Age: 48 years Marketing Manager | B.A. | 01-12-2000 | 30 | Overall in charge of Marketing, liaisoning, preparation of Marketing budget etc. | Triveni Engineering Industries Limited | Rs. 1.61 lacs |
| 8. | Mr. V.N. Mishra Age: 36 years Personnel Manager | LLB, DPMIR | 27-03-2001 | 12 | Overall in charge of Personnel Dept, including labour, PF, etc | JHV Sugar Corporation Limited | Rs. 1.44 lacs |
| 9. | Mr. R.K. Shrivastava Age: 35 years Manager (Quality System & Mgmt Representative) | Diploma in Mech Engg | 08-07-2002 | 16 | Maintaining and implementing of Quality Control Systems | Shankar Cable Industries | Rs. 1.19 lacs |



MANAGEMENT ORGANISATION STRUCTURE





Brief Profile of our Key Managerial Personnel

1. **Mr. Mohammad Alluddin, 57**, General Manager (Distillery), is a science graduate from the National Sugar Institute. He is associated with the Company since April 2004. Prior to joining the Company, he was associated with Welcome Distillery Pvt. Ltd. He has an experience of 36 years. He is mainly involved in planning and coordination of various operations pertaining to Distillery. He draws a gross salary of Rs.3.86 lacs p.a.
2. **Mr. R. K. Singhal, 46**, Deputy General Manager (Production) is a science graduate and N.S.I. He joined the Company in June 2002. Before joining the Company, he was associated with Indo Gulf Industries Ltd. He has an experience of 20 years in the sugar industry. He is responsible for smooth functioning of the plant. He draws a gross salary of Rs. 3.71 lacs p.a.
3. **Mr. K. N. Bora, 53**, Assistant General Manager (Engineering), is a B.E. (Mech). He joined the Company in August 2004. He was associated with Kesar Enterprises, Bahar. He has an experience of 30 years in the Sugar Industry. He is responsible for the supervision of the plant. He draws a gross salary of Rs. 4.50 lacs p.a.
4. **Mr. V. C. Pandey, 40**, Deputy General Manager (Finance), is M.Com and member of ICWAI. He is associated with the Company since January, 2004. He has an experience of 16 years in this field. He is overall in - charge of the Finance Department. His work includes financial planning and forecasting. Before joining the Company he was associated with Pratappur Sugar Mills. He draws a gross salary of Rs.2.31 lacs p.a.
5. **Mr. J. P. Pandey, 48**, Marketing Manager, is an arts graduate. He joined the Company in December, 2000. He has an experience of 30 years in the Sugar Industry. He was associated with Triveni Engineering Industries Ltd. His work includes making arrangements for marketing Company's products, liasoning with customers. He is also responsible for preparation of marketing budgets. He draws a gross salary of Rs. 1.61 lacs p.a.
6. **Mr. V. N. Mishra, 36**, Personnel Manager, is a Law Graduate and DPMIR. He is associated with the Company since March 2001. He has an experience of 12 years in this field. He plans and coordinates all aspects regarding planning and managing manpower requirement. He is also responsible for compliances regarding labour laws, provident fund etc. Before joining the Company he was associated with JHV Sugar Corporation Ltd. He draws a gross salary of Rs. 1.44 lacs p.a.
7. **Mr. Santosh Gupta, 50**, Manager – Taxation, is a Law Graduate and M.A. He is associated with the Company since September 1984. He has an experience of 30 years in the Sugar Industry. He is mainly responsible for ensuring various tax compliances such as Income Tax, Sales Tax and Excise. Moreover his work includes preparation of Sales Tax returns and attending to income tax and sales tax authorities in respect of assessments. He draws a gross salary of Rs. 1.80 lacs p.a.
8. **Mr. Madhukar Mishra, 42**, General Manager (Finance), is M.Com and member of ICWAI. He is associated with the Company since March 1995. Before joining the Company he was associated with Ferro Alloys. He is responsible for finalization of Accounts, preparation of income tax, sales tax and excise returns and appearing before various authorities in respect of income tax, sales tax and excise matters. He draws a gross salary of Rs. 5.36 lacs p.a.
9. **Mr. R. K. Shrivastava, 35**, Manager (Quality System) and Management Representative, is a diploma holder in Mechanical Engineering. He is associated with the Company since July 2002. Before joining the Company he worked with Shanker Cable Industries. He is mainly responsible for implementing and maintaining quality system. He draws a gross salary of Rs.1.19 lacs p.a.

Shareholding of Key Managerial Personnel

None of the Key Managerial Personnel in our Company hold any shares of our Company as on the date of filing of this Prospectus.

Bonus or Profit Sharing Plan for our Key Managerial Personnel

There is no Bonus or Profit Sharing Plan for our Key Managerial Personnel



Changes in the Key Managerial Personnel during last 3 years

| Sr. No | Name & Designation | Date of Joining | Date of Leaving | Reason |
|--------|--|-----------------|-----------------|------------------------|
| 1. | Mr. S. S. Upadhyay Personnel Manager | 03-08-2001 | 01-08-2002 | Resignation |
| 2. | Mr. Brij Pal Garg General Manager (Plant) | 01-12-2001 | 20-07-2003 | Resignation |
| 3. | Mr. V. K. Mishra General Manager (Cane) | 18-09-2001 | 01-01-2003 | Resignation |
| 4. | Mr. R. A. Yadav Chief Cane Manager | 17-09-2002 | 15-04-2004 | Resignation |
| 5. | Mr. Govind Mishra General Manager (Plant) | 16-12-2002 | 26-04-2003 | Resignation |
| 6. | Mr. J. P. Shah Deputy General Manager (Sales) | 09-04-2002 | 29-03-2004 | Resignation |
| 7. | Mr. R.K. Shrivastava Manager (Quality System & Mgmt Representative) | 08-07-2002 | — | Appointment |
| 8. | Mr. B.K. Singh General Manager | 31-08-2004 | 01-07-2005 | Appointed and Resigned |
| 9. | Mr. R.K. Singhal Deputy General Manager (Production) | 10-06-2002 | — | Appointment |
| 10. | Mr. K.N. Bora Assistant General Manager (Engg.) | 19-08-2004 | — | Appointment |
| 11. | Mr. Mohammed Alludin General Manager (Distillery) | 17-04-2004 | — | Appointment |
| 12. | Mr. V.C. Pandey Deputy General Manager (Finance) | 05-01-2004 | — | Appointment |

Notes

1. All the Key Managerial Personnel are permanent employees of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.

ESOS/ESPS SCHEME TO EMPLOYEES

Presently, we do not have ESOP/ESPS scheme for employees.

PAYMENT OR BENEFIT TO OUR OFFICERS

Except for the payment of salaries, we provide our employees with perquisites such as vehicle, canteen, furnished accommodation, etc.



OUR PROMOTERS AND THEIR BACKGROUND

The Promoters of our Company are Mr. L.K. Jhunjhunwala, Mr. Aditya Jhunjhunwala, Mr. Sanjay Jhunjhunwala and L.K. Jhunjhunwala (HUF).



Mr. L.K. JHUNJHUNWALA

Chairman

L. K. Jhunjhunwala, aged 61 years, is an Arts graduate and has about 42 years of experience in business mainly in sugar industry. He has been associated with our Company since inception as a promoter and has been actively managing the affairs of the Company.

Mr. was also associated with various industry associations particularly in the sugar industry. He is the former President of U.P. Sugar Mills Association and East U.P. Sugar Mill Association and the current President of Associate Chamber of Commerce & Industry, U.P.

Voter ID Number: Not Allotted

Driving License Number: 322/FD/2000009 – 2-2000



Mr. ADITYA JHUNJHUNWALA

Managing Director

Mr. Aditya Jhunjhunwala, aged 34 years, is the elder son of Mr. L.K. Jhunjhunwala. He is a commerce graduate and has about 12 years of business experience mainly in sugar and distillery industries. He is looking after the overall operations of the Company.

Like his father he is actively associated with industry organizations. He is the President of East U. P. Sugar Mills Association. He was the Chairman of the Eastern Zone (northern region) of Confederation of Indian Industries (CII) and also the ex President of Indian Small Hydro Power Association.

Voter ID Number: Not Allotted

Driving License Number: 1594/FD/91U/C4/3/98



Mr. SANJAY JHUNJHUNWALA

JOINT Managing Director

Mr. Sanjay Jhunjhunwala, aged 29 years, is the younger son of Mr. L.K. Jhunjhunwala. He has done his graduation in Commerce and has also completed his MBA from the University of Wales, Cardiff, UK.

He has about 8 years of business experience mainly in sugar industry. He has implemented modern management techniques, in the Company, which have proved immensely beneficial. He is presently looking after the overall operations of the company along with the Managing Director.

Voter ID Number: Not Allotted

Driving License Number: 5895/FD/9518/04/95

The Permanent Account Number ("PAN"), Bank Account details and Passport Number of our Promoters have been submitted to The Bombay Stock Exchange Limited, on which our Company proposes to list its Equity Shares at the time of filing of this Prospectus.



INTEREST OF PROMOTERS

All the Promoters may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles.

The Chairman, Managing Director and Joint Managing Director are interested to the extent of remuneration paid to them for services rendered to us. Further, the Promoters are interested to the extent of equity shares that they are holding and or allotted to them out of the present Issue, if any, in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated otherwise in this Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

PAYMENT OR BENEFIT TO OUR PROMOTERS

For details of payments or benefits paid to the promoters, please refer to the paragraph "Compensation to Managing Directors/ Wholetime Directors" in the section titled 'Management' in this Prospectus.

RELATED PARTY TRANSACTIONS

For details of related party transactions, please refer to Annexure XIV of the section titled "Financial Statements" of this Prospectus.

CURRENCY OF PRESENTATION

In this Prospectus, unless the context otherwise requires, all references to the word "Lakh" or "Lac", means "One hundred thousand" and the word "million" means "Ten Lacs" and the word "Crore" means "ten million" and the word "billion" means "One thousand million" and the word "trillion" means "One thousand billion". In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to "Rupees" and "Rs." in this Prospectus are to the legal currency of India.

DIVIDEND POLICY

Dividends may be declared at the Annual General Meeting of the Shareholders based on a recommendation by the Board of Directors. The Board of Directors may recommend dividends, at its discretion, to be paid to the members. Generally the factors that may be considered by the Board, but not limited to, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions.



FINANCIAL STATEMENTS
FINANCIAL INFORMATION OF THE COMPANY
Auditors' Report

The Board of Directors
K.M. Sugar Mills Limited,
11, Moti Bhawan,
Collectorganj,
Kanpur – 208 001.

Subject: Your Proposed Public Issue

Dear Sirs,

We have examined and found correct the Audited Accounts of M/s K.M. Sugar Mills Limited for the past five accounting years ended on 31-3-2000, 31-3-2001, 31-3-2002, 30-9-2003 (18 months), 30-9-2004 and for the nine months ended 30-06-2005 being the last date up to which the accounts of the Company have been made up and audited by us. 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 01.09.2005 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 accounting years ended 31-3- 2000, 31-3-2001, 31-3-2002, 30-9-2003, 30-9-2004 and for the for the nine months ended 30-06-2005 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 Notes appearing in Annexure III & IV to this report.
- (b) The restated assets and liabilities of the Company as at 31-3-2000, 31-3-2001, 31-3-2002, 30-9-2003, 30-9-2004 and 30-06-2005 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 appearing in Annexure III & IV to this report.
- (c) The rates of dividends paid by the Company in respect of the accounting years ended 31-3-2000, 31-3-2001, 31-3-2002, 30-9-2003 and 30-9-2004 are as shown in Annexure V to this report.
- (d) We have examined the following financial information relating to the Company prepared by the management and approved by the Board of Directors for the purpose of inclusion in the Offer document:-
 - i. Accounting Ratios as appearing in Annexure VI to this report.
 - ii. Capitalisation Statement as at 31-3-2004 and 30-06-2005 as appearing in Annexure VII to this report
 - iii. Statement of tax shelters as appearing in Annexure VIII to this report.
 - iv. Details of other income as appearing in Annexure IX to this report
 - v. Details of sundry debtors as appearing in Annexure X to this report
 - vi. Details of loans and advances as appearing in Annexure XI to this report
 - vii. Details of unsecured loans as appearing in Annexure XII to this report
 - viii. Details of secured loans as appearing in Annexure XIII to this report.
 - ix. Details of Transactions with related parties as appearing in Annexure XIV to this report.
 - x. Details of Aggregate and Market value of shares as at 30-06-2005 as appearing in Annexure XV to this report.
 - xi. Extract of qualification in the Financial Statement as appearing in Annexure XVI to this report.
 - xii. Changes in Significant Accounting Policies as appearing in Annexure XVII 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 IV 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,

Mehrotra & Mehrotra
Chartered Accountants

Rajesh Jhalani
Partner

Membership No. 74809

Place: New Delhi

Date: 12th September, 2005

K.M. Sugar Mills Limited



Annexure - I

Summary of Profit and Loss Account as restated

(Rs. in lacs)

| Particulars | For the period ended | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31.3.2000 (12 months) | 31.3.2001 (12 months) | 31.3.2002 (12 months) | 30.9.2003 (18 months) | 30.9.2004 (12 months) | 30.06.2005 (9 months) |
| Income | | | | | | |
| <i>Sales</i> | | | | | | |
| - Manufacturing | 3,626.20 | 6,464.14 | 7,245.04 | 13,554.55 | 7,726.67 | 8806.25 |
| - Trading | - | 0.23 | 22.02 | 39.51 | 15.39 | 0.91 |
| Other Income | 77.34 | 220.20 | 170.09 | 222.83 | 159.84 | 187.08 |
| Increase / (decrease) in stock | 1,048.21 | 771.09 | 12.93 | (2,904.95) | 699.00 | 2955.46 |
| | 4,751.75 | 7,455.66 | 7,450.08 | 10,911.94 | 8,600.90 | 11949.70 |
| Expenditure | 5,119.98 | 7,346.48 | 7,144.59 | 10,706.26 | 8,176.30 | 11493.74 |
| Raw material consumed | 3,410.48 | 4,513.43 | 4,713.00 | 6,445.83 | 5,119.05 | 8890.32 |
| Operating Expenses | 543.15 | 1,017.27 | 978.10 | 1,818.41 | 1,399.11 | 1074.66 |
| Employees' Emoluments | 237.13 | 277.36 | 284.84 | 421.03 | 308.21 | 296.58 |
| Financial Charges | 378.89 | 485.58 | 403.21 | 645.13 | 337.56 | 354.87 |
| Depreciation | 301.79 | 280.70 | 317.88 | 413.80 | 286.35 | 211.50 |
| Excise duty and cess | 248.54 | 441.85 | 151.76 | 842.61 | 572.08 | 367.64 |
| Excise duty on closing stock of FG | - | 330.29 | 295.80 | 114.05 | 153.94 | 298.17 |
| Provision for Diminution in value of investments | - | - | - | 5.40 | - | - |
| | 5,119.98 | 7,346.48 | 7,144.59 | 10,706.26 | 8,176.30 | 11493.74 |
| Profit before tax and other adjustments | (368.23) | 109.18 | 305.49 | 205.68 | 424.60 | 455.96 |
| Prior period items | (6.37) | 5.96 | 5.83 | 26.44 | (0.19) | 2.12 |
| Profit before tax | (374.60) | 115.14 | 311.32 | 232.12 | 424.41 | 458.08 |
| Provision for Tax | | | | | | |
| Current Tax | - | - | - | | 45.00 | 36.00 |
| Deferred Tax | - | - | (202.49) | 320.39 | (134.93) | 176.31 |
| Net Profit after tax | (374.60) | 115.14 | 513.81 | (88.27) | 514.34 | 245.77 |



Adjusted Statement of Profit and Loss (As per SEBI Guidelines)

| Particulars | For the period ended | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31.3.2000 (12 months) | 31.3.2001 (12 months) | 31.3.2002 (12 months) | 30.9.2003 (18 months) | 30.9.2004 (12 months) | 30.06.2005 (9 months) |
| Profit before taxes and other adjustments (As per audited accounts as above) | (368.23) | 109.18 | 305.49 | 205.68 | 424.60 | 455.56 |
| Less : | | | | | | |
| Prior period expenses debited in 2000-01 | 6.06 | - | - | - | - | - |
| 2001-02 | (0.03) | (3.24) | - | - | - | - |
| 2002-03 | 1.12 | (0.30) | 25.70 | - | - | - |
| 2003-04 | (0.63) | 0.09 | (0.13) | 0.27 | - | - |
| 2004-05 (9 months) | | | | 0.30 | 1.82 | |
| Less : Differential Cane Price relating to the Year 2002-03 | | | | (930.58) | | 930.58 |
| Less: Provision for taxation | - | - | - | - | (45.00) | (36.00) |
| Less: Deferred Tax | - | - | 202.49 | (320.39) | 134.93 | (176.31) |
| Adjusted profit and loss | (361.71) | 105.73 | 533.55 | (1,044.72) | 516.35 | 1,174.23 |



Annexure – II

Summary of Assets and Liabilities as restated

(Rs. in lacs)

| Particulars | Balance sheet as on | | | | | |
|---|---------------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | 31/03/2000 | 31/03/2001 | 31/03/2002 | 30/09/2003 | 30/09/2004 | 30/06/2005 |
| Fixed Assets: | | | | | | |
| Gross Block | 5,554.72 | 5,845.47 | 6,073.88 | 6,344.84 | 6,683.63 | 6542.94 |
| Less: Depreciation | 3,389.51 | 3,693.07 | 4,042.27 | 4,456.40 | 4,739.12 | 4,840.05 |
| Net Block | 2,165.21 | 2,152.40 | 2,031.61 | 1,888.44 | 1,944.51 | 1702.89 |
| Less: Revaluation Reserve | 265.09 | 224.55 | 190.22 | 148.72 | 124.79 | 105.30 |
| Net Block after adjustment of Revaluation Reserve | 1,900.12 | 1,927.85 | 1,841.39 | 1,739.72 | 1,819.72 | 1597.59 |
| Capital Work in Progress | 218.82 | 102.21 | 74.52 | 126.26 | 232.04 | 776.35 |
| Total (A) | 2,118.94 | 2,030.06 | 1,915.91 | 1,865.98 | 2,051.76 | 2373.94 |
| Investments (B) | 136.03 | 76.02 | 66.02 | 61.11 | 55.21 | 0.21 |
| Current Assets, Loans and Advances | | | | | | |
| Inventories | 3,700.89 | 4,478.18 | 4,527.15 | 1,686.99 | 2,476.20 | 5836.67 |
| Sundry Debtors | 125.48 | 131.77 | 249.62 | 281.13 | 735.22 | 335.20 |
| Cash and Bank Balances | 68.22 | 81.89 | 123.43 | 176.9 | 304.62 | 127.07 |
| Loans and Advances | 654.04 | 882.57 | 849.07 | 695.18 | 1,030.10 | 2081.70 |
| Total (C) | 4,548.63 | 5,574.41 | 5,749.27 | 2,840.20 | 4,546.14 | 8380.64 |
| Liabilities and Provisions: | | | | | | |
| Secured Loans | 4,165.09 | 3,321.87 | 3,214.46 | 1,962.45 | 2,937.28 | 5346.26 |
| Unsecured Loans | 99.3 | 72.97 | 32.09 | 32.15 | 21.43 | 93.38 |
| Deferred Tax Liability/(Assets) | - | - | -202.49 | 117.91 | -29.96 | 146.35 |
| Current Liabilities and Provisions | 1,305.61 | 2,949.42 | 2,822.98 | 909.71 | 1,497.13 | 2435.23 |
| Total (D) | 5,570.00 | 6,344.26 | 5,867.04 | 3,022.22 | 4,425.88 | 8021.22 |
| Net Worth (A+B+C-D) | 1,233.60 | 1,336.23 | 1,864.16 | 1,745.07 | 2,227.23 | 2733.57 |



(Rs. in lacs)

| Particulars | Balance sheet as on | | | | | |
|--|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 31/03/2000 | 31/03/2001 | 31/03/2002 | 30/09/2003 | 30/09/2004 | 30/06/2005 |
| Represented by | | | | | | |
| Paid up Share Capital: | | | | | | |
| Equity Shares (A) | 306.00 | 306.00 | 306.00 | 306.00 | 306.00 | 1,200.00 |
| Reserves and Surplus | 1,195.84 | 1,257.93 | 1,751.53 | 1,590.95 | 2,049.18 | 1,647.67 |
| Less: Revaluation Reserve | 265.09 | 224.55 | 190.22 | 148.73 | 124.8 | 105.30 |
| Reserve and Surplus after adjustment of Revaluation Reserve (B) | 930.75 | 1,033.38 | 1,561.31 | 1,442.22 | 1,924.38 | 1542.37 |
| Total (A+B=C) | 1,236.75 | 1,339.38 | 1,867.31 | 1,748.22 | 2,230.38 | 2,742.37 |
| Misc. Expenditure upto the extent not W/off.(D) | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 | 8.80 |
| Net Worth (C-D) | 1,233.60 | 1,336.23 | 1,864.16 | 1,745.07 | 2,227.23 | 2,733.57 |

Annexure – III

NOTES TO ADJUSTMENTS CARRIED OUT IN RESTATED FINANCIAL STATEMENTS

- Restated financial statements have been prepared in respect of five years commencing from the financial years ended 31.03.2000 to 30.09.2004. As a result of restatement of income and expenses amounts, the necessary adjustments have been made against the reserves.
- Details of various items adjusted in re-stated accounts.
 - During the period ended 30.06.2005, the Company has changed the accounting policy for valuation of inventories in consonance with the Accounting Standard-2 issued by the Institute of Chartered Accountants of India (ICAI). The inventory amounts of the previous years have been restated accordingly.
 - The company has adopted Accounting Standard -22 issued by the ICAI in preparing financial statements for the accounting year commencing from 1st October, 2003. Accordingly, the charge in respect of deferred tax/liability has been included in previous years commencing from 01.04.2001 onwards.

Annexure – IV

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 up to 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 and current investments are carried at cost or market value whichever is lower.

4) DEPRECIATION:

Depreciation on Fixed Assets has been provided on written down value method in accordance with the rates and the manner prescribed in schedule XIV of the Companies Act, 1956.

5) INVENTORY VALUATION:

| | | |
|---|---|---|
| Raw materials and stores & spares (including those in transit) | : | At cost on weighted average basis or net realisable value, whichever is lower. |
| Work-in-process | : | at lower of cost or net realisable value |
| Finished goods | | |
| Sugar | : | at lower of cost or net realisable value |
| Molasses | : | at net realisable value. |
| Traded goods | : | at lower of cost or net realisable value. |

6) REVENUE RECOGNITION:

Sales include excise duty and are 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, if material, are considered upto the date of approval of accounts by the Board of Directors.

8) RETIREMENT BENEFITS:

Contribution to provident and pension funds are accrued & accounted each year. Gratuity liability is provided for on the basis of actuarial valuation from the competent authority. Leave encashment benefit of employees is paid at the time of retirement and charged to Profit & Loss Account on payment basis.

9) 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.

10) INTANGIBLE ASSETS:

The capital issue expenses are written off over the period of five years on proportionate basis.

11) 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.

12) FOREIGN CURRENCY TRANSACTIONS:

Exchange difference arising on account of forward contract are dealt with in the Profit & Loss account over the period of the contracts. Foreign currency loan is converted at the year-end rate or at forward contract rate, as applicable.

13) 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.



Notes on Account

1) Contingent Liabilities

- a) Claims against the Company not acknowledged as debts in respect of some pending cases of employees under the labour law – Rs. 16,82,008.32.
- b) Claims against the Company not acknowledged as debts in respect of other criminal and civil cases – Rs. Rs. 14,37,000.00
- c) Estimated value of contracts remaining to be executed on capital account & not provided for Rs.7,05,00,350/- .
- 2) In the opinion of the Board, the value of Current Assets and Loans and Advances, on realisation in the ordinary course of business, will not be less than the amount at which they are stated in the Balance Sheet.
- 3) In view of the decision of the Hon'ble Supreme Court, the extra price and the excise duty realised on levy sugar in earlier years amounting to Rs. 67.12 lakhs for funding under the Sugar Price Equalization Fund Act, 1976 was transferred to Sugar Price Equalization Reserve Account. Later on as per the order-dated 22.09.1993 of the Hon'ble Supreme Court, a sum of Rs. 17.91 lakhs was paid to the Government out of Bank Guarantee furnished by the Company. Further, during 1998-99 a sum of Rs. 1.01 lakhs was paid towards Excise Duty on the above.
- 4) Most of the balances in personal account of debtors, advances, securities and creditors are subject to confirmation by them and therefore, balance are as per Books of account only.
- 5) The quantity of pressmud and Bagasse has not been ascertained on 30.06.2005 and the value of closing stock of pressmud and Bagasse as on 30.06.2005 have been taken as Nil.
- 6) During the year, in order to maintain balance between the interest of sugar industries & the farmers, the Government has sanctioned purchase tax subsidy @ Rs.1.75/-per Qtl. (Previous year Rs.1.75 per Qtl.) on cane payable by the sugar mills to the farmers. Accordingly the total amount of purchase tax is shown as expenditure and Government subsidy as income.
- 7) The liability for accrued interest amounting to Rs. 157.20 lacs on S.D.F. Loan of Rs.2.92 Crores & Rs.4.04 Crores @ 9% has not been provided for up to 1999-2000. However, thereafter due provisions is being made.
- 8) The Government of India had sanctioned an Investment Subsidy of Rs. 33.46 lakhs in respect of IMW power generating plant based on distillery waste (spent wash) and a sum of Rs. 33.33 lakhs has been received from the Government of India up to 31-03-2000. Further Capital Subsidy of Rs.15.00 lakhs has been received from the District Industry Centre. No adjustment has been made in respect of these subsidies against the assets capitalised.
- 9) Unsecured Loans includes a loan from U.P. Government amounting to Rs. 14.50 lakhs and interest thereon is under dispute and sub-judice before Hon'ble High Court. However as per the order of Hon'ble High Court, a fixed deposit of Rs.14.50 lakhs has been deposited with the District Magistrate, Faizabad. In the opinion of the management, the interest due on Fixed Deposit will meet the interest liability of the Company on the said loan and as such, no interest is being provided for.
- 10) Advance excise duty includes excise duty paid under protest Rs.30.84 lakhs (Previous year Rs. 30.84 lakhs) on clearance Rectified Spirit and Extra Neutral Alcohol (R.S. & E.N.A.) on the stock held on 28.02.02 & R.S. & E.N.A. manufactured and cleared from 01.03.02 onwards from the molasses stock held on 28.02.02
- 11) Since the Sugar Industry is a seasonal industry, the cost of production has been worked out on annualized basis.
- 12) The unadjusted balance of preliminary expenses of Rs. 3.15 lacs was written off fully and charged to the Profit & Loss Account in view of the Accounting Standards-28 "Intangible Assets" issued by the Institute of Chartered Accountants of India.
- 13) The total amount due against principal and interest on SDF Loan of Rs.4.04 crores as on 31.03.2005 was Rs.235.18 lacs, out of which the company has paid a sum of Rs.80.80 lacs.
- 14) The Company could not redeem 15% secured Redeemable Debentures for total amounting to Rs.2.5 Crores, issued to IFCI, which was due for redemption w.e.f. 5.7.2003 in 12 quarterly installments. However the Company has redeemed the NCD to the extent of Rs.1.25 Crs. in the month of July, 2005 and issued post-dated cheque towards the balance payment.



15) Sundry Creditors include a sum of Rs. 10.31 lacs due to small industrial undertakings. Out of which the parties from whom the Company owes any sum which is outstanding for more than 30 days from the Balance Sheet are :

- (a) Atul Electro Farmers Ltd, Pune
- (b) Premchand Industries, Ghaziabad
- (c) Raj Chemicals & Minerals
- (d) Sagar Rubber Udyog, Meerut

16) Related Party Disclosures :

- a. List of related parties with whom transactions have taken place and relationship:
- b. Key Managerial Personnel and their Relatives: Sh. L.K.Jhunhunwala, Sh. Aditya Jhunhunwala, Sh. Sanjay Jhunhunwala and Sh. S.C.Agarwal.

17) Directors' Remuneration:

| Particulars | Chairman | | M. D and Jt. M.D. | | Executive Director | |
|-----------------------------------|-------------|--------------------------|-------------------|--------------------------|--------------------|--------------------------|
| | 30.9.2004 | 30.06.2005 (9 months) | 30.9.2004 | 30.06.2005 (9 months) | 30.9.2004 | 30.06.2005 (9 months) |
| a) Salary | 8.40 | 12.00 | 10.20 | 12.00 | 3.00 | 2.25 |
| b) Contribution Provident Fund | 1.01 | 1.44 | 1.22 | 1.44 | 0.19 | to 0.14 |
| c) Perquisites: | | | | | | |
| (i) Car | 0.09 | 0.07 | - | - | - | - |
| (ii) Residence Furnished | 0.17 | 0.13 | - | - | - | - |
| (iii) Residence Unfurnished | - | - | - | - | 0.22 | 0.17 |
| Total | 9.67 | 13.64 | 11.42 | 13.44 | 3.41 | 2.56 |

Managerial remuneration

Computation of Net Profit in accordance with Section 198 and 309 (5) of The Companies Act, 1956.

(Rs. in lakhs)

| Particulars | 30.06.2005 (9 months) | 30.9.2004 |
|---|--------------------------|-----------|
| Remuneration to Directors | 26.25 | 21.60 |
| Profit before other adjustments and Tax as per Profit and Loss account | 455.96 | 424.60 |
| <i>Add:</i> | | |
| Remuneration to Directors | 26.25 | 21.60 |
| Loss on Sale of assets | - | 15.92 |
| Depreciation as per books | 211.50 | 286.35 |
| | 693.71 | 748.47 |
| Depreciation as per books | 211.50 | 286.35 |
| | 482.21 | 462.12 |
| Entitlement of Maximum remuneration | 24.11 | 23.11 |



18) Notes on Sundry Debtors and Advance

- a. No Interest has been charged on loan due from various parties as per stipulations.
- b. No interest has been charged on amount due from M/s K.M. Leasing Limited, a company under the same management (amounting to Rs. 1.21 lacs).

19) Payments to Auditors

(Rs. in lakhs)

| Particulars | 30.06.2005 (9 months) | 30.9.2004 |
|---------------------------|--------------------------|-----------|
| Statutory Audit Fees | 0.64 | 0.90 |
| Cost Audit Fees | 0.06 | 0.08 |
| Reimbursement of Expenses | 0.43 | 0.25 |

- 20) The figures for the previous year have been regrouped/rearranged, wherever considered necessary to render them comparable with the current period.

21) Deferred Tax Assets & liability are attributable to the following items:

(Rs. in lacs)

| Particulars | 30.06.2005 | | 30.9.2004 | |
|---|--------------------|------------------------|--------------------|------------------------|
| | Deferred Tax Asset | Deferred Tax Liability | Deferred Tax Asset | Deferred Tax Liability |
| Difference between closing WDV as per books and closing WDV as per income tax | | 854.69 | | 1,157.88 |
| Non Payment of interest and duties | 250.62 | | 250.75 | |
| Brought forward losses & depreciation | 169.29 | | | 988.66 |
| Total | 419.91 | 854.69 | 1,239.41 | 1,157.88 |
| Difference | | (434.78) | | 81.53 |
| Net Deferred Tax Asset /(Liability) | | (146.35) | | 29.96 |



22) Segment information for the period ended 30th June, 2005

Information about Primary Business segment

(Rs in lacs)

| Particulars | Sugar | Distillery | Unallocated | Total |
|---------------------------------------|---------|------------|-------------|----------|
| <i>Revenue</i> | | | | |
| External Revenue | 7820.91 | 452.41 | 0.91 | 8274.23 |
| Internal Revenue | — | 532.93 | - | 532.93 |
| Total Revenue | 7820.91 | 985.34 | 0.91 | 8807.16 |
| <i>Results</i> | | | | |
| Segment Result | 735.68 | 36.70 | 4.79 | 777.17 |
| Less: Unallocated | | | | |
| Expenditure net of unallocated income | — | — | — | — |
| Interest 325.36 | 29.51 | 0.00 | 354.87 | |
| Profit before tax | 410.32 | 7.19 | 4.79 | 422.30 |
| Provision for tax | — | — | — | 212.31 |
| Profit after tax | | | | 209.99 |
| <i>Other Information</i> | | | | |
| Segment Assets | 9173.04 | 1470.26 | 216.79 | 10860.09 |
| Segment Liabilities | 1709.29 | 224.58 | 42.94 | 1976.81 |
| Capital Expenditure | 525.12 | 0.10 | 43.57 | 568.79 |
| Depreciation | 161.67 | 46.70 | 3.13 | 211.50 |

The company does not have any Secondary Business Segment since there was no export during the year.

23) Earning per share:

(Rs. in lacs)

| Particulars | 30.06.2005 (9 months) | 30.9.2004 |
|---|--------------------------|-----------|
| Adjusted Net Profit after tax | 1174.23 | 517.27 |
| Number of equity share out standing during the period | 120.00 | 30.60 |
| Nominal value of equity shares (Rs.) | 10 | 10 |
| Earning per share (Rs.) | 9.79 | 16.90 |



Cash Flow Statement for the Nine months ended 30th June, 2005

| Particulars | Nine months ended 30.06.2005 | Nine months ended 30.06.2005 | Year ended 30.9.2004 | Year ended 30.9.2004 |
|---|---------------------------------|---------------------------------|-------------------------|-------------------------|
| Cash flow from operating activities | | | | |
| Net profit before tax (restated) | | 458.08 | | 424.41 |
| <i>Adjustments for :</i> | | | | |
| Depreciation for the year | 211.50 | | 286.35 | |
| Profit on sale of asset | -17.00 | | 15.93 | |
| Interest expenses | 354.87 | 549.37 | 337.56 | 639.84 |
| Operating profit before working capital changes | | 1007.45 | | 1,064.25 |
| Decrease / (Increase) in trade receivables | 400.02 | | -454.09 | |
| Increase in inventories | -3360.47 | | -789.21 | |
| Increase / (Decrease) in trade payables & Others | 1065.35 | -1895.10 | 534.34 | |
| Cash generated from Operations | | -887.65 | -708.96 | -708.96 |
| Direct Taxes paid | | -100.00 | | - |
| <i>Net Cash From Operating Activities (A)</i> | | -987.65 | | 355.29 |
| Cash flow from investing activities | | | | |
| Purchase of fixed assets | -568.79 | | -634.15 | |
| (Increase) / Decrease in deposits and advances | -951.60 | | -368.32 | |
| Proceeds from sale of fixed assets | 55.59 | | 146.12 | |
| Sale of Investment in Shares | 55.00 | | 5.90 | |
| Deposit in Molasses Storage Fund | -3.06 | | -3.66 | |
| Net Cash From Investing Activities (B) | | -1412.86 | | -854.11 |
| Cash flow from financing activities | | | | |
| Issue of Shares | 94.00 | | 0.00 | |
| Repayment of long term borrowings | -61.35 | | -80.73 | |
| Proceeds from short term borrowings | 2468.22 | | 1041.93 | |
| Interest paid | -277.91 | | -334.67 | |
| <i>Net Cash From Financing Activities (C)</i> | | 2222.96 | | 626.53 |
| Net increase in Cash & Cash Equivalents (A+B+C) | | 177.55 | | 127.71 |
| Cash and Cash Equivalents at the beginning of the period (D) | | 304.62 | | 176.91 |
| Cash and Cash Equivalents at the end of the period (E) | | 127.07 | | 304.62 |
| Increase in Cash & Cash Equivalents (D-E) | | -177.55 | | 127.71 |



Annexure V

Rates of Dividend paid

(Rs. in lakhs)

| | 31.3.2000 | 31.3.2001 | 31.3.2002 | 30.9.2003 | 30.9.2004 | 30.06.05 |
|--|-----------|-----------|-----------|-----------|-----------|----------|
| Equity Share Capital (Face value 10/-) | - | - | - | 306.00 | - | - |
| Rate of Dividend | - | - | - | - | 15% | - |
| Amount of Dividend | - | - | - | - | 45.90 | - |
| Corporate Dividend tax | - | - | - | - | 5.88 | - |

Annexure VI

Summary of Accounting Ratios

(Rs. in lakhs)

| Particulars | For the period ended | | | | | Nine months ended 30 th |
|----------------------------|----------------------|-----------|-----------|-----------|-----------|------------------------------------|
| | 31.3.2000 | 31.3.2001 | 31.3.2002 | 30.9.2003 | 30.9.2004 | June, 2005 |
| Accounting Ratios: | | | | | | |
| Earning per share | (12.24) | 3.76 | 16.79 | (34.14) | 16.90 | 9.79 |
| Net Assets value per share | 40.31 | 43.67 | 60.92 | 26.62 | 42.37 | 22.78 |
| Return on Net Worth (%) | (30.36) | 8.62 | 27.56 | (128.33) | 39.89 | 42.96 |

- a. Earning Per Share (Rs.) = Adjusted Net profit for the year /No. of equity shares
b. Net asset Value / Book Value Per Share (Rs.) = Net Worth - Preference share capital/No. of equity shares
c. Return On Net worth (%) = Adjusted Profit after tax/Net worth * 100

Annexure VII

Capitalisation statement

(Rs. in lakhs)

| Particulars | 30.9.2004 | 30.06.05 | Post issue |
|--|-----------|----------|------------|
| Debt | | | |
| Short Term Debt (A) | 1869.64 | 4409.81 | 4409.81 |
| Long Term Debt (B) | 1089.06 | 1029.83 | 1029.83 |
| Total Debt | 2958.70 | 5439.64 | 5439.64 |
| Equity Fund | | | |
| Equity Share Capital | 306.00 | 1200.00 | 1840.00 |
| Reserves and Surplus | 2049.18 | 1647.67 | 1647.67 |
| Security Premium Account | 0.00 | 0.00 | 2688.00 |
| Less: Revaluation reserve | (124.80) | (105.30) | (105.30) |
| Less: Miscellaneous expenditure upto the extent not W/off | (3.15) | (8.80) | (8.80) |
| Total Share Holder's Funds (C) | 2227.23 | 2733.57 | 6061.37 |
| Long Term Debt / Total Share Holders Funds Ratio (B / C) | 0.49 | 0.38 | 0.17 |

Note: Share capital means equity share capital.



Annexure VIII

Details of Tax Shelters

(Rs. in lakhs)

| Particulars | For the period ended | | | | | 31.03.05 |
|---|----------------------|-----------|-----------|-----------|-----------|----------|
| | 31.3.2000 | 31.3.2001 | 31.3.2002 | 31.3.2003 | 31.3.2004 | |
| Profit / (Loss) before tax as per books (A) | 21.06 | 206.14 | (93.84) | (192.67) | 539.85 | 305.70 |
| Tax Rate | 38.50% | 39.55% | 35.70% | 36.75% | 35.88% | 36.59% |
| Tax on actual rate on profits | 8.11 | 81.53 | (33.50) | (70.81) | 193.70 | 111.86 |
| Adjustments | | | | | | |
| Permanent Differences | | | | | | |
| Other Adjustments | 3.02 | 98.60 | (4.25) | 118.31 | 114.17 | 2.17 |
| Total Permanent Differences (B) | 3.02 | 98.60 | (4.25) | 118.31 | 114.17 | 2.17 |
| Timing Differences | | | | | | |
| Difference between tax depreciation and book depreciation | (98.60) | (72.48) | (94.99) | (54.84) | (18.37) | (43.71) |
| Expenditure Allowable u/s 43B of the I.T. Act | (30.08) | (139.39) | (96.09) | 59.67 | (62.78) | (62.66) |
| Total Timing Differences (C) | (128.68) | (211.87) | (191.08) | 4.83 | (81.15) | (106.37) |
| Net Adjustments (B + C) | (125.66) | (113.27) | (195.33) | 123.14 | 33.02 | (104.20) |
| Tax Saving Thereon | (48.38) | (44.80) | (69.73) | 45.25 | 11.85 | (38.13) |
| Profit / Loss as per Income Tax Returns (D) = (A-B-C) | 146.72 | 319.41 | 101.49 | (315.81) | 506.83 | 409.90 |
| <u>Less: Brought Forward Loss</u> | 1,191.11 | 871.70 | 770.21 | 1086.02 | 579.19 | 169.29 |
| Total tax paid under MAT | Nil | 6.10 | Nil | Nil | 42.00 | NA |

Note: The tax shelter is worked out on the basis of profit/loss as per audited accounts. However, the profit for the year ended 31st March 2005 has been taken on the basis of accounts prepared by the management.



Annexure IX

Details of other income

(Rs. in lakhs)

| Particulars | For the period ended | | | | | Nine months ended 30 th June, 2005 |
|---------------------------------|----------------------|---------------|---------------|---------------|---------------|---|
| | 31.3.2000 | 31.3.2001 | 31.3.2002 | 30.9.2003 | 30.9.2004 | |
| Interest | 8.01 | 4.13 | 9.68 | 8.73 | 1.24 | 8.22 |
| Miscellaneous Income | 43.70 | 31.72 | 66.32 | 79.55 | 65.12 | 26.39 |
| Rent | 11.34 | 7.33 | 5.11 | 3.21 | 3.10 | 2.24 |
| Balance W/off | 0.21 | 0.45 | 0.33 | 0.93 | - | 15.24 |
| Profit on sale of Assets | 6.18 | 2.73 | 0.20 | - | - | 17.00 |
| Dividend received | 0.11 | - | 0.00 | 0.01 | 0.01 | - |
| Stores adjustment | 0.01 | 0.01 | 0.04 | 0.01 | 0.11 | 0.08 |
| Excess provision written back | 2.71 | 0.17 | 0.77 | 3.13 | 8.93 | - |
| Insurance received | 5.07 | 7.00 | 14.81 | 2.73 | 6.40 | 6.22 |
| Subsidy on purchase tax of Cane | - | 71.64 | 72.84 | 114.50 | 74.93 | 87.01 |
| Buffer stock subsidy | - | - | - | 10.03 | - | 24.68 |
| Compensation from UP Government | - | 94.78 | - | - | - | - |
| Trade Tax Refund | - | 0.24 | - | - | - | - |
| Total | 77.34 | 220.20 | 170.10 | 222.83 | 159.84 | 187.08 |

Annexure X

Details of Sundry Debtors

(Rs. in lakhs)

| | 31.3.2000 | 31.3.2001 | 31.3.2002 | 30.9.2003 | 30.9.2004 | 30.06.05 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>Outstanding for more than 6 months</i> | | | | | | |
| Considered good | 35.17 | 49.82 | 31.65 | 68.97 | 59.75 | 97.10 |
| Considered doubtful | 7.43 | 6.61 | 6.61 | 1.30 | 2.00 | - |
| | 42.61 | 56.43 | 38.26 | 70.27 | 61.75 | 97.10 |
| Other debts | 82.88 | 75.33 | 211.34 | 210.86 | 673.47 | 238.10 |
| Total | 125.48 | 131.76 | 249.60 | 281.13 | 735.22 | 335.20 |



Annexure XI

Break up of Loans and advances

(Rs. in lakhs)

| | 31.3.2000 | 31.3.2001 | 31.3.2002 | 30.9.2003 | 30.9.2004 | 30.06.2005 |
|---|---------------|---------------|---------------|---------------|-----------------|----------------|
| Advance excise duty | 210.01 | 336.31 | 313.76 | 56.15 | 54.37 | 61.62 |
| Security deposits | 35.91 | 39.41 | 38.42 | 93.80 | 113.42 | 382.67 |
| Tax payments (net of provision) | 47.50 | 46.49 | 58.26 | 38.48 | - | 510.83 |
| Loans to Group companies | 47.44 | 40.04 | | - | - | — |
| Loans to others | 33.18 | 32.85 | 32.81 | 32.69 | 32.70 | 144.14 |
| <u>Advances recoverable in cash or kind</u> | | | | | | |
| Considered good | 273.06 | 382.29 | 403.55 | 474.06 | 829.60 | 982.44 |
| Considered doubtful | 6.95 | 5.12 | 2.23 | - | - | - |
| Total | 654.05 | 882.51 | 849.03 | 695.18 | 1,030.10 | 2081.70 |

Annexure XII

Details of unsecured loans

| Particulars | 31-3-2000 | 31-3-2001 | 31-3-2002 | 30.9.2003 | 30.9.2004 | 30-06-2005 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| From others | 32.94 | 6.14 | 2.98 | 15.40 | 11.98 | 22.83 |
| Deposit from Directors | 66.36 | 66.83 | 29.11 | 16.76 | 9.45 | 70.55 |
| Total | 99.30 | 72.97 | 32.09 | 32.16 | 21.43 | 93.38 |



Annexure XIII

Details of Secured Loans

| Sr. | Particulars | As on | | | | | |
|-----|--|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| | | 31.3.2000 | 31.3.2001 | 31.3.2002 | 30.9.2003 | 30.9.2004 | 30.06.2005 |
| I | Working Capital Loan Cash Credit with State Bank of India and Punjab National Bank | 2,714.72 | 1,865.53 | 1,919.53 | 806.27 | 1,848.20 | 2744.48 |
| | Working Capital Loan Cash Credit with Punjab National Bank | - | - | - | - | - | 1571.95 |
| II | Term Loan | | | | | | |
| | State Bank of India | 50.00 | - | - | - | - | - |
| | I.F.C.I. | 236.25 | 105.00 | - | - | - | - |
| | I.F.C.I. | 350.00 | 350.00 | 315.00 | 210.00 | 140.00 | 87.50 |
| | Govt. of India (Sugar Development Fund) - (Modernisation) | 404.00 | 404.00 | 404.00 | 404.00 | 404.00 | 323.20 |
| | Govt. of India (Sugar Development Fund) - (Modernisation) New Loan | 292.17 | 292.17 | 292.17 | 292.17 | 292.17 | 292.17 |
| | Govt. of India (Sugar Development Fund) | 46.40 | - | - | - | - | - |
| | Govt. of India (Sugar Development Fund) (Cane Development) | 12.50 | - | - | - | - | - |
| | 15% Secured, Redeemable, non - convertible debentures | - | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 |
| | Interest accrued and due on the Term Loan | 59.06 | 55.16 | 33.76 | - | 2.90 | 76.96 |
| | Total | 4,165.10 | 3,321.86 | 3,214.46 | 1,962.44 | 2,937.27 | 5346.26 |



Principle terms of sanctioned loans and assets charged as securities

| Sr. | Lender and Type of facility / sanction letter no. and terms of repayment | Amount Out – standing on 30-06-2005 | Details of security |
|-----|--|-------------------------------------|---|
| 1 | Working Capital Loan Cash Credit State Bank of India | 2744.48 | Hypothecation of stock of raw material, Sugar crystal, Molasses, Alcohol, Alcohol and Sugar in process, Stores and spares, book debts, third charge on entire Fixed assets of the company and personal guarantee of directors. |
| 2 | Working Capital Loan Cash Credit with Punjab National Bank | 1571.95 | Secured by pledge of stock of Sugar crystal, Molasses and other by-products, first charge on entire current assets (present and future) including entire stock, book debts, loans and advances etc. on pari passu basis, third charge on entire Fixed assets of the company on pari passu basis and personal guarantee of a director. |
| 3 | Govt. of India (Sugar Development Fund) - (Modernisation) | 323.20 | Second charge by way of mortgage of Company's immovable properties and hypothecation of all movable property except book debts.(both present and future) |
| 4 | Govt. of India (Sugar Development Fund) - (Modernisation) New Loan | 292.17 | Second charge by way of mortgage of Company's immovable properties and hypothecation of all movable property except book debts.(both present and future) |
| 5 | Industrial Finance Corporation Of India | 87.50 | First charge by way of mortgage of Company's immovable properties and hypothecation of all movable property including movable plant and machinery, spares and tools (both present and future) |
| 6 | 15% Secured, Redeemable, non - convertible debentures | 250.00 | First charge by way of mortgage of Company's immovable properties (except book debts) and hypothecation of all movable property including movable plant and machinery, spares, tools and accessories (both present and future) |



Annexure XIV

Related Party Disclosure (as per AS-18):

Associates:

1. K. M. Gases Pvt. Ltd.
2. K.M. Construction Pvt. Ltd.
3. Marvel Business Pvt. Ltd.
4. Francoise Commerce Pvt. Ltd.
5. Shri Shakti Credits Ltd.
6. K.M. Leasing Ltd.
7. Nidhi Financial Services (P) Ltd.
8. Shailja Properties (P) Ltd.

Key Managerial Personnel

1. L.K. Jhunjunwala – Chairman
2. Aditya Jhunjunwala – Managing Director
3. Sanjay Jhunjunwala – Joint Managing Director
4. S.C. Aggarwal – Executive Director

Details of transactions with related parties

| (Rs. in lakhs) | | | | | | |
|------------------------------------|-----------------------|---------------------------------------|----------------|-----------------|---------------|--------------|
| Related Party | Relationship | Nature of Transaction | 30/06/2005 | 2003-04 | 2002-03 | 2001-02 |
| K. M. Gases Pvt. Ltd. | Associate | Purchase of Goods - Industrial Oxygen | 0.52 | 9.42 | 11.56 | 3.48 |
| | | Sales of Goods – Sugar | 472.39 | 2,363.77 | 744.09 | - |
| | | Debit Balance | 15.06 | | | |
| | | Interest Paid | - | 0.11 | 0.25 | - |
| K.M. Construction Pvt. Ltd. | Associate | Advance received | 499.27 | - | 0.05 | - |
| | | Deposits | - | 5.66 | - | 4.00 |
| K.M. Leasing Ltd. | Associate | Outstanding Balance | - | 13.48 | 13.64 | 13.61 |
| Marvel Business Pvt. Ltd. | Associate | Advance received | 498.98 | 1.24 | - | - |
| | | Transport Charges | - | 10.74 | 9.55 | 12.75 |
| Francoise Commerce Pvt. Ltd. | Associate | Security Deposit | 25.00 | 25.00 | 25.00 | - |
| | | Advance received | 498.98 | 2.14 | - | - |
| Nidhi Financial Services Pvt. Ltd. | Associate | Interest Paid | - | 0.85 | 0.35 | 0.65 |
| Shri Shakti Credits Ltd. | Associate | Advance Received | 498.98 | | | |
| Shailja Properties (P) Ltd. | Associate | Rent | 0.86 | 0.48 | | |
| L.K. Jhunjunwala | Key Managerial Person | Remuneration | 13.64 | 8.45 | 8.45 | 8.33 |
| Aditya Jhunjunwala | Key Managerial Person | Remuneration | 6.72 | 5.38 | 4.42 | - |
| Sanjay Jhunjunwala | Key Managerial Person | Remuneration | 6.72 | 5.38 | 4.42 | - |
| S.C. Aggarwal | Key Managerial Person | Remuneration | 2.56 | 3.41 | 3.32 | 3.04 |
| | | | 2539.68 | 2,455.51 | 825.10 | 45.86 |



Annexure XV

Aggregate and Market value of Shares as at 31st March 2005

(Rs. in Lacs)

| Quoted Investments | No. of Shares | Cost | Market Value |
|-----------------------------|---------------|------|--------------|
| Reliance Industries Limited | 42 | 0.11 | 0.27 |

Annexure XVI

Extract of qualification in the Financial Statement

For the period ending 30.06.2005

- Most of the balances in personal account of debtors, advances, securities and creditors are subject to confirmation.
- Gratuity liability is provided for, on the basis of actuarial valuation from the competent authority. The Company has opened the Group gratuity Fund account, in which the said amount is deposited timely.
Leave encashment benefit of employee is paid at the time of the retirement and charged to Profit & loss Account on payment basis.
- The Government of India had sanctioned an Investment Subsidy of Rs. 33,46,400/- in respect of IMW power generating plant based on distillery waste (spent wash) and a sum of Rs. 33,33,000/- has been received from the Government of India up to 31-03-2000. Further Capital Subsidy of Rs.15,00,000/- has been received from the District Industry Centre. No adjustment has been made in respect of these subsidies against the assets capitalized.
- In view of the decision of the Hon'ble Supreme Court, the extra price and the excise duty realised on levy sugar in earlier years amounting to Rs. 67.12 lakhs for funding under the Sugar Price Equalisation Fund Act, 1976 was transferred to Sugar Price Equalisation Reserve Account. Later on as per the order-dated 22.09.1993 of the Hon'ble Supreme Court, a sum of Rs.17.91 lakhs was paid to the Government out of Bank Guarantee furnished by the Company. Further, during 1998-99 a sum of Rs.1.01 lakhs was paid towards Excise Duty on the above.
- The interest on Security Deposits & Fixed Deposits with Banks, mutual funds, additional sugar prices, insurance claims etc. have been accounted for on cash basis as per past practice.
- The liability for accrued interest amounting to Rs. 157.20 Lacs on S.D.F. Loan of Rs.2.92 Crores & Rs.4.04 Crores @ 9% has not been provided for up to 1999-2000. However, thereafter due provisions is being made.
- Unsecured Loans includes a loan from U.P. Government amounting to Rs.14,50,000/- and interest thereon is under dispute and sub-judice before the Hon'ble High Court. However the above loan is secured by way of fixed deposit of Rs. 14,50,000/-, which has been deposited with the District Magistrate, Faizabad.
- No Interest has been charged on loan due from various parties as per stipulations.
- No interest has been charged on amount due from M/s K.M. Leasing Limited, a company under the same management.
- As regard to borrowings:-
 - The total amount due against principal and interest on SDF Loan of Rs. 4.04 crs as on 31.03.05 was Rs. 235.18 lacs, out of which the Company has paid Rs. 80.80 lacs .
 - the Company has not redeemed 15% Secured Redeemable Non-convertible Debentures total for Rs.2.5 crores issued to IFCI, which was due for redemption w.e.f. 05/07/2003 in 10 quarterly installments. However, the Company has redeemed the NCD to the extent of Rs. 1.25 crs. in the month of July, 05 and issued post-dated cheque for Rs.1.25 crs. towards the balance payment.

Annexure XVII

Changes in the Significant Accounting Policies

Accounting policy for valuation of inventory has been changed in consonance with the Accounting Standard-2 issued by the Institute of Chartered accountants of India.



FINANCIAL INFORMATION OF GROUP COMPANIES

1. Benaras Inorganics Private Limited

Benaras Inorganics Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-09931 on 12th August, 1988 with the main object of carrying on the business as commission agents, stockists and dealers of Chemical, dyes and fertilizers.

The registered office of the Company is situated at 11, Moti Bhawan, Collectorganj, Kanpur – 208 001.

Board of Directors:

| Name of Director | Designation |
|-------------------------|-------------|
| Smt Naina Jhunjhunwala | Director |
| Smt. Priti Jhunjhunwala | Director |

Shareholding Pattern: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|---------------------------|---------------|---------------|
| L. K. Jhunjhunwala | 2700 | 14.59 |
| L. K. Jhunjhunwala (HUF) | 2700 | 14.59 |
| Naina. Jhunjhunwala | 3300 | 17.84 |
| Aditya Jhunjhunwala | 2800 | 15.14 |
| Aditya Jhunjhunwala (HUF) | 1700 | 9.20 |
| Sanjay Jhunjhunwala | 3300 | 17.84 |
| Vibha Mishra | 400 | 2.16 |
| Vinay K. Mishra | 400 | 2.16 |
| Shyam Rani Bansal | 400 | 2.16 |
| Neeru Shah | 400 | 2.16 |
| Sadhna Bansal | 400 | 2.16 |
| Total | 18500 | 100.00 |

Financial Performance:

(Rs. in lacs)

| Particulars | For the Financial Year ended March 31 st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | - | 0.12 | 0.20 |
| Profit after Taxation | (0.13) | (0.02) | 0.04 |
| Equity Share Capital | 1.85 | 1.85 | 1.85 |
| Reserves (excluding revaluation reserves) | (1.29) | (1.31) | (1.30) |
| Net worth | 0.56 | 0.54 | 0.55 |
| NAV per Share (Rs.) | 3.02 | 2.94 | 2.97 |
| EPS per Share (Rs.) | (0.72) | (0.09) | 0.22 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



2. Francoise Commerce Private Limited

Francoise Commerce Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 21-52595 on 15th August, 1991 with the main object of undertaking the business of leasing and hire purchase of plant and machineries, equipment and other immovable properties.

The registered office of the Company is situated at 7, Narayan Prasad Babu Lane, Kolkotta – 700 007.

Board of Directors:

| Name of Director | Designation |
|-----------------------------|-------------|
| Smt Naina Devi Jhunjhunwala | Director |
| Smt Priti Jhunjhunwala | Director |
| Shri V. N. Agarwal | Director |

Shareholding Pattern: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|----------------------|---------------|---------------|
| Priti Jhunjhunwala | 5000 | 0.98 |
| Shilpa Shorewala | 85000 | 16.50 |
| Manjari Jhunjhunwala | 85000 | 16.50 |
| Naina Jhunjhunwala | 40000 | 7.77 |
| Sanjay Jhunjhunwala | 5000 | 0.98 |
| Madhu Jhunjhunwala | 40000 | 7.77 |
| Shailja Jain | 85000 | 16.50 |
| Vardha Goenka | 85000 | 16.50 |
| Meenakshi Modi | 85000 | 16.50 |
| Total | 515000 | 100.00 |

Financial Performance:

(Rs. in lacs)

| Particulars | For the Financial Year ended March 31 st | | |
|---|---|-------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | 1.09 | 5.39 | 0.64 |
| Profit after Taxation | 0.46 | 2.54 | 0.26 |
| Equity Share Capital | 51.50 | 51.50 | 51.50 |
| Reserves (excluding revaluation reserves) | 8.00 | 10.54 | 10.80 |
| Net worth | 59.50 | 62.04 | 62.30 |
| NAV per Share (Rs.) | 11.55 | 12.04 | 12.10 |
| EPS per Share (Rs.) | 0.09 | 0.49 | 0.05 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



3. Himalaya Hydro Private Limited

Himalaya Hydro Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-17427 on 16th January, 1995 with the main object to operate power plants to produce electricity and to carry on business as supplier, distributor, converters of electricity, light, heat and power.

The registered office of the Company is situated at 76, Eldeco Greens, Gomti Nagar, Lucknow, Uttar Pradesh.

Board of Directors:

| Name of Director | Designation |
|---------------------------------|-------------|
| Mr. Aditya Jhunjunwala | Director |
| Mr. P. C. Jhunjunwala | Director |
| Mr. A. K. Goel | Director |
| Mr. Rebala Shreenivas Ulu Reddy | Director |
| Mr. Onteddu Nirmala | Director |
| Mr. Kurli Veera Raghava Reddy | Director |
| Mr. Kurli Veera Vikram Reddy | Director |

Shareholding Pattern: (as on September 30, 2004)

| Particulars | No. of Shares | % Holding |
|------------------------------------|---------------|---------------|
| P. C. Jhunjunwala | 500 | 0.08 |
| Aditya Jhunjunwala | 500 | 0.08 |
| K M Gases Pvt. Ltd. | 19600 | 3.01 |
| Marvel Business Pvt. Ltd. | 44300 | 6.80 |
| Prakash Company | 55000 | 8.45 |
| Nidhi Financial Services Pvt. Ltd. | 122600 | 18.83 |
| Francoise Commerce Pvt. Ltd. | 28500 | 4.38 |
| K M Constructions Ltd. | 80000 | 12.29 |
| K. Veera Vikram Reddy | 150000 | 23.04 |
| R. Sreenivasulu Reddy | 75000 | 11.52 |
| P Ramkrishna Reddy | 45000 | 6.91 |
| Onteddu Nirmala | 30000 | 4.61 |
| Total | 651000 | 100.00 |

Financial Performance:

(Rs. in lacs)

| Particulars | For the Financial Year ended March 31 st | | |
|---|---|-------|-------|
| | 2002 | 2003 | 2004 |
| Total Income | - | - | - |
| Profit after Taxation | - | - | - |
| Equity Share Capital | 35.10 | 35.10 | 65.10 |
| Reserves (excluding revaluation reserves) | 1.50 | 1.50 | 1.50 |
| Net worth | 36.60 | 36.60 | 66.60 |
| NAV per Share (Rs.) | 10.42 | 10.42 | 10.23 |
| EPS per Share (Rs.) | - | - | - |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



4. Jhunjhunwala Securities Private Limited

Jhunjhunwala Securities Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-19134 on 8th December, 1995 with the main object to deal in all type of shares and securities.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur – 208 001.

The company is registered as a Stock Broker with SEBI and is a member of the Uttar Pradesh Stock Exchange Association Limited.

Board of Directors:

| Name of Director | Designation |
|-------------------------|-------------|
| Mr. L K Jhunjhunwala | Director |
| Mr. Sanjay Jhunjhunwala | Director |

Shareholding Pattern: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|------------------------------|---------------|---------------|
| L. K. Jhunjhunwala | 15000 | 15.00 |
| Francoise Commerce Pvt. Ltd. | 40000 | 40.00 |
| Naina Jhunjhunwala | 10000 | 10.00 |
| Manjari Thanewala | 35000 | 35.00 |
| Total | 100000 | 100.00 |

Financial Performance:

(Rs. in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.45 | 0.29 | 0.25 |
| Profit after Taxation | 0.05 | (0.25) | (0.15) |
| Equity Share Capital | 10.00 | 10.00 | 10.00 |
| Reserves (excluding revaluation reserves) | (0.45) | (0.70) | (0.85) |
| Net worth | 9.55 | 9.30 | 9.15 |
| NAV per Share (Rs.) | 9.55 | 9.30 | 9.15 |
| EPS per Share (Rs.) | 0.05 | (0.25) | (0.15) |

There are no defaults in meeting any statutory/bank/institutional dues, except on account of dispute over turnover fees payable to SEBI. For details refer to the note under the heading 'Risk Factors'. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

5. K. M. Gases Private Limited

K. M. Gases Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-5736 on 3rd August, 1982 with the main object to carry on business of manufacturing and compressing Oxygen, Nitrogen, Hydrogen and all other industrial gases.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur, Uttar Pradesh – 208 001.


Board of Directors:

| Name of Directors | Designation |
|------------------------|-------------|
| Mr. Aditya Jhunjunwala | Director |
| Mrs. Naina Jhunjunwala | Director |
| Mr. Nathu Mal Agarwal | Director |
| Mrs. Shilpa Shorewala | Director |

Shareholding Pattern (as on 31st August 2005):

| Particulars | No. of Shares | % Holding |
|------------------------------------|---------------|---------------|
| Aditya Jhunjunwala | 1228 | 3.61 |
| Sanjay Jhunjunwala | 4514 | 13.28 |
| L. K. Jhunjunwala | 2805 | 8.25 |
| L. K. Jhunjunwala (HUF) | 630 | 1.85 |
| P. C. Jhunjunwala | 1880 | 5.53 |
| Naina Jhunjunwala | 1023 | 3.01 |
| Uma Jhunjunwala | 1880 | 5.53 |
| Priti Jhunjunwala | 1000 | 2.94 |
| Madhu Jhunjunwala | 1500 | 4.41 |
| Manjari Jhunjunwala | 2290 | 6.74 |
| K M Constructions(P) Ltd. | 4250 | 12.50 |
| Thermocraft (India) Pvt. Ltd. | 3000 | 8.82 |
| Nidhi Financial Services Pvt. Ltd. | 8000 | 23.53 |
| Total | 34000 | 100.00 |

(Face Value – Rs. 100/- per share)

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|---------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | 122.25 | 3236.88 | 732.24 |
| Profit after Taxation | 0.05 | 23.06 | 17.98 |
| Equity Share Capital | 34.00 | 34.00 | 34.00 |
| Reserves (excluding revaluation reserves) | 23.26 | 37.12 | 46.85 |
| Net worth | 57.26 | 71.12 | 80.85 |
| NAV per Share (Rs.) | 168.42 | 209.20 | 237.80 |
| EPS per Share (Rs.) | 0.14 | 67.83 | 52.88 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



6. K. M. Construction Private Limited

K. M. Construction Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-7992 on 15th July, 1986 as a public limited company and was converted to a private limited company w.e.f. 5th day of October, 2004. The main objects of the company are to carry on the business of construction and development of land.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur, Uttar Pradesh – 208 001.

Board of Directors:

| Name of Director | Designation |
|------------------------|-------------|
| Mr. Aditya Jhunjunwala | Director |
| Mrs. Priti Jhunjunwala | Director |

Shareholding Pattern: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|-------------------------|---------------|---------------|
| L. K. Jhunjunwala | 19850 | 19.60 |
| L. K. Jhunjunwala (HUF) | 5800 | 5.73 |
| Naina Jhunjunwala | 19650 | 19.40 |
| Aditya Jhunjunwala | 15100 | 14.91 |
| Sanjay Jhunjunwala | 20075 | 19.82 |
| Vatsal Jhunjunwala | 6500 | 6.42 |
| Virdhi Jhunjunwala | 6700 | 6.62 |
| A. K. Jhunjunwala (HUF) | 7400 | 7.31 |
| Nathu Mal Agarwal | 200 | 0.19 |
| Total | 101275 | 100.00 |

Financial Performance:

(Rs. in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|-------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | 19.04 | 11.28 | 2.74 |
| Profit after Taxation | 16.88 | 9.51 | 0.86 |
| Equity Share Capital | 10.13 | 10.13 | 10.13 |
| Reserves (excluding revaluation reserves) | 34.48 | 41.86 | 42.52 |
| Net worth | 44.61 | 51.99 | 52.65 |
| NAV per Share (Rs.) | 44.04 | 51.34 | 51.99 |
| EPS per Share (Rs.) | 16.66 | 9.39 | 0.85 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



7. Madkini Hydro Power Private Limited (Formerly known as K. M. Electronics Private Limited)

Madkini Hydro Power Private Limited was incorporated as K. M. Electronics Private Limited under the Companies Act vide certificate of incorporation no. 20-10798 on 3rd May, 1989 with the main object to carry on the business of manufacturing and trading of electronic goods. The name was changed to Madkini Hydro Power Private Limited vide fresh certificate of incorporation dated 29th April 2004. The main object of the company is changed to operate and maintain power plants to generate / produce electricity.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur – 208 001.

Board of Directors:

| Name of Directors | Designation |
|------------------------|-------------|
| Mr. Aditya Jhunjunwala | Director |
| Mr. L.K. Jhunjunwala | Director |
| Mr. Sunil Agarwal | Director |

Shareholding Pattern (as on 31st August 2005):

| Particulars | No. of Shares | % Holding |
|----------------------------|---------------|---------------|
| L. K. Jhunjunwala | 100 | 0.03 |
| Aditya Jhunjunwala | 600 | 0.20 |
| L. K. Jhunjunwala (HUF) | 2500 | 0.82 |
| Sanjay Jhunjunwala | 3000 | 0.98 |
| Naina Jhunjunwala | 2000 | 0.65 |
| Shailja Jain | 1800 | 0.59 |
| K.M. Gases Private Limited | 296000 | 96.73 |
| Total | 306000 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | - | - | 0.03 |
| Profit after Taxation | (0.02) | (0.04) | - |
| Equity Share Capital | 1.00 | 1.00 | 30.60 |
| Reserves (excluding revaluation reserves) | (0.34) | (0.38) | 18.40 |
| Net worth 0.66 | 0.62 | 49.00 | |
| NAV per Share (Rs.) | 6.60 | 6.20 | 16.01 |
| EPS per Share (Rs.) | (0.18) | (0.40) | N/A |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



8. K.M. Leasing Limited

K.M. Leasing Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-6489 on 27th March, 1984 with the main object to carry on business of finance, trading, hire-purchase, leasing of plant and machinery and other equipment.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur, Uttar Pradesh – 208 001.

Board of Director:

| Name of Director | Designation |
|------------------------|-------------|
| Mr. Aditya Jhunhunwala | Director |
| Mr. L. K. Jhunhunwala | Director |
| Mr. Uttam Kumar Kapoor | Director |

Shareholding Pattern: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--------------------------|---------------|---------------|
| Promoter Group | 13260 | 5.41 |
| Other Directors | 0 | 0.00 |
| Private Corporate Bodies | 5000 | 2.04 |
| Others | 226740 | 92.55 |
| Total | 245000 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|---------|---------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.15 | - | 0.24 |
| Profit after Taxation | (0.15) | (32.79) | 0.03 |
| Equity Share Capital | 24.50 | 24.50 | 24.50 |
| Reserves (excluding revaluation reserves) | (13.73) | (46.53) | (47.89) |
| Net worth | 10.77 | (22.03) | (23.39) |
| NAV per Share (Rs.) | 4.40 | (8.99) | (9.54) |
| EPS per Share (Rs.) | (0.06) | (13.39) | 0.01 |

K.M. Leasing Limited is listed on the Uttar Pradesh Stock Exchange. The shares of K.M. Leasing Limited are not being traded on the Uttar Pradesh Stock Exchange.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



9. Melkhet Power Private Limited (Formerly known as K. M. Oxygen Private Limited)

Melkhet Power Private Limited was formerly known as K. M. Oxygen Private Limited and incorporated under the Companies Act vide certificate of incorporation no. 20-16755 on 3rd August, 1994 with the main object to manufacture and produce industrial gases. The name was changed to Melkhet Power Private Limited vide fresh certificate of incorporation dated 19.06.2003. The Main objects are changed to operate and maintain power plants to generate / produce electricity.

The registered office of the Company is situated at 11, Moti Bhawan, Collectorganj, Kanpur – 208 001.

Board of Directors:

| Name of Directors | Designation |
|------------------------|-------------|
| Mr. Sanjay Jhunhunwala | Director |
| Mr. Aditya Jhunhunwala | Director |
| Mr. L. K. Jhunhunwala | Director |

Shareholding Pattern (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|------------------------------------|---------------|---------------|
| Sanjay Jhunhunwala | 2700 | 0.67 |
| Santosh K. Gupta | 200 | 0.05 |
| Aditya Jhunhunwala | 1000 | 0.25 |
| L. K. Jhunhunwala | 2500 | 0.63 |
| Naina Jhunhunwala | 3600 | 0.90 |
| Marvel Business Pvt. Ltd. | 54300 | 13.57 |
| Vatsal Jhunhunwala | 10000 | 2.50 |
| Virdhi Jhunhunwala | 10000 | 2.50 |
| A. K. Jhunhunwala (HUF) | 10000 | 2.50 |
| Francoise Commerce Pvt. Ltd. | 28500 | 7.13 |
| K. M. Gases Pvt. Ltd. | 19600 | 4.90 |
| Prakash Company | 55000 | 13.75 |
| Nidhi Financial Services Pvt. Ltd. | 122600 | 30.65 |
| K. M. Constructions(P) Ltd. | 80000 | 20.00 |
| Total | 400000 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|---------|---------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.77 | 1.06 | 0.47 |
| Profit after Taxation | 0.13 | 0.08 | 0.31 |
| Equity Share Capital | 1.00 | 31.25 | 40.00 |
| Reserves (excluding revaluation reserves) | (15.98) | (15.90) | (10.79) |
| Net worth | (14.98) | (15.35) | 29.21 |
| NAV per Share (Rs.) | (149.80) | (4.91) | 7.30 |
| EPS per Share (Rs.) | 1.30 | 0.03 | 0.08 |



There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

10. Marvel Business Private Limited

Marvel Business Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 21-52791 on 21st August, 1991 with the main object of carrying on the business of producing, manufacturing, dealing etc of various products.

The registered office of the Company is situated at 7, Narayan Prasad Babu Lane, Kolkata – 700 007, West Bengal.

Board of Directors:

| Name of Director | Designation |
|-----------------------------|-------------|
| Smt Naina Devi Jhunjhunwala | Director |
| Smt Priti Jhunjhunwala | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--------------------------------------|---------------|---------------|
| L. K. Jhunjhunwala | 135000 | 15.94 |
| Naina Jhunjhunwala | 25000 | 2.95 |
| Aditya Jhunjhunwala | 25000 | 2.95 |
| Sanjay Jhunjhunwala | 25000 | 2.95 |
| Shilpa Shorewala | 25000 | 2.95 |
| Priti Jhunjhunwala | 5000 | 0.59 |
| P. C. Jhunjhunwala | 75000 | 8.85 |
| P. C. Jhunjhunwala (HUF) | 50000 | 5.90 |
| Uma Jhunjhunwala | 50000 | 5.90 |
| K M Gases Pvt. Ltd. | 25000 | 2.95 |
| Shree Shakti Credits Ltd. | 25000 | 2.95 |
| Francoise Commerce Pvt. Ltd. | 200000 | 23.62 |
| Laurel Real Estate Pvt. Ltd. | 10000 | 1.18 |
| Sahara Merchandise Pvt. Ltd. | 8000 | 0.95 |
| Adhyay Equi Pref Pvt. Ltd. | 20000 | 2.36 |
| Amichem Petro Products Pvt. Ltd | 10000 | 1.18 |
| Nalimbur Suppliers Pvt. Ltd | 20000 | 2.36 |
| Topgain Management Pvt. Ltd. | 20000 | 2.36 |
| Inchook Tracon Pvt. Ltd. | 14000 | 1.65 |
| Galaxy Datamatics Pvt. Ltd. | 30000 | 3.55 |
| SRG Custodians & Securities (I) Ltd. | 30000 | 3.55 |
| Natural Products Bio-tech Ltd. | 20000 | 2.36 |
| Total | 847000 | 100.00 |



Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|-------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | 11.56 | 18.26 | 4.20 |
| Profit after Taxation | 0.42 | 3.56 | 1.56 |
| Equity Share Capital | 66.50 | 66.50 | 84.70 |
| Reserves (excluding revaluation reserves) | 3.84 | 7.41 | 81.77 |
| Net worth | 70.35 | 73.91 | 166.47 |
| NAV per Share (Rs.) | 10.59 | 11.11 | 19.65 |
| EPS per Share (Rs.) | 0.06 | 0.54 | 0..18 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

11. Mercury Properties Private Limited

Mercury Properties Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-10434 on 6th February, 1989 with the main object of carrying on the property business.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur Uttar Pradesh – 208 001.

Board of Directors:

| Name of Director | Designation |
|------------------------|-------------|
| Mrs. Uma Jhunjhunwala | Director |
| Mr. P. C. Jhunjhunwala | Director |
| Ms. Madhu Jhunjhunwala | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--------------------|---------------|---------------|
| Uma Jhunjhunwala | 30100 | 60.20 |
| P. C. Jhunjhunwala | 15100 | 30.20 |
| Madhu Jhunjhunwala | 4800 | 9.60 |
| Total | 50000 | 100.00 |



Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | - | 0.75 | 2.90 |
| Profit after Taxation | (2.80) | (0.64) | 0.90 |
| Equity Share Capital | 5.00 | 5.00 | 5.00 |
| Reserves (excluding revaluation reserves) | (4.45) | (5.09) | (4.19) |
| Net worth | 0.55 | (0.09) | 0.81 |
| NAV per Share (Rs.) | 1.10 | (0.18) | 1.62 |
| EPS per Share (Rs.) | (5.59) | (1.28) | 1.80 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

12. Nidhi Financial Services Private Limited

Nidhi Financial Services Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 21-69426 on 16th March, 1995 with the main object of carrying on the business as shares and stock brokers, underwriters, agents and brokers for subscribing to and for sale and purchase of shares, debentures, mutual funds and other securities

The registered office of the Company is situated at 8/5, Roop Chandra Street, Kolkata – 700 007, West Bengal.

Board of Directors:

| Name of Director | Designation |
|------------------------|-------------|
| Mr. L. K. Jhunjhunwala | Director |
| Mr. V. N. Agarwal | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|------------------------------|---------------|---------------|
| Naina Jhunjhunwala | 37700 | 5.92 |
| L. K. Jhunjhunwala | 100000 | 15.68 |
| L. K. Jhunjhunwala (HUF) | 200000 | 31.36 |
| Aditya Jhunjhunwala | 100000 | 15.68 |
| Sanjay Jhunjhunwala | 100000 | 15.68 |
| Francoise Commerce Pvt. Ltd. | 100000 | 15.68 |
| Total | 637700 | 100.00 |



Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|-------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.43 | 0.85 | 1.24 |
| Profit after Taxation | (1.09) | 2.13 | 0.67 |
| Equity Share Capital | 63.77 | 63.77 | 63.77 |
| Reserves (excluding revaluation reserves) | 5.81 | 7.57 | 8.23 |
| Net worth | 69.58 | 71.34 | 72.00 |
| NAV per Share (Rs.) | 10.91 | 11.19 | 11.29 |
| EPS per Share (Rs.) | (0.17) | 0.33 | 0.11 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

13. Prakash Properties Limited

Prakash Properties Limited was incorporated under the Companies Act vide certificate of incorporation no. 26722 on 6th January, 1966 with the main object of carrying on the business as real estate agents and dealing and developing land and building.

The registered office of the Company is situated at 8/5, Roop Chandra Street, Kolkata – 700 007, West Bengal

Board of Directors:

| Name of Director | Designation |
|-------------------------|-------------|
| Mr. R. C. Agarwal | Director |
| Mr. V. N. Agarwal | Director |
| Mr. RaJ Kumar Sangneria | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--------------------|---------------|---------------|
| L. K. Jhunhunwala | 205 | 20.50 |
| Sanjay Jhunhunwala | 450 | 45.00 |
| P. C. Jhunhunwala | 305 | 30.50 |
| Others | 40 | 4.00 |
| Total | 1000 | 100.00 |



Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | - | - | 0.05 |
| Profit after Taxation | (0.07) | (0.08) | 0.002 |
| Equity Share Capital | 1.00 | 1.00 | 1.00 |
| Reserves (excluding revaluation reserves) | (0.67) | (0.75) | (0.75) |
| Net worth | 0.33 | 0.25 | 0.248 |
| NAV per Share (Rs.) | 3.28 | 1.46 | 0.003 |
| EPS per Share (Rs.) | (0.68) | (0.82) | 0.20 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

14. Rameshwaram Properties Private Limited

Rameshwaram Properties Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-10397 on 20th January, 1989 with the main object of carrying on the business of leasing of land and building.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur Uttar Pradesh – 208 001.

Board of Directors:

| Name of Director | Designation |
|------------------------------|-------------|
| Mrs. Naina Devi Jhunjhunwala | Director |
| Ms. Shruti Modi | Director |
| Mrs. Priti A. Jhunjhunwala | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|----------------------|---------------|-----------|
| Naina Jhunjhunwala | 2600 | 2.60 |
| Roshan Lal Gupta | 100 | 0.10 |
| L. K. Jhunjhunwala | 10000 | 10.00 |
| A. K. Jhunjhunwala | 2500 | 2.50 |
| Sanjay Jhunjhunwala | 5000 | 5.00 |
| Ram Kewal | 1500 | 1.50 |
| Ram Surat | 1500 | 1.50 |
| Ram Jiwayan | 1500 | 1.50 |
| Bhagirithi | 1500 | 1.50 |
| Raj Karan Verma | 1500 | 1.50 |
| Rajit Ram Verma | 1500 | 1.50 |
| Jagdish Prasad Verma | 1500 | 1.50 |
| Dan Bahadur | 1500 | 1.50 |



| Particulars | No. of Shares | % Holding |
|----------------------------|---------------|---------------|
| Subhash Chandra | 1500 | 1.50 |
| Ram Pratap | 1500 | 1.50 |
| Ram Narain | 1500 | 1.50 |
| Rajendra | 1500 | 1.50 |
| Ram Avtar | 1000 | 1.00 |
| Ajay Kumar | 1000 | 1.00 |
| Marvel Business Pvt. Ltd. | 20000 | 20.00 |
| K M Gases Pvt. Ltd. | 20000 | 20.00 |
| K M Constructions (P) Ltd. | 19800 | 19.80 |
| Total | 100000 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income - | - | 0.10 | |
| Profit after Taxation | (0.13) | (0.07) | 0.01 |
| Equity Share Capital | 10.00 | 10.00 | 10.00 |
| Reserves (excluding revaluation reserves) | (0.45) | (0.52) | (0.50) |
| Net worth | 9.55 | 9.48 | 9.50 |
| NAV per Share (Rs.) | 9.55 | 9.48 | 9.50 |
| EPS per Share (Rs.) | (0.13) | (0.07) | 0.01 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

15. Shyam Sunder Sanjay Kumar Sugar Mills Private Limited

Shyam Sunder Sanjay Kumar Sugar Mills Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-4336 with the main object of carrying on the business of Sugar manufacturing.

The registered office of the Company is situated at 11, Moti Bhawan, Collectorganj, Kanpur - 208 001.

Board of Directors:

| Name of Director | Designation |
|-------------------------|-------------|
| Mr. Santosh Kumar Gupta | Director |
| Mr. R. C. Agarwal | Director |



Shareholding Patterns: (as on 30th June 2005)

| Particulars | No. of Shares | % Holding |
|---------------------|---------------|---------------|
| G. L. Sharma | 10 | 2.00 |
| Roshan Lal Gupta | 10 | 2.00 |
| Santosh Kumar Gupta | 10 | 2.00 |
| Balraj Vohra | 10 | 2.00 |
| L. K. Jhunjhunwala | 50 | 10.00 |
| Sanjay Jhunjhunwala | 60 | 12.00 |
| Naina Jhunjhunwala | 340 | 68.00 |
| D. N. Dhandhanania | 10 | 2.00 |
| Total | 500 | 100.00 |

Face value Rs. 100/- per share

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|------------|------------|
| | 31-03-2003 | 31-03-2004 | 30-06-2005 |
| Total Income - | - | - | - |
| Profit after Taxation | - | - | - |
| Equity Share Capital | 0.50 | 0.50 | 0.50 |
| Reserves (excluding revaluation reserves) | (0.67) | (0.67) | (0.67) |
| Net worth | (0.17) | (0.17) | (0.17) |
| NAV per Share (Rs.) | (33.80) | (33.80) | (33.80) |
| EPS per Share (Rs.) | - | - | - |

Face Value Rs.100/-

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

16. Satyam Trade Centre Private Limited

Satyam Trade Centre Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 39396 on 26th August, 1985 with the main object of carrying on the business of trade, import and export of steel, engineering goods, tea and to deal in shares and securities.

The registered office of the Company is situated at 8/5, Roop Chandra Street, Kolkota – 700 007, West Bengal.

Board of Directors:

| Name of Director | Designation |
|----------------------------|-------------|
| Mrs. Priti Jhunjhunwala | Director |
| Mrs. Naina D. Jhunjhunwala | Director |
| Mr. L.K. Jhunjhunwala | Director |



Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--|---------------|---------------|
| Naina D Jhunjhunwala | 200000 | 73.40 |
| L.K.Jhunjhunwal | 10000 | 3.67 |
| L.K.Jhunjhunwal (HUF) | 10000 | 3.67 |
| Aditya Jhunjhunwala | 10000 | 3.67 |
| Sanjay Jhunjhunwala | 10000 | 3.67 |
| Francoise Commerce (P) Ltd. | 4500 | 1.66 |
| Truf Advertising & Marketing Private Limited | 5000 | 1.83 |
| Venerable Advertising Private Limited | 4000 | 1.47 |
| Shree Lakshmi Jute & Gunny Co. Private Limited | 5000 | 1.83 |
| Adhyay Equipref Private Limited | 4000 | 1.47 |
| Gautam Resources Limited | 5000 | 1.83 |
| R A Trading Co. Limited | 5000 | 1.83 |
| Total | 272500 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|-------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | 1.23 | 1.62 | 7.38 |
| Profit after Taxation | 0.69 | 0.94 | 3.77 |
| Equity Share Capital | 24.45 | 27.25 | 27.25 |
| Reserves (excluding revaluation reserves) | 1.13 | 27.27 | 31.04 |
| Net worth | 25.58 | 54.52 | 58.29 |
| NAV per Share (Rs.) | 10.46 | 20.01 | 21.39 |
| EPS per Share (Rs.) | 0.28 | 0.34 | 1.38 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

17. Shailja Properties Private Limited

Shailja Properties Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-10435 on 6th February, 1989 with the main object of carrying on the business of property leasing.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur Uttar Pradesh – 208 001.

Board of Directors:

| Name of Director | Designation |
|---------------------------|-------------|
| Mr. L. K. Jhunjhunwala | Director |
| Mrs. Shailja Jhunjhunwala | Director |
| Mr. Aditya Jhunjhunwala | Director |
| Mrs. Madhu Jhunjhunwala | Director |



Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|-------------------------------------|---------------|---------------|
| L. K. Jhunjhunwala | 2100 | 0.92 |
| Shailja Jhunjhunwala | 4100 | 1.80 |
| L. K. Jhunjhunwala (HUF) | 2000 | 0.88 |
| Sanjay Jhunjhunwala | 1800 | 0.79 |
| Flemingo Trade Services Pvt. Ltd. | 25000 | 10.99 |
| Bortex Commercial Pvt. Ltd. | 50000 | 21.98 |
| Pranjal Vyapar Pvt. Ltd. | 50000 | 21.98 |
| Guraj International Private Limited | 40000 | 17.58 |
| Sahara Merchandise Pvt. Ltd. | 25000 | 10.99 |
| Adhyay Equi Pref Pvt. Ltd. | 27500 | 12.09 |
| Total | 227500 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31 st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | - | - | 1.05 |
| Profit after Taxation | (0.02) | (0.04) | 0.007 |
| Equity Share Capital | 1.00 | 13.50 | 22.75 |
| Reserves (excluding revaluation reserves) | (0.21) | 12.25 | 12.257 |
| Net worth | 0.79 | 25.75 | 56.75 |
| NAV per Share (Rs.) | 7.95 | 19.07 | 24.95 |
| EPS per Share (Rs.) | (0.18) | (0.03) | 0.003 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

18. Shree Shakti Credits Limited

Shree Shakti Credit Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-10261 on 5th December, 1988 with the main object of carrying on the business of investing in equity & preference shares, bonds, debentures of companies.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur Uttar Pradesh – 208 001.

Board of Directors:

| Name of Directors | Designation |
|----------------------------|-------------|
| Mr. Aditya Jhunjhunwala | Director |
| Mrs. Naina D. Jhunjhunwala | Director |
| Mr. Ramesh Chandra Agarwal | Director |



Shareholding Pattern (as on 31st August 2005):

| Particulars | No. of Shares | % Holding |
|--------------------------|---------------|---------------|
| Naina Jhunjhunwala | 7000 | 14.00 |
| Aditya Jhunjhunwala | 4750 | 9.50 |
| R. C. Agarwal | 100 | 0.20 |
| N. M. Agarwal | 100 | 0.20 |
| Janardan Joshi | 100 | 0.20 |
| Kishor K. Seth | 100 | 0.20 |
| V. N. Chaddha | 100 | 0.20 |
| L. K. Jhunjhunwala | 6450 | 12.90 |
| L. K. Jhunjhunwala (HUF) | 5100 | 10.20 |
| P. C. Jhunjhunwala | 9800 | 19.60 |
| P. C. Jhunjhunwala (HUF) | 500 | 1.00 |
| Uma Jhunjhunwala | 8400 | 16.80 |
| K M Constructions Ltd. | 1000 | 2.00 |
| Sanjay Jhunjhunwala | 6500 | 13.00 |
| Total | 50000 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.01 | 0.22 | 0.13 |
| Profit after Taxation | (0.04) | 0.14 | 0.01 |
| Equity Share Capital | 5.00 | 5.00 | 5.00 |
| Reserves (excluding revaluation reserves) | (0.23) | (0.09) | (.08) |
| Net worth | 4.77 | 4.91 | 4.92 |
| NAV per Share (Rs.) | 9.55 | 9.82 | 9.84 |
| EPS per Share (Rs.) | (0.07) | 0.27 | 0.02 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.



19. Sunborne Company Private Limited

Sunborne Company Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 6332 Dated 4th October, 1966 with the main object of carrying on the business of dealing in shares and securities.

The registered office of the Company is situated at 8/5, Roop Chandra Street, Kolkota – 700 007, West Bengal.

Board of Directors:

| Name of Director | Designation |
|---------------------------|-------------|
| Mr. L. K. Jhunjunwala | Director |
| Mrs. Naina D. Jhunjunwala | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--------------------|---------------|---------------|
| Naina Jhunjunwala | 700 | 14.00 |
| L. K. Jhunjunwala | 100 | 2.00 |
| Sanjay Jhunjunwala | 4100 | 82.00 |
| D. N. Dhandhanania | 100 | 2.00 |
| Total | 5000 | 100.00 |

Face Value of Shares: Rs.75/-

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | 1.15 | 1.74 | 1.80 |
| Profit after Taxation | 0.08 | 0.29 | 0.55 |
| Equity Share Capital | 3.75 | 3.75 | 3.75 |
| Reserves (excluding revaluation reserves) | 1.66 | 1.93 | 2.59 |
| Net worth | 5.41 | 5.67 | 6.34 |
| NAV per Share (Rs.) | 108.21 | 113.60 | 126.80 |
| EPS per Share (Rs.) | 1.58 | 5.78 | 11.00 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

20. Thermocrafts (India) Private Limited

Thermocrafts (India) Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 20-8702 on 23rd April, 1987 with the main object of carrying on the business of dealing in polymers, thermoformed polysters, plastics and plastic powder of any kind etc.

The registered office of the Company is situated at 11, Moti Bhawan, Collector Ganj, Kanpur, Uttar Pradesh – 208 001.



Board of Directors:

| Name of Directors | Designation |
|-------------------------|-------------|
| Mr. S. K. Gupta | Director |
| Mr. Sanjay Jhunjhunwala | Director |

Shareholding Pattern (as on 31st August 2005):

| Particulars | No. of Shares | % Holding |
|--------------------------|---------------|---------------|
| L. K. Jhunjhunwala | 4000 | 14.81 |
| A. K. Jhunjhunwala | 4100 | 15.19 |
| S. K. Jhunjhunwala | 6500 | 24.07 |
| Naina Jhunjhunwala | 3400 | 12.59 |
| L. K. Jhunjhunwala (HUF) | 4200 | 15.56 |
| A. K. Jhunjhunwala (HUF) | 3600 | 13.34 |
| Vibha Mishra | 300 | 1.11 |
| Shyama Rani Bansal | 300 | 1.11 |
| Neeru Shah | 300 | 1.11 |
| Sadhna Bansal | 300 | 1.11 |
| Total | 27000 | 100.00 |

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|-------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.07 | 0.17 | 0.15 |
| Profit after Taxation | (0.07) | (0.04) | 0.04 |
| Equity Share Capital | 2.70 | 2.70 | 2.70 |
| Reserves (excluding revaluation reserves) | 0.99 | 0.94 | 0.98 |
| Net worth | 3.69 | 3.64 | 3.78 |
| NAV per Share (Rs.) | 13.65 | 13.47 | 14.00 |
| EPS per Share (Rs.) | (0.27) | (0.15) | 0.15 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

21. Zar International Private Limited

Zar International Private Limited was incorporated under the Companies Act vide certificate of incorporation no. 55-8364 on 15th October, 1976 with the main object of carrying on the business of export, import, trading & forwarding agent of all kinds of fabrics, handicrafts, cloths etc..

The registered office of the Company is situated at S- 322, Greater Kailash Part II, New Delhi – 110 001.


Board of Directors:

| Name of Director | Designation |
|---------------------------|-------------|
| Mrs. Naina D. Jhunjunwala | Director |
| Mr. Salig Chandra Agarwal | Director |

Shareholding Patterns: (as on 31st August 2005)

| Particulars | No. of Shares | % Holding |
|--------------------|---------------|---------------|
| Naina Jhunjunwala | 6510 | 91.56 |
| Sanjay Jhunjunwala | 350 | 4.93 |
| S. C. Agarwal | 100 | 1.41 |
| Haroon S. Kably | 50 | 0.70 |
| Sabah A. K. | 50 | 0.70 |
| Nasreen Md. Haider | 50 | 0.70 |
| Total | 7110 | 100.00 |

Face Value Rs.100/-

Financial Performance:

(Rs in lacs)

| Particulars | For the Financial Year ended March 31st | | |
|---|---|--------|--------|
| | 2003 | 2004 | 2005 |
| Total Income | 0.30 | 0.30 | 0.30 |
| Profit after Taxation | (0.04) | 0.11 | 0.08 |
| Equity Share Capital | 7.11 | 7.11 | 7.11 |
| Reserves (excluding revaluation reserves) | (5.33) | (5.22) | (5.13) |
| Net worth | 1.78 | 1.89 | 1.98 |
| NAV per Share (Rs.) | 24.99 | 26.55 | 27.85 |
| EPS per Share (Rs.) | (0.51) | 1.55 | 1.13 |

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company, its promoters or directors.

The Company has not been declared as a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is it under winding up.

DETAILS ABOUT COMPANIES/FIRMS FROM WHICH PROMOTERS HAVE DISSOCIATED DURING THE LAST THREE YEARS
Chamoli Hydro Power Private Limited.

Chamoli Hydro Power Private Limited was incorporated on 12th November 1991 as Aditya Oxygen Private Limited having its registered office at 11, Moti Bhawan, Collectorganj, Kanpur. Aditya Oxygen Private Limited was promoted by Mr. Aditya Jhunjunwala to carry on the business of manufacturing Oxygen Gas. In the year 2003 the name was changed to Chamoli Hydro Power Private Limited pursuant to the change in its objects to carry on the business of operating and maintaining power plants to generate/produce electricity.

Mr. Aditya Jhunjunwala has disassociated from Chamoli Hydro Power Private Limited in the year 2004 by way of sale of his shareholding of 1,50,000 Equity Shares of Rs. 10/- each at par to Mr. K E Shyam Kumar of Hyderabad, to concentrate on the core business of sugar manufacturing.



PENDING LITIGATIONS AGAINST GROUP COMPANIES, ITS DIRECTORS

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors, except as mentioned under the heading 'Legal and Other Information'.

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.

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

Except as stated herein below, there are no companies associated with K.M. Sugar Mills Limited, and its directors, for which an application has been made with the Registrar of Companies for striking off the names of those companies.

Shri Shyam Sunder Sanjay Kumar Sugar Mills Private Limited

Shri Shyam Sunder Sanjay Kumar Sugar Mills Pvt Limited was incorporated under the Companies Act, 1956 vide certificate of Incorporation no. 20 – 4336 with main objects of carrying on the business of sugar manufacturing. However the company was defunct since last several years and accordingly, the Company has applied for striking off its name with the Registrar of Companies, Uttar Pradesh & Uttaranchal, Kanpur under the simplified exit scheme, 2005 (SES – 2005), declared by Ministry of Company Affairs, Government of India.

Changes in Accounting Policies during preceding three years

The change in accounting policies, if any, during preceding three years are disclosed as part of the auditors report.

Mechanism for disposal of Investor Grievances: The Company has set up a Shareholders/ Investor's Grievance Committee for redressal of Investor's Grievance in compliance with clause 49 of the listing agreement. The Committee members are Mr. H.P. Singhania (as its Chairman), Mr. R.S. Shukla, Mr. D.K. Kapila and Mr. Sanjiva Gaur. The Committee approves and monitors transfers, transmissions, splits and consolidation of shares and allied matters and also investigates and directs the redressal of shareholder's grievance. Share transfers are not kept pending for more than three weeks. As on date there are no pending investor complaints.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

The following discussion of the Company's financial condition and results of operations should be read together with the audited financial statements for the FY 2002, 2003, 2004 and the 9 month period ended 30th June 2005 including the Schedules, annexures and Notes thereto and the Reports thereon, which appear in this Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of M/s. Mehrotra & Mehrotra, Chartered Accountants, dated 12th September 2005 in the section with the title 'Financial Information'.

The following discussion is based on the Company's audited financial statements for fiscal 2002, 2003, 2004 and the 9-month period ended 30th June 2005, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources.

OVERVIEW

The Company commenced business in the year 1942 as a partnership firm named 'Kamlapat Motilal'. The same was incorporated under part IX of the Companies Act, 1956 as a private limited company on 17th December 1971. The Company is engaged in production of Sugar, industrial alcohol and bio-compost.

The Company has its plant at village Masodha, PO Motinagar, Dist. Faizabad. The present capacity of the mill is 4,500 TCD. The Company has also set up a distillery unit at the same site of 50,000 Lt per day capacity, which is producing Rectified Spirit and Extra Neutral Industrial alcohol and Ethanol.

Components of Income

The Company derives its income from the following activities.

- Sale of sugar, molasses and bagasse to the Government and other domestic customers.
- Sale of Rectified spirit, Extra Neutral Alcohol, Ethanol and other spirits
- Other income: Subsidies received from Government, interest, rent and other miscellaneous receipts.

Our Results of Operation

Revenue:

Our total income and profit after tax for the year ended September 30, 2004 was Rs. 8,600.90 lacs and Rs. 516.35 lacs respectively. For the nine months ended 30th June 2005 the total income is 11,949.70 lacs and PAT is 1,174.23 lacs. The trend of total turnover for the past 5 years is as under:

(Rs. in lacs)

| Particulars | For the year ended | | | | | |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30.06.2005 (9 months) | 30.9.2004 (12 months) | 30.9.2003 (18 months) | 31.3.2002 (12 months) | 31.3.2001 (12 months) | 31.3.2000 (12 months) |
| Sugar | 7820.82 | 5,962.56 | 11,431.76 | 6,181.79 | 4,845.33 | 2,969.07 |
| Distillery | 985.33 | 1,700.37 | 1,990.18 | 912.90 | 1,434.67 | 657.13 |
| Gases | 0.91 | 76.76 | 172.12 | 172.37 | 184.37 | - |
| Bio-Compost | - | 2.36 | - | - | - | - |
| Total Revenue | 8807.16 | 7,742.05 | 13,594.06 | 7,267.06 | 6,464.37 | 3,626.20 |



Other Income

Other Income mainly comprised of Subsidy, Interest income, rent income and other miscellaneous receipts. Details of the same are as under:

(Rs. In lacs)

| Particulars | For the year ended | | | | | |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30.06.2005 (9 months) | 30.9.2004 (12 months) | 30.9.2003 (18 months) | 31.3.2002 (12 months) | 31.3.2001 (12 months) | 31.3.2000 (12 months) |
| Subsidies and compensation | 111.69 | 74.92 | 124.52 | 72.84 | 166.64 | - |
| Interest | 8.22 | 1.23 | 8.73 | 9.67 | 4.13 | 8.01 |
| Rent | 2.24 | 3.09 | 3.21 | 5.10 | 7.33 | 11.33 |
| Miscellaneous receipts | 64.93 | 80.59 | 86.37 | 82.48 | 42.10 | 58.00 |
| Total | 187.08 | 159.83 | 222.83 | 170.09 | 220.20 | 77.34 |

Expenditure

Our experience in sugar manufacturing and other ancillary activities over the period of time has resulted in reduction in cost and time through increased efficiency and better operations as can be seen from the following analysis of various cost components.

Raw Material Cost:

Our raw material consumption as percentage to the value of production (raw material consumed as % to net sales, exclusive of +/- stock adjustment) is as shown below:

(Rs. In lacs)

| Particulars | For the year ended | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30.06.2005 (9 months) | 30.9.2004 (12 months) | 30.9.2003 (18 months) | 31.3.2002 (12 months) | 31.3.2001 (12 months) | 31.3.2000 (12 months) |
| Net Sales | 8,439.52 | 7,169.97 | 12,751.45 | 7,115.30 | 6,022.52 | 3,377.66 |
| Increase/(Decrease) in Stock | 2955.46 | 699 | -2,904.95 | 12.93 | 771.09 | 1048.21 |
| Value of production | 11,394.98 | 7,868.97 | 9,846.50 | 7,128.23 | 6,793.61 | 4,425.87 |
| Raw Materials Consumed | 8,890.32 | 5,119.04 | 6,445.83 | 4,713.00 | 4,513.42 | 3,410.48 |
| % of raw material consumed to the value of production | 78.02% | 65.05% | 65.46% | 66.12% | 66.44% | 77.06% |

Details of expenses under various heads as a % of sales is given below:

| | 31.3.2002 (12 months) | 30.9.2003 (18 months) | 30.9.2004 (12 months) | 30.06.2005 (9 months) |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Raw material consumed | 63.26% | 59.07% | 59.52% | 74.40% |
| Operating Expenses | 13.13% | 16.66% | 16.27% | 8.99% |
| Employees' Emoluments | 3.82% | 3.86% | 3.58% | 2.48% |
| Financial Charges | 5.41% | 5.91% | 3.92% | 2.97% |



Raw material consumption has been decreasing as process improvements like TPM have gradually been implemented in our factory. Operating expenses as a percentage of sales have remained at the same levels in FY 03 and FY 04 and similar variations is observed in the employee cost. Finance expenses have reduced in FY 04 as compared to the previous years.

Operating (Other than Raw materials) and other expenses:

Principal components of operating and other expenses are manufacturing expenses other than raw materials viz. power and fuel, stores & spares, repairs and maintenance, excise duty and cess, employee emoluments, administrative, selling & distribution expenses etc.

Depreciation

Our Depreciation policy is as under:

Depreciation on Fixed Assets has been provided on written down method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Profit after Tax

The profit after tax (restated as per SEBI guidelines) was Rs. 516.35 lacs in fiscal 2004, Rs. (1044.72) lacs in fiscal 2003, Rs 533.55 lacs in fiscal 2002, Rs. 105.73 lacs in fiscal 2001 and Rs. 361.71 lacs in fiscal 2000. The PAT for the 9 month period ended 30th June 2005 is Rs. 1174.23 lacs.

Sundry Debtors

The following table presents the details of our debtors:

(Rs. in lacs)

| Particulars | For the year ended | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 30.06.2005 (9 months) | 30.9.2004 (12 months) | 30.9.2003 (18 months) | 31.3.2002 (12 months) | 31.3.2001 (12 months) | 31.3.2000 (12 months) |
| Sales | 8,807.25 | 7,742.05 | 13,594.06 | 7,267.06 | 6,464.37 | 3,626.20 |
| Outstanding Debtors at the end of the period | 335.20 | 735.22 | 281.13 | 249.60 | 131.76 | 125.48 |
| Debtors less than 180 days | 238.10 | 673.47 | 210.86 | 211.34 | 75.33 | 82.88 |
| Debtors less than 180 days as a % of total Drs. | 71.03% | 91.60% | 75.00% | 84.67% | 57.17% | 66.05% |
| Debtors more than 180 days | 97.10 | 61.75 | 70.27 | 38.26 | 56.43 | 42.61 |
| Debtors more than 180 days as a % of total Drs. | 28.97% | 8.40% | 25.00% | 15.33% | 42.83% | 33.96% |



Our Results of Operations

The table below sets forth various line items from our audited financial statements for fiscal 2000, 2001, 2002, 2003 and 2004, and nine month period ended 30-06-2005.

(Rs. in lacs)

| Particulars | For the period ended | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31.3.2002 (12 months) | 30.9.2003 (18 months) | 30.9.2004 (12 months) | 30.06.2005 (9 months) |
| Income | | | | |
| <i>Sales</i> | | | | |
| - Manufacturing | 7,245.04 | 13,554.55 | 7,726.67 | 8806.25 |
| - Trading | 22.02 | 39.51 | 15.39 | 0.91 |
| Other Income | 170.09 | 222.83 | 159.84 | 187.08 |
| Increase / (decrease) in stock | 12.93 | (2,904.95) | 699.00 | 2955.46 |
| | 7,450.08 | 10,911.94 | 8,600.90 | 11949.70 |
| Expenditure | 7,144.59 | 10,706.26 | 8,176.30 | 11493.74 |
| Raw material consumed | 4,713.00 | 6,445.83 | 5,119.05 | 8890.32 |
| Operating Expenses | 978.10 | 1,818.41 | 1,399.11 | 1074.66 |
| Employees' Emoluments | 284.84 | 421.03 | 308.21 | 296.58 |
| Financial Charges | 403.21 | 645.13 | 337.56 | 354.87 |
| Depreciation | 317.88 | 413.80 | 286.35 | 211.50 |
| Excise duty and cess | 151.76 | 842.61 | 572.08 | 367.64 |
| Excise duty on closing stock of FG | 295.80 | 114.05 | 153.94 | 298.17 |
| Provision for Diminution in value of investments | - | 5.40 | - | - |
| | 7,144.59 | 10,706.26 | 8,176.30 | 11493.74 |
| Profit before tax and other adjustments | 305.49 | 205.68 | 424.60 | 455.96 |
| Prior period items | 5.83 | 26.44 | (0.19) | 2.12 |
| Profit before tax | 311.32 | 232.12 | 424.41 | 458.08 |
| Provision for Tax | | | | |
| Current Tax | - | | 45.00 | 36.00 |
| Deferred Tax | (202.49) | 320.39 | (134.93) | 176.31 |
| Net Profit after tax | 513.81 | (88.27) | 514.34 | 245.77 |
| Adjusted profit and loss | 533.55 | (1,044.72) | 516.35 | 1,174.23 |

For the nine month period ended 30th June 2005, the Company has a total income of Rs. 11949.70 lacs and adjusted PAT of Rs. 1174.23 lacs. The total expenditure for the period is Rs. 11493.74 lacs. Increase in sales, higher realization of sugar prices, operational efficiency and reduction in operating costs, employee costs has helped the Company to improve its financial position.

Comparison of Performance and Analysis of Developments for the Period ended 30th September 2004 vis-à-vis financial year ended 30th September 2003 (18 months)



During the year ended 30th September 2004, the total income was Rs. 8600.90 lacs as compared to the previous year income of Rs. 10911.94 lacs. This is primarily due to the fact that the earlier period was of 18 month period. The adjusted PAT for FY 2004 is Rs. 516.35 lacs as compared to a loss of Rs. 1044.72 lacs for FY 03. During this period the Company has paid the differential cane price amounting to Rs. 930.58 lacs. Expenditure for FY 04 was Rs. 8176.30 lacs as compared to FY 03 amount of Rs. 10706.26 lacs. This is due to overall cost control and softening of finance costs.

Comparison of Performance and Analysis of Developments for the Period ended 30th September 2003 (18 months) vis-à-vis financial year ended 31st March 2002)

During the year ended 30th September 2003, the total income was Rs. 10911.94 lacs as compared to the previous year income of Rs. 7450.08 lacs. The adjusted loss for FY 2003 is Rs. 1044.72 lacs as compared to a profit of Rs. 533.55 lacs for FY 02. Expenditure for FY 03 was Rs.10706.26 lacs as compared to FY 02 amount of Rs. 7144.59 lacs. The increase is primarily due to the fact that FY 03 was an 18 month period as compared to earlier year of 12 month period, the company changed the accounting period to end the financial year in September as per the industry standard.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5(A) OF THE SEBI GUIDELINES:

i. Unusual or infrequent events or transactions:

The management does not foresee any significant economic changes concerning the Sugar industry in the immediate future, which might have an impact on the profitability or operations of the Company, other than the changes in government policies, changes in demand / supply of sugarcane and such other changes which are in usual course of business.

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

Any change in tax, duty on the final products such as Sugar, Molasses etc may affect the profitability of the Company. Except the above, there are no significant economic changes that materially affect income from continuing operations.

iii. Known trends or uncertainties

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

iv. Future relationship between costs and revenue

In sugar industry, costs depend upon sugarcane prices, which account for upto 70% of the costs, which is fixed by the government. The revenue depends on Government policies relating to free sale quotas, international markets, and availability of sugar. The Company's future sale prices will be determined by the demand-supply situation, government policies and sugarcane availability and prices.

v. Total turnover of the Company's major Industry segments

The Company presently operates in the three industry segments namely Sugar, Industrial Alcohol/Ethanol, Gases and Bio Compost. The contribution of these divisions to the total turnover of the Company is as under:

For the year ended 30th September 2004

| Sr. No | Division | Rs in lacs |
|--------|----------------------|-----------------|
| 1 | Sugar | 5,962.56 |
| 2 | Distillery | 1,700.37 |
| 3 | Gases | 76.76 |
| 4 | Bio-Compost | 2.36 |
| | Total Revenue | 7,742.05 |

vi. Status of any publicly announced new products or business segments

The Company has not announced any new products or business segments.



vii. Seasonality of business

Sugar production is dependent on the availability and quality of cane. To some extent, sugarcane is unaffected by moderately high or low rainfall. However, any drastic changes in climatic conditions may impact sugarcane crop and hence sugar production.

viii. Over dependence on Single supplier/Customer

The Company is not dependent on single supplier /customer. As regards sugar cane we have supplies from over various farmers & regarding sale of sugar, it is sold through agents to various customers.

ix. Competitive conditions

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

DETAILS OF MATERIAL DEVELOPMENTS AFTER THE DATE OF LAST BALANCE SHEET

THE DIRECTORS OF OUR COMPANY HEREBY STATE THAT IN THEIR OPINION THERE IS NO MATERIAL DEVELOPMENT AFTER THE DATE OF THE LAST FINANCIAL STATEMENTS DISCLOSED IN THE OFFER DOCUMENT WHICH IS LIKELY TO MATERIALLY AND ADVERSELY AFFECT OR IS LIKELY TO AFFECT THE TRADING OR PROFITABILITY OF THE COMPANY OR THE VALUE OF ITS ASSETS, OR ITS ABILITY TO PAY ITS LIABILITIES WITHIN THE NEXT TWELVE MONTHS, EXCEPT THE FOLLOWING:

1. OUR COMPANY HAS OBTAINED AN APPROVAL FOR SETTING UP OF A NEW SUGAR UNIT AT MANKAPUR DISTRICT GONDA, UTTAR PRADESH, OF UPTO 90,000 TONNES OF SUGAR, FROM MINISTRY OF COMMERCE AND INDUSTRY, AND HAS APPLIED FOR ACQUIRING 100 ACRES OF LAND FOR SETTING UP OF THE NEW SUGAR UNIT.
2. THE COMPANY HAS MADE A SPECIAL LEAVE PETITION (SLP) TO THE SUPREME COURT TO RESTRAIN THE CANE COMMISSIONER FROM RESERVING/ALLOTTING CANE AREA (ALREADY RESERVED FOR KMSML) TO THE NEW UNIT BEING SET UP IN AKBARPUR DISTRICT.

ADVERSE EVENTS

There has been no adverse event affecting the operations of the Company occurring within one year prior to the date of filing of the Prospectus with the Registrar of Companies.

DEFAULTS

The Company has not defaulted in meeting any statutory dues, institutional dues or bank dues. The Company has not defaulted in making any payment/refunds for debentures, fixed deposits and interest on debentures and fixed deposits, except as mentioned under the chapter 'Legal and other Information'.



OUTSTANDING LITIGATIONS, MATERIAL, DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our promoters or companies/firms promoted by our promoters that would have a material adverse effect on our business and there are no defaults, non-payment or over dues of statutory dues, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on our business other than unclaimed liabilities by us or our directors, our promoters or companies promoted by our promoters/directors.

Litigations against Promoters and Directors of KMSML

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability |
|--------|--|---|--|--|-------------------|
| 1. | 4449/2003 2003 | Sri Ram V/s A d i t y a Jhunhunwala, M a n a g i n g Director and Ramesh Chandra Agarwal Finance Manager of KMSML | Chief Judicial Magistrate, Faizabad | KMSML had issued a cheque amounting Rs.19,900/- to Sri Ram as the purchase price of sugar Cane. However the said cheque bounced due to insufficient funds. Accordingly, Sri Ram filed a complained under Section 138 of Negotiable Instrument Act. The matter is pending before the chief judicial magistrate. | Not ascertainable |
| 2. | 655/2001 05 th November 2001 | Ashok Kumar Chaudhery and others | Civil Judge Junior Division – II, Faizabad | Shri Ashok Kumar Chaudhery and his brothers filed a suit against Shri Aditya Jhunhunwala and Shri Laxmi Kant Jhunhunwala for permanent injunction suit to restrain them from using certain land bearing No. 554 situate in Faizabad. The Promoters have clarified that the said land was acquired by their group company viz. K.M. Gases Pvt. Ltd. Shri Ashok Kumar Chaudhery and his brothers have claimed that as a result of the acquisition of the said land, the way to their garden through that land was obstructed and that setting up of the plant on the said land resulted in there being a discharge of poisonous gasses which was detrimental to the productivity of their garden. The Promoters have clarified that K.M. Gases Pvt. Ltd. is producing Oxygen and Dissolved Acetylene Gas and not producing any poisonous gases. The plaintiff did not get stay order from the Court. The Matter is Pending before the Civil Judge Senior Division –II. | Not ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability |
|--------|-------------------------------|----------------------------------|---|---|-------------------|
| 3. | 60/2003 | Niti Ram & others High Court, | Allahabad, Lucknow Bench Lucknow Shri Aditya | Jhunjhunwala purchased certain land in in Village – Mohammadpur, Tehsil – Beekapur, Distt. Faizabad. Certain adjacent lands were also purchased by and K.M. Construction Pvt. Ltd., a group company. The names of the purchasers were recorded in the land records. However, subsequently the same was rejected by the Revenue Officer on the ground that the lands were surplus vacant lands in terms of the UP Imposition of Ceiling on Land Holding Act, 1960. Meanwhile, the land was given to the Niti Ram and others on lease by the Collector. An appeal was filed before the Additional Commissioner, Faizabad against the said order of the Revenue Officer and the Commissioner directed that Shri Aditya Jhunjhunwala and K.M. Construction Pvt. Ltd were entitled to the land and cancelled the lease executed in favour of Shri Niti Ram and others. Against the aforesaid order, Shri Niti Ram and others have filed a writ petition against the decision of the Additional Commissioner, Faizabad claiming their rights to the said land as lessees thereof. The Matter is Pending before the Hon'ble High Court. | Not ascertainable |

Litigations by Promoters of KMSML

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability |
|--------|-------------------------------|--------------------------|--|---|-----------|
| 1. | | Hanuman Singh and others | Sub Divisional Magistrate, Sohawal, Faizabad | K. M. Scientific Research Center and Shri Sanjay Jhunjhunwala purchased 12.5 acres and 3 acres respectively at Village – Mau Yadubanshpur, Pargana – Haveli Avadh, Tehsil – Sohawal, Distt. – Faizabad and their name were recorded in Village land records. Hanuman Prasad as joint owners with Hanuman Singh and others. K.M. Scientific Research Center & Sanjay Jhunjhunwala filed a partition suit with respect to the aforesaid land against Hanuman Prasad and others. Hanuman Prasad and claimed in the suit that K. M. Scientific Research Center and Shri | |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability |
|--------|-------------------------------|--------------------------|-------|--|-------------------|
| | | | | Sanjay Jhunjhunwala were not entitle dot the said land and the same could not be partitioned. The Matter is Pending before the S.D.M., Sohawal | Not ascertainable |

The other litigations pending against the promoters are those pending against the Company in which the promoters have also been parties and accordingly appropriate disclosures have been made at the relevant places in this Prospectus.

The Promoters of the Company are trustees of several public charitable trusts. There are litigations pending by and against such trusts. However, the promoters have not been made parties to the proceedings in their personal capacities and accordingly the said matters have not been discussed in this Prospectus.

Criminal Cases against the Company (liability – Rs. 14,37,000/-)

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|---|--|--|------------------------|
| 1. | 97/96 M 02 nd September 1996 | Vijay Shankar Pandey | Motor Accident Claim Tribunal (a d d i t i o n a l District Judge-II, Faizabad). | Mr. Vijay Shankar Pandey filed a case under the Motor vehicle Act against KMSML contending that he suffered personal injury and damage to his bullock cart on account of an accident with a tractor trolley of KMSML. The matter is pending before the Motor Accident Claim Tribunal. | 78,000/- |
| 2. | 7/2000 M 21 st January 2000 | Ajmatul Nisha and others | Motor Accident Claim Tribunal (A d d i t i o n a l District Judge-I, Faizabad.) | Smt. Ajmatul Nisha and others filed a case before A.D.J.I. Faizabad against KMSML claiming damages on the ground that her husband died in accident by Truck No. UP 42 604, a vehicle of KMSML. The matter is pending before the Motor Accident Claim Tribunal. | 13,59,000/- |
| 3. | 21/2003 M 26 th August 1989 | Smt. Meena Singh and others Motor Accident | Claim Tribunal (A d d i t i o n a l District Judge-6, Basti) Smt. Meena | Singh and others filed a case against KMSML and Oriental Insurance Company for damages on ground that her husband died in an accident with Truck No. USY 611 – vehicle of KMSML. An order has been passed against the Insurance Company for the recovery of Rs. 65,000/-. KMSML deposited Rs. 10,000/- with the Court and has requested Oriental Insurance Company to refund Rs. 10,000/- to it but Oriental Insurance Company has refused to do so and has made a review application before the Court and KMSML has objected to the same. The matter is pending before the Motor Accident Claim Tribunal. | Nil |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|---------------------------------------|---|--|------------------------------------|
| 4. | 1024/2002 2002 | U.P. Pollution Control Board, Lucknow | High Court Allahabad, Lucknow, Bench, Lucknow | U.P. Pollution Control Board made a complaint before the Chief Judicial Magistrate being case no. 358 of 1985 stating that KMSML and its Directors had not taken the requisites permission for disposal of their effluent. The Chief Judicial Magistrate however acquitted the Company and its Directors from the charges. The Pollution Control Board has filed a Criminal appeal before High court against the acquittal order. The matter is pending before the High Court | Not Ascertainable |
| | Civil Cases | | | | |
| 1. | 86/1995 with appeal No. 59/2004 1999 | Ashok Prasad Gupta | High Court Delhi | <p>Ashok Prasad Gupta filed a recovery suit against KMSML before Tees Hazari Court, New Delhi contending that KMSML has made default in the payment to be made for the purchase of the chemicals from him. The suit was decreed in Mr. Gupta's favour.</p> <p>KMSML has filed an appeal before the Hon'ble Delhi High Court against the order passed by Tees Hazari Court, Delhi. The Hon'ble High court directed KMSML to deposit the decreeted amount in High Court. KMSML has deposited Rs. 1,35,142.25/- with the Hon'ble High Court. However, the interest on the above amount remains to be paid. The matter is pending before the High Court.</p> | 1,25,000/- (Interest Liability) |
| 2. | 698/2003 23 rd December 2003 | Satbir Ali and others | Civil Judge (Jr. Division), Faizabad | Satbir Ali and others have claimed that KMSML is in illegal occupation of the land bearing plot No. 272, Village-Madhampur, Tehsil – Sohawal, distt. – Faizabad. KMSML has claimed that the said plot of land stands in the name of KMSML and that it is in legal occupation thereof. However, Satbir Ali and others have filed a suit against KMSML to prevent KMSML from erecting a boundary wall on the said property. No stay has been granted and the boundary wall has been constructed by KMSML. The matter is pending before the Civil Judge (Jr. Division). | Not Ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--------------------------------------|---|---|------------------------|
| 3. | 107/96 11 th March 1996 | Tej Bahadur Singh | District Consumer Forum, Faizabad. | KMSML had sold a jeep to Shri. Tej Bahadur Singh for Rs. 2,42,871/- in 1994. KMSML claimed that Shri. Tej Bahadur Singh had paid a sum of Rs. 1,06,000/- as part payment therefore but the balance amount with interest till date has not been paid by him. Shri. Tej Bahadur Singh has disputed the matter and filed a case against KMSML claiming that he has already paid a sum of Rs. 2,17,000/- to KMSML and the same has been misappropriated by the transport manager of KMSML. The matter is pending before the District Consumer Forum. | Nil |
| 4. | 101/2001 09 th May 2001 | Ram Bahadur Tiwari | District Consumer Forum, Faizabad. | KMSML as a practice part finances purchase of cane seed to its farmers and in respect thereof requires the farmer to deposit a part of the purchase price with it. Ram Bahadur Tiwari had deposited Rs. 60/- for registration to purchase cane seed. However, KMSML failed to deliver the cane seeds in time. Hence, Mr. Tiwari has filed a suit for damages of Rs. 13,100/- against KMSML. The matter is pending before the District Consumer Forum. | 13,100/- |
| 5. | 41/2005 27 th February 2005 | Arjun Jaiswal | Civil Judge Junior Division, Haveli, Faizabad | Arjun Jaiswal has in the said suit, claimed tenancy rights in respect of Room No.4 in the K. M. Sugar Mills colony Faizabad. KMSML claimed that the said premises belonging to it as the same are staff quarters. Accordingly the Arjun Jaiswal who is not an employee of the Company has filed a suit for permanent injunction against KMSML. The matter is pending before the Civil Judge (Jr. Division). | Not Ascertainable |
| 6. | 6274/2000 16 th December 2004 | Kisan Sahkari Chini Mills, Sultanpur | High Court Allahabad, Lucknow Bench, Lucknow | The Cane Purchase Centers i.e.; Kalan Chauraha and Halapur were reserved for Kisan Sahkari Chini Mills Sultanpur upto season 2003-2004 on and from season 2004-2005 the Kalan Chauraha and Halapur Cane Purchase Centers were in pursuance of the direction of the Cane Commissioner, assigned to KMSML. Kisan Sahkari Chini Mills filed a writ petition before the High Court, Lucknow challenging the reservation order passed by the Cane Commissioner. The matter is pending before the High Court. | Not ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|-------------------------------|---|--|---|------------------------|
| 7. | 6257/2004 2004 | Kisan Sahkari Chini Mills, Sultanpur | High Court Allahabad, Lucknow Bench, Lucknow | The Cane Purchase Center, Patna was reserved for Kisan Sahkari Chini Mills Sultanpur upto season 2003-2004 on and from season 2004-2005 the Patna Cane Purchase Center was, in pursuance of the direction of the Cane Commissioner divided in 2 parts and 1st part was assigned to KMSML. Kisan Sahkari Chini Mills filed a writ petition before the High Court, Lucknow challenging the reservation order passed by Cane Commissioner. The matter is pending before the High Court. | Not ascertainable |
| 8. | 48159/2002 | Indian Sugar Mills Association & others | High Court Allahabad, | The State Government of Uttar Pradesh has regularly advised (for every season) the price at which the sugar mills in Uttar Pradesh are required to purchase sugar cane from the farmers. KMSML has been purchasing sugar at the price so advised by the State Government. KMSML has together with several other Sugar Mills filed a writ petition being WPNo. 48159 of 2002 before the Hon'ble High Court at Allahabad seeking a direction from the Hon'ble Court (i) to restrain the State Government of Uttar Pradesh from fixing the State advised cane price in relation to purchase of sugar cane by the sugar mills and (ii) that the purchase of sugar cane should be at the statutory minimum price fixed by the Central Government. At the time when the Writ Petition was filed, the State Government had not advised the aforesaid cane price in relation to purchase of sugar cane for the season 2002-03 and accordingly the Hon'ble High Court directed the State Government not to advise the cane price of sugar. . However, in another matter, the Supreme Court held that the State Government has the power to fix the cane price of sugar and accordingly the State Government fixed the cane price of sugar for the season 2002-03 by their order dated 5.10.04. . Accordingly, KMSML and the other sugar mills have filed an application for amendment of the writ petition where KMSML together with the other Sugar Mills claimed that the order of the Supreme Court cannot have retrospective effect and that the | — |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|-------------------------------|--|--|--|------------------------|
| | | | | State Government should not announce the cane price for sugar for the year 2002-03. The Company has till date been paying the cane price as advised by the State Government. The matter is pending before the High Court. Meanwhile KMSML has paid the entire amount of 9.30 crores under protest. | |
| 9. | 2072/92 | K. M. Sugar Mills, Motinagar, Faizabad | High Court Allahabad, | The UP state govt had acquired the sugar mill at Bhatni, owned by KMSML. The Prescribed Authority under U.P. Sugar Acquisition Act in acquisition proceedings against KMSML, Bhatni passed an order for payment of Rs. 65,51,806 together with interest at 5.75% with effect from 02 nd July 1971 in favour of KMSML, but the same was not paid by the UP State Government to KMSML. The UP State Government filed a writ petition against KMSML before the Hon'ble High Court at Allahabad and the Hon'ble High Court has granted stay order on the above recovery proceedings. The matter is pending before the High Court. | Nil |
| 10. | 1402/96 1996 | K M Sugar Mills Limited | High Court Allahabad, Lucknow Bench, Lucknow | KMSML has filed writ petition before the Hon'ble High court for waiver of administrative charges amounting to Rs. 3,83,108/- levied under U.P. Sheera Niyantran Adhiniyam on 76621.60 quintals molasses which was to be utilized by KMSML (Distillery Division) a raw material for manufacturing of alcohol KMSML has claimed that the said charges cannot be levied for internal consumption of molasses by KMSML itself. KMSML has deposited a bank guarantee of Rs. 5 lacs before the court. The matter is pending before the High Court. | Nil |



Statutory Dues - Excise Cases (Liability Rs. Nil)

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--------------------------|--|---|------------------------|
| 1. | 4427/2000 28 th August 2000 | Excise Department, | High Court Allahabad, Lucknow Bench, Lucknow | The excise department levied administrative charges amounting to Rs.3,83,108/- under U.P. Sheera Niyantran Adhiniyam with respect to 38,272.05 quintals of molasses produced by KMSML and which was to be utilized in the Distillery Division of KMSML as a raw material for manufacturing of alcohol. KMSML has claimed that the said charges cannot be levied with respect to internal consumption of molasses by KMSML itself and has accordingly filed a writ petition before the Hon'ble Court.. The Court has directed to KMSML to pay the administrative charges pending final disposal of the writ. Accordingly, KMSML has paid the entire amount of the administrative charge to the excise department on the said 38,272.05 quintals molasses and has utilized the above molasses. The matter is pending before the High Court. | Nil |
| 2. | 2980/98 1998 | K M Sugar Mills Limited | High Court Allahabad, Lucknow Bench, Lucknow | The excise department levied administrative charges amounting to Rs.250000/- levied under U.P. Sheera Niyantran Adhiniyam with respect to 50,000 quintals molasses produced by KMSML and which was to be utilized in the Distillery Division of KMSML as raw material for manufacturing of alcohol. KMSML has claimed that the said charges cannot be levied with respect to internal consumption of molasses by KMSML itself and has accordingly filed a writ petition before the Hon'ble Court. The Court has directed to KMSML to pay the administrative charges pending final disposal of the writ. Accordingly, KMSML has paid the entire amount of the administrative charge to the excise department on the said 50,000 quintals molasses and has utilized the above molasses. The matter is pending before the High Court. | Nil |



Litigations by the Company

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|-----------------------------------|--|--|------------------------|
| 1. | 1/1991 26 th August 2004 | State Government Of Uttar Pradesh | Prescribed Authority under U. P. Sugar Undertaking act / Commissioner, Lucknow | The Factory owned by KMSML at Bhatni was acquired by the State Government. The prescribed authority under UP Sugar Undertaking Act had directed the State Government to pay Rs. 37,55,209.94/- to KMSML as consideration for the acquisition. But the same was not paid by the UP State Govt. KMSML has filed an execution case before prescribed authority / commissioner, Lucknow. The matter is pending before the prescribed authority. | — |
| 2. | 161/2002 16 th February 2002 | M/s Anand Sales Corporation | District Consumer Forum, Faizabad. | KMSML filed a case before District Consumer Forum, Faizabad for recovery of damages amounting to Rs. 4,26,500/- against M/s Anand Sales Corporation for defect in the Servo Stabilizer purchased from Anand Sales Corporation and its failure to repair. The matter is pending before the District Consumer Forum (Faizabad). | — |
| 3. | — | State Government of Uttar Pradesh | High Court Allahabad, Lucknow, Bench, Lucknow | The erstwhile partnership firm viz. Kamlapat Motilal Sugar Mills was carrying on the business of running the Sugar Mill presently owned by KMSML and could not made certain payments due to the Cane Development Co-operative societies. As the result, the Collector, Faizabad, appointed a receiver on the properties of the erstwhile firm. The receiver in his capacity as such took a loan of Rs. 19.50 lacs from the UP Government out of which Rs.5 lacs was repaid and the balance remained outstanding. For the purposes of recovery of this loan, the U.P Government sealed the sugar bags belonging to the firm and sold the same. The erstwhile firm filed a case regular suit no. 17/71 against U.P. Government demanding refund of the balance Rs. 14.50 lacs along with interest which was rejected by the Civil Judge Senior Division, Faizabad by its order dated 29 th May 2002. Against the above order, KMSML filed an appeal before Hon'ble High Court against U.P. Government. The matter is pending before the High Court. | — |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|---|--|--|------------------------|
| 4. | 5270/2004 2004 | F I Fertilisers Private Limited, Lucknow | Chief Judicial Magistrate, Faizabad | KMSML filed a case under section 138 of the Negotiable Instruments Act before Chief Judicial Magistrate, Faizabad against M/s F.I. Fertilizer company along with its Director Mr. Prabhat Singh and Authorised signatory Mrs. Sharda Devi, for dishonour of cheque amounting to Rs. 2,18,711/- given by M/s F I fertilizer private Limited towards the consideration for purchase of Pressmud from KMSML. The matter is pending before the Chief Judicial Magistrate. | — |
| 5. | 10/2005 2005 | M/s F I Fertiliser Private Limited, Lucknow | Chief Judicial Magistrate, Faizabad | KMSML filed a case under section 138 of the Negotiable Instruments Act before Chief Judicial Magistrate, Faizabad against M/s F.I. Fertilizer company along with its Director Mr. Prabhat Singh and Authorised signatory Mrs. Sharda Devi, for dishonour of cheque amounting to Rs. 1,38,711/-, Rs. 1,38,711/- and Rs. 2,78,711/- given by M/s F I Fertilizer Private Limited towards the consideration for purchase of Pressmud from KMSML. The matter is pending before the Chief Judicial Magistrate. | — |
| 6. | 74/2005 2005 | M/s F I Fertiliser Private Limited | Chief Judicial Magistrate, Faizabad | KMSML filed a case under section 138 of the Negotiable Instruments Act before Chief Judicial Magistrate, Faizabad against M/s F.I. Fertilizer company along with its Director Mr. Prabhat Singh and Authorised signatory Mrs. Sharda Devi, for dishonour of cheque amounting to Rs. 2,78,711/- given by M/s F I Fertilizer Private Limited towards the consideration for purchase of Pressmud from KMSML. The matter is pending before the Chief Judicial Magistrate. | — |
| 7. | Case U/S 138 N.I. Act 18 th December 1996 | M/s Mahadev Leasing Company Limited | Metropolitan Magistrate Tees Hajari Court, New Delhi | KMSML filed a case under section 138 of the Negotiable Instruments Act before Metropolitan Magistrate, New Delhi, against M/s Mahadev Leasing Company Limited along with its Directors, for dishonour of cheque amounting to Rs. 20 lacs given by M/s Mahadev Leasing Company Limited towards the repayment of Loan taken from KMSML. The matter is pending before the Metropolitan Magistrate for hearing. | |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|-------------------------------|---|---|--|------------------------|
| 8. | 568/2002 2002 | M/s Ashok Industrial Gases, Balrampur, Gonda (U.P.) | Chief Judicial Magistrate, Faizabad | KMSML (Gas Division) had produced Oxygen and Dissolved Acetylene Gas. KMSML sold 353 Gas Cylinders (empty cylinders were to be returned to KMSML) to Ashok Kumar Gupta, proprietor of Ashok Industrial Gases, Balrampur, Gonda, for supply to various consumers. However, the empty Gas Cylinders were not returned by the above dealer to KMSML. Hence KMSML filed a complaint U/S 420, 504 and 506 of the IPC. The C.J.M. Court, Faizabad had issued a search warrant against above dealer. The matter is pending before the Chief Judicial Magistrate. | |
| 9. | /2005 2005 | U.P. Power Corporation Limited | District Consumer Grievance Redressal Forum | U.P. Power Corporation raised an electricity bill on KMSML for Rs. 6,71,734.30 in the month of July, 2004 (for the period November 2002 to April 2004) KMSML challenged the bill and made an application before the District Consumer Grievance Redressal Forum on the ground that the electricity bill had been raised based on the urban rate schedule and not the rural rate Schedule and as a result there was a substantial increase in the electricity bill. The Consumer Redressal Forum, after hearing both parties, passed an order against KMSML. Thereafter KMSML filed a suit before the Regulatory Commission against the aforesaid order of the Consumer Redressal Forum. The matter is pending. | 6,71,734.30 |

Litigations against the Company

Labour Matters (Total estimated liability Rs. 16,82,008.32/-)

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|-----------------------------|-----------------------|--|------------------------|
| 1. | 64/91 11 th January 1990 | KM Sugar Mills Sramik Sangh | Labour Court Faizabad | Mr. Khursheed Ahmad along with 12 others who were employees of K. M. Scientific Research Centre Moti Nagar, Faizabad, filed a case before the Deputy Labour Commissioner ("DLC"), Faizabad for regularization of their employment on the ground that KMSML refused to recognize them as KMSML's employees. DLC referred Case to Labour Court Faizabad on 25 th January 1991. The Matter is pending before the Labour Court. | Not Ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--|--------------------------------------|--|------------------------|
| 2. | 884/2001 2001 | K. M. Sugar Mills (P) Ltd. | High Court Allahabad – Lucknow Bench | Mr. Khursheed Ahmad along with 12 others who were employees of K.M. Scientific Research Center, Moti Nagar, Faizabad filed two cases before the Dy. Labour Commissioner, Faizabad being case Nos. 20/89 and 23/90, claiming to be employees of KMSML. The Dy. Labour Commissioner, Faizabad, passed an order in favour of workmen, directing KMSML to pay a sum of Rs. 10,36,768.20/- to Mr. Khursheed Ahmad and 12 others being the wages from 1 st April, 1989 to February 1990. KMSML deposited full amount of 10,36,768.20/- before District Judge, Faizabad and filed an appeal No. 3/ 91 before District Judge Faizabad, against the aforesaid order of the Dy. Labour Commissioner, Faizabad. The District Judge Faizabad rejected the appeal. KMSML filed a writ petition at Hon'ble High Court, Allahabad, - Lucknow Bench against the order of the Dy. Labour commissioner, Faizabad and the District Judge, Faizabad, in which, both the orders have been stayed. The matter is pending before the High Court. | Nil |
| 3. | 163/91 30 th August, 1990 | Uma Shankar Yadav and 11 other Persons | Labour Court Faizabad | Uma Shankar and 11 others, who were employees of K.M. Scientific Research Center, Moti Nagar, faizabad (a separate institution), filed case against KMSML before DLC on the ground of removal from service w.e.f. 1 st April, 1990 and on the ground that KMSML refused to recognize them as employees. DLC referred the cases to Labour Court. The Matter is pending before the labour court. | Not Ascertainable |
| 4. | 43/2000 11 th April, 2000 | Narendra Kumar Singh | Labour Court Faizabad | Mr. Narendra Kumar Singh filed the case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 5 th April, 2000 by KMSML. KMSML has in turn alleged that the employment of Narendra Kumar Singh has been terminated as he had remained absent from service. DLC referred the case to the Labour Court. The matter is pending before the Labour Court. | 80,000/- |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--------------------------|--------------------------|--|------------------------|
| 5. | 44/2000 11 th April, 2000 | Santosh Kumar Singh | Labour Court Faizabad | Mr. Santosh Kumar Singh filed a case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 5 th April, 2000 by KMSML. KMSML has in turn alleged that the employment of Santosh Kumar Singh has been terminated, as he had remained absent from service. DLC referred in case to Labour Court. The matter is pending before the Labour Court. | 80,000/- |
| 6. | 45/2000 11 th April, 2000 | Praveen Pratap Singh | Labour Court Faizabad | Mr. Praveen Pratap Singh filed a case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 5 th April, 2000 by KMSML. KMSML has in turn alleged that the employment of Praveen Pratap Singh has been terminated, as he had remained absent from service. DLC referred in case to Labour Court being case no. 45/2000. The matter is pending before the Labour Court. | 80,000/- |
| 7. | 46/2000 11 th April, 2000 | Umesh Pratap Singh | Labour Court Faizabad | Mr. Umesh Pratap Singh filed a case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 5 th April, 2000 by KMSML. KMSML has in turn alleged that the employment of Umesh Pratap Singh has been terminated, as he had remained absent from service. DLC referred in case to Labour Court. The matter is pending before the Labour Court. | 80,000/- |
| 8. | 47/2000 11 th April, 2000 | Kaushal Kishore Singh | Labour Court Faizabad | Mr. Kaushal Kishore Singh filed a case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 5 th April, 2000 by KMSML. KMSML has in turn alleged that the employment of Kaushal Kishore Singh has been terminated, as he had remained absent from service. DLC referred in case to Labour Court. The matter is pending before the Labour Court. | 80,000/- |
| 9. | 48/2000 | Indrabhan Singh | Labour Court Faizabad | Mr. Indrabhan Singh filed a case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 05-04-2000 by KMSML. KMSML has in turn alleged that the employment | 80,000/- |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|---------------------------------------|---|---|------------------------|
| | | | | of Indrabhan Singh has been terminated, as he had remained absent from service. DLC referred in case to Labour Court. The matter is pending before the Labour Court. | |
| 10. | 49/2000 11 th April, 2000 | Anil Kumar Singh | Labour Court Faizabad | Mr. Anil Kumar Singh filed a case before DLC against KMSML on the ground that he had been removed illegally from service with effect from 05 th April 2000 by KMSML. KMSML has in turn alleged that the employment of Anil Kumar Singh has been terminated, as he had remained absent from service. DLC referred in case to Labour Court. The matter is pending before the Labour Court. | 80,000/- |
| 11. | 2661/2000 2000 | K M Sugar Mills Limited High Court | Court Allahabad, Lucknow Bench, Lucknow | Narendra Kumar Singh and six others filed a case before Deputy Labour Commissioner, Faizabad against KMSML for timely payment of wages. The Deputy Labour Commissioner issued an order against the KMSML for recovery of Rs.47510.21. KMSML paid the disputed amount to above workers and filed a writ petition against aforesaid order before High Court. The High Court in his order stayed the recovery proceeding against KMSML. The matter is pending before the High Court. | 47,510.21/- |
| 12. | 16/2000 05 th February 1996 | Tribhuan | Labour Court Faizabad | Mr. Tribhuan filed case before DLC against KMSML contending that he was removed from his service with effect from 24 th July 1991 ignoring the fact that he was permanent employee. The case had been referred to Labour Court. KMSML had refused to recognize him as permanent employee on the ground that he was a contract labour. The matter is pending before the labour Court. | Not Ascertainable |
| 13. | 17/2000 5 th February 1996 | Devraj | Labour Court Faizabad | Mr. Devraj filed case before DLC against KMSML contending that he was removed from his service with effect from 24 th July, 1991 ignoring the fact that he was permanent employee. The case had been referred to Labour Court. KMSML had refused to recognize him as permanent employee on the ground that he was a contract labour. The matter is pending before the labour court | Not Ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--------------------------|--------------------------|--|------------------------|
| 14. | 18/2000 5 th February, 1996 | Shathrugan | Labour Court Faizabad | Mr. Shathrugan filed case before DLC against KMSML contending that he was removed from his service with effect from 24 th July, 1991 ignoring the fact that he was permanent employee. The case had been referred to Labour Court. KMSML had refused to recognize him as permanent employee on the ground that he was a contract labourer. The Matter is pending before the labour court. | Not Ascertainable |
| 15. | 19/2000 5 th February, 1996 | Ram Narain | Labour Court Faizabad | Mr. Ram Narain filed case before DLC against KMSML contending that he was removed from his service with effect from 24 th July, 1991 ignoring the fact that he was permanent employee. The case had been referred to Labour Court. KMSML had refused to recognize him as permanent employee on the ground that he was a contract labour. The matter is pending before the labour court. | Not Ascertainable |
| 16. | 20/2000 5 th February, 1996 | Shiv Kumar | Labour Court Faizabad | Mr. Shiv Kumar filed case before DLC against KMSML contending that he was removed from his service with effect from 24 th July, 1991 ignoring the fact that he was permanent employee. The case had been referred to Labour Court. KMSML had refused to recognize him as permanent employee on the ground that he was a contract labour. The matter is pending before the labour court. | Not Ascertainable |
| 17. | 21/2000 5 th February, 1996 | Ram Karan | Labour Court Faizabad | Mr. Ram Karan filed case before DLC against KMSML contending that he was removed from his service with effect from 24 th July, 1991 ignoring the fact that he was permanent employee. The case had been referred to Labour Court. KMSML had refused to recognize him as permanent employee on the ground that he was a contract labour. The matter is pending before the labour court. | Not Ascertainable |
| 18. | 31/2002 28 th April, 2001 | Jaganath Yadav | Labour Court Faizabad | The employee made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court. | Not Ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--------------------------|--------------------------|---|------------------------|
| 19. | 32/2002 26 th April, 2001 | Gyan Prakash | Labour Court Faizabad | Mr. Gyan Prakash made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court | Not Ascertainable |
| 20. | 33/2002 26 th April, 2001 | Santram | Labour Court Faizabad | Mr. Santram made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court | Not Ascertainable |
| 21. | 34/2002 26 th April, 2001 | Suresh Yadav | Labour Court Faizabad | Mr. Suresh Yadav made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court | Not Ascertainable |
| 22. | 35/2002 26 th April, 2001 | Heera Lal | Labour Court Faizabad | Mr. Heera Lal made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court. | Not Ascertainable |
| 23. | 36/2002 26 th April, 2001 | Ram Dayal | Labour Court Faizabad | Mr. Ram Dayal made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court. | Not Ascertainable |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|---|--------------------------|--------------------------|--|---|
| 24. | 37/2002 26 th April, 2001 | Bhurdul | Labour Court Faizabad | Mr. Bhurdul made an application before DLC contending that his employment was terminated by KMSML with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case had been referred to the Labour Court. The matter is pending before the labour court. | Not Ascertainable |
| 25. | 38/2002 26 th April, 2001 | Gethu Ram | Labour Court Faizabad | Mr. Gethu Ram made an application before DLC against KMSML contending that he was removed from his service with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case has been referred to Labour Court. The matter is pending before the labour court. | Not Ascertainable |
| 26. | 39/2002 26 th April, 2001 | Hirdai Ram | Labour Court Faizabad | Mr. Hirdai Ram made an application before DLC against KMSML contending that he was removed from his service with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case has been referred to Labour Court. The matter is pending before the labour court | Not Ascertainable |
| 27. | 40/2002 26 th April, 2001 | Bansh Raj | Labour Court Faizabad | Mr. Bansh Raj made an application before DLC against KMSML contending that he was removed from his service with effect from 15 th November, 1991 ignoring the fact that he was a casual labour employed by KMSML. The case has been referred to Labour Court. The matter is pending before the labour court. | Not Ascertainable |
| 28. | 1/96 29 th December, 1995 | A.K.Rai | Labour Court Faizabad | Mr. A. K. Rai filed a case under 33 C (2) Industrial Dispute Act, Court in the Labour Court against KMSML and its Managing Directors demanding three month salary, bonus etc. Mr. A.K. Rai contended that he was removed from his service on 29 th July, 1995 without giving the requisite 2-month notice for termination. The matter is pending before the labour court. | 26,836.71/- together with interest @ 12% p.a. and costs of Rs.3,500/- |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|--------------------------|-----------------------|--|------------------------|
| 29. | 1968/ 2001 16 th September, 1997 | Pradeep Kumar Pandey | High Court Allahabad | Mr. Pradeep Kumar Pandey filed a case before DLC demanding additional wages amounting to Rs. 12,419.86 for the crushing seasons from the years 89-90 to 91-92 while employed with KMSML. The case was referred to the Labour Court. Mr. Pradeep Kumar Pandey filed a case, before Labour Court against removal from service by KMSML and the Labour court passed an award in his favour. KMSML has filed a writ petition against the aforesaid award. The High court passed an interim order on 16 th July, 2001 and operation of award passed by labour court has been stayed. The matter is pending before the High Court | 2,08,000/- |
| 30. | 17/2002 25 th February, 2002 | Rajendra Prasad | Labour Court Faizabad | Mr. Rajendra Prasad was employed by KMSML during the period August 2001 to January 2002. He filed a case in Labour Court against KMSML demanding salary, and overtime during year 2001 which remained unpaid to him amounting Rs. 23,884.00. The matter is pending before the labour court. | 23,884/- |
| 31. | 31/2002 2 nd August, 2002 | Rajendra Kumar | Labour Court Faizabad | Mr. Rajendra Kumar filed a case in Labour Court against KMSML demanding salary from January 2002 to July 2002 amounting to Rs. 30,009.50 along with its ten times damages. KMSML has claimed that during this period the worker was one of candidate of "Block Pramukh" and without any intimation the worker was absent from duty. The matter is pending before the labour court. | 30,009.50/- |
| 32. | 50/2003 26 th February, 2002 | Rajendra Prasad Dwivedi | Labour court Faizabad | Mr. Rajendra Prasad Dwivedi filed a case before labour court against KMSML demanding retaining allowance for the crushing season from 1998-99 to 2000-01. The matter is pending before the labour court. | 52,215/- |
| 33. | 55/2003 20 th October, 2003 | Ajay Kumar pandey | Labour court Faizabad | Mr. Ajay Kumar Pandey filed a case before labour court against labour court demanding retaining allowance for the crushing season from 1997-98 and 1998-99. The matter is pending before the labour court. | 34,823/- |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|--------------------------|---|--|------------------------|
| 34. | 35/2003 28 th July, 2003 | Dwarika Prasad Pandey | Labour court Faizabad | Mr. Dwarika Prasad Pandey who was working as a Dy. Chief Engineer with KMSML and was removed with effect from 29 th May, 2002, filed a case before the labour court against KMSML demanding ex-gratia, notice pay, medical leave and bonus. The matter is pending before the labour court. | 95,989/- |
| 35. | 57/97 25 th July, 1997 | Rajendra Kumar | Prescribed Authority under payment of wages Act (Deputy Labour Commissioner, Faizabad). | Mr. Rajendra Kumar filed a case before the Dy. Labour Commissioner under the Payment of Wages Act, demanding salary from April 1993 to October 1994, which according to him, was wrongfully detained by KMSML. KMSML has claimed that the services of employee were suspended during that period on account of his absence without permission of the management. After domestic enquiry KMSML decided to forfeit 50 % payment due to him. The matter is pending before the Deputy labour commissioner. | 20,706.99/- |
| 36. | 6/2001 17 th January, 2001 | Patiraj singh | Prescribed Authority under payment of wages Act (Deputy Labour Commissioner, Faizabad.) | Mr. Patiraj Singh filed a case before Dy. Labour Commissioner, under the Payment of Wages Act against KMSML demanding wages for the period 15 th January, 2000 to 31 st December, 2001. KMSML has claimed that he was never in employment of KMSML. The matter is pending before the Deputy Labour Commissioner. | 9,775/- |
| 37. | 69/2004 1 st September, 2003 | Rajendra Kumar | Labour court Faizabad | Mr. Rajendra Prasad Dwivedi filed a case before labour court against KMSML contending that he was removed from services w.e.f. 18 th June, 2003 without sufficient cause. KMSML claimed that the worker was elected as Block Pramukh, Block – Masoudha, Faizabad. He was absent from duty without any leave or permission. After domestic enquiry KMSML terminated his services. The matter is pending before the labour court. | Not Ascertainable |
| 38. | 32/2002 2 nd February, 2002 | Baldev Kumar Chaudhary | Labour Court Faizabad | Mr. Baldev Kumar Chaudhary filed a case before the labour court with respect to nonpayment to him of retaining and T.A / D.A. allowances to him from 16 th January, 2002. The matter is pending before the labour court | 35,657/- |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|-------------------------------|-----------------------------|--------------------------------------|---|--|
| 39. | WP 1896/1998 1998 | K. M. Sugar Mills Ltd. | High Court Allahabad – Lucknow Bench | Mr. Gopinath made an application before the Labour Commissioner stating that based on the decision of the Labour Court in another case being Case No. 129/1991, he was entitled to receive a sum of Rs. 1,99,761/- as back wages for the period October 1990 to September 1997. Tahsildar, District Faizabad issued a recovery certificate against KMSML, on 5.8.1998 for a total sum of Rs. 1,99,761.75/-. Against the aforesaid recovery certificate, KMSML has filed a writ petition before the Honb'le High Court Allahabad – Lucknow Bench, challenging the order made by the Labour Commissioner on the ground that the employee was not entitled to the back wages as aforesaid. The High Court directed KMSML to deposit the aforesaid amount in Court forthwith and has permitted Mr. Gopinath to withdraw 1/3 of the amount forthwith. KMSML has deposited a sum of Rs. Rs. 1,99,761.25 in Court pursuant to the aforesaid directions. The matter is pending before the High Court. | 1,99,761.75/- |
| 40. | 549/98 1998 | K. M. Sugar Mills (P) Ltd. | High Court Allahabad – Lucknow Bench | Mr. Ajai Kumar Pandey filed a case, being case No. 32/93 before Labour Court on the ground that he was illegally removed from service by KMSML and the Labour court passed an award in his favour for payment of back wages and for reinstatement in service. KMSML has filed a writ petition against the aforesaid award labour court award. As per the directions of the labour court, back wages have already paid and Ajai Kumar Pandey has been reinstated. | The employee has been reinstated, and a sum of Rs. 64,311.52/- has been paid to him. |
| 41. | 529/99 1999 | Mr. Rajendra Prasad Dwivedi | High Court Allahabad – Lucknow Bench | Mr. Rajendra Prasad Dwivedi filed a case, before Labour Court against removal from service by KMSML. The Labour Court passed an award in his favour for payment to him of back wages and for reinstatement in service. KMSML has filed a writ petition against the aforesaid award of the labour court. Back wages already paid and Rajendra Prasad Dwivedi has been reinstated. The matter is pending before the High Court | Nil |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|--------------------------|---|---|------------------------|
| 42. | 1968/2001 2001 | Pradeep Kumar Pandey | High Court Allahabad – Lucknow Bench | Mr. Pradeep Kumar Pandey filed a case, before Labour Court against removal from service by KMSML and the Labour Court passed an award in his favour. KMSML has filed a writ petition against the aforesaid award. The High court passed an interim order dated 16 th July, 2001 and operation of award passed by labour court has been stayed. The matter is pending before the High Court. | 2,08,000/- |
| 43. | 2052/86 1986 | Lalta Prasad | High Court Allahabad – Lucknow Bench | Mr. Lalta Prasad filed a case, before Labour Court against removal from service by KMSML and the Labour Court passed an award in his favour for payment of back wages to him and for reinstatement in service. KMSML filed a writ petition against the aforesaid Labour Court award. As per direction of Hon'le High Court – Lucknow Bench, back wages have already paid to Lalta Prasad and he is being paid full salary as awarded by Labour Court. The matter is pending before the High Court. | Nil |
| 44. | 4/96 4 th December, 1990 | Baddri Prasad | District Judge. Faizabad | Mr. Baddri Prasad presented 3 different claims under payment of wages act being claim no.10/89, 32/89 and 52/89 before the prescribed authority claiming back wages for the period January 1983 to November 1988. The prescribed authority passed an order against the employee and accordingly he filed the appeal before the District Judge, Faizabad. He claimed Rs. 55,840.98 under PW Case No. 10/89, Rs. 10,062.29 under PW Case No.32/89 and Rs.2,874.94 under PW Case No.52/89. Writ petition was filed by the K.M. Sugar Mills and not pressed. The employee already received full & final payment from The K.M. Sugar Mills and after receiving the above payment he resigned. The matter is pending before the District Judge. | 68778.21/- |
| 45. | 13/2004 20 th August, 2004 | Vikarma | Assistant Labour Commissioner, Faizabad | Mr. Vikarma who had been dismissed from service after domestic enquiry on 10 th September, 2004, filed the case before Assistant Labour Commissioner against KMSML claiming that his service was wrongly terminated. The | 30000/- |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|--------------------------|---|--|------------------------|
| | | | | employee has claimed his reinstatement in service and back wages together with interest. The Case is pending before the conciliation officer. | |
| 46. | 101/2003 2000 | K.M. Sugar Mills Limited | High Court Allahabad, Lucknow, Bench, Lucknow | Mr. Ram Jeet Singh had made a claim of Rs.8,000/- before the prescribed authority under the payment of wages act on account of non payment of wages in time. The prescribed authority passed an order dated 16 th October, 2000 directing KMSML to pay to the employee a sum of Rs.1,15,200/-. KMSML filed an appeal before the District Judge Faizabad which was dismissed. On the writ petition filed by KMSML before High Court against the order of the appellate authority, an interim order has been passed by the High court for the recovery of sum of Rs.1,00,000/- from employee. The matter is pending before the High Court. | Nil |
| 47. | 1683/97 1997 | K.M. Sugar Mills Limited | High Court Allahabad, Lucknow, Bench, Lucknow | Masodha Chini Mills Sramik Sangh, being a labour union of KMSML, filed a case before the prescribed authority under payment of wages act against KMSML for the recovery of wages of a group of workers. The authority passed an order for the recovery of claimed amount of Rs.26,563.20 including penalty. Against the order of authority, a review application was filed by KMSML, which was dismissed. On the writ petition filed by K.M. Sugar Mills before the High court challenging the aforesaid order of the prescribed authority, High Court passed an interim order directing KMSML to deposit the full amount in the High Court. KMSML has deposited the said amount in the High Court. The matter is pending before the High Court. | Nil |
| 48. | CP Exemption Case / 2005 20/09/2004 | Rambahore | Assistant Labour Commissioner, Faizabad | Mr. Rambahore had made a claim that he had been dismissed from service from 01/11/2001 and filed the case against KMSML before Assistant Labour Commissioner that his service was wrongly terminated. The case is pending before the conciliation officer and is yet to be registered. | Nil |



| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|--|--------------------------|---|---|------------------------|
| 49. | CP Exemption Case / 2005 20/09/2004 | Shadhu Ram | Assistant Labour Commissioner, Faizabad | Mr. Shadhu Ram had made a claim that he had been dismissed from service from 01/11/2001 and filed the case against KMSML before Assistant Labour Commissioner that his service was wrongly terminated. The case is pending before the conciliation officer and is yet to be registered. | Nil |
| 50. | CP Exemption Case / 2005 20/09/2004 | Ram Nihal | Assistant Labour Commissioner, Faizabad | Mr. Ram Nihal had made a claim that he had been dismissed from service from 01/11/2001 and filed the case against KMSML before Assistant Labour Commissioner that his service was wrongly terminated. The case is pending before the conciliation officer and is yet to be registered. | Nil |
| 51. | CP Exemption Case / 2005 20/09/2004 | Baljeet Assistant | Labour Commissioner, Faizabad | Mr. Baljeet had made a claim that he had been dismissed from service from 01/11/2001 and filed the case against KMSML before Assistant Labour Commissioner that his service was wrongly terminated. The case is pending before the conciliation officer and is yet to be registered. | Nil |
| 52. | CP Exemption Case / 2005 20/09/2004 | Doodhnath | Assistant Labour Commissioner, Faizabad | Mr. Doodhnath had made a claim that he had been dismissed from service from 01/11/2001 and filed the case against KMSML before Assistant Labour Commissioner that his service was wrongly terminated. The case is pending before the conciliation officer and is yet to be registered. | Nil |
| 53. | CP Case 6/2005 05/04/2004 | Amarnath Raj | Asst. Labour Commissioner, Faizabad | Mr. Amarnath Raj had made a claim that he had been dismissed from service from 07/02/2002 and filed the case against KMSML before Assistant Labour Commissioner that his service was wrongly terminated. He had claimed his reinstatement in service and back wages with interest. The case is pending before the conciliation officer. | Nil |



Other matters

| Sr. No | Case No.& Date of Institution | Particulars of Plaintiff | Forum | Brief description of the matter | Liability Amount (Rs.) |
|--------|-------------------------------|---|------------------------|--|------------------------|
| 1. | S.L.P. (C) No. 18508/2005 | KMSML has intervened in the petition presently pending before the Supreme Court in the matter of Bajaj Hindustan Limited and Monnet Sugar Limited | Supreme Court of India | Akbarpur Chini Mills, a unit of Balrampur Chini Mills has made an application to the Cane Commissioner, inter alia, for allotment of 9391 hectares of land out of the reserved area and 1150 hectares out of the assigned area of KMSML. KMSML has, inter alia, filed a Special Leave Petition to restrain the Cane Commissioner from allotting area already reserved for KMSML to Akbarpur Chini Mills. The matter is pending before the Honourable Supreme Court of India. | Nil |

Income tax cases

For the Assessment Year 85-86

- The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

In the matter, KMSML had realised excess price amounting to Rs.21,57,611/- on sale of levy sugar to Food Corporation of India over and above the price fixed by the Government. The aforesaid amount was credited by KMSML to sugar sales suspense a/c. under current liabilities. The Assessing Officer disallowed the said liability and treated the same as revenue and added the same to its total income vide his Order dated 31.3.87.

KMSML filed an appeal before the Commissioner of Income Tax, Appeals "CIT (A)" being Appeal No. CIT(A)/416/CC.IV/87-88 on 14.5.87. The CIT(A) deleted the addition made by the Assessing Officer vide its Order dated 8.12.87.

The Income Tax Department filed an appeal before the Income Tax Appellate Tribunal "ITAT" being Appeal No. I.T.A. No.277 (Alld)/88 on 21.5.96 in which the ITAT disposed of the appeal in favour of KMSML.

The Income Tax Department has therefore filed the aforesaid appeal in the Hon'ble High Court of Allahabad which is pending before it for adjudication.
- The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

In the matter, KMSML had made a provision for a sum of Rs.7,77,654/- on interest liability for payment of interest on the amount of excess realisation of sugar price pertaining to the sugar season 1978-79, 1979-80, 1980-81, 1982-83. The Assessing Officer disallowed the said interest claim on the ground that it was only a contingent liability vide his Order dated 31.3.87.

KMSML therefore filed an appeal before the CIT(A) being appeal No.CIT(A)/416/CC.IV/87-88 on 14.05.87. The CIT(A) deleted the said addition made by the Assessing Officer vide its Order dated 8.12.87.

The Income Tax Department therefore filed an appeal before the ITAT being Appeal No. I.T.A. No. 277(Alld)/88 on 21.5.96 in which the ITAT disposed of the appeal in favour of KMSML.

The Income Tax Department has therefore filed the aforesaid appeal in the Hon'ble High Court of Allahabad which is pending before it for adjudication.
- The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

In the matter, KMSML had made a provision for a sum of Rs.42,788 /- on interest liability for payment of interest on the amount of excess realization of sugar price pertaining to the sugar season 1971-72.

The Assessing Officer disallowed the said interest claim on the ground that it is only a contingent liability vide his Order dated 31.3.87.



KMSML had therefore filed an appeal before the CIT (A) being appeal No.CIT(A)/416/CC.IV/87-88 on 14.05.87. The CIT(A) deleted the said addition made by the Assessing Officer vide its Order dated 8.12.87.

The Income Tax Department filed an appeal before the ITAT being Appeal No.I.T.A. No. 277(Alld)/88 on 21.5.96 in which the ITAT allowed the appeal in favour of KMSML

The Income Tax Department has therefore filed the aforesaid appeal in the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 86-87

1. KMSML has filed an appeal before the Hon'ble Supreme Court of India being Appeal No.14735/2003 on 22.8.03.
In the matter, KMSML had claimed 100% depreciation on Gas Cylinder's which was disallowed by the Assessing Officer vide his Order dated 30.3.88.
KMSML had therefore filed an appeal before the CIT(A) being Appeal No.CIT(A)-86/CC.V/1988-89 on 2.5.1988 in which the CIT(A) allowed the depreciation claimed by KMSML vide its order dated 19.9.1988.
The Income Tax Department therefore, filed an appeal before the ITAT being Appeal No.I.T.A.No.113(Alld)/1989 on 5.1.89 in which the ITAT reversed the order of the CIT(A) vide its Order dated 28.4.99.
KMSML had filed an appeal before the Hon'ble High Court of Allahabad in which the Hon'ble High Court had rejected the appeal vide its Order dated 17.4.2003.
KMSML has therefore filed the aforesaid appeal before the Hon'ble Supreme Court of India which is pending before it for adjudication.
2. The Income Tax Department has filed an appeal before the Hon'ble H.C. of Allahabad
In the matter, KMSML had made a provision for a sum of Rs.7,55,292/- as interest liability for payment of interest on the excess realization pertaining to the sugar season 1978-79, 1979-80, 1980-81 and 1982-83.
The Assessing Officer disallowed the aforesaid interest claim on the ground that it was only a contingent liability vide his Order dated 30.3.88.
KMSML had therefore filed an appeal before the CIT (A) being Appeal No. CIT(A)-86/CC.V/1988-89 on 2.5.1988 The CIT (A) disposed off the appeal in favour of KMSML vide its Order dated 19.9.1988.
The Income Tax Department filed an appeal before the ITAT being Appeal No.I.T.A. No. 113(Alld)/1989 on 5.1.89 in which the ITAT upheld the order of the CIT(A) vide its Order dated 28.4.99
The Income Tax Department has therefore filed the aforesaid appeal in the High Court of Allahabad which is pending before it for adjudication.
3. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.
In the matter KMSML had made a provision for a sum of Rs.42,788/- as interest liability for payment of interest on the excess realization pertaining to the sugar season 1978-79, 1979-80, 1980-81 and 1982-83. The Assessing Officer disallowed the said interest claim on the ground that it was only a contingent liability vide his Order dated 30.3.88.
KMSML filed an appeal before the CIT (A) being appeal No. CIT(A)-86/CC.V/1988-89 on 2.5.1988 in which the CIT (A) disposed off the appeal in favour of KMSML vide its Order dated 19.9.1988.
The Income Tax Department filed an appeal before the ITAT being Appeal No.I.T.A. No. 113(Alld)/1989 on 5.1.89 in which the ITAT upheld the order of the CIT(A) vide its Order dated 28.4.99.
The Income Tax Department has therefore filed the aforesaid appeal in the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 87-88

1. KMSML has filed an appeal before the Hon'ble High Court of Allahabad on 12th July 2002.
In the matter, KMSML had converted 15,497 quintals of levy sugar into non-levy sugar in pursuance of a letter issued by the Government of India dated 29.8.85. The excess realisation was credited in sugar sales suspense a/c.



The excess amount of Rs.16,97,856 was not treated as profit as KMSML was obliged to divert an equivalent quantity of sugar from free to levy sugar. The Assessing Officer did not accept this contention and added the aforesaid sum as part of the income of KMSML vide his Order dated 30.11.98.

KMSML had therefore filed an appeal before the CIT(A) being Appeal No.CIT(A)-I/203/CC-V/88-89 on 30.1.89 in which the CIT (A) confirmed the order passed by the Assessing Officer vide its order dated 16.3.89.

KMSML had filed an appeal before the ITAT being appeal No.837(Alld.) of 1989 on 22.4.89 in which the ITAT confirmed the orders passed by the Assessing Officer and the CIT (A) vide its Order dated 22.2.2002

KMSML has therefore filed the aforesaid Appeal in the Hon'ble High Court of Allahabad which is pending before it for adjudication.

2. KMSML has filed an appeal before the Hon'ble High Court of Allahabad on 12.7.02

In the matter, KMSML had claimed 100% depreciation for a sum of Rs.39,44,650/- on empty gas cylinders.

The Assessing Officer disallowed the aforesaid claim of depreciation vide his Order dated 30.11.88.

KMSML had filed an appeal before the CIT (A) being Appeal No. CIT(A)-I/203/CC-V/1988-89 on 30.1.89 in which the CIT (A) confirmed the order of the Assessing Officer vide its Order dated 16.3.89.

KMSML filed an appeal before the ITAT being Appeal No. 837(Alld.) of 1989 on 22.4.89 in which ITAT confirmed the Order of the CIT(A).

KMSML has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

3. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

In the matter, KMSML had made a provision for a sum of Rs.7,55,292/- as interest liability for payment of interest on the excess realisation pertaining to sugar season 1978-79, 1979-80, 1980-81, 1982-83. The Assessing Officer did not allow the deduction of the aforesaid amount and made a direction that the aforesaid sum to be added to the total income vide his Order dated 30.11.98

KMSML had filed an appeal before the CIT(A) being Appeal No.CIT(A)-I/203/CC-V/88-89 on 30.1.89 in which the CIT(A) disposed of the appeal in favour of the KMSML vide its Order dated 16.3.1989.

The Income Tax Department had filed an appeal before the ITAT being Appeal No.1211 of 1989 on 20.05.89 in which the ITAT upheld the order of the CIT(A).

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

4. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

KMSML had made a provision for a sum of Rs.42,788/- as interest liability for payment of interest on the excess realisation pertaining to Sugar season 1971-72. The Assessing Officer did not allow the deduction of the aforesaid amount and directed the aforesaid sum to be added to the income vide his order dated 30.11.98

KMSML had filed an appeal before the CIT(A) being Appeal No.CIT(A)-I/203/CC-V/88-89 on 30.1.89 in which the CIT(A) disposed of the appeal in favour of the KMSML vide its order dated 16.3.1989.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. 1211 of 1989 on 20.05.89 in which the ITAT upheld the order of the CIT(A).

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 1988-89

1. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

KMSML had made a provision for a sum of Rs.7,55,292 /- as interest liability for payment of interest on the excess realisation pertaining to Sugar season 1978-79, 1979-80, 1980-81, 1982-93. The Assessing Officer did not allow the deduction of the aforesaid amount and directed the aforesaid sum to be added to the income vide his Order dated 19.1.90.



KMSML had filed an appeal before the CIT(A) being Appeal No. CIT(A)-I/265/CC-IV/89-90 on 20.2.90 in which the CIT(A) disposed of the appeal in favour of the KMSML vide its Order dated 28.5.90.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 1973/AIId/1990 on 10.8.90 in which the ITAT confirmed the Order passed by the CIT (A) vide its Order dated 14.6.2001.

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

2. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

KMSML had made a provision for a sum of Rs.47,788 /- as interest liability for payment of interest on the excess realisation pertaining to Sugar season 1971-72. The Assessing Officer did not allow the deduction of the aforesaid amount and directed the aforesaid sum to be added to the income vide his Order dated 19.1.1990.

KMSML had filed an appeal before the CIT(A) being Appeal No.CIT(A)-I/265/CC-IV/89-90 on 20.2.90 in which the CIT(A) disposed of the appeal in favour of the KMSML vide its Order dated 28.5.90.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 1973/AIId/1990 on 10.8.90 in which the ITAT confirmed the order passed by the CIT (A) vide its Order dated 14.6.2001.

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

3. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

The Assessing Officer disallowed the amount of Rs 64500/- claimed as notional interest on debit balance in accounts of M/s Prakash Company on the ground that the borrowed fund was diverted for some other purpose vide his Order dated 19.1.90

KMSML had filed an appeal before the CIT(A) being Appeal No.CIT(A)-I/265/CC-IV/89-90 on 20.2.90 in which the CIT(A) disposed of the appeal in favour of the KMSML vide its Order dated 28.5.90.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 1973/AIId/1990 on 10.8.90 in which the ITAT confirmed the order passed by the CIT (A) vide its Order dated 14.6.2001.

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 1989-90

1. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

The Assessing Officer made the following additions vide his order dated 6.1.92 (apart from other additions which have not been disputed) -

- a. The provision for a sum of Rs.12,38,966 /- made by KMSML as interest liability for payment of interest on the excess realisation pertaining to Sugar season 1969-70, 1970-71, 1971-72, 1978-79, 1979-80 & 1982-83.
- b. On account of notional interest on debit balance of Rs 69,394/- in the account of M/s K M Leasing Ltd, Rs 3,06,022/- in the account of M/s K M Gases and non charging of interest of Rs 31,482/- in the account M/s Prakash company.
- c. On account of rental income from gas cylinders amounting to Rs 9615/-
- d. Disallowance of consultancy charges paid to K L Scientific regarding consultancy for import of empty gas cylinders amounting to Rs 3,50,000/-.
- e. Restricting the allowance of depreciation on trucks running on hire to 33.33 % against a claim of 50 % made by KMSML.

KMSML had therefore filed an appeal before the CIT(A) being Appeal No. CIT(A)-II/133/DCIT SR-2/91-92 on 31.2.92 in which the CIT(A) disposed of the appeal in favour of the KMSML vide its Order dated 12.8.92.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 2240/AIId./1992 on 3.8.2001 in which the ITAT vide its Order dated 15.6.01 confirmed the Order passed by the CIT (A) except with respect to the depreciation in which it confirmed the order of the Assessing Officer.



The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 1990-91

1. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

The Assessing Officer made the following additions which are pending in appeal, vide its order dated 30.3.92 (apart from other additions which have not been disputed)-

- a. The provision for a sum of Rs.8,25,999 /- made by KMSML as interest liability for payment of interest on the excess realisation pertaining to Sugar season 1969-70, 1970-71, 1971-72, 1978-79, 1979-80 & 1982-83.
- b. On account of notional interest on debit balance of Rs2,29,264/- in the account of M/s K M Leasing Ltd, Rs 74,427/- in the account of M/s K M Gases and non charging of interest of Rs 20,088/- in the account M/s Prakash Industries Ltd.
- c. On account of rental income from gas cylinders amounting to Rs 12,570/-
- d. Disallowance of lease rent paid of Rs 24,000/- to Mr. L K Jhunjunwala for land situated in Lucknow.
- e. Restricting the allowance of depreciation on trucks running on hire to 33.33 % against a claim of 50 % made by KMSML.

KMSML had therefore filed an appeal before the CIT(A) being Appeal No.CIT(A)-II/46/DCIT SR-1/92-93 on 30.4.92 in which the CIT(A) disposed of the appeal in favour of KMSML vide its Order dated 30.3.93.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 1438/Alld./1993 on 9.11.01 in which the ITAT vide its Order dated 9.11.02 confirmed the Order passed by the CIT (A).

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 1991-92

1. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

The Assessing Officer made the following additions which are pending in appeal, vide its order dated 16.2.94 (apart from other additions which have not been disputed):

- a. On account of notional interest on debit balance of Rs 3,57,956/- in the account of M/s K M Leasing Ltd, Rs 82,538/- in the account of M/s K M Gases and non charging of interest of Rs 20,088/- in the account M/s Prakash Industries Ltd.
- b. On account of rental income from gas cylinders amounting to Rs 18,275/-
- c. Disallowance of lease rent paid of Rs 24,000/- to Mr. L K Jhunjunwala for land situated in Lucknow.

KMSML had therefore filed an appeal before the CIT(A) being Appeal No.CIT(A)/97/DCIT SR-1/93-94 on 18.3.94 in which the CIT(A) disposed of the appeal in favour of KMSML vide its Order dated 24.5.95.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 1477/Alld./1995 on 26.7.95 in which the ITAT vide its Order dated 20.12.02 confirmed the Order passed by the CIT (A).

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 1992-93

1. The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad

In respect of this matter, The Assessing Officer made the following additions which are pending in appeal, vide its order dated 31.3.94 (apart from other additions which have not been disputed)-

- a. On account of notional interest on debit balance of Rs 2,92,711/- in the account of M/s K M Leasing Ltd, Rs 81,751/- in the account of M/s K M Gases and non charging of interest of Rs 20,088/- in the account M/s Prakash Industries Ltd.
- b. On account of rental income from gas cylinders amounting to Rs 10,425/-
- c. Disallowance of lease rent paid of Rs 24,000/- to Mr. L K Jhunjunwala for land situated in Lucknow.



- d. Restricting the allowance of depreciation on trucks running on hire to 33.33 % against a claim of 50 % made by KMSML.

KMSML had therefore filed an appeal before the CIT(A) being Appeal No.CIT II/42/DCIT SR-1/94-95 on 28.4.94 in which the CIT(A) disposed of the appeal in favour of KMSML vide its Order dated 21.6.95.

The Income Tax Department had filed an appeal before the ITAT being Appeal No. I.T.A. No. 1558/Alld./1995 on 14.8.95 in which the ITAT vide its Order dated 20.12.02 confirmed the Order passed by the CIT (A).

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 1993-94

The Income Tax Department has filed an appeal before the Hon'ble High Court of Allahabad.

The Assessing Officer made the following additions vide his order (apart from other additions which have not been disputed)

The surplus amount received on sale of extra free sale quota allowed by the government under the "Sugar Incentive Scheme 1993" which was treated as capital receipt by KMSML, was held to be revenue receipt by the Assessing Officer.

The following matters were set aside by ITAT to CIT (A) with directions to decide issues on basis of ITAT order.

Rs. 2,16,576/- transferred to Molasses reserve fund

Rs. 13,313/- rental charges for Gas cylinders

The Income Tax Department has therefore filed the aforesaid appeal before the Hon'ble High Court of Allahabad which is pending before it for adjudication.

For the Assessment Year 2001-02

1. KMSML has filed an appeal before the CIT (A) on 28.4.04 against the order of the Assessing Officer dated 29.3.04 on the following grounds-
 - a. Transfer to mollasses Reserve of Rs. 3,21,952/- was treated as income.
 - b. Disallowance of remuneration paid to managing director amounting to Rs. 1,20,000/-.
 - c. Disallowance of interest paid amounting to Rs. 9,04,068/- on the ground that no interest is charged on loans given to companies under the same management.
 - d. Disallowance of lease rent of Rs. 24,000/- paid to L K Jhunjhunwala for land situated in Lucknow.
 - e. Adhoc allowance of expenses amounting to Rs. 2,48,500/- of Sugar division and Rs. 37,000/- of Distillery division on the ground that the same are unverifiable / personal / non business use
 - f. Addition of Rs. 94,77,679/- being compensation received from UP Government for compulsory acquisition of Bhatni Sugar Unit.
 - g. Disallowance of Rs. 15,000/- incurred on dinner / lunch of delegaties, 24,000/- as income admitted by authorities and Rs. 8,643/- as delayed payment of trade tax and Rs. 76,000/- being paid to excise department as "Shaman Shulk", considered as of penal nature.
 - h. Error by assessing officer in working the figures of income U/s 115 JB.

KMSML has therefore filed the aforesaid appeal before the CIT (A) which is pending before for adjudication.



Litigations involving Group Companies

K.M. Gases Private Limited

| Sr. No. | Suit No. & Date of Institution | Particulars of Plaintiff/ Defendant | Name of Court | Brief facts | Liability Amount Rs. |
|---------|--------------------------------|--|---|--|------------------------------|
| 1 | 94/2002 2002 | Faizabad Development Authority | Chairman Faizabad Development Authority/ Commissioner Faizabad K .M. Gases Pvt. | Ltd. Motinagar, Faizabad purchased a godown and land from Shri Mahendra Kumar Singh and Indra Sen Singh in Village – Hanshapur, Tehsil – Sadar, Faizabad. The Faizabad Development Authority has alleged that the godown was constructed after implementation of development rules and accordingly the company should deposit a sum of Rs. 7,35,804 with the authority, failing which the godown would be demolished K.M. Gases Pvt. Ltd., has on the other hand contended before the Chairman, Faizabad Development Authority that the godown was constructed in accordance with the Regulations and that the order of the Faizabad Development Authority should be set aside. The Matter is Pending before the Chairman of the Faizabad Development Authority. | 7,35,804/- |
| 2. | 315/2004 | Ram Janki | Hon'ble High Court Allahabad, Lucknow Bench, Lucknow | The Husband of Smt. Ram Janki who was employed in the District Court Lucknow met with an accident of Truck of K.M. Gases Pvt. Ltd. and expired. Smt. Ram Janki together with her 2 sons and her daughter filed the case before the Motor Accident Claim Tribunal, Lucknow claiming Rs.20,32,880/- as compensation and the Tribunal has by its order dated on 18 th March,, 2004 directed K.M. Gases Pvt. Ltd. to pay compensation sum of Rs. 12,11,100/- together with interest at the rate of 7% to the claimants. K.M. Gases has filed an appeal before the Hon'ble High Court Allahabad, Lucknow Bench, Lucknow against the Judgment of the Tribunal. The Matter is Pending before Hon'ble High Court. | 12,11,100 + interest @ 7% |
| 3. | /2005 | K.M. Gases Pvt. Ltd..Motinagar, Faizabad | Electricity Regulatory Commission U.P. Power Corporation Ltd. Lucknow | U.P. Power Corporation raised a revised electricity bill for Rs. 8,34,760.98 in the month of July 2004. K.M. Gases Pvt. Ltd. deposited the amount under protest and challenged the bill and made an application before the Consumer Forum on the ground that the | 8,34,760.98 |



| Sr. No. | Suit No. & Date of Institution | Particulars of Plaintiff/ Defendant | Name of Court | Brief facts | Liability Amount Rs. |
|---------|--------------------------------|-------------------------------------|---------------|---|----------------------|
| | | | | electricity bill had been raised based on the urban rate schedule and not the rural rate schedule and a result their was a substantial increase in the electricity bill.. After this the Electricity Consumer Redressal Forum, Faizabad after hearing both parties passed order against K.M. Gases. K.M. Gases Pvt. Ltd. has filed a suit before Regulatory Commission against the aforesaid order of the Consumer Forum. The Matter is Pending before Electricity Regulatory Commission. | |

Marvel Business Private Limited

| S r . No | Suit No. & Date of Institution | Particulars of Plaintiff / Defendant | Name of Court | Brief facts | Liability |
|----------|--------------------------------|---|---|---|-----------|
| 1 | 329/2004 | Ram Bux and others | Hon'ble High Court, Allahabad, Lucknow Bench, Lucknow | Shri Jawahar, father of Shri Ram Bux, met with an accident to the Tractor belonging to Marvel Business Pvt. Ltd. and succumbed. Ram Bux filed a Motor Accident Claim Case before District Court, Faizabad and the Court directed Marvel Business Pvt. Ltd. to pay a compensation of Rs.2,02,000/- together with interest to Ram Bux, son of the late Shri Jawahar. Marvel Business Pvt. Ltd. deposited a sum of Rs.25000/- in High Court and filed an appeal before Hon'ble High Court Allahabad, Lucknow Bench, Lucknow against the aforesaid District Court Judgement. The matter is pending before the Hon'ble High Court. | 2,02,000 |
| 2. | 328/2004 | Marvel Business Pvt.Ltd. Motinagar, Faizabad | Hon'ble High Court, Allahabad, Lucknow Bench, Lucknow | The father of Kumari Kamlesh met with an accident of a tractor belonging to Marvel Business Pvt. Ltd. and he succumbed. She filed a Motor Accident Claim Case before District Court, Faizabad and the Court had held Marvel Business Pvt. Ltd. responsible for payment of compensation equivalent to Rs. 6,23,000/- together with interest. Marvel Business deposited a sum of Rs.25000/- in High Court and filed an appeal before Hon'ble High Court Allahabad, Lucknow Bench, Lucknow against the aforesaid District Court Judgement. The Matter is | 6,23,000 |



| S r . No | Suit No. & Date of Institution | Particulars of P l a i n t i f f / Defendant | Name of Court | Brief facts | Liability |
|-------------|-----------------------------------|--|---|--|-----------|
| | | | | Pending before the Hon'ble High Court. | |
| 3. | 330/2004 | Smt. Krishna Devi | Hon'ble High Court Allahabad, Lucknow Bench, Lucknow | The husband of Smt. Krishna Devi met with an accident of Tractor owned by Marvel Business Pvt. Ltd. and expired. The Tractor was being used for transport by KMSM. Accordingly Smt. Krishna Devi together with her family filed the case before the Motor Accident Claim Tribunal, Faizabad being case no.74/97 against Marvel Business Pvt. Ltd. and Preeti Jhunjunwala and the Tribunal directed Marvel Business Pvt. Ltd. to pay a sum of Rs. 1,95,000/- with 6% interest w.e.f. 17 th May, 1997 as compensation to the claimants. Marvel Business Pvt. Ltd. has deposited a sum of Rs. 25,000/- in favour of Registrar High Court Lucknow Bench. Marvel Business and Preeti Jhunjunwala have filed an appeal before High Court Allahabad, Lucknow Bench, Lucknow against the Judgment of the Tribunal. The Matter is Pending before Hon'ble High Court. | 1,95,000 |

SEBI and Stock Exchange Violations

1. K.M. Leasing Limited (KMLL), our group company listed on Uttar Pradesh Stock Exchange (UPSE), had received a letter dated 15th December, 1999 from the UPSE, for non submission of various documents/information required under the provisions of listing agreements.
2. KMLL also received a letter no. CFD/DCR/RC/TO/30587/05 dated 11th January 2005 from SEBI, in respect of violation of Regulation 6(2) & 6 (4) of SEBI SAST for the year 1997 and Regulation 8(3) for the period from 1998 to 2002 in respect of not filing the required information in accordance with the said Regulations. KMLL has vide its letter dated 1st March 2005 replied to SEBI stating that it has complied with said Regulations and has requested SEBI to drop the proceedings against KMLL.

Banks and Financial Institutions defaults/delays

1. Our Company had issued 15% redeemable Non Convertible Debentures (NCDs) of Rs. 250 lacs to IFCI, redemption of which was to be made in 10 quarterly installments beginning from 15th July 2003. Our Company has defaulted in the redemption of these NCDs. Towards redemption of the said NCDs, we have paid Rs. 125 lacs in July 2005 and the balance Rs.125 lacs in September 2005 towards full and final redemption of NCD principal. A letter confirming the full and final repayment of the NCD has been issued by IFCI.
2. Our Company has defaulted in the repayment of the loan taken from Sugar Development Fund (SDF) of Rs. 404 lacs in the year 1996. The said loan was repayable in 5 equal annual installments of Rs.80.80 lacs each after one year of the repayment of IFCI dues or expiry of 8 years from the date of disbursement, whichever is earlier. As per the records available with SDF, as on 31st March, 2005 there is an outstanding amount of Rs. 235.18 lacs (including interest and penal interest, subject to reconciliation with the controller of accounts). Out of which, our Company has paid Rs. 80.80 lacs in two tranches, i.e. Rs. 69.49 lacs on 06th April 2005 and Rs.11.31 lacs on 11th May 2005.



3. Mr. L.K. Jhunjhunwala had been one of the guarantors for the term loan granted by IDBI and also guarantor to the credit facilities granted by State Bank of Patiala to IKSL. IKSL had defaulted in repayment of IDBI's and SBP's dues because of the sudden demise of its main promoter, Mr. Ajay Bajoria, a close relative of Mr. L.K. Jhunjhunwala. IKSL has been declared as a sick industrial company by the Board for Industrial and Financial Reconstruction vide its order no 235/2000 (II) dated 12th September 2001. IDBI and SBP had filed recovery suits against IKSL and their guarantors at Debt Recovery Tribunal (DRT) for recovery. IKSL has entered into an OTS with IDBI on 03rd August 2004 and with SBP on 31st March, 2005 for settlement of dues of Rs. 106 lacs and Rs. 28.65 lacs respectively in installments. After entering into OTS, IKSL has made certain payments to IDBI and SBP and the outstanding amounts due to them are Rs.85 lacs and Rs.21.45 lacs respectively.

IKSL have since paid the entire amount due to IDBI (Rs. 86 lacs) and SBP (Rs. 22.59 lacs) and has requested IDBI and SBP to withdraw the suits filed against the Company and its guarantors, including our Chairman Mr. L.K. Jhunjhunwala.

4. Shreeji Finvest Private Limited (SFL), a company being managed and controlled by Mr. P.C. Jhunjhunwala, (brother of Mr. L.K. Jhunjhunwala) is carrying on business as a NSE & SEBI registered broker had borrowed a sum of Rs. 100 lacs from erstwhile Global Trust Bank Limited (GTB) as loan. Mr. L.K. Jhunjhunwala was one of the Directors in SFL when the said loan was availed. SFL defaulted in the repayment of the loan amount to GTB and GTB has filed a case against SFL and the guarantors for the loan, i.e. Mr. P.C. Jhunjhunwala and his wife Smt. Uma Jhunjhunwala. Since Mr. L.K. Jhunjhunwala was one of the Directors of SFL, his name is also appears on the CIBIL website as a wilful defaulter. Mr. L.K. Jhunjhunwala has resigned from the Board of SFL with effect from 30th April 2003. SFL has entered into a One Time Settlement (OTS) on 6th April, 2004 with Oriental Bank of Commerce (OBC) for the settlement of dues.

The amount due in terms of the OTS has been paid by SFL. OBC vide its letter no. OBC/FRT/P-126/2005 dated 7th July 2005 has stated that since the amount due in terms of OTS has been paid, the matter has been referred to the bank's competent authority for considering the removal of names of SFL, its directors and guarantors from RBI's wilful defaulters list. Since SFL has repaid the entire amount as per OTS it has requested OBC to delete the name of Mr. L.K. Jhunjhunwala from the list of willful defaulters. The Bank has already intimated RBI/CIBIL about this matter.



GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

The Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI 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 of the Company except the pending approvals as mentioned under this heading.

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

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

Incorporation/Industrial/Labour/ Tax

1. Certificate of Incorporation bearing no. 3492 of 1971 dated 17th December 1971 from the Registrar of Companies, Uttar Pradesh, Kanpur issued in the name of K.M. Sugar Mills Private Limited.
2. Fresh Certificate of Incorporation consequent to the change of status from private limited company to public limited company dated 13th September 1974.
3. Fresh Certificate of Incorporation consequent to the change of status from public limited company to private limited company dated 24th April 2002
4. Fresh Certificate of Incorporation consequent to the change of status from private limited company to public limited company dated 20th April 2005, issued by the Registrar of Companies, Uttar Pradesh and Uttaranchal, Kanpur.
5. Certificate No. 1770/SIA/IMO/2005 dated 11th April 2005 issued by the Government of India, Ministry of Commerce & Industry, for expanding the sugar manufacturing capacity to 10,000 TCD.
6. Certificate of Importer-Exporter Code bearing number 0605003416 from the Office of the Assistant Director General of Foreign Trade, Ministry of Commerce, Kanpur, vide file No. 06/04/130/00359/AM05/ dated July 28, 2004.
7. Consent letter dated 7th March, 2002 for 9.32 MW Captive/Co-generation Generation capacity under Section 21(4) of the UP Electricity Reform Act, 1999 read with Section 44 of the Indian Electricity (Supply) Act, 1948.
8. License No. U.P. – 5396 dated 9-2-2000 under Revised Petroleum Rules to store petroleum in a tank or tanks in connection with pump outfit for fueling motor conveyances.
9. Registration Certificate bearing No. 51 – F dated 15-3-1988 under Contract Labour Regulation and Abolition Act, 1970 regarding registration of Contractors.
10. Renewal of Factory License Bearing No. 143 – F / Lie. / FZD – 1 dated 17-2 – 2005 under the Factories Act, 1948.
11. License bearing number MS-202/04-05 dated April 1, 2004 issued under UP Food Adulteration Prevention Regulations.
12. Certificate bearing No. 43416 dated 30-7-2004 issued by Assistant Provident Fund Commissioner.
13. Certificate of Registration bearing No. 220/ST/GTA/F20104 issued by the Superintendent, Central Excise Range Faizabad in respect of payment of Service Tax against goods transport agency.
14. Licence bearing no. M/10 dated 14-6-2004 issued by the District Officer, Faizabad regarding expansion of Distillery Unit.
15. Certificate bearing No. FZ5008291 dated January 1 1972 under the Central Sales Tax Rules, 1956.
16. Advance License bearing no. 0610008316 dated November 1, 2004 issued by the Assistant Director General of Foreign Trade, Kanpur vide file no. 06/80/040/00065/AM05
17. Registration cum Membership certificate bearing no. 430/2004-2005 dated October 18, 2004 issued by Federation of Indian Exporters Organizations.
18. Certificate of Registration bearing number FZ 5008291 dated 13-1-1972 issued under UP Sales Tax Act, 1948 issued by the Sales Tax Department, Faizabad, UP.
19. Permanent Account Number (PAN) issued by the Commissioner of Income Tax, Mumbai vide letter dated 22-7-1999, bearing number AAACK554SP pursuant to Section 139 A (5) read with Section 272 A (d) of the Income Tax Act, 1961.



Environment

1. Consent issued by the UPPCB, Lucknow under section 25 and 26 of the Water [Prevention and Control of Pollution] Act, 1947 and valid upto 31st December 2005.
2. Consent issued by the UPPCB, Lucknow under section 21 of the Air [Prevention and Control of Pollution] Act, 1981 and valid upto 31st December 2005.

Certificates for quality standards

1. ISO 9001: 2000 certification no. R91/1595 for Quality Management System pertaining to manufacture and supply of 'Plantation – White Sugar' from International Certification Services (ICS) accredited by Joint Accreditation System of Australia and New Zealand dated 31st May 2003.

List of pending approvals

1. Boiler Inspection certificate – Boiler inspector – Application shall be made for the same after erection of the Boiler
2. Approval from the Uttar Pradesh Pollution Control Board for the proposed expansion.
3. Factory expansion layout plan from The Assistant Director of Factories.
4. Order for release of sugar (export obligation) from Ministry of Consumer Affairs, Food and Public Distribution

The Company is proposing to expand its existing activities and has all the requisite approvals for carrying on the existing activities. No further approval from any government authority is required by the Company to undertake its current activities, save and except such approvals, which may be required to be taken in the normal course of business from time to time.

Statutory Approval

The Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI 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 of the Company except the pending approvals as mentioned above. 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.

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

INVESTMENT APPROVALS

As per notification number bearing FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment/transfer of the Equity shares to NRIs/FIIs shall be subject to the prevailing RBI Guidelines. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.



OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, present issue of Equity Shares has been authorized vide resolution passed at the Extra Ordinary General Meeting of the Company held on 23rd April 2005.

PROHIBITION BY SEBI

The Company, its Directors, Promoters, the group companies, companies promoted by or Promoters and companies or entities with which the Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. The listing of any securities of the Company has never been refused at anytime by any of the stock exchange(s) in India. The Company, its Promoters, their relatives, group companies and associate companies have not been detained as willful defaulters by RBI/government authorities and there are no violations of securities laws committed by them in the past or pending against them.

ELIGIBILITY FOR THE ISSUE

The Company is eligible to access the capital market through public issue of Equity Shares as per Clause 2.2.1 of the SEBI Guidelines as explained in the following manner:

- i The Company has a Pre-issue net worth of at least Rs. 1 crore in each of the preceding 3 full years

Rs. in lacs

| Particulars | For the year ended | | | | |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31-03-2000 (12 months) | 31-03-2001 (12 months) | 31-03-2002 (12 months) | 30-09-2003 (18 months) | 30-09-2004 (12 months) |
| Equity Share Capital | 306.00 | 306.00 | 306.00 | 306.00 | 306.00 |
| Reserves & Surplus | 1195.84 | 1257.93 | 1751.53 | 1590.95 | 2049.18 |
| Less: Revaluation Reserves | 265.09 | 224.55 | 190.22 | 148.73 | 124.80 |
| Less: Misc. Exp | 3.15 | 3.15 | 3.15 | 3.15 | 3.15 |
| Net worth | 1233.60 | 1336.23 | 1864.16 | 1745.07 | 2227.23 |

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

Rs. in lacs

| Particulars | For the year ended | | | | |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31-03-2000 (12 months) | 31-03-2001 (12 months) | 31-03-2002 (12 months) | 30-09-2003 (18 months) | 30-09-2004 (12 months) |
| *Distributable Profit after tax | (374.60) | 115.14 | 513.81 | (88.27) | 514.34 |
| Adjusted Profit after tax | (361.71) | 105.73 | 533.55 | (1044.72) | 516.35 |

* The Distributable profits of our Company are as per section 205 of the Companies Act, 1956 and have been calculated from the audited financial statements of the respective years before making adjustments for restatement of financial statements. For details on calculation of Adjusted Profit after tax, please refer to the auditors report under the heading 'Financial Information'.



- iii Our Company has net tangible assets of at least Rs. 3 crore in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

Rs. in lacs

| Particulars | For the year ended | | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31-03-2000 (12 months) | 31-03-2001 (12 months) | 31-03-2002 (12 months) | 30-09-2003 (18 months) | 30-09-2004 (12 months) |
| Fixed Assets (Net) | 2118.94 | 2030.06 | 1915.91 | 1865.98 | 2051.76 |
| Current Assets, Loans & Advances | 4548.63 | 5574.41 | 5749.27 | 2840.20 | 4546.14 |
| Trade Investments | 136.03 | 76.02 | 66.02 | 61.11 | 55.21 |
| Less: Current Liabilities & Provisions | 1305.61 | 2949.42 | 2822.98 | 909.71 | 1497.13 |
| Net Tangible Assets | 5497.99 | 4731.07 | 4908.22 | 3857.58 | 5155.98 |
| Monetary Assets | 68.22 | 81.89 | 123.44 | 176.90 | 304.62 |

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).

Our Company has not changed its name in the past one year save and except the omission of the word "private" in pursuance of the conversion from a private company to a public company vide fresh certificate of incorporation dated 20th April 2005.

The Issue size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times its pre-issue net worth as per last available audited accounts, either at the time of filing of Prospectus with SEBI or at the time of opening of the issue.

DISCLAIMER CLAUSES

SEBI DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE 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 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 PROSPECTUS, 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 JUNE 20, 2005 IN ACCORDANCE WITH THE 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 IN CONNECTION WITH THE FINALIZATION OF THE PROSPECTUS 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 PROSPECTUS 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, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.
- D. BESIDE US, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.
- E. WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE PROSPECTUS 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 MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT."

DISCLAIMER FROM THE ISSUER AND THE LEAD MANAGER

Investors may note that K.M. Sugar Mills Limited and UTI Securities Limited accept 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 Company or Lead Manager and that any one, placing reliance on any other source of information would do so at their own risk

All information will be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

DISCLAIMER IN RESPECT OF 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 authorized 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 authorized 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 him about and to observe any such restrictions. Any disputes arising out of this offer will be subject to the jurisdiction of appropriate courts in Kanpur, Uttar Pradesh only. 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 submitted for approval and has been filed with SEBI. 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 K.M. Sugar Mills Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated 22nd August 2005 given 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. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- b) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c) 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 to mean 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 for any other reason whatsoever.

FILING

1. A copy of this Prospectus along with the documents required to be filed under Section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies, Uttar Pradesh and Uttaranchal, Westcot Building, The Mall, Kanpur – 208 001.
2. Copy of this Prospectus has been filed with the Corporation Finance Department of SEBI, at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021.

LISTING

Application has been made to The Bombay Stock Exchange Limited (BSE), the designated stock exchange for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company.

In case the permission to deal in and for an official quotation of the Equity Shares is not granted by BSE, 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 Company 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.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE are taken within seven working days of finalization and adoption of the Basis of Allotment for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, 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."

CONSENTS

Necessary Consents for the issue have been obtained from the following

1. Directors of the Company
2. Bankers to the Company
3. Auditors
4. Legal Advisors



5. Lead Managers to the Issue
6. Registrar to the Issue
7. Company Secretary and Compliance Officer
8. Bankers to the Issue
9. Underwriters to the issue

The said consents would be filed along with a copy of Prospectus with the RoC, Kanpur, Uttar Pradesh as required under Sections 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC, Kanpur, Uttar Pradesh and Uttaranchal.

EXPERT OPINION

The Company has not obtained any expert opinions.

ISSUE EXPENSES

The expenses of the Issue payable by K.M. Sugar Mills Limited inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Underwriters, Legal Advisors & Tax Consultants, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will be met out of the proceeds of the present issue.

DETAILS OF ESTIMATED FEES/EXPENSES PAYABLE

| Sr. No | Particulars | Fees (in Rs. lacs) | % of total Issue Size |
|--------|----------------------------------|-----------------------|--------------------------|
| 1. | Lead Managers Fees | 33.28 | 1.00 |
| 2. | Registrars fees | 40.00 | 1.20 |
| 3. | Underwriters commission | 49.92 | 1.50 |
| 4. | Legal Advisors fees | 4.00 | 0.12 |
| 5. | Advertising & Marketing expenses | 75.00 | 2.25 |
| 6. | Brokerage & Selling expenses | 33.28 | 1.00 |
| 7. | Other Miscellaneous expenses | 14.52 | 0.44 |
| | Total | 250.00 | 7.51 |

Fees payable is as per the Memorandum of Understanding signed with the Lead Manager and Registrars to the issue are as per the engagement letter signed with the Legal Advisor form part of the Material Contracts and are available for inspection at the Corporate and Works Office of our Company at: Post Office Moti Nagar, District Faizabad – 224 201, India between 11.00 a.m. to 3.00 p.m. on any working day, excluding Saturday and Sunday from the date of the Prospectus to until the date of closing of the issue.

The Registrar to the issue will be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc as per the MOU. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders/ letter(s) of allotment/share certificate(s) by registered post.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

An underwriting commission not exceeding 1.50% of the total amount underwritten is payable to the underwriters on the offer price of the Equity Shares offered through this Prospectus to the public for subscription and underwritten in the manner mentioned in this Prospectus.

Brokerage for the issue will be upto 1.00% of the issue price of the Equity Shares, which would be paid by K.M. Sugar Mills Limited on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock



Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

PREVIOUS PUBLIC OR RIGHTS ISSUES IN THE LAST FIVE YEARS

This being the first public issue of shares of our Company, our Company has not made any public issue of Equity Shares/ Debentures since incorporation. As regards the rights issue made by our Company, the same was not subject to the SEBI (Disclosure and Investor Protection) Guidelines, 2000, since our Company was not a listed Company as on the date of issue of the shares.

ISSUE OF SHARES OTHERWISE THAN FOR CASH

Our Company has not issued any Equity Shares for consideration other than cash except as detailed in the section entitled 'Capital Structure in this Prospectus.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

We have not made any public issue of Equity Shares/Debentures since incorporation; hence there is no commission or brokerage payable on previous issues.

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

There have been no capital issues during last 3 years either by us or any other listed company under the same management within the meaning of S. 370(1) (B) of the Act during the last three years.

PROMISE VIS-À-VIS PERFORMANCE – LAST 3 ISSUES

Our Company has not made any public issue of Equity Shares/debentures prior to this issue.

LISTED VENTURES OF PROMOTERS

There are no listed ventures of Promoters except K. M. Leasing Limited, the shares of which are listed on Uttar Pradesh Stock Exchange. However, the shares not traded on the Exchanges. Financial and other details of the K.M. Leasing Limited are mentioned in this prospectus under the heading Group Company details.

Details required as per clause 6.12.19.

| | |
|--------------------------|--|
| Name of the Company | K.M. Leasing Limited |
| Year of issue | 1985 |
| Type of issue | Initial Public Offer |
| Amount of issue | 1,50,000 Equity Shares of Rs. 10/- each at par aggregating Rs. 15,00,000/- |
| Date of closure of issue | 04 th May 1985 |

PROMISE VS PERFORMANCE – LAST ONE ISSUE OF GROUP COMPANIES

One of our group Companies, K.M. Leasing Limited had made a public issue of 1,50,000 Equity Shares of Rs. 10 each at par aggregating Rs. 15 lacs in the year 1985. The Equity Shares of K.M. Leasing Limited are listed on the Uttar Pradesh Stock Exchange. There were no promises stated in the offer document of K.M. Leasing Limited.



OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED AND OUTSTANDING AS ON THE DATE OF THE PROSPECTUS AND TERMS OF ISSUE

There are no outstanding debentures or bonds or redeemable preference shares and other instruments of our Company as on the date of filing of this Prospectus.

STOCK MARKET DATA

The Equity Shares of our Company are currently not listed/quoted on any Stock Exchanges.

INVESTORS' GRIEVANCES REDRESSAL MECHANISM

The Registrar to the Issue i.e., 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 Registrars, in respect of the complaints, if any, to be received, shall adhere to the following schedules-

| Sr. No | 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. Sanjiva Gaur as Compliance Officer who would directly liaise 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 Registered Office of the Company.

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There has been no change in our auditors during the last 3 years.

CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS

There has not been any capitalization of reserves or profits during the last five years, except as stated in section titled "Capital Structure" on page no. 10 of this Prospectus.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

There has not been any revaluation of Assets during the last five years, but our Company had revalued its assets during the financial year 1992 – 1993, details of which are mentioned under the heading 'Notes to Capital Structure'.



ISSUE INFORMATION

TERMS OF THE ISSUE

Ranking of Equity Shares

The Equity Shares to be issued shall, subject to the Memorandum and Articles and shall rank pari passu with the existing Equity Shares of the Company in all respects except the lock-in provisions applicable as per SEBI Guidelines in respect of existing Equity Shares as mentioned in the "Notes to Capital structure". The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of payment of dividend

We have been paying dividend in cash and intend to continue the same policy.

Face value and Issue price per share

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Prospectus at a price of Rs. 52/- per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed Public Limited Company under the Companies Act and the Memorandum and Articles of our Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to "Main Provisions of Articles of Association of the Company" on page 176 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. As per existing SEBI Guidelines, the trading of the Equity Shares of the Company shall only be in dematerialized form.

Since trading in the Equity Shares is compulsorily in dematerialized mode, the tradable lot is one Equity Share. Allotment of Equity Shares through this Issue will be done only in electronic form in multiples of 1 (one) Equity Shares subject to a minimum Allotment of 100 Equity Shares.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Kanpur, Uttar Pradesh, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies 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 Companies 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 to the registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies 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.

Note: Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

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.

Withdrawal of the Issue

The Company in consultation with the Lead Manager reserves the right not to proceed with the issue any time after the Issue opening date but before allotment without assigning any reason thereof.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

Our Equity Shares will be traded in dematerialized form only and therefore the marketable lot is 1 share. Therefore, there is no possibility of any odd lots.

RESRICTIONS, IF ANY ON TRANSFER AND TRANSMISSION OF SHARES/ DEBENTURES AND ON THEIR CONSOLIDATION/SPLITTING

For details in respect of any restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer to the heading 'Main Provisions of Articles of Association of K.M. Sugar Mills Limited' of this Prospectus.

Subscription by Non Residents, Eligible NRIs/FIIs

It is to be distinctly understood that there is no reservation for any non residents, eligible NRIs, FIIs and such applicants shall be treated on the same basis with other categories for the purpose of allocation. As per RBI regulations, OCBs cannot participate in this Issue.



ISSUE PROCEDURE

Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor.

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 centers 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 authorized 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;
- j. Pension Funds with minimum corpus of Rs.25 crore;
- k. Trusts who are registered under the Societies Registration Act, 1860 or any other trust law and are authorized under its constitution to hold and invest in shares
- l. Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- m. Permanent and Regular employees of the Company
- n. Non-Resident Indians (NRIs) and on a repatriable/ non-repatriable basis
- o. Foreign Institutional Investors (FIIs) on a repatriable/non repatriable basis

Applications cannot be made by

- Minors
- Foreign Nationals (except NRIs)
- Overseas Corporate Bodies (OCBs)
- 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 forms for NRI and FII applicants, and all NRI and FII applications 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 100 Equity Shares and in multiples of 100 shares thereafter. An applicant can make an application only for a maximum number of Equity Shares that are offered in the respective category.
3. Thumb impressions and signatures other than in English/ Hindi or any other language specified in the 8th 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 and Depository Details of Applicant:**

The name of the Applicant's Bank, type of account and account number, Depository Participant's name, Depository Participant's Identification (DP ID), and the beneficiary number provided by the Depository Participant 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.

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. A copy of the PAN Card or the PAN Allotment Letter is required to be submitted with the application form. Application Form without this information or document shall 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.42/24.47.001/2003-04 dated 05th November 2003.

11. Investment Limits for Mutual Funds / Venture Capital Funds

No Mutual Fund scheme shall invest more than 10% of its Net Asset Value in the Equity Shares or Equity related instruments of any company provided that the limit of 10% shall not be applicable for Investments in Index Funds or sector or Industry specific Fund. No Mutual fund should own more than 10% of any Company's paid up capital carrying voting rights.

Applications made by Asset Management Companies or Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

The SEBI (Venture Capital) Regulations 1996 and the SEBI (Foreign Venture Capital) Regulations 2000 prescribe Investment restriction on Venture Capital Fund and Foreign Venture Capital Investors registered with SEBI, Accordingly holding by any Venture Capital Fund and Foreign Venture Capital Investor should not exceed 25% of the corpus of Venture Capital Fund and Foreign Venture Capital Investor. Equity Shares allotted to Venture Capital Funds and Foreign Venture Capital Investor through this Issue shall be locked in for a period of 1 year.

Note:

- Applicants are requested to write their names and application serial number 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 may be made 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 centers.
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 "K.M. Sugar Mills Limited – Public Issue" and crossed "A/C payee only".
4. The applications shall be made only by way of cash/cheque/demand draft. However, 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.

C. PAYMENT INSTRUCTIONS (For NRIs/FIIs on a repatriable basis)

Application made by NRIs

1. Application should be made only on the prescribed application form (PINK in colour)
 - In single or joint names (not more than three);
 - in the names of individuals, societies and by Non- Resident individuals of Indian nationality/ origin and NOT in the names of minors, firms, partnerships, foreign nationals or their nominees. A certificate in the prescribed form OAC/ OAC-1 issued by Overseas Auditor/Chartered Accountant/Certified Public Accountant must accompany applications by societies.
 - 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 authorized 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 Registered/Corporate Office of the Company, as mentioned on the front cover page of the Prospectus.
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. Applications in this category cannot be made out of NRO accounts and such applications would be rejected. Applications out of NRO accounts can, however, be made in the category of Resident Indian public.
6. All cheques/bank drafts accompanying the Application Form must be made payable to "K.M. Sugar Mills Limited - Public Issue - NRI" and crossed "Account Payee only".

D. PAYMENT INSTRUCTIONS (For Employees)

Reservation on competitive basis has been made in the public issue to the permanent employees including working directors of the Company. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for.

1. Application must be made only:
 - a) On the prescribed Application Form (BLUE in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made;
 - b) For a minimum of 100 Equity Shares and in multiples of 100 thereafter;
 - c) In single name or joint names (not more than three), however first applicant should be permanent / regular employee of the Company.
2. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue. Payment should be made in cash or by cheque/Bank Draft 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 is submitted.
3. A separate cheque or Bank draft shall accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable in favouring "K.M. Sugar Mills Limited - Public Issue – Employees" to any of the Bankers to the Issue and crossed "Account Payee Only".
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Issue or to the Registrars to the Issue.
6. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.



7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Applicants residing at places where designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk along with Demand Draft payable at Mumbai only payable to "K.M. Sugar Mills Limited - Public Issue - Employees" to Registrar to the Issue.

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 at the Company's and the Lead Managers offices.

For investors residing at places where the Bankers to the Issue's collection centers are not located, 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, at their address mentioned on the front cover page, 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 deem 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

Our 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/Speed Post to the applicant. If the application is accepted in part, the excess application money after adjusting for the amount payable on allotment 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.

Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected among others on the following technical grounds:

- 1) Amount paid does not tally with the number of Equity Shares applied for;
- 2) Age of first applicant is not given;
- 3) Application by minor;
- 4) Copy of PAN or GIR number not given if application is for Rs. 50,000/- or more;
- 5) Application for Equity Shares which are not in multiples of 100;
- 6) Multiple applications;



- 7) In case of application under Power of Attorney or by limited companies, corporates, trust etc., relevant documents are not submitted;
- 8) Signature of the sole and/or joint applicants missing
- 9) Applicants depository account details not provided;
- 10) Applications by Overseas Corporate Bodies.

EQUITY SHARE IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, 1956, the Equity Share of the Company can be held in a dematerialized 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 dematerialized form. In this context, two tripartite agreements have been signed between the Company, the Registrar and the Depositories:

1. An agreement dated 22nd September 2005 between KMSML, NSDL and Intime Spectrum Registry Limited; and
2. An agreement dated 19th September 2005 between the KMSML, CDSL and Intime Spectrum Registry Limited.

All investors can seek allotment only in dematerialized mode. However an investor shall 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 DP 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 Depository Participant's 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. Names 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. If incomplete/incorrect details are given under the heading 'Request for shares in electronic form' in the application form, it is liable to be rejected.
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 Depository Participant.
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. All 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 dematerialized form only for all investors.
10. Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

Investors may contact the Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of allotment letters of allotment/share certificates/refund orders etc.

Disposal of Application and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Our Company shall ensure the dispatch of refund orders, if any, of value



up to Rs. 1,500/-, 'Under Certificate of Posting', and dispatch of refund orders above Rs. 1,500/-, if any, by Registered Post or Speed Post at the sole or First applicants sole risk. The Company would make available adequate funds to the Registrars to the Issue for this purpose.

We shall use our best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

Refunds will be made by cheques, pay orders or demand drafts drawn the refund bank and payable at par at places where applications are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the applicants.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, 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."

SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING

- Our Company and the underwriter(s) have entered into an underwriting agreement on finalization of the Issue price, before filing this final Prospectus with the RoC.
- After signing the Underwriting agreement, we have updated and filed the Prospectus with Registrar of Companies, Uttar Pradesh and Uttarakhand, Kanpur. The Prospectus has details of the Issue price, Issue size, underwriting arrangements and is complete in all material respects.

ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares to be issued.

INTEREST ON EXCESS APPLICATION MONEY

Our Company shall pay interest at rate of 15% per annum on the excess application money received by us, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter No.F-8/6/SE/79 dated July 21, 1983 and as amended vide their letter No. F/14/SE/85 dated September 27, 1985 addressed to the Stock Exchanges and as further modified by SEBI's circular SMD/RCG/JJ/1819/96 dated 15th May 1996.



BASIS OF ALLOTMENT

A. For Employees

- Applications received from the Employees/ Shareholders of Group Companies shall be grouped together to determine the total allotment under this category.
- If the aggregate number of equity shares applied for in this category is less than or equal to 6,00,000 Equity Shares, full allotment shall be made to the applicants in this category and unsubscribed portion will be added back to the "Net offer to the Public" category.
- If the aggregate number of equity shares applied for in this category is more than 6,00,000 Equity Shares, the allotment shall be made on a proportionate basis as explained below under "Net offer to the Public portion".
- Only permanent employees (including working directors) of the Company shall be eligible to apply under this category.

B. For Net Offer to the Public portion

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 of 100 Equity Shares as explained below:

1. A minimum 50% of the net Issue to the 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. 1,00,000/-. This percentage may be increased in consultation with the Designated Stock Exchanges 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 post issue Lead Manager and the Registrars to the issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the guidelines.
2. The balance of the Net Issue to 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. 1,00,000/-.
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 applications where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
 - i. Each successful applicant shall be allotted a minimum of 100 Equity 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 (6) above.
8. If the proportionate allotment to an applicant works out to a number that is more than 100, but is a fraction, then for a fraction equal to or higher than 0.50 shall be rounded off to the next integer. 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. As the process of rounding off to the nearest multiple of 1 (one) may result in the actual allotment being higher than the shares offered. However, the final allotment shall not exceed 10% of the net offer to public.
13. Allotment to FIIs / MFs / Venture Capital Funds / Foreign Venture Capital Investors / Insurance Companies would be subject to the limits / restrictions / regulations prescribed by respective regulatory authorities governing them.

DESPATCH OF REFUND ORDERS

Our Company shall ensure dispatch of refund orders of value up to Rs.1500/- by 'Under Certificate of Posting' and refund orders over the value of Rs.1500/- by Registered Post/Speed Post only. We shall make available, adequate funds to the Registrars to the Issue for this purpose.

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

"We agree that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. We further agree that our Company 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. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest."

UNDERTAKING BY THE COMPANY:

Our 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 all 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 by registered post shall be made available to the Registrar to the Issue by the Company;
- d. That the certificates of Equity Shares/refund orders to non-resident Indian 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 of Directors of our Company certifies that:

- a. All monies received out of this issue of shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Act;
- b. Details of all monies utilized out of the issue referred to in sub-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 the issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilized monies have been invested;
- d. The utilization of monies received under promoter's 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.



MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF K.M. SUGAR MILLS LIMITED

The Authorized capital of the Company is Rs. 20,00,00,000 (Rupees twenty crore only) divided into 2,00,00,000 Equity Shares of Rs. 10/- each.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

Increase, Reduction and Alteration of Capital and Variation of Rights

Article 5 provides that:

The Company in General Meeting may, from time to time by an Ordinary Resolution increase the capital by the 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. Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no 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 assets of the Company, and with a right of voting at general meeting of the Company in conformity with Sections 87 and 88 of the Act. When the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

Article 6 provides that:

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien surrender, transfer and transmission, voting and otherwise.

Article 7 provides that:

Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital or out of the increased share capital

- i. such further shares shall be offered to the persons who at the date of offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date.
- ii. the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
- iii. the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
- iv. after the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they are most beneficial to the Company.

Notwithstanding anything contained in the preceding sub-clause, the Company may by a special resolution; or where no such special resolution is passed if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company, offer further shares to any person or persons, and such person or persons may or may not include the person/s who at the date of the offer, are holders of the equity shares of the Company.

Notwithstanding anything contained in sub-clause (a) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of any option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.



Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up share as the case may be.

Article 8 provides that:

Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the Company may issue preference shares which are or at the option of the Company are to be liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and condition of redemption: Provided that:

- no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purpose of redemption;
- no such shares be redeemed unless they are fully paid;
- the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed;
- where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called "the capital redemption reserve account" a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the capital redemption reserve account were paid-up share capital of the Company.

Subject to the provisions of Sections 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be affected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.

The redemption of preference shares under these provisions by the Company shall not be taken as reducing the amount of its authorized Share Capital.

Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if these shares had never been issued; and accordingly the Shares Capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of share in pursuance of this clause.

Provided that where new shares are issued before the redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.

The Capital Redemption Reserve Account may, notwithstanding anything in this article, be applied by the Company, in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

The preference shares shall be redeemed on the expiry of 10 years from the date of allotment provided, however, that the company shall have the option to redeem the same earlier.

The holder of preference shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his preference shares. The Preference Shareholder shall also be entitled to vote on every kind of Resolution placed before the Company at any meeting until and then only for so long as their dividends are more than two years in arrears preceding the date thereof.

Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid upon such equity shares respectively at the commencement of the winding up.



Article 9 provides that:

The Company shall be at liberty at any time, either at one time or from time to time as the Company shall think fit, by giving not less than one month previous notice in writing to the holders of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated upto the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect :

- a. The shares to be redeemed shall be determined by drawing of lots which the Company shall cause to be made at its registered office in the presence of one director at least; and
- b. Forthwith after every such drawing, the Company shall notify to the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the registered office of the Company at the time and on the date to be named against surrender of the Certificates in respect of the shares to be so redeemed and at the time and date so notified each such shareholder shall be bound to surrender to the Company the Shares Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount payable to such shareholders in respect of such redemption. The shares to be redeemed shall cease to carry dividend from the date named for payment as aforesaid. Where any such certificates comprise any shares, which have not been drawn for redemption, the Company shall issue to the holder a fresh certificate thereof.

Article 10 provides that:

The Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of section 78, 80 and 100 to 104 of the Act, reduce its share capital and any capital redemption Reserve Account or premium account in any manner for the time being authorized by law and in particular without prejudice to the generality of the foregoing power may by:

- a. extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
- b. either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company.
- c. either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company.

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

Article 11 provides that:

Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its memorandum as follows:

- a. Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- b. Sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub-division one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares;
- c. convert, all or any of its fully paid up shares into stock, and reconvert; that stock into fully paid up shares of any denomination.
- d. cancel, shares, which at the date of such general meeting have not been taken or agreed to be taken any person, and diminish the amount of its share capital by the amount of the shares so cancelled.



Article 12 provides that:

If the Company has: -

- Consolidated and divided its Share Capital into shares of larger amount than its existing shares;
- Converted any shares into stock;
- Reconverted any stock into shares;
- Sub-divided its share or any of them;
- Redeemed any redeemable preference shares; or
- Cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act, the company shall comply with the provisions of sections 95 of the Act.

Article 13 provides that:

If at any time the share capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Section 106 and 107 of the Act, and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of the three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power, which the Company would have if this Article were omitted. The provisions of these Articles relating to general meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 96 is not present, those persons who are present shall be the quorum.

Share Certificates

Article 26 provides that:

Every member shall be entitled, without payment, to one Certificate for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such Certificates within the time provided by Section 113 of the Act unless the conditions of issue thereof otherwise provide. Every certificate of shares shall be Under the seal of the Company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and the paid up thereon and shall be in such form as the Directors shall prescribe or approve provided that in respect of a Share or shares held jointly by several person the Company shall not be bound to issue more than one of several joint holders shall be sufficient delivery to all such holders.

The Company shall not entertain any application for split of share / debenture certificate for less than 10 shares / debenture (all relating to the same series) or in market lot as the case may be.

Provided however this restriction shall not apply to an application made by the existing member or debenture holder for split of share/debenture certificates with a view to make an odd lot holding into a marketable lot subject to verification by the Company.

Notwithstanding anything contained in Clause (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where Shares of the Company may be listed or such requirements of the Securities Contracts (Regulations) Act, 1956 as may be applicable.

Article 27 provides that:

If any certificate be worn out defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, or then upon production and surrender thereof, the Company, a new certificate may be issued in lieu thereof, and if any Certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificates.



Every Certificate under this Article shall be issued without payment of fees if the Directors so decided or on payment of such fees (not exceeding Re. 1/- for each Certificate) as the Directors shall prescribe. Out of pocket expenses incurred by the Company if demanded by the Directors.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contracts (Regulation) Act 1956 or any other Act, or Rules Applicable in this behalf.

Dematerialization of Securities

Article 28 provides that:

Every person subscribing to the securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

If a person opts to hold security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter it in its record the name of the allottee as the beneficial owner of the security.

Article 29 provides that:

The provision of the Article under this heading shall mutatis mutandis apply to debentures of the Company.

Calls

Article 33 provides that:

The Directors may from time to time and subject to Section 91 of the Act and subject to the terms on which any shares/ debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members/debentures holders in respect of all moneys unpaid on the shares/ debentures held by them respectively and each member/debenture holders shall pay the amount of every call so made on him to the person and at the times and places appointed by the Directors. A call may be made payable by installment. A call may be postponed or revoked as the Board may determine.

Company's Lien on Shares

Article 46 provides that:

The Company shall have a first and paramount lien upon all the shares debentures (other than fully paid-up share / debentures) registered the name of each member / debenture holder (whether solely or jointly with other) and upon the proceeds of sale thereof for all money (whether presently payable or not) called or payable at a fixed time in respect of such share / debenture and no equitable interest in any share / debenture shall be created except upon the footing and condition that Article 23 hereof will have full effect, And such lien shall extend to all dividends and bonuses from time to time declared in respect of such share / debenture. Unless otherwise agree the registration of a transfer of share / debenture. Shall operate as a waiver of Company's line, if any, on such share / debenture. The Directors may at any time declare any share / debenture wholly or in part to be exempt from the provision of this clause.

Article 47 provides that:

For the purpose of enforcing such lien, the Board may sell the Share/debenture subject thereof in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such share and/or debentures and may authorize one of their member or appoint any officer or Agent to execute a transfer thereof on behalf of and in the name of such member/debenture holder. No sale shall be made until such period, as may be stipulated by the board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debt, liabilities or engagements for fourteen days after such notice.



Article 48 provides that:

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the line exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the persons entitled to the shares and/or debenture at the date of the sale.

The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or by statute required) be bound to recognize equitable or other claim to, or interest in, such share or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

Forfeiture

Article 49 provides that:

If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debenture either by way of principal or interest 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 any installment or any part thereof or other money as remain unpaid or a judgment or decree in respect of thereof remain unsatisfied in whole or in part serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other money as remain unpaid together with any have been incurred by the Company by reason of such non payment.

The notice shall name a day not being less than 14 (Fourteen) days from the date of the notice and a place or places, on and at which such call, or installment or such part or other money as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the share or debenture in respect of which the call was made or installment or such part or other moneys is or are payable will be forfeited.

Article 50 provides that:

If the requirements of any such notice as aforesaid are not complied with any share/debenture in respect of which such notice has been given, may at any time thereafter before payment of all call or installment, interest and expenses or other money 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 be due from any member of the Company in respect of his share, 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 share herein provided. Such forfeiture shall include all dividends declared or interest paid or any other money payable in respect of the forfeited share or debenture and not actually paid the forfeiture.

Article 51 provides that:

When any share/debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the register of member or debenture holder but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Article 52 provides that:

Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of either to original holder or to any other person upon such terms and in such manner as the Director shall think fit.

Article 53 provides that:

The Directors may, at any time, before any share or debentures so forfeited shall have been sold, re-allotted or otherwise disposed of, annul forfeiture thereof upon such conditions as they think fit.



Article 54 provides that:

Any member or debenture holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, installments, interest, expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Director may determine, and the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.

Article 55 provides that:

The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Article 56 provides that:

A certificate in writing under the hand of any one of the Directors or any Officer authorized by the Directors for the purpose, that the call in respect of a share or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share or debenture was made by a resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Article 57 provides that:

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove give, the Directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of members or Register of debenture holders in respect of the shares or debentures sold, and the purchasers shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of members or debenture-holders in respect of such shares or debenture the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damages only and against the Company exclusively.

Article 58 provides that:

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member of debenture holder) stand cancelled and become null and void and be no effect, and the directors shall be entitled to issue a duplicate certificate/s in respect of the said share or debentures to the person/s entitled thereto

Article 59 provides that:

The Company may receive the consideration, if any, given for the share or debenture on any sale, re-allotment or other disposition thereof, and the person to whom such share or debenture is sold, re-allotted or disposed of may be bound to see to application of the consideration if, any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to forfeiture, sale, re-allotment or other disposal of the share or debenture.

Article 60 provides that:

The Directors may, subject to the provision of the act, accept a surrender of any share or debenture from or by any member or debenture-holder desirous of surrendering them on such terms as they think fit.

Transfer and transmission of Shares

Article 62 provides that:

The instrument of transfer shall be in writing and all the provisions of Section 108 of Act, shall be duly complied with in respect of all transfer of shares and registration thereof.



Article 63 provides that:

Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the register of Members in respect thereof.

Article 64 provides that:

Subject to the provisions of Section 111 of the Act, the Directors may, at their own absolute and uncontrolled discretion, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already member of the Company but in such cases Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or person indebted to the Company on any account whatsoever except where the Company has a lien on the shares.

Nothing in Section 108, 109 & 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission by operation of law of the rights to, any shares or interest of a member in, or debentures of the Company.

Article 65 provides that:

It shall be lawful for the company to register a transfer of shares unless a proper instrument to 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 is in existence, along with the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer, provided that where it is proved to the satisfaction of the Directors of the company that an instrument of transfer signed by the Transferor and the transferee has been lost, the company may, if the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.

Borrowing Powers

Article 80 provides that:

Subject to the provisions of Section 292 and 293 of the Act the Board 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 borrow or re-secure the payment of any sum or sums of money for the purposes of the Company, Provided, however, where the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Article 81 provides that:

Subject to the provisions of Article 78 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being; and debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

General Meetings

Article 87 provides that:

Subject to the provisions contained in Section 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.



Provided that if the Registrar for any special reason extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

Proceedings at General Meetings

Article 98 provides that:

Five members personally present shall be the quorum for a meeting of the Company.

- if within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon by requisition of members, shall stand dissolved.
- in any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and places as the Board may determine.

If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.

Article 99 provides that:

No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

No business shall be discussed or transacted at any general meeting except the election of a Chairman whilst the Chair is vacant.

The Chairman of the Board of Directors shall be entitled to take chair at every general meeting. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be the Chairman and in default of their doing so, the member present shall choose one of the Directors to be Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.

The Chairman with the consent of the meeting may adjourn any, meeting from time to time and from place to place in the city, town or village where the registered office of the Company is situated.

No business shall be transacted at any adjourned meeting other than the business, which might have been transacted at the meeting from which the adjournment took place.

When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be given as in the case of original meeting.

Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith, save aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Article 100 provides that:

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in case of joint holders all holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provided that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of attorney or authority shall be lodged with the Company not later than 48 (Forty-eight) hours before the meeting in order that the appointment may be effective thereat.

The instrument appointing a proxy shall:

- (i) be in writing, and



- (ii) be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a corporate, be under its seal or be signed by an office or any attorney duly authorized by it.

Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in such other form as the Directors may approve from time to time.

Vote of Members

Article 101 provides that:

No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.

Article 102 provides that:

A member is not prohibited from exercising his voting on the ground that he has not held his share or other interest in the Company for a specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 99.

Article 103 provides that:

At any general meeting a resolution to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.

Article 104 provides that:

Subject to the provisions of the Act and these Articles upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll, of every member entitled to vote and present in person or proxy shall be in proportion to his share of the paid up equity share capital of the Company.

Board of Directors

Article 113 provides that:

Unless otherwise determined by the company in general meeting the number of directors shall not be less than 3 (three) and more than 12 (twelve)

Remuneration of Directors

Article 120 provides that:

Subject to the provisions of the act, a Managing Director or a Director who is in the whole-time employment of the company may be paid remuneration either by way of monthly payment or at specified percentage of the net profits of company or partly by one way or partly by other.

Subject to the provisions of the Act, a Director who is neither in the whole-time employment nor a Managing Director may be paid remuneration either:

- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or
- (ii) by way of commission if the company by a special resolution has authorized such payment.

The fee payable to Directors (other than Managing or whole-time Directors, if any) for attending each meeting of the board or committee thereof shall be such sum as may be prescribed by the Act or the Central Government from time to time.

Article 121 provides that:

The Board may allow and pay to any Director for the purpose of attending the meeting such a sum either as fixed allowance and / or actual as the Board may consider fair compensation for traveling, Board and lodging and incidental and/or such actual out of pocket expenses incurred by such Director in addition to his fees, for attending such meetings to and from the place at which the meetings of Board and committee thereof or general meetings of the Company are held from time to time or any other place at which the Director executes his duties.



Article 122 provides that:

If any Director being willing shall be called upon to perform the extra services or to take any special extension for any of the purposes of Company and in that event the company may subject to the provisions of the act, remunerate such Director either by fixed sum or by percentage of profit or otherwise, as may be determined by the Directors but not exceeding that permitted under section 309 of the Act and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided .

Rotation of Directors

Article 128 provides that:

Not less than two thirds of the total number of Directors shall:

- a. be persons whose period of office is liable to determination by retirement of Directors by rotation, and
- b. save as otherwise expressly provided in the Act, be appointed by the Company in general meeting.

The remaining Directors shall, in default of and subject to any regulations in the Articles of the company, also be appointed by the Company, in general meeting.

Power of Directors

Article 143 provides that:

The Board shall be competent to exercise all or any of the authorities, powers and discretions, which by or under the Act of the Articles of the Company are for the time being vested in or exercisable by the Board generally.

Article 144 provides that:

Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the company and they shall do so only by means of resolution passed at meetings of the Board:

- The power to make calls on shareholders in respect of money unpaid on their shares;
- The power to issue debentures;
- The power to borrow moneys otherwise than on debentures;
- The power to invest the funds of the Company, and
- The power to make loans.

Provided that the Board may by resolution at the meetings, delegate to any Committee of Directors, the Managing Director, the Manager or to any other principal officer of the branch office, the powers specified in sub-clause (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board may prescribe.

Every resolution delegating the power referred to in sub-section clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.

Every resolution delegating the power referred to in sub -section clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.

Every resolution delegating the powers referred to in sub-clause (v) of clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be made for each such purpose in individual cases.

Nothing in this article contained shall be deemed to affect the right of the Company in general meeting to impose restrictions and condition on the exercise by the Board of any of the powers referred to in sub-clause (i), (ii), (iii), (iv) and (v) of clause (a) above.



Managing Directors

Article 147 provides that:

Subject to provisions of the Act and these Articles, the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Director or Managing Directors and / or wholetime Directors and / or special Director like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at time and upon such terms and condition as the Board thinks fit and the Board may by resolution vest in such Managing Director or Managing Directors / Whole time Director/s, Technical Director(s) financial Director(s) and Special Director(s) such of the powers hereby vested in the Board generally as it thinks fit, and such power may be made exercisable for such period or periods and upon such condition and subject to such restrictions as it may determine. The remuneration of such Directors may by way of monthly remuneration of such for each meeting and / or participation in or of any other mode not expressly prohibited by the Act.

The Directors may whenever they appoint more than one Managing Director, designate one or more of them as "Joint Managing Director" or "Joint Managing Directors" as the case may be.

Capitalisation

Article 170 provides that:

Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and where permitted by law, form the appreciation in value of any capital assets of the company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalized. Any such amount (excepting the amount standing to the credit of the Share Premium Account and / or the Capital Redemption Reserve account) may be capitalized:-

- (i) By the issue and distribution as fully paid shares, debentures, debenture-stock, bonds or obligations of the Company or,
- (ii) By crediting the shares of the Company which may have been issued and are not fully paid, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amount standing to the credit of the Share Premium Amount be applied on:

1. Paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.
2. In writing of the preliminary expenses of the Company;
3. In writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
4. In providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company. Provided further that any amount standing to the credit of the Company Redemption Reserve Account shall be applied only in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.

Such issue and distribution under Sub-clause (a) (1) above and such payment to the credit of unpaid share capital under sub-clause (a) (ii) above shall be made to among and favour of the members of any class or them or any or them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under Sub-clause (a) (i) or payment under Sub-clause (a) (ii) above shall be made on the footing that such members become entitled thereto as capital.

The Director shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture-stock, bonds or other obligation of the Company so distributed under sub-clause (a) (i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully up under sub-clause (a) (ii) above provided that no such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.



MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by K.M. Sugar Mills Limited which are or may be deemed material contracts have been attached to the copy of this Prospectus delivered to the Registrar of Companies, Uttar Pradesh and Uttaranchal, Kanpur, for registration and also the documents for inspection referred to hereunder, may be inspected at the Corporate and Works Office of K.M. Sugar Mills Limited at Post Office Moti Nagar, District Faizabad – 224 201, India between 11.00 a.m. to 3.00 p.m. on any working day, excluding Saturday and Sunday from the date of the Prospectus to until the date of closing of the issue.

MATERIAL CONTRACTS

1. Memorandum of Understanding dated 03rd May 2005 with UTI Securities Limited, appointing them as the Lead Managers to this Issue.
2. Memorandum of Understanding dated 15th June 2005 signed with Intime Spectrum Registry Limited, appointing them as Registrar to the Issue.
3. Letter dated 04th April 2005, appointing M/s. Kanga & Company, as Legal Advisor to the Issue.
4. Tripartite Agreement dated 22nd September 2005 between the Company, Intime Spectrum Registry Limited and NSDL.
5. Tripartite Agreement dated 19th September 2005 between the Company, Intime Spectrum Registry Limited and CDSL.
6. Copy of underwriting agreement dated 10th September 2005 between the Company and UTI Securities Limited.
7. Copy of underwriting agreement dated 10th September 2005 between the Company and Enam Financial Consultants Private Limited.

DOCUMENTS FOR INSPECTION

1. Our Memorandum and Articles of Association as amended from time to time.
2. Certificate of Incorporation bearing no. 3492 of 1971 dated 17th December 1971 from the Registrar of Companies, Uttar Pradesh, Kanpur issued in the name of K.M. Sugar Mills Private Limited.
3. Certificate of Incorporation consequent to the change of status from private limited company to public limited company dated 13th September 1974.
4. Certificate of Incorporation consequent to the change of status from public limited company to private limited company dated 24th April 2002.
5. Certificate of Incorporation of K.M. Sugar Mills Limited, No. 20-3492 dated 20th April 2005, from the Registrar of Companies, Uttar Pradesh and Uttaranchal, Kanpur, consequent on change of status from private limited to public limited company.
6. Resolution passed under Section 81(1A) of the Act, at the Extra Ordinary General Meeting of the Company held on 23rd April 2005.
7. Resolution Passed by the Board of Directors at their meeting held on on 23rd April 2005 for the proposed IPO.
8. Consent from the Directors, Compliance Officer, Statutory Auditor, Lead Manager, Registrar, Banker(s) to the Issue, Banker(s) to the Company, Underwriters and Legal Advisor to act in their respective capacities.
9. No objection certificate for the proposed IPO, issued by IFCI Limited, State Bank of India and Punjab National Bank.
10. Copy of Bridge Loan sanction letter and agreement between the Company and United Bank of India.
11. Copy of Bridge Loan sanction letter and agreement between the Company and Federal Bank.
12. Certificate dated 12th September 2005 from the statutory auditors, M/s. Mehrotra & Mehrotra, Chartered Accountants, detailing the tax benefits.
13. Auditor's report dated 12th September 2005 included in the Prospectus and copies of the Balance Sheet referred in the said report.
14. Copy of the Certificate from the statutory auditors, Mehrotra & Mehrotra, Chartered Accountants, dated 12th September 2005 regarding the sources and deployment of funds up to 31st August 2005.
15. Copy of Listing Application made to The Bombay Stock Exchange Limited.



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16. Copies of Power of Attorneys from Directors to sign the Prospectus on their behalf.
 17. Copy of in-principal approval received from The Bombay Stock Exchange Limited dated 22nd August 2005.
 18. Copies of quotation obtained and purchase orders placed for plant and machinery.
 19. SEBI observation letter no. CFD/DIL/ISSUES/EB/48161/2005 dated 29th August 2005.



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 further certify that all statements in this Prospectus are true and correct.

We the directors of K.M. Sugar Mills 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 amounts to misstatement/misrepresentation.

SIGNED BY ALL THE DIRECTORS

Mr. L.K. Jhunjhunwala

Mr. Aditya Jhunjhunwala

Mr. Sanjay Jhunjhunwala

Mr. S.C. Aggarwal

Mr. H.P. Singhania

Dr. Kirti Singh

Mr. R.S. Shukla

Mr. O.P. Yadav

Mr. D.K. Kapila

SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Sanjiva Gaur

Place: Kanpur

Date: 12-09-2005