



# **PARRYS SUGAR INDUSTRIES LTD**

ANNUAL REPORT 2010 - 2011



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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	S. Sandilya, <i>Chairman</i> D. Kumaraswamy, <i>Managing Director</i> K. Balasubramanian K. Ramadoss V. Ravichandran N. Srinivasan
<b>COMPANY SECRETARY</b>	B.M. Rath
<b>REGISTERED OFFICE</b>	Venus Building, 3rd Floor, 1/2 Kalyanamantapa Road Jakkasandra, Koramangala Bengaluru – 560 034
<b>BANKERS</b>	State Bank of India
<b>INVESTOR CONTACTS REGISTRAR &amp; TRANSFER AGENTS</b>	Karvy Computershare Pvt. Ltd. Unit: Parrys Sugar Industries Limited Plot No. 17 to 24, Vittal Rao Nagar Madhapur, Hyderabad – 500081 Tel: +91 40 44655000 Fax: +91 40 23420814 E-mail: <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a>
<b>COMPANY</b>	B.M. Rath General Manager (Legal) & Company Secretary Tel: +91 80 49006666 Fax: +91 80 49006600 E-mail: <a href="mailto:investorgrievancescell@psil.murugappa.com">investorgrievancescell@psil.murugappa.com</a> Website: <a href="http://www.parrysugar.in">www.parrysugar.in</a>

## NOTICE

Notice is hereby given that the 25th Annual General Meeting of Parrys Sugar Industries Limited will be held on Wednesday, the September 28, 2011 at 11 A.M. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bengaluru-560001, to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at June 30, 2011, the Profit and Loss Account for the period ended as on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. S. Sandilya, who retires by rotation, and being eligible, offer himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting. The retiring Auditors M/s Price Waterhouse, Chartered Accountants have informed the Company that they do not wish to seek re-election as Auditors of the Company. The Company has received a special notice from a member proposing the appointment of M/s R.G.N. Price & Co, Chartered Accountants as Auditors of the Company in place of M/s Price Waterhouse.

To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT M/s R.G.N. Price & Co., Chartered Accountants, bearing Registration No. 002785 S with the Institute of Chartered Accountants of India, be and they are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors of the Company".

### Special Business

4. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  
RESOLVED THAT Mr. V. Ravichandran, who was appointed as an Additional Director of the Company by the Board of Directors on August 27, 2010 and who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.
5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  
RESOLVED THAT Mr. N. Srinivasan, who was appointed as an Additional Director of the Company by the Board of Directors on August 27, 2010 and who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.
6. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  
RESOLVED THAT Mr. K. Ramadoss, who was appointed as an Additional Director of the Company by the Board of Directors on August 27, 2010 and who holds directorship under Section 260 of the Companies Act, 1956, upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation.

By order of the Board of Directors

Sd/-

**B. M. Rath**

Company Secretary

Place : Chennai

Date : July 25, 2011

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, instead of himself/herself and such proxy need not be a member. However, the duly filled in and signed proxy form(s) in order to be valid, shall be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
3. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, the September 21, 2011 to Wednesday, the September 28, 2011, both days inclusive.

5. Members holding shares in physical form may write to the Company's Registrar and Share Transfer Agents (M/s. Karvy Computershare Private Limited) for any change in their address and bank mandates and Members having shares in electronic form may inform the same to their Depository Participants.
6. Members desiring any information as regards the Accounts and operations of the Company are requested to send their queries at least 7 days before the date of the meeting to the Company along with their email id so that the desired information may be made available at the Meeting or sent to the members after the meeting.
7. Pursuant to provisions of Section 205C of the Companies Act, 1956, the amount of dividends remaining unclaimed up to the financial year 1998-99 have been transferred to Investor Education and Protection Fund (IEPF). The following are the details of unclaimed dividends since 2004-05 to 2007-08 for transfer to IEPF.

Financial Year	Date of declaration	Unclaimed Dividend As on June 30, 2011	Year of Transfer to IEPF
2004-05	August 20, 2005	₹ 1043523/-	2012-13
2005-06	September 28, 2006	₹ 2468541/-	2013-14
2006-07	September 25, 2007	₹ 652593/-	2014-15
2007-08	September 25, 2008	₹ 505743/-	2015-16

The shareholders are requested to claim their unclaimed dividends for the financial years 2004-05, 2005-06, 2006-07 and 2007-08. The Company is statutorily required to transfer to IEPF all unclaimed/unpaid dividends remaining unpaid/unclaimed for a period of seven years from the date they became due for payment and once such amounts are transferred to IEPF, no claim of the shareholder shall lie against the Company or the IEPF.

8. As per the provisions of Section 109A of the Companies Act, 1956, nomination facility is available to the Members, in respect of the equity shares held by them. Nomination forms are available and can be obtained from the RTA.
9. Detailed information regarding the various Stock Exchanges where the equity shares of the Company are listed, along with their address and the stock code given to the Company by the respective Stock Exchanges are indicated in the Corporate Governance Report, forming part of the Directors' Report.
10. Securities and Exchange Board of India has made it mandatory to furnish copy of PAN card to the Company/RTAs for registration of transfer of shares, for securities market transactions and off-market/private transactions involving transfer of shares in physical form. In this connection, the transferees of the Company's shares are requested to submit a copy of their PAN Card along with the Transfer Deed.
11. Members holding shares in physical form are requested to consider converting their holding to dematerialised form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or the Company's Registrars and Transfer Agents for assistance in this regard.
12. The profile of the Directors seeking re-appointment/new appointment is indicated in the Corporate Governance Report.
13. Members are requested to bring their copies of Annual Report together with notice for the meeting. In order to enable us to register your attendance at the venue of the Annual General Meeting, we request you to please bring your folio number/client ID/DP id to enable us to give you a duly filled attendance slip for your signature.
14. Unclaimed Suspense Account:

As the members are aware, consequent upon the merger of Bharat Sugar Mills Ltd. and demerger of the Ferro Alloys Division of the Company, the Company had issued new share certificate in lieu of the old share certificates and despatched the same to the respective holders. However, some of the share certificates have been returned to us undelivered and are lying with the Company. As per Clause 5A of the amended Listing Agreement with the Stock Exchanges, all physical shares, which remain unclaimed by shareholders need to be dematted by the Company and kept in an "Unclaimed Suspense Account" to be opened by the Company for this purpose. As per the said clause, the Company is required to send three reminders to the respective shareholders before transferring the physical shares to the "Unclaimed Suspense Account". The Company has already sent two reminders in this regard and after sending the third reminder, the Company would transfer the remaining unclaimed shares to the "Unclaimed Suspense Account". All corporate benefits that accrue on these shares shall also be credited to the Unclaimed Suspense Account and the voting rights on such shares shall remain frozen. Shareholders who are in receipt of the reminder letters are requested to write to the Registrar and Transfer Agent and provide the correct details to enable the Company to re-send the share certificates. These shares would, thereafter, be transferred to the respective shareholders as and when claimed by them.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

### Item Nos. 4, 5 & 6

Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K. Ramadoss were appointed as Additional Directors of the Company with effect from August 27, 2010 and they hold office till the date of this Annual General Meeting. The Company has received notices in writing from Members of the Company along with required deposit proposing the candidature of Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K. Ramadoss for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

The profile of Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K. Ramadoss are given under the Corporate Governance Report which is annexed to this Annual Report.

Your Directors commend the proposed resolutions for approval of the Members.

None of the Directors except Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K. Ramadoss are concerned or interested in the resolution to the extent of their respective appointments.

By order of the Board of Directors

Sd/-

**B. M. Rath**

Company Secretary

Place: Chennai

Date : July 25, 2011

### FOR THE KIND ATTENTION OF MEMBERS

The Ministry of Corporate Affairs vide Circulars dated 21st April, 2011 and 29th April 2011 has undertaken a "Green Initiative in the Corporate Governance" permitting paperless compliance by companies. Thus, Notices/documents (including Annual Report) required to be sent by companies to Members under the Companies Act, 1956, can be sent by e-mail. Pursuant to the above, as informed in the Company's communication to the Members dated 2nd June, 2011, the Annual Report of the Company for the financial year 2010-11 is sent by electronic mode to those Members whose e-mail ids are available/have been obtained from their respective depository participants and also to those Members who have opted to receive soft copies. To all the other Members, a physical copy of the Annual Report for 2010-11 is sent by post. Members may further note that soft copy of the Company's Annual Report for 2010-11 is also posted on the Company's website viz., [www.parrysugar.in](http://www.parrysugar.in). Physical copies of the Annual Report are available at the Registered Office of the Company for supply to the Members on request.

It is hereby requested that Members holding their shares in physical or dematerialised form, who are yet to register their e-mail addresses for the above purpose may kindly register their e-mail addresses at the earliest, in the manner suggested below and support the Green Initiative:

- Members holding shares of the Company in dematerialised form may please register their e-mail addresses with the concerned Depository Participant with whom they hold their dematerialisation account; and
- Members holding the shares in physical form may please register their e-mail addresses with the Registrar & Share Transfer Agent of the Company viz., Karvy Computershare Private Limited ("RTA") either by writing a letter quoting their registered folio number to the RTA (or) by sending an e-mail to [parrysugar.cs@karvy.com](mailto:parrysugar.cs@karvy.com). Your whole hearted co-operation is requested to make the Green Initiative a great success.



# DIRECTORS' REPORT

Your Directors have pleasure in presenting their 25th Annual Report together with the audited financial statements for the 15-month period ended 30th June 2011.

The financials for the year 2010-2011 are summarised below.

	(₹ in Lakhs)	
	<b>2010-11 (15 months)</b>	2009-10
Sales Income	<b>41381.30</b>	19764.50
Other Income	<b>413.37</b>	2991.76
Total Income	<b>41794.67</b>	22756.26
Profit before Interest and Depreciation	<b>1035.42</b>	913.73
Interest	<b>7823.24</b>	4209.89
Depreciation	<b>3665.80</b>	2687.48
(Loss) before taxation	<b>(10453.62)</b>	(5983.64)
Provision for tax:		
Earlier year	<b>(123.97)</b>	55.56
Deferred Tax	<b>(862.24)</b>	(196.11)
(Loss) after Tax	<b>(9467.41)</b>	(5843.09)
Balance in profit and loss account brought forward from previous year	<b>(270.42)</b>	5572.66
Balance carried forward to Balance Sheet	<b>(9737.83)</b>	(270.42)

## CHANGE IN FINANCIAL YEAR

The financial year 2010-11 of the Company was extended upto June 30, 2011 to fully reflect the performance of the Company for the sugar season 2010-11 which continued beyond March 2011 due to availability of cane. Hence, the financial results for the year under review cover a period of 15 months and not comparable with the results of the previous financial year 2009-2010 which is a 12 months period.

## DIVIDEND

In view of the losses incurred, your Board is unable to recommend any dividend for the financial year ended on June 30, 2011.

## COMPANY PERFORMANCE

During the year under review your Company's total income was ₹ 41794.67 lakhs as against ₹ 22756.26 lakhs for the previous year. The profit before interest and depreciation of ₹ 1035.42 lakhs was marginally higher compared to last year. The loss before taxation was ₹ 10453.62 lakhs compared to a loss of ₹ 5983.64 lakhs of the last year.

The performance of the Company was adversely affected mainly due to the low sugar selling price and high cost of sugarcane. The sugar prices remained sluggish due to higher sugar output during the year 2010-11 which witnessed a 30-35 percent growth driven mainly by improved cane acreage in response to higher cane prices paid in last two sugar years. Further, during the year in line with the industry, the Company had to pay ₹ 200 per tonne of cane in Karnataka units as additional cane price for the cane supplied during the previous year.

In Karnataka, the unit at Haliyal had a major technical breakdown which affected the production for nearly a month during the peak season thereby seriously affecting performance of the unit. The performance of the plant at Ramdurg was significantly better than last year with a crushing of 457703 MT of cane Vs 205071 MT last year, an increase of 123%. The Company has more or less stabilised the operation of mobilising the harvesting and transportation labour to ensure smooth, continued and unhindered crushing operations.

The performance of the plant at Sankili was better than last year despite adverse impact due to heavy rains leading to delay in start of the crushing season and disruptions in cane supply.

During the year, the Company crushed a total 1295502 MT of cane, produced 1397519 qtls of sugar as against 585352 MT of cane and 566855 qtls of sugar during the previous year, an increase of 121.32% and 146.54% respectively. The average recovery rate was 10.80% Vs 9.70% last year.



The major challenge for the Company in the coming year is to remove the production bottlenecks and to stabilise the plants at all locations to enhance the crushing operations. The Haliyal plant which is equipped with all modern equipments such as diffuser for milling to achieve higher recovery and low power consumption, in-line shredder to achieve better cane preparations and high pressure Boiler to achieve better efficiencies, have to be tested for the first time with crushing at peak capacity. Most of these equipments have been used for the first time by the Company and the various deficiencies in the system alignments have to be rectified which is expected to improve the recovery and performance of the unit the coming year. The Company is also poised to increase the capacity of Haliyal unit and Ramdurg Unit up to 4000 TCD and the coming season will see an increase in the operations of the Company's Karnataka Units. The growth of Sugar industry in South India is expected to be in Karnataka and it is imperative that the Company ramps up production capabilities within the next three years to take advantage of the up-cycle in the sugar cycle as cane is likely to be abundantly available in the next two/three years.

### **Distillery Division**

The distillery division produced 188.85 lakh litres of industrial Alcohol/Ethanol against 95.92 lakh litres in the previous year registering an increase of 96.88% due to commencement of operations of the distillery unit at Haliyal. In value terms, the sale of industrial alcohol/ethanol during the year was ₹ 57.38 crores as against ₹ 35.37 crores in the previous year registering an increase of 62.21%. Increase in production and sale was due to availability of more sugarcane resulting in higher production of molasses.

### **Power Division**

The total power generated by our Co-generation plants was 1508.06 lakhs units as against 1025.57 lakhs units in the previous year mainly due to availability of more bagasse from sugarcane crushing. The sale of power was at ₹ 3179.31 lakhs in the current year as against ₹ 3238.01 lakhs recorded in the previous year. The power exported during the previous year includes export during the off season realising a better tariff. The revenue of the Company is affected by lower tariff of the State Govt. utilities and the Company is exploring the possibility of higher revenue through third party exports and sale through power exchange. Increase in power generation capacity, both season and off season shall be the future thrust area of the Company. The Company is also completing the post registration formalities to avail Certified Emission Reduction (CER) benefits under Clean Development Mechanism (CDM) of United Nations Framework Convention on Climate Change (UNFCCC).

In an attempt to boost renewable energy production in the country, the Govt. has launched the Renewable Energy Certificate (REC) mechanism which aims at mainstreaming renewable energy sources across the nation. Renewable Energy Certificate is a market based instrument which enables the obligated entities to meet their Renewable Purchase Obligation (RPO). In India, all energy distribution licensees are entitled to buy a minimum level of renewable energy as per the Electricity Act imposed by the State Electricity Regulatory Commission. The Company is actively exploring to avail the benefit of the REC mechanism.

### **MEASURES TAKEN FOR CANE DEVELOPMENT**

Your Company has undertaken a comprehensive Cane Development Program to improve cane acreage and yield in the coming years. Major cane development programmes will continue to be initiated by the Company aiming at improving area under cultivation, cane yield and improving the quality of cane to cater to the enhanced crushing capacity.

### **SHARE PURCHASE AGREEMENT**

As informed in the last year's report, pursuant to the Share Purchase Agreement dated April 25, 2010 entered into by E.I.D.- Parry (India) Ltd. (EID Parry) with the erstwhile promoters and the consequent open offer made under the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1977 (Takeover Code), EID Parry have acquired 12975110 shares representing 65% of the paid up share capital of the Company. Consequently, your Company has become a subsidiary of EID Parry with effect from August 27, 2011 and EID Parry has become the promoter of the Company under the applicable Regulations.

### **CHANGE IN CAPITAL STRUCTURE**

During the year, the Company allotted 750 Lakhs, 8% cumulative preference shares of ₹ 10/- each to the Holding Company aggregating to ₹ 75 crores. Consequently the paid up share capital of the Company has increased to ₹ 109.08 crores with effect from June 30, 2011.

### **SOCIAL RESPONSIBILITY**

The Company through its CSR initiatives seeks to provide quality education, improve access to public health system, nutritional inputs and enhance economic opportunities of families and community through the promotion of sustainable agriculture and by providing training to farmers. The Company in collaboration with HelpAge India, has launched a project to run a Mobile Medicare Unit in and around Rajam, Srikakulam District, Andhra Pradesh to provide basic & essential Medicare, to the poor, needy and elderly population of the society.

## **SUBSIDIARY COMPANY**

The Company's wholly owned subsidiary, Alagawadi Bireshwar Sugars Pvt. Ltd. (ABSPL), proposes to set up an integrated sugar plant at Raibagh, Karnataka and the land acquisition process is completed. The Company is in the process of conversion of land and obtaining various other clearances/approvals.

## **SUBSIDIARY ACCOUNTS**

In terms of the Circular No: 2 /2011 dated February 8, 2011 issued by the Central Government u/s 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, and Reports of the Board and the Auditors of the Company's wholly owned subsidiary, Alagawadi Bireshwar Sugars Pvt. Ltd. have not been attached to the Balance Sheet of the Company as at June 30, 2011.

However, as directed by the Central Government, the financial data of the subsidiary have been separately furnished forming part of this Annual Report. These documents will also be available for inspection at the Registered Office of the Company and of the subsidiary company during working hours up to the date of the Annual General Meeting. However, the related detailed information of the Annual Accounts of the Subsidiary Company will be made available to the Holding Company's investors seeking such information at any point of time. The Annual Accounts of the Subsidiary Company will also be kept for inspection by the investors at the Registered Office of the Company and that of the Subsidiary Company.

## **CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared by the Company in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the same together with Auditors' Report thereon form part of the Annual Report.

## **DIRECTORS**

Consequent to change in the ownership of the Company there was a reconstitution of the Company's Board. Effective August 27, 2010, Mr. R. Ramakrishnan, Mr. V.P. Singh, Mr. Uday M. Chitale, Mr. T. C. S. Reddy and Mr. N.V. Varadarajulu resigned from the directorship of the Company and Mr. V.Ravichandran, Mr. N. Srinivasan, Mr. K. Ramadoss were appointed as Additional Directors of the Company.

The Board places on record its appreciation for the valuable contributions made by Mr. R. Ramakrishnan, Mr. V.P. Singh, Mr. Uday, M. Chitale, Mr. T. C. S. Reddy and Mr. N. V.Varadarajulu.

Mr. K. Balasubramanian resigned as the Chairman of the Company but continues as a Director of the Company. Mr. S. Sandilya was appointed as the Chairman of the Company.

Consequent to the resignation of Mr. R. Ramakrishnan as the Managing Director, Mr. D. Kumaraswamy was appointed as the Managing Director of the Company with effect from August 28, 2010.

Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K. Ramdoss hold office till the ensuing Annual General Meeting. The Company has received notices from members proposing the appointments of Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K.Ramadoss as Directors of the Company. A brief resume, expertise and details of other directorships of Mr. V. Ravichandran, Mr. N. Srinivasan and Mr. K.Ramadoss are provided in the Corporate Governance Report.

Mr. S. Sandilya retires by rotation in terms of Articles 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment. A brief resume, expertise and details of other directorships of Mr. S. Sandilya are provided in the Corporate Governance Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956 and on the basis of explanation given by the Executives of the Company and also subject to disclosures in the Annual Accounts, your Directors to the best of their knowledge and belief confirm as under:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures.
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. that the Directors had prepared the annual accounts for the financial year ended June 30, 2011 on a going concern basis.

## **FIXED DEPOSITS**

During the year under review, your Company has neither invited nor accepted any fixed deposits from the public as per the provisions of Section 58A of the Companies Act, 1956. As such, no amount of principal or interest was outstanding as on the date of the Balance Sheet.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance Requirements as set out by SEBI and is in conformity with most of the requirements of the voluntary guidelines on Corporate Governance issued by the Ministry of Corporate Affairs.

## **CEO/CFO CERTIFICATION**

Mr. D. Kumaraswamy, Managing Director and Ms. G. Jalaja, Chief Financial Officer, have given a certificate to the Board as required under Clause 49 of the Listing Agreement with the stock exchanges.

## **PERSONNEL RELATIONS**

Your directors hereby place on record their appreciation for the services rendered by the executives, staff and workers of the Company. During the year under review, relations between the employees and the management continued to be cordial.

## **CONSERVATION OF ENERGY, TECHNICAL ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information relating to conservation of energy, technical absorption and foreign exchange earnings and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

## **AUDITORS**

The Auditors, M/s. Pricewaterhouse, retire at the conclusion of the ensuing Annual General Meeting and have expressed that they do not wish to be reappointed at the ensuing Annual General Meeting. M/s. R.G.N Price & Co, Chartered Accountants have confirmed their willingness to act as Auditors of the Company for the financial year 2011-12 and have confirmed that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

## **COST AUDITORS**

Narashima Murthy & Co., Cost Accountants, was appointed as the Cost Auditor for conducting the cost audit of Sugar Units of the Company for the financial year 2010-11. As per the Circular No.52/26/CAB/2010 dated 02.05.2011 of the Central Government, the Company is also required to conduct the cost audit of its distillery and cogen units with effect from the financial year 2011-12. Accordingly, Narashima Murthy & Co. has also been appointed as Cost Auditor for conducting the cost audit of Sugar, Distillery and Cogen Units of the Company for the financial year 2011-12.

## **PARTICULARS OF EMPLOYEES**

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure forming part of this Report.

## **ACKNOWLEDGEMENTS**

Your directors acknowledge and express their grateful appreciation for the co-operation and assistance received from Banks, Government Authorities, Customers, Farmers and Suppliers.

Your directors also thank the shareholders for the confidence reposed by them in the management of the Company and for their continued support and co-operation.

For and on behalf of the Board

Place: Chennai  
Date: July 25, 2011

**S. Sandilya**  
Chairman

**Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the 15 months period ended June 30, 2011**

**A. Conservation of Energy**

a) Energy Conservation Measures Taken;	At Sankili, energy conservation measures were undertaken for saving of steam by modifying Vapour condensate flash heat recovery system along with sugar meter modification with Syrup as a medium for melting and Pan Steam control with respect to condensate flow. At the Ramdurg Plant Variable Frequency Drives (VFD) have been installed at Cane Carrier, RTCC & Raw juice pump. At the Haliyal Plant 10 Nos of VFDs have been installed for diffuser recirculating pumps.
b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy;	The Company has invested an amount of ₹ 22.90 lakhs (net of Cenvat) for reduction in consumption of energy (steam) at Sankili plant. At Haliyal, the investment towards the VFD installation is ₹ 15.84 lakhs. At the Ramdurg Plant it is proposed to install VFDs for Boiler ID, FD, SA, Baggasse breaker and clear juice and Sulphated Juice pump purpose.
c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;	The sugar plant at Sankili achieved a steam saving of 0.90% on cane due to the energy saving measures taken during the year. At Ramdurg the saving achieved is 20% of the motor capacity. At Haliyal the savings achieved is @ 0.06 unit/ton of cane by installing the above VFDs.
d) Total Energy Consumption and energy consumption per unit of production	As per Form A

**B. Technology absorption**

e) Efforts made in technology absorption	As per Form B
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**C. Foreign Exchange Earnings and Outgo:**

(₹ In Lakhs)

f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;	<b>Nil</b>	Nil
g) Total foreign exchange used and earned.	<b>2010-2011 (₹ In Lakhs)</b>	2009-2010 (₹ In Lakhs)
Foreign Exchange used		
i) Capital Items	<b>12.50</b>	254.41
ii) Stores & Spares	<b>—</b>	—
iii) Travel Expenses	<b>1.25</b>	—
iv) Consultancy Fees	<b>0.68</b>	—

**FORM - A**
**Form for Disclosure of Particulars with respect to Conservation of Energy**

		2010-11	2009-10
<b>A.</b>	<b>POWER AND FUEL CONSUMPTION</b>		
<b>1.</b>	<b>Electricity</b>		
<b>a.</b>	<b>Purchased units</b>	<b>32,34,327</b>	93,573
	Amount (₹ in lakhs)	<b>113.48</b>	5.28
	Rate/Unit (₹)	<b>3.51</b>	5.65
<b>b.</b>	<b>Own Generation</b>		
<b>(i)</b>	<b>Through Diesel</b>		
	Units generated	<b>2,12,219</b>	2,71,958
	Diesel Consumed (Ltrs)	<b>89,851</b>	1,56,655
	Cons. value of diesel (₹ in lakhs)	<b>37</b>	62.19
	Units per Litre of Diesel Oil	<b>2.36</b>	1.74
	Cost/Unit (₹)	<b>17.63</b>	22.87
<b>(ii)</b>	<b>Through Steam Turbine</b>		
	Units generated	<b>4,59,33,410</b>	1,97,67,411
	Cost/Unit (₹)	<b>5.23</b>	6.98
<b>2.</b>	<b>Furnace Oil</b>		
	Units (Litre)	<b>n.a</b>	n.a
	Amount (₹)	<b>n.a</b>	n.a
	Cost/Unit (₹)	<b>n.a</b>	n.a
<b>3.</b>	<b>HSD Oil</b>		
	Units (Litre)	<b>42,475.67</b>	1,56,655
	Amount (₹ in Lakhs)	<b>17.86</b>	62.19
	Rate/Unit (₹)	<b>42.00</b>	39.70
<b>B.</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION-SUGAR (QTL)</b>		
1.	Electricity (Units)	<b>89.44</b>	35.27
2.	Furnace Oil (Litre)	<b>Nil</b>	Nil
3.	HSD Oil (Litre)	<b>0.1</b>	0.27

**FORM B  
(See Rule 2)**

Form for disclosure of particulars with respect to technology absorption.

**Research and development (R & D)**

1. Specific areas in which R & D carried out by the Company.
2. Benefits derived as a result of the above R&D
3. Future plan of action
4. Expenditure on R & D:
  - (a) Capital
  - (b) Recurring
  - (c) Total
  - (d) Total R & D expenditure as a percentage of total turnover

**Technology, absorption, adaptation and innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :
  - (a) Technology imported.
  - (b) Year of import.
  - (c) Has technology been fully absorbed?
  - (d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action.

- Nil-

For and on behalf of the Board

Place: Chennai  
Date: July 25, 2011

**S. Sandilya**  
Chairman

**Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Director's Report for the 15 month period ended June 30, 2011.**

Name/Age	Designation and Nature of Employment	Remuneration (₹)	Qualifications/ Experience	Date of commencement of Employment	Previous Employment
R. Ramakrishnan* 60 years	Managing Director	38,73,466/-	Diploma (Mech. Engg.) & MBA 41 years	12.07.2006	Sanmar Group
D. Kumaraswamy ** 58 years	Managing Director	68,49,608/-	Bachelor of Commerce, Chartered Accountant & Company Secretary 34 years	28.08.2010	E.I.D.-Parry (India) Ltd.

\* Resigned w.e.f August 27, 2010.

\*\* Appointed w.e.f August 28, 2010.

- The nature of appointment, in the case of both the appointments, is contractual.
- None of the above employees are related to any Directors of the Company.
- None of the employees by themselves or along with their spouse and dependent children hold any shares of the Company.
- Remuneration as shown above includes salary, allowances, leave travel assistance, Company's contribution to Provident Fund, Superannuation Fund and Gratuity Fund, Medical facilities and perquisites valued in terms of actual expenditure incurred by the Company in providing the benefits to the employees excepting in case of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy, and in such cases, notional amount as per Income-tax Rules has been adopted.

For and on behalf of the Board

Place: Chennai  
Date : July 25, 2011

**S. Sandilya**  
Chairman

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## INDUSTRY STRUCTURE AND DEVELOPMENT

Sugar Industry is the second largest agro-based industry, next only to the textile industry and India is one of the largest producers and consumers of sugar in the world. The sugar industry in India is highly fragmented. Since sugarcane is the primary raw material from which sugar is manufactured in India, sugar mills are set up in cane growing states such as Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh and Gujarat. These six above mentioned states together account for around 85-90 per cent of the sugarcane production in the country. Hence, sugar capacities and production are concentrated in these states.

The sugarcane crop grows for 8-14 months, depending on the climate and the seeds used. Factors that determine the yield and quality of sugarcane are temperature, rainfall and soil. Sugarcane is usually grown in a frost-free, warm and humid climate. In India, around 90 per cent of the sugarcane cultivation happens in irrigated land. In a year of surplus sugarcane production, sugarcane crushing continues beyond April and extends up to June/July, when sugar recovery declines and molasses formation increases significantly.

In most parts of the world, sugarcane is handled manually and involves extensive labour. However, this trend has been changing, with the increasing need to mechanise the operations to improve the recovery rate. Given the nature of regulations in the sugar industry, there are no foreign sugar producers in India. Industrial consumers and households in the country determine the growth of the domestic sugar consumption. Population growth and relative prices of sugar vis-a-vis substitutes such as gur/khandsari determine the direct demand for either of the sweeteners. Indirect (industrial) consumption of sugar can be broadly classified into bakeries, confectioneries & chocolates, soft & fruit drinks, sweetmeats, tea & coffee and other segments like icecreams, jams, alcoholic beverages etc. Growth in production volumes of these various segments coupled with I/O norms (input-output) of sugar content in each of these end-use products is used to forecast growth for sugar consumption from the industrial user segment.

The sugar supply in India also depends on various government controls on the distribution of sugar. The government controls the sale of sugar in the open market through its regulated releases mechanism. In addition to the above factors, the import and export of sugar determine the final supply in the market. Sugar prices, as a result, depend on the demand-supply situation during the year.

Typically, sugarcane and sugar production in India have tended to follow a cyclical pattern. A typical sugar cycle lasts for 3-5 years – lower sugarcane and sugar production results in an increase in sugar prices and higher and prompt payments to farmers, which in turn, leads to an increase in area under cane cultivation. An increase in cane acreage then leads to higher sugar production, decline in sugar prices, lower profitability for mills and consequently delayed payments to farmers, which in turn, results in area under cane cultivation coming down.

## BY PRODUCTS

Molasses is a thick syrup by-product from the processing of the sugarcane into sugar. In sugar factories, sugar is crystallised from a concentrated juice in three separate stages wherein each stage results in the production of a crystallised sugar fraction and a non-crystalline fraction or molasses fraction called molasses.

Ethanol, or anhydrous alcohol, is produced from the fermentation of molasses. It is 99.5% pure alcohol. Typically, one tonne of 'C' molasses yields around 225-250 litres of alcohol whereas one tonne of 'B' molasses yields about 320-350 litres of alcohol. Ethanol can be produced from a wide range of raw materials. These raw materials include molasses from the sugar industry, any starch yielding agricultural product such as corn, potatoes, vegetable matter, growing crops, farm wastes, and tropical grasses; waste organic products, such as saw dust; water gas; and industrial waste such as sulphite liquor from the paper and pulp industry. Ethanol can also be produced directly from sugarcane, instead of through the molasses route. In India, ethanol is mostly manufactured from the 'C' molasses obtained during the process of crushing sugarcane. In Brazil, ethanol is produced directly from sugarcane. In September 2008, the government announced a National Policy on bio-fuels which targets 20% ethanol-blending by 2017. However, the ethanol blending programme, which calls for 5% blending of ethanol with petrol, has not taken off so far due to limited feedstock availability, unattractiveness of manufacturing ethanol directly from sugarcane or C molasses, issues related to pricing and tendering and taxation issues at the state level.

## CO-GENERATION OF POWER

Globally, most sugar factories use bagasse to meet their electricity and steam requirements. Bagasse is burnt in large furnaces, which releases large amounts of heat for boiling water and generating high-pressure steam. The steam is used to drive a turbine, which generates electricity. The residual low-pressure steam is used in the sugar making process. Co-generated power has environmental benefits in terms of replacing fossil fuels and is also renewable in nature. For a sugar mill, opting for cogeneration of power has the advantages of getting an additional stream of revenue. The mill can also partly protect itself from the cyclical nature of the other businesses – sugar, alcohol, molasses and bagasse. In India, the government is offering a number of incentives to encourage investment in the bagasse-based cogeneration projects in terms of lower financing



rates and capital subsidies to cooperatives or public sector sugar mills. Other benefits like accelerated depreciation, income tax holidays, reduced customs duty, central excise exemption and central sales tax exemption are also given in some states. However, the potential for bagasse-based co-generation of power is yet to be realised fully. The Ministry of Nonconventional Energy Sources has estimated that sugar mills have the potential to generate 3500 MW of power through bagasse-based cogeneration. Co-generation sector growth is expected further by various regulatory measures including renewable energy portfolio obligation fixed under National Action Plan for Climate Control (NAPCC) of Government of India and generic tariff norms announced for co-generation projects; norms and pricing framework for Renewable Energy Certificates (RECs); and amendment of the provisions of the grid code to ensure smoother off take and transmission of power by utilities. However, the major bottlenecks in harnessing co-generation potential has been lack of management focus; weak financial position of many sugar mills, especially smaller units including those run by the co-operative sector; and relatively unattractive tariffs.

## SUGAR SCENARIO

Given the growing sugar production and the structural changes witnessed in Indian sugar industry, India is all set to continue its domination at the global level. In 2009-10, Indian sugar production started recovering from an unprecedented fall of 11.7 Million MT or 45% in 2008-09. The domestic sugar industry prices had shown a hardening trend since Q4 of sugar year 2008-09 in anticipation of continued depressed production in sugar year 2009-10. This resulted in a sustained uptrend in prices, which reached a peak of ₹ 40,000/MT by end of January 2010. However, there was a significant drop in sugar prices to, as low as ₹ 25,000/MT by August 2010. The fall is attributable to a number of factors. Firstly, there was an upward revision in production estimates for the sugar season ending September 2010. Secondly, there was a significant drop in international sugar prices due to increased sugar production in Brazil as well as India, thus resulting in lower dependence on imports in India. In addition, the Government of India took several measures in order to curb sugar prices. These measures included continued zero duty on imports, allowing bulk consumers to import sugar freely; tight inventory restrictions imposed by the government on buyers and changes in release norms (from monthly to weekly) for free sale sugar. The downward trend in sugar prices continued until end of August 2010, after which prices started rising from mid-September 2010. The price rise may be attributed to three reasons – an increase in demand due to the festive season; a fall in sugar releases during October-November 2010; and a rise in the international prices of sugar, which improved the sentiments for the domestic sugar industry (on the anticipation that sugar mills would be able to export surplus production in SY 2010-11 at remunerative prices). Prices reached a peak of ₹ 30,000/MT by January 2011 although they showed a modest correction since then, following a pick-up in domestic sugar production and the government's decision of withholding exports of sugar under Open General Licenses (OGLs).

In March end, the Central Government has allowed export of 5 Lakhs MT of sugar under the (OGL). The Government extended stockholding curbs on the quantity of sugar stocks that traders and wholesale dealers can hold upto September 30, 2011. The curbs were due to expire on March 31, 2011. But the Government cushioned the move by raising the cap on stock quantity to 500 MT from 200 MT from April 1, 2011. The Government has released notification for increasing levy price in line with Fair and Remunerative Price (FRP) and accordingly levy price has been fixed at ₹ 18.47 per kg of sugar to mills for supplying sugar to the Government in 2010-11 for onward sale to the poor (levy sugar), 5.1% more than the ₹ 17.57 per Kg last year. For the sugar season 2011-12, the Central Government has fixed the FRP at ₹ 145 per quintal linked to a basic recovery rate of 9.5% subject to a premium of ₹ 1.53 per quintal for every 0.1% increase in recovery above that level.

## REVIEW OF COMPANY'S BUSINESS

The Company has three Sugar Plants located at:

- (i) Sankili in Andhra Pradesh having a cane crushing capacity of 5000 tonnes per day, Co-generation capacity of 16 Megawatt (MW) and a Distillery unit capacity of 40 Kilo litres per day (KLPD). This unit commenced commercial operation in December 1997.
- (ii) Haliyal in Karnataka having a cane crushing capacity of 3500 tonnes per day (TCD) expandable to 5000 TCD, Co-generation capacity of 24 Megawatt (MW) and a Distillery unit capacity of 45 Kilo litres per day (KLPD). This unit commenced commercial operation in December 2008.
- (iii) Ramdurg in Karnataka was taken on lease from Shri Dhanalaxmi Sahakari Sakkare Karkhane Niyamat (DSSKN) having a cane crushing capacity of 2500 TCD and Co-generation capacity of 6 MW expandable to 13 MW. This unit commenced commercial operation in December 2008.

All the Company's sugar plants are integrated with co-generation and distillery facility except Ramdurg plant which has 6MW Cogen. The Company is continuously working on improving operational efficiencies and production techniques, benchmarking with the best in the industry, globally.

The Company converts bagasse into electricity in its Co-generation units and processes molasses into various types of alcohol, thus completing the value chain. Majority of the sugar facilities of the Company are located in North Karnataka, offering the Company a geographical advantage of being in the highest sugar recovery zone in India and good soil conditions and abundant water with sugarcane recovery being among highest across India.

## CANE DEVELOPMENT ACTIVITY AND SUPPORT TO FARMERS

The Company has developed a multipronged plan to increase the availability of cane which is the basic raw material for the manufacture of sugar and life line of any Sugar Company as detailed below.

*Infrastructure:* Availability of infrastructure to develop cane area nearer to factory area like bore wells, Individual lift irrigation, Community Lift irrigation projects; Pump sets requirements, land reclamations and micro irrigation.

*Quality seed nursery programme for all cane divisions:* The Company plans to rejuvenate the existing major two high sugar varieties CO 671 and CO 86032 by utilising help from Belgaum Sugar institute. It has also planned to procure seed material from own developed nurseries raised in the grower's field.

*Inputs arrangements to facilitate cane crop growth:* Timely distribution of inputs like fertilizers, micro nutrients etc. through own or out sourced depots and also by leveraging the synergies from the associate company's "managromor" centres.

*Mechanisation:* Due to labour shortages, the Company has plans to tie up with local manufacturing companies to arrange equipment like Trash Shredders, Ratoon management device and Mechanical cane planters.

*Harvest and transport arrangements:* The Company proposes to take a series of measures to improve the relationship with the Harvesting & Transport (H&T) groups. To retain them, several activities have been undertaken and the Company has developed H&T co-ordination team comprising experienced senior level members in each sugar unit to execute these arrangements.

*Technical infrastructure support:* To execute activities in all sugar units by appointing qualified technical members and to train field force about new innovation in the field by using Sugar institute scientists and other experienced professionals from the private sector.

## MARKETING

With increasing production in Karnataka, there is a need for the Company to look for other markets like Institutional sales, sugar deficit markets, retailing and trading. The focus will be different markets for different units with special products catering to the requirement of the particular market. The Company also will use the infrastructure of the holding Company for selling to institutions and retail from sugar produced in Karnataka and Andhra Pradesh. This will increase the reach of the brand across the country while reducing cost of logistics. Due to the adoption of this network, the company will be able to provide customer-specific products directly, which is not possible in the traditional distribution networks.

## RISK MANAGEMENT

The Company has adopted a system based approach for risk management, with the clear objectives of identification, evaluation, monitoring and minimisation of the identifiable risks. The Company has a Risk Management Committee for systematic evaluation of the business risks and policy compliance associated with its business through its risk document. The management periodically reviews the risk management framework to identify the major business risks as applicable to the Company and works out their mitigation strategy.

The major risks faced by Sugar business are the availability of cane, regulatory risks, price of sugar and that of sugarcane.

Sugarcane is the key raw material for sugar and any difficulty in getting cane at right time will have impact on the business. The key factors that influence cane availability are climatic condition, availability of cane harvesting labour and farmers opting competitive crops.

Availability of sugarcane is ensured by fostering good relationship with the cane growers. This is done by undertaking various measures in supporting them in cultivating cane. These are in the form of providing assistance in drip irrigation, mechanical harvesting and improved cane varieties. The Company also extends subsidies on good quality seeds, fertilizers and manure, ensures timely cane payment to farmers, timely distribution of indents, proper surveys and incentivising the farmers to cultivate higher volumes of cane in the Company's command area through various means.

The sugar industry is regulated by the central and state governments. Sugarcane price, known as Fair and Remunerative Price (FRP), is fixed by the Central Government well before the start of the season while the state government fixes the State Advised Price (SAP), always significantly higher than FRP. The State Government controls the sugarcane command area while the Central Government regulates exports and imports. The Company is in close association with Indian Sugar Mills Association (ISMA) and The South Indian Sugar Mills Association (SISMA), is in the process of developing a common strategy for appropriate policies in the sugar sector.

## FINANCIAL PERFORMANCE

The Company reported a Net Loss before Interest of ₹ 2630.38 lakhs on account of steep fall in sugar sale realisation. The Segment-wise performance of the Company is as under:

The current financial year is a period of 15 months i.e., April 1, 2010 to June 30, 2011. During the year 2010-11, the Company has reported a Profit Before Interest and Depreciation of ₹ 1035.42 lakhs.

Product/Services	2010-11			2009-10		
	Sales		PBIT ₹ in Lakhs	Sales		PBIT ₹ in Lakhs
	Quantity	Value ₹ in Lakhs		Quantity	Value ₹ in Lakhs	
Sugar (Quintals)	12,41,396	32,768.23	(2536.27)	4,56,592	13,116.94	(487.91)
Cogen (Units)	9,01,72,760	3,179.31	(549.46)	7,33,33,000	3238.01	(845.85)
Distillery (Ltrs)	1,84,13,950	5,738.41	617.46	98,81,000	3537.58	(301.55)

### Finance charges

The Company had term loans and working capital borrowings aggregating to ₹ 618 crores as on June 30, 2011. The Company incurred finance charges of ₹ 78.23 crores during the year 2010-11 as compared to ₹ 42.09 crores for the year 2009-10. The increase in the finance charges has been mainly on account of funding the cash losses incurred during the last two years.

### Loss after tax

The loss after tax stood at ₹ 94.67 crores as against ₹ 58.43 crores in the previous year.

### Capital Structure

During the year, the company issued 750 Lakhs 8% cumulative redeemable preference shares of ₹ 10/- each to the Holding Company aggregating to ₹ 75 crores. The shares are redeemable after 8 years with call option to the shareholders for redemption after 3 years. With this, the paid up capital of the Company with effect from June 30, 2011 has increased to ₹ 109.08 crores.

### Credit Rating

During the year, rating agency ICRA has revised the long-term rating to LBBB + from LBBB - assigned earlier and short-term rating to A2 from A3 assigned earlier to the ₹ 427 crores bank loans of the Company as per BASEL II requirements for the existing and proposed bank facilities.

### INTERNAL CONTROL AND SYSTEMS

The Company believes that internal control is a necessary part of the principle of governance and that freedom of management should be exercised within a framework of appropriate checks and balances. The Company remains committed in its endeavour to ensure an effective internal control environment that provides assurance on the efficiency and effectiveness of operations, reliability of financial reporting, statutory compliance and security of assets. The Company has a well-established and robust internal systems and processes in place to ensure smooth functioning of the operations. An effective internal control system, supported by an Enterprise Resource Planning platform for all business processes, ensures that all transaction controls are continually reviewed and adequately addressed. The control mechanism involves well documented policies, authorisation guidelines commensurate with the level of responsibility and standard operating procedures specific to the respective business. The Company has its own Internal Audit Department that monitors and makes continuous assessments of the adequacy and effectiveness of the internal controls and systems across the Company. The status of compliance with operating systems, internal policies and regulatory requirements are also monitored. The Board, Audit Committee and the Management review the findings and recommendations of the Internal Audit Department and take corrective actions wherever necessary.

### CANE MANAGEMENT SYSTEM

To improve the service to farmers and ensure farmer satisfaction, the Company has implemented Cane Management System. Farmer being the key stakeholder of the Company, to improve the service to cane farmers, the Company printed the ledger bills for the farmers and for the harvesting labour and transporters in local language which would be beneficial and help retention of the cane farmers. The Company has developed a new purchase centre concept which is unique to its Andhra operations.

### HUMAN RESOURCES

The Company recognises people as the primary source of its competitiveness and continues to focus on people capabilities by leveraging technology and creating a learning environment. The Company had a total employee strength of 577 as on June 30, 2011. The Human Resources function is proactively focused to meet the vision – *“To build Credible, Reliable & Capable Human Capital to deliver superior Individual and Business performance”*. In order to achieve this vision, the Company is trying to shape its employees as a vital strategic asset and thus has initiated on a priority basis various HR interventions. There was a major thrust on realigning, integrating and strengthening of people processes to cater to the debottlenecking plans in Karnataka and Andhra Pradesh.

The Company strengthened its plant leadership and other critical positions through a robust process of Talent Acquisition and focused approach towards employer value proposition of Parrys. Company went about aggressive talent drives including infusing young Engineers and Management Trainees from campuses, to ramp up the teams in the Plants. The Company is trying to create a Right Organisation Design and create diverse leadership to turn around business amidst an intense competitive environment. Company has strengthened its people capability systems. In order to update skill levels at plants, a tie up with Nettur Technical Training Foundation was established to conduct regular technical trainings at Plants.

The Company has placed a strong emphasis on the need to have safe healthy work environment and conducted regular safety trainings at Plants to inculcate the culture of using Personal Protective Equipment (PPE) to all the employees.

During the year, your Company implemented a performance and reward architecture that is aligned to its strategy. This initiative was aimed at inculcating a performance driven culture which is focused on achievement of annual business results and goals that go beyond a year. In order to infuse and instill performance based culture, a productivity linked Incentive scheme for Cane Employees was introduced. These interventions create relevant set of directional themes to guide our culture and are also designed to attract high quality talent from the market and retain our high performers.

To reiterate the Company's commitment to the culture of care, concern and well-being for the employees, facilities such as Occupational Health Centre and canteen were provided during the year.

### **CAUTIONARY STATEMENT**

The management discussion and analysis report containing your Company's objectives, projections, estimates and expectation may constitute certain statements, which are forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statements. Your Company's operation may *inter-alia* be affected by the supply and demand situations, input price and the availability, changes in the government regulations, tax laws and other factors. The Company cannot guarantee the accuracy of the assumptions and perceived performance of the Company in future.

# REPORT ON CORPORATE GOVERNANCE

## Company's Philosophy on Corporate Governance

Parrys Sugar Industries Limited, (Parrys Sugar) a member of Murugappa Group of Companies, adheres to good corporate practices and is constantly striving to improve them and adopt the best practices. Adherence to business ethics and commitment to corporate social responsibility are the enablers for a company to maximising value for all its stakeholders. Parrys Sugar is committed to the spirit of Murugappa Group by upholding the core values of integrity, passion, responsibility, quality and respect in dealing with all stakeholders of the Company.

### 1. Board of Directors

#### A. Composition

- ❖ As on June 30, 2011, the Company had six Directors including a Non-Executive Chairman and a Managing Director. Of the six Directors, five are Non-Executive and three are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreements with the Stock Exchanges.
- ❖ The day to day management of the Company rests with the Managing Director.
- ❖ None of the Directors on the Board are Members of more than ten Committees or Chairman of more than five Committees across all the companies in which they are Directors.
- ❖ The independent directors have confirmed that they satisfy the 'criteria of independence' as stipulated in Clause 49 of the Listing Agreement.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies as on June 30, 2011 are given below:

Name of the Director	Category	Number of Board Meetings during the year 2010-11		Whether attended last AGM held on August 4, 2010	No. of Directorships in other public limited companies ##		No. of Committee positions in other public limited companies \$	
		Held	Attended		Chairman of the Board	Member of the Board	Chairman of the Committee	Member of the Committee
Mr. S. Sandilya Chairman DIN: 00037542	Independent and Non-Executive	7	6*	Yes	1	2	2	2
Mr. K. Balasubramanian Director DIN: 00009132	Independent and Non-Executive	7	7	Yes	2	5	3	2
Mr. K. Ramadoss (@) Director DIN: 03230018	Independent and Non-Executive	7	5	Na	-	-	-	-
Mr. V. Ravichandran (@) Director DIN: 00110086	Non-Independent and Non-Executive	7	5	Na	-	2	-	3
Mr. N. Srinivasan (@) Director DIN: 00123338	Non-Independent and Non-Executive	7	4	Na	1	5	-	5
Mr. D. Kumaraswamy (^) Director DIN: 00149344	Non-Independent and Executive	7	6	Yes	-	1	-	1
Mr. R. Ramakrishnan (#) Managing Director DIN: 00680202	Non Independent and Executive	7	3	Yes	-	-	-	-

Name of the Director	Category	Number of Board Meetings during the year 2010-11		Whether attended last AGM held on August 4, 2010	No. of Directorships in other public limited companies ##		No. of Committee positions in other public limited companies \$	
		Held	Attended		Chairman of the Board	Member of the Board	Chairman of the Committee	Member of the Committee
Mr. T. C. S. Reddy (#) Director (Technical) DIN: 01064778	Non-Independent and Executive	7	3	Yes	-	-	-	-
Mr. A. Sankara Rao (#) Director DIN: 00229921	Non-Independent and Executive	7	-	No	-	-	-	-
Mr. Uday M. Chitale (#) Director DIN: 00043268	Independent and Non-Executive	7	3	Yes	-	-	-	-
Mr. V. P. Singh (#) Director DIN: 00015784	Independent and Non-Executive	7	3	Yes	-	-	-	-
Mr. N. V. Varadarajulu (#) Director DIN: 00011736	Independent and Non-Executive	7	3	Yes	-	-	-	-

There are no inter-se relationships between our Board members.

(\*) in addition to attending six meetings, Mr. Sandilya participated in one meeting over teleconference.

(@) appointed as Additional Director with effect from August 27, 2010.

(#) resigned with effect from August 27, 2010.

(^) appointed as Managing Director with effect from August 28, 2010.

## Excludes Directorships/Committee positions in Private Limited Companies which are not subsidiaries of Public Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

\$ Figures include Directorships/Committee positions in Audit Committee and Shareholders/Investors Grievance Committees only.

None of the above Directors hold any shares in the Company as on June 30, 2011.

## B. Board Meetings

The Board meets at least once in a quarter to review the financial results and other items on the agenda, which are distributed to the Directors in advance. Seven Board meetings were held during the year ended June 30, 2011. These were held on April 23, 2010; August 4, 2010; August 27, 2010; October 23, 2010; January 21, 2011; March 9, 2011 and April 26, 2011 and the maximum gap between the two Board Meetings did not exceed four months.

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company.

## C. Changes in the composition of Directors during the financial year 2010-11 (15-month period).

Mr. K. Ramadoss, Mr. V. Ravichandran and Mr. N. Srinivasan were appointed as Additional Directors with effect from August 27, 2010.

Mr. R. Ramakrishnan, Mr. T.C.S. Reddy, Mr. A. Sankara Rao, Mr. Uday M. Chitale, Mr. V.P. Singh and Mr. N. V. Varadarajulu resigned with effect from August 27, 2010.

Mr. D. Kumaraswamy was appointed as Additional Director with effect from May 18, 2010 and as Managing Director with effect from August 28, 2010.

## D. Code of Conduct

The Company has adopted the code of conduct for all Board members and Senior Management as required under Clause 49 of the Listing Agreement. The Code is posted on the Company's website: [www.parrysugar.in](http://www.parrysugar.in). All Board members and Senior Management personnel have affirmed compliance with the Code on an annual basis and a declaration to this effect by Mr. D. Kumaraswamy, Managing Director is attached to this Report.

**E. Profile of Directors retiring by rotation and seeking re-appointment and new appointment in pursuance of Clause 49 of the Listing Agreement.**

Name of the Director	<b>Mr. K. Ramadoss</b>	<b>Mr. V. Ravichandran</b>	<b>Mr. N. Srinivasan</b>	<b>Mr. S. Sandilya</b>
Date of Birth	26-04-1950	09-06-1956	06-10-1957	11-04-1948
Date of Appointment	27-08-2010	27-08-2010	27-08-2010	26-10-2006
Qualifications	B.Sc, C.A.I.I.B	Engineering Graduate and holds a Post Graduate Diploma in Management from IIM, Ahmadabad besides being a Cost Accountant and a Company Secretary.	Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.	Bachelor of Commerce, Post Graduate Diploma in Business Administration from IIM-Ahmedabad.
Expertise in specific functional area	Banking Operations, Business Development, Policy matters, Credit Management with special emphasis on stressed assets.	Finance Marketing and General Management	Corporate finance, legal, projects and General Management.	Finance and General Management.
Chairman/Director of other Companies	Nil	Director of other Companies <ul style="list-style-type: none"> <li>• Coromandel International Ltd.</li> <li>• E.I.D.-Parry (India) Ltd.</li> <li>• Silkroad Sugars Pvt. Ltd.</li> <li>• CFL Mauritius Ltd.</li> <li>• Parry America Inc.</li> <li>• US Nutraceuticals LLC</li> <li>• Foskor (Pty) Ltd.</li> </ul>	Chairman of other Companies <ul style="list-style-type: none"> <li>• Cholamandalam MS Risk Services Ltd.</li> </ul> Director of other Companies <ul style="list-style-type: none"> <li>• Tube Investments of India Ltd.</li> <li>• Cholamandalam MS General Insurance Co. Ltd.</li> <li>• Cholamandalam Investment and Finance Co. Ltd.</li> <li>• Cholamandalam Securities Ltd.</li> <li>• Cholamandalam Factoring Ltd.</li> </ul>	Chairman of other Companies <ul style="list-style-type: none"> <li>• Eicher Motors Ltd.</li> </ul> Director of other Companies <ul style="list-style-type: none"> <li>• Tube Investments of India Ltd.</li> <li>• Rane Brake Lining Ltd.</li> <li>• Lean Management Institute of India</li> <li>• Association of Indian Automobile Manufacturers</li> </ul>
Chairman/Member of the Committees(*) of the Boards of which he is a Director	Nil	Audit Committee-Member <ul style="list-style-type: none"> <li>• E.I.D.- Parry (India) Ltd.</li> </ul> Share Transfers & Investors Grievance Committee <ul style="list-style-type: none"> <li>• Coromandel International Ltd.- Shares &amp; Shareholders / Investors Committee</li> <li>• E.I.D.-Parry (India) Ltd.</li> </ul> Compensation & Nomination Committee <ul style="list-style-type: none"> <li>• E.I.D.-Parry (India) Ltd.</li> </ul>	Audit Committee <ul style="list-style-type: none"> <li>• Cholamandalam Investment and Finance Co. Ltd.</li> <li>• Cholamandalam Securities Ltd.</li> <li>• Cholamandalam Factoring Ltd.</li> </ul> Shareholders Grievance Committee <ul style="list-style-type: none"> <li>• Cholamandalam Investment and Finance Company Ltd. Shareholders &amp; Investor Grievance Committee</li> <li>• Tube Investments of India Ltd.</li> </ul> Compensation & Nomination Committee <ul style="list-style-type: none"> <li>• Cholamandalam Investment and Finance Company Ltd.</li> </ul>	Chairman of Audit Committee <ul style="list-style-type: none"> <li>• Tube Investments of India Ltd.</li> <li>• Rane Brake Lining Ltd.</li> </ul> Member of Audit Committee <ul style="list-style-type: none"> <li>• Eicher Motors Ltd.</li> </ul> Member of Shareholders and Investors Grievance Committee <ul style="list-style-type: none"> <li>• Eicher Motors Ltd.</li> </ul> Compensation Committee-Member <ul style="list-style-type: none"> <li>• Eicher Motors Ltd.</li> </ul> Compensation and Nomination Committee-Member <ul style="list-style-type: none"> <li>• Tube Investments of India Ltd.</li> </ul>
No. of shares held in the Company	Nil	Nil	Nil	Nil

(\*) includes Audit, Remuneration/nomination/compensation and Shareholders/Investors Grievance Committees of other Companies.



## 2. Audit Committee

### A. Composition of the Audit Committee:

The Audit Committee of the Board comprises four members viz., Mr. S. Sandilya, Mr. K. Balasubramanian, Mr. K. Ramadoss and Mr. N. Srinivasan. Mr. S. Sandilya is the Chairman of the Audit Committee. He is an Independent Director. The Audit Committee comprises of three Independent Directors and the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements have been complied with. Mr. B.M. Rath, Company Secretary acts as the Secretary of the Committee.

Chief Financial Officer is a permanent invitee to the Audit Committee Meetings. The Managing Director, Statutory Auditors, Internal Auditors, Cost Auditor and other members of the senior management attend when invited to the meetings.

### B. Meetings and Attendance during the year

During the financial year ended June 30, 2011, the Audit Committee met seven times on April 23, 2010; August 4, 2010; August 27, 2010; October 23, 2010; January 21, 2011; March 9, 2011 and April 25, 2011 and the maximum gap between the two Audit Committee Meetings did not exceed four months. The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Sl. No.	Name of the Member	No. of Meetings	
		Held	Attended
1	Mr. Uday M. Chitale*	7	2
2	Mr. K. Balasubramanian	7	7
3	Mr. V.P. Singh*	7	2
4	Mr. N. V. Varadarajulu*	7	2
5	Mr. S. Sandilya	7	5
6	Mr. V. Ravichandran (up to 9.3.2011)	7	4
7	Mr. N. Srinivasan	7	3
8	Mr. K. Ramadoss (w.e.f. 26.4.2011)	7	-

\*Mr. Uday M. Chitale, Mr. V.P. Singh and Mr. N.V. Varadarajulu ceased to be members of the Audit Committee consequent upon their resignation as Directors w.e.f. 27.08.2010. The Committee was reconstituted w.e.f. 27.08.2010 by inclusion of Mr. S. Sandilya, Mr. V. Ravichandran and Mr. N. Srinivasan.

Necessary quorum was present at all the meetings.

Mr. Uday M. Chitale, the then Chairman of the Audit Committee was present at the Annual General Meeting held on August 4, 2010.

### C. The Terms of reference of Audit Committee:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees and approval of payment to statutory auditors for any other services rendered by the statutory auditors.
3. Review with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
4. Review with the management, the quarterly financial statements before submission to the Board for Approval.

5. Review with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Review with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Review 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.
8. Discuss with internal auditors any significant findings and follow up thereon.
9. Review 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.
10. Discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism.

### 3. Remuneration Committee

#### A. Composition of the Remuneration Committee

The Remuneration Committee comprises four members viz, Mr. S. Sandilya, Mr. K. Balasubramanian, Mr. V. Ravichandran and Mr. K. Ramadoss. Mr. S. Sandilya, an independent Director, is the Chairman of the Remuneration Committee. Mr. B. M. Rath, Company Secretary acts as Secretary to the Remuneration Committee. Mr. K. Balasubramanian, the then Chairman of the Remuneration Committee was present at the Annual General Meeting held on August 4, 2010.

#### B. Terms of Reference

- Determine and recommend to the Board, the remuneration payable including any revision in remuneration payable to Managing Director/Executive Directors/Non-Executive Directors.
- Take into consideration and ensure compliance of the provisions under Schedule XIII of the Companies Act, while determining the remuneration.
- Consider such other matters as the Board may advise the Committee.

#### C. Remuneration Committee Meetings

The Remuneration Committee Meetings are held whenever matters pertaining to the remuneration payable including any revision in remuneration payable to Managing Directors/Executive Directors/Non-Executive Directors, are considered.

During the financial year 2010-11 the Committee met twice on August 4, 2010 and August 27, 2010.

#### D. Attendance of Remuneration Committee Members during the financial year 2010-11

Sl. No.	Name of the Member	No. of Committee Meetings	
		Held	Attended
1	Mr. V.P. Singh*	2	1
2	Mr. Uday M. Chitale*	2	1
3	Mr. N. V. Varadarajulu*	2	1
4.	Mr.K. Balasubramanian	2	1
5	Mr. N. Srinivasan	2	-
6	Mr. V. Ravichandran	2	1
7	Mr. S. Sandilya	2	1

\*Mr.V.P.Singh, Mr. Uday M. Chitale and Mr. N.V. Varadarajulu ceased to be members of the Remuneration Committee consequent upon their resignation as Directors w.e.f. 27.08.2010. The Committee was reconstituted w.e.f. 27.8.2010 by inclusion of Mr.N.Srinivasan, Mr. V.Ravichandran and Mr. S. Sandilya, Directors. The Committee was reconstituted by inclusion of Mr. K. Ramadoss in place of Mr. N. Srinivasan on March 9, 2011.

## E. Remuneration Policy

### i) Remuneration to Executive Directors

Remuneration to the Executive Directors comprises Salary, Allowances & Perquisites and performance incentive. While determining the remuneration, the Committee takes into account the financial position of the Company, prevailing trend in the industry, qualification, experience and past performance of the person. The performance incentive is determined based on performance parameters as per the Company's Policy and also based on certain pre-agreed performance parameters. The Company does not have any Employees Stock Option Scheme.

Details of remuneration paid during the financial year 2010-11 are furnished hereunder:

(₹ in Lakhs)

Name of the Director	Salary	Allowances & Perquisites	Incentive	Total (**)
Mr. R. Ramakrishnan	7.88	16.73	12.45	37.06
Mr. T.C.S. Reddy	4.41	8.92	2.82	16.15
Mr. A. Sankara Rao (*)	2.43	–	–	2.43
Mr. D. Kumaraswamy (\$)	18.13	44.58	–	62.71
<b>Total</b>	<b>32.85</b>	<b>70.23</b>	<b>15.27</b>	<b>118.35</b>

(\*) For the period from April 1, 2010 to August 27, 2010. (\*\*) Contribution to provident fund and other benefits are excluded. (\$) With effect from August 28, 2010.

Note: In view of the inadequacy of profit during the financial year 2010-11, the Company had field applications with the Central Government. The Central Government has approved the remuneration paid to the then Managing Director and the remuneration payable to Mr. D. Kumaraswamy, Managing Director in excess of the limits specified in Schedule XIII of the Companies Act, 1956.

### ii) Remuneration to Non-Executive Directors

Non-Executive Directors are paid sitting fees at ₹ 15,000/- for each Board and Audit Committee Meetings and ₹ 10,000/- each for other Committee Meetings. The Company also reimburses the out of pocket expenses incurred by the Directors for attending the Meeting. The details of sitting fees paid to the Non-Executive Directors for the financial year 2010-11 are as under:

Name of the Director	Sitting Fees (₹ in Lakhs)
Mr. N. V. Varadarajulu	0.45
Mr. V.P. Singh	0.45
Mr. Uday M. Chitale	0.45
Mr. S. Sandilya	1.45
Mr. K. Balasubramanian	1.65
Mr. V. Ravichandran	1.25
Mr. N. Srinivasan	1.05
Mr. K. Ramadoss	1.10
<b>Total</b>	<b>7.85</b>

#### 4. Shareholders / Investors Grievance Committee

##### A. Composition of the Committee:

The Shareholders/Investors Grievance Committee comprises Mr. K. Balasubramanian, Mr. D. Kumaraswamy and Mr. K. Ramadoss. Mr. K. Balasubramanian, Non-Executive Independent Director, is the Chairman. The composition of the Committee meets the requirements of Clause 49 of the Listing Agreement. Mr. B.M. Rath, Company Secretary & Compliance Officer acts as the Secretary of the Committee.

The functions of the committee include (i) dealing with the investors complaints like delay in transfers of shares, non-receipt of balance sheet, non-receipt of declared dividends/share certificates, dematerialisation of shares, replacement of lost/stolen/mutilated share certificates, etc, (ii) investigate into investors complaints and take necessary steps for redressal thereof (iii) to perform all functions relating to the interest of shareholders/investors of the Company as may be required by the provisions of the Companies Act, 1956, Listing Agreements and the guidelines issued by SEBI or any other regulatory authority.

Name and designation of Compliance Officer:

Mr. B.M. Rath, General Manager (Legal) & Company Secretary

##### B. Meetings of the Shareholders/Investors Grievance Committee

During the financial year 2010-11, the Committee met five times on April 23, 2010; August 4, 2010; October 23, 2010; January 21, 2011 and April 26, 2011.

##### C. Attendance of Shareholders/Investors Grievance Committee Members are as under:

Sl. No.	Name of the Member	No. of Meetings	
		Held	Attended
1	Mr. K. Balasubramanian	5	5
2	Mr. R. Ramakrishnan*	5	2
3	Mr. D. Kumaraswamy	5	3
4	Mr. K. Ramadoss	5	3

\*Mr.R.Ramakrishnan ceased to be a member of the Shareholders/Investors Grievance Committee consequent upon his resignation as Managing Director w.e.f. 27.08.2010. The Committee was reconstituted w.e.f. 27.08.2010 by inclusion of Mr. D. Kumaraswamy and Mr. K. Ramadoss.

##### D. The details of complaints received during the financial year 2010-11 and status of the same are given below:

Sl. No.	Particulars	No. of complaints		
		Received	Resolved	Pending
1	Non receipt of dividend warrants	33	33	—
2	Non receipt of securities	57	57	—
3	Non receipt of Annual Report	3	3	—
4	Non receipt of securities after transfer	3	3	—
5	Correspondence related to transfer of shares	1	1	—
6	Non receipt of stickers for new name	2	2	—
	<b>Total</b>	<b>99</b>	<b>99</b>	<b>—</b>

## 5. General Body Meetings

### (a) Annual General Meetings

The venue, date and time of the Annual General Meetings held during the preceding three years and the Special Resolution passed thereat are as under:

Year	Date & Time of Meeting	Venue	Special resolutions passed
2009-10	August 4, 2010 at 11.00 A.M.	Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560001	–
2008-09	September 17, 2009 at 10.30 A.M.	Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560001	1) Payment of remuneration to the Managing Director in excess of the limits as per Sub Clause C of Section II of Part II of Schedule XIII of the Companies Act, 1956. 2) Payment of remuneration to the Director – Technical in excess of the limits as per Sub Clause B of Section II of Part II of Schedule XIII of the Companies Act, 1956. 3) Payment of remuneration to the erstwhile Managing Director in excess of the limits as per Sub Clause B of Section II of Part II of Schedule XIII of the Companies Act, 1956.
2007-08	September 25, 2008 at 9.30 A.M.	KLN Prasad Auditorium, P.B. No.14, Federation House, 11-6-841, Redhills, Hyderabad-500004	Appointment of Mr. A. Sankara Rao, Director as Advisor for a period of three years with effect from 01.11.2007 on a monthly remuneration of ₹ 50,000/- plus out of pocket expenses.

### (b) Extraordinary General Meetings

The venue, date and time of the Extraordinary General Meeting held during the preceding three years and the Special Resolution passed thereat are as under:

Year	Date & Time of Meeting	Venue	Special resolutions passed
2010-11	June 28, 2011	Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore-560001	Issue of Preference shares of ₹ 10/- each aggregating to a nominal amount not exceeding ₹ 100 Crores.

### (c) Postal Ballot

The details of Special Resolutions passed through postal ballot during the Financial year 2010-11 are as follows:

1. Resolutions passed by way of Postal Ballot on October 23, 2010
  - (a) approval for Change of name of the Company from “GMR Industries Ltd.” to “Parrys Sugar Industries Ltd.” under Section 21 of the Companies Act, 1956.
  - (b) approval for the appointment of Mr. D. Kumaraswamy as Managing Director of the Company for a period of 3 years from August 28, 2010 and remuneration, to be paid to him in the absence or inadequacy of profits.
  - (c) approval for the terms and conditions of the appointment of Mr. R. Ramakrishnan, the then Managing Director of the Company for the period from July 1, 2010 to August 27, 2010, including remuneration to be paid to him, in the absence or inadequacy of profits.
  - (d) approval for the terms and conditions of the appointment of Mr. T.C.S. Reddy, the then Director (Technical) of the Company for the period from July 1, 2010 to August 27, 2010, including remuneration to be paid to him, in the absence or inadequacy of profits
2. Resolution passed by way of Postal Ballot on March 25, 2011  
Deletion/recast of the objects clause of the Memorandum of Association to be in consonance with the new name of the Company.

## 6. Disclosures

**(i) Disclosure on materially significant related party transactions that may have potential conflict with the interests of Company at large:**

There are no transactions which may have potential conflicts with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 11 of the schedule to the accounts.

Disclosures from Senior Management relating to all material financial and commercial transactions, where they had or were deemed to have had personal interest, that might have had a potential conflict with the interest of the Company at large were placed before the Board.

**(ii) Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years. No penalties or strictures have been imposed by the stock exchanges or SEBI or any statutory authority.

**(iii) Whistle blower policy and affirmation that no personnel have been denied access to the Audit Committee.**

With a view to maintain high level of legal, ethical and moral standards and to provide a platform for the employees to voice their concern on any malpractices, impropriety, abuse or wrongdoing, the Company has formulated a whistle blower policy which is applicable to the Company. The employees can raise his/her concern to the designated person and necessary action will be taken. During the year under review, the company has not received any complaint or concern.

**(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.**

The Company has complied with all the mandatory requirements on Corporate Governance as specified in Clause 49 of the Listing Agreement with the Stock Exchanges.

As regards the non-mandatory requirements, the following have been adopted:

**1. Remuneration Committee**

As detailed in the earlier paragraphs, the Company has constituted a Remuneration Committee. The Chairman of the Remuneration Committee was present at the last Annual General Meeting held on August 4, 2010.

**2. Risk Management Committee**

The Board has constituted a "Risk Management Committee" under the Chairmanship of Mr. K. Ramadoss, Independent Director and the Managing Director as member. The other business heads, departmental heads are invited to the Committee meetings as and when required. The details of risk assessments and the mitigation plans appear under the Management Discussion and Analysis Report forming part of the Annual Report.

**3. Whistle Blower Policy**

The Company has adopted a Whistle Blower Policy with the objective to provide employees, customers and vendors an avenue to raise concerns, in line with Parrys Sugar's commitment to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication and to provide necessary safeguards for protection of employees from reprisals or victimisation, for whistle blowing in good faith. The Audit Committee periodically reviews the functioning of the Whistle Blower Mechanism. The Whistle Blower Policy has also been posted on the Company's website [www.parrysugar.in](http://www.parrysugar.in)

**(v) Corporate Identity Number (CIN)**

The Corporate Identity Number of the Company, allotted by the Ministry of Corporate Affairs, Government of India is L28100KA1986PLC049077.

**(vi) Compliance certificate of the Auditors**

Certificate from a Practicing Company Secretary, M/s V.Sreedharan & Associates confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to this Report.

**(vii) Share Capital Audit**

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities

Depository Ltd. (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Share Capital audit report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. The audit is carried out every quarter and report thereon is submitted to the Stock Exchanges and also placed before the Board of Directors.

#### (viii) Compliance

The Board reviews periodically compliance reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances, if any.

#### (ix) Subsidiary Company

The Company does not have any material non listed Indian Subsidiary Company. The Audit Committee reviews the financial statements of the unlisted subsidiary company. The minutes of the Board meetings as well as statements of all significant transactions of the unlisted subsidiary companies are placed before the Board of Directors of the Company for their review.

### 7. Means of communication

The Annual Reports, notices and other communications are sent to each shareholder through post. As per the statutory requirements under Clause 41 of the Listing Agreement with the Stock Exchanges, the quarterly/annual (consolidated) financial results and the segment-wise reports are generally published in "Business Standard" and "Samyukta Karnataka" (a regional daily in Kannada language). The financial results, shareholding pattern and other updates on the working of the Company have been posted on the Company's website: [www.parrysugar.in](http://www.parrysugar.in). Besides the above, the Company also submits, *inter-alia*, to the Stock Exchanges, the full version of the Annual Report; information on corporate governance; quarterly/half yearly/yearly financial results; quarterly shareholding pattern; details of appointment/resignation of Directors and Company Secretary and such other information as may be specified. In terms of Clause 51 of the Listing Agreement with the Stock Exchanges, the Company also submits the statements, information and reports on the Corporate Filing and Dissemination System (CFDS) which are available at [www.corpfiling.co.in](http://www.corpfiling.co.in)

### 8. General Shareholder information

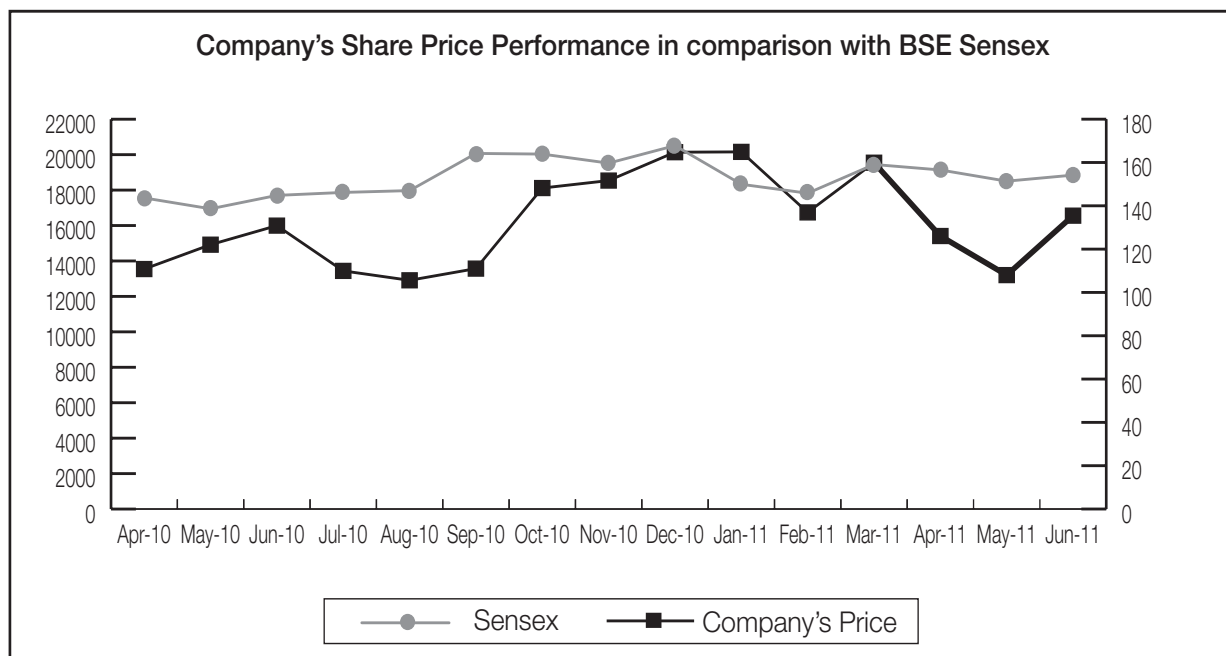
I.	AGM:	Date: September 28, 2011 Time: 11.00 A.M. Venue: Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.	
II.	Financial Calendar	Financial year: July to March The financial results are proposed to be declared as per the following tentative schedule:	
		<b>Particulars</b>	<b>Tentative schedule</b>
		Financial reporting for the quarter ending September 30, 2011	Before November 15, 2011
		Financial reporting for the quarter/six months ending December 31, 2011	Before February 15, 2012
		Financial reporting for the quarter/year ending March 31, 2012.	In April/May 2012
		Annual General Meeting for the year ending March 31, 2012.	August/ September, 2012
III.	Date of Book Closure	Wednesday, the September 21, 2011 to Wednesday, the September 28, 2011, both days inclusive	
IV.	Dividend payment date	Not applicable	
V.	Listing on Stock Exchanges	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001. Tel Nos: (022) 22721233/34 Fax: (022) 22723121 Stock Code: 500162 National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No.C/1, G. Block Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051 Tel Nos. (022) 26598100-8114 Fax: (022) 26598237/38 Stock Code: PARRYSUGAR The Company has paid listing fees for the financial year to both the Stock Exchanges.	



## VI. Market Price Data: Monthly, High, Low price and trading volume for equity shares

Month	NSE			BSE		
	High ₹ P	Low ₹ P	Volume No. of shares	High ₹ P	Low ₹ P	Volume No. of shares
April, 2010	134.35	99.00	43,52,044	133.65	102.00	17,16,858
May, 2010	123.00	108.00	6,29,865	123.00	109.00	2,06,175
June, 2010	133.50	105.30	3,02,927	133.00	119.00	1,13,005
July, 2010	137.00	103.20	4,25,649	136.90	106.40	1,82,755
August, 2010	119.80	102.00	2,75,536	121.00	103.50	1,33,938
September, 2010	112.80	103.55	92,594	114.85	105.25	44,634
October, 2010	168.30	110.05	36,79,269	166.35	110.50	15,68,509
November, 2010	153.00	136.00	90,971	152.95	135.25	42,351
December, 2010	170.00	135.05	85,706	169.90	135.25	34,781
January, 2011	170.00	155.25	50,233	177.80	153.00	18,886
February, 2011	180.00	132.00	34,896	180.00	134.00	12,184
March, 2011	166.95	120.00	39,916	165.00	120.00	9,711
April, 2011	165.10	127.00	8,459	160.00	122.70	4,173
May, 2011	130.00	107.00	4,556	132.20	107.45	3,390
June, 2011	135.45	100.00	12,332	135.45	101.05	8,455

## VII. Share price performance compared with broad-based indices



## VIII. Registrar & Transfer Agents

### Main Office

Karvy Computershare Pvt. Ltd.  
Unit: Parrys Sugar Industries Limited  
Plot No.17 to 24, Vittal Rao Nagar  
Madhapur, Hyderabad – 500 081  
Phone: (040) 23420819 to 24  
Fax: (040) 23420814  
Email ID: einward.ris@karvy.com

### Branch Office

Karvy Computershare Pvt. Ltd.  
Unit: Parrys Sugar Industries Limited  
No.51/2, TKN Complex, Vani Vilas Road  
Opp: National College, Basavanagudi  
Bangalore – 560 004  
Phone: (080) 41204350  
Fax: (080) 26621169  
Email Id: Bangalore@karvy.com

## IX. Share Transfer System

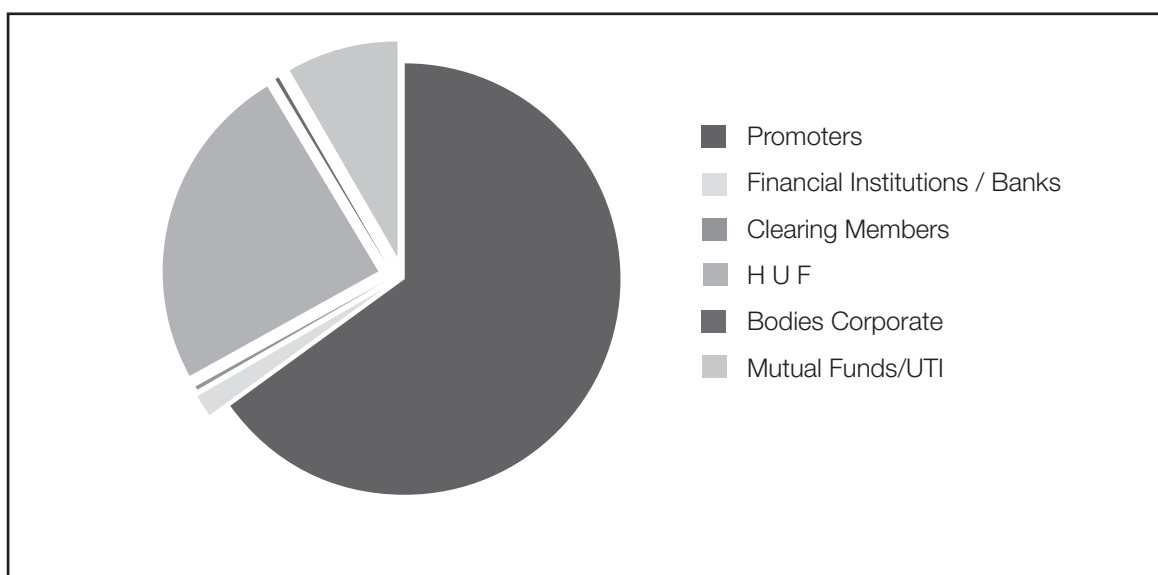
96.23% of the shares of the Company are in electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. Regarding transfer of shares held in physical form, the transfer documents are lodged with Karvy Computershare Pvt. Ltd. at any of the above mentioned addresses or at the Registered Office of the Company. The shares transfers received in physical form are processed within a period of 30 days from the date of receipt subject to the documents being valid and complete in all respects. The Board of Directors of the Company has delegated the powers of approving transfers, transmission, issue of duplicate share certificates etc., to the Share Allotment and Transfer Committee. The minutes of the Committee meetings are placed before the Board. The Company obtains half yearly certificate from a Company Secretary in practice in compliance regarding share transfer formalities and submits a copy thereof to the Stock Exchanges in terms of Clause 47(c) of the Listing Agreement.

## X. Distribution of shareholding of equity shares as on 30.06.2011

Sl. No.	Distribution of Holdings	No.of Shareholders	% of Shareholders	Total Shares
1	1 - 5000	15,960	97.47%	13,51,145
2	5001 - 10000	300	1.83%	2,10,437
3	10001 - 20000	71	0.43%	96,284
4	20001 - 30000	16	0.10%	39,900
5	30001 - 40000	11	0.07%	36,806
6	40001 - 50000	3	0.02%	14,571
7	50001 - 100000	8	0.05%	57,147
8	100001 & Above	6	0.04%	1,81,55,417
	<b>TOTAL</b>	<b>16,375</b>	<b>100%</b>	<b>1,99,61,707</b>

## XI. Shareholding Pattern as on 30.06.2011

Sl. No.	Description	No. of Shareholders	Total shares	% Equity
1	Promoters - Bodies Corporate	1	1,29,75,110	65.00
2	Financial Institutions/Banks	3	3,87,690	1.94
3	Clearing Members	27	2,116	0.01
4	H U F	136	28,014	0.14
5	Bodies Corporate	245	48,70,497	24.40
6	Mutual Funds/UTI	3	868	0.00
7	Non Resident Indians	135	76,217	0.38
8	Overseas Bodies Corporate	1	248	0.00
9	Individuals	15,824	16,20,947	8.12
	<b>TOTAL</b>	<b>16,375</b>	<b>1,99,61,707</b>	<b>100.00</b>



## XII. Distribution and Shareholding Pattern of Preference Shareholders as on June 30, 2011.

The entire Preference Shares of the Company are held by M/s E.I.D.-Parry (India) Limited, the Company's holding Company, as detailed below:

1,28,31,880, 8% Non Cumulative Redeemable Preference shares of the face value of ₹ 11/- each.

7,50,00,000, 8% Cumulative Redeemable Preference shares of the face value of ₹ 10/- each.

## XIII. Dematerialisation of shares and liquidity

The process of conversion of shares from physical form to electronic form is known as dematerialisation. For dematerialising the shares, the Shareholder has to open a demat account with a Depository Participant (DP). The Shareholder is required to fill in a Demat Request Form and submit the same along with the Share Certificate (s) to the DP. The DP will allocate a demat request number and shall forward the request physically and electronically, through NSDL/CDSL, to the R&T Agent. On receipt of the demat request both physically and electronically and after verification, the Shares are dematerialised and an electronic credit of shares is given in the account of the shareholder.

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India viz., National Securities Depository Ltd. and Central Depository Services (India) Limited (CDSL). The Company's shares are regularly traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange Ltd. in electronic form.

### Mode of Equity Shares held

The Company has registered itself with NSDL and CDSL and the ISIN pertaining to the equity shares of the Company is INE353B01021. The modes of holding of the Company's equity shares as on June 30, 2010 are as under:

Description	No. of Shareholders	No. of Shares	% Equity
Physical	7,079	7,51,806	3.77%
NSDL	6,951	18,591,002	93.13%
CDSL	2,345	6,18,899	3.10%
<b>TOTAL</b>	<b>16,375</b>	<b>1,99,61,707</b>	<b>100.00%</b>

#### XIV. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company did not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments.

#### XV. Prevention of Insider Trading.

In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations 1992, the Company has instituted a comprehensive Code of Conduct for Prohibition of Insider Trading in the Company's shares.

#### XVI. Plant locations

- (i) Sugar Complex – Sugar, Co-generation Power, Distillery & Bio-fertilizers Unit at Sankili Village, Regidi Amadalavalasa Mandal, Srikakulam District 532 440, Andhra Pradesh
- (ii) Sugar Complex – Sugar, Co-generation Power & Distillery Units at Hullatti Village, Haliyal Mandal, Uttara Kannada District, Karnataka
- (iii) Sugar Complex – Sugar & Co-generation Power (leased unit) at Khanpeth Village, PO Toragall, Ramdurg Taluk, Belgaum District, Karnataka.

#### XVII. Address for correspondence

##### (i) Registered office Address:

Parrys Sugar Industries Limited  
Venus Building, 3rd Floor,  
1/2 Kalyanamantapa Road,  
Jakkasandra, Koramangala  
Bengaluru – 560 034  
Phone: 080-49006666  
Fax: 080-49006600

##### (ii) Registrar & Share Transfer Agents:

Karvy Computershare Pvt. Ltd.  
(Unit: Parrys Sugar Industries Limited)  
Plot Nos.17 to 24, Vittal Rao Nagar  
Madhapur, Hyderabad – 500081  
Phone: +91 40 44655000  
Fax: +91 40 23420814  
Email: einward.ris@karvy.com

#### XVIII. Corporate Governance Voluntary Guidelines 2009

The Company, in line with its stated policy of being committed to the principles and practices of good corporate governance, is in compliance with many of these guidelines, as reported in the earlier paragraphs. As regards the remaining guidelines, the Company is in the process of evaluating the feasibility for implementation progressively.

#### XIX. Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of the Annual Report.



# CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of Parrys Sugar Industries Limited  
(Formerly known as GMR Industries Limited)

We have examined all the relevant records of Parrys Sugar Industries Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the 15 months period ended June 30, 2011. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced and the explanations and information furnished, we certify that the Company has complied with:

- (a) All the mandatory conditions of the said Clause 49 of the Listing Agreement
- (b) The following non-mandatory requirements of the said Clause 49:
  - (i) Clause 2 relating to Remuneration Committee
  - (ii) Clause 7 relating to Whistle Blower Policy

For V. Sreedharan & Associates  
Company Secretaries

**V. Sreedharan**  
Partner

Place: Bengaluru  
Date : July 20, 2011

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## DECLARATION ON CODE OF CONDUCT

The Board of Directors  
Parrys Sugar Industries Limited  
Venus Building, 3rd Floor,  
1/2 Kalyanamantapa Road,  
Jakkasandra, Koramangala  
Bengaluru – 560034

Dear Sirs,

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has also been posted on the website of the Company.

It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the 15-month period ended June 30, 2011 as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges.

Place : Chennai  
Date : July 25, 2011

**D.Kumaraswamy**  
Managing Director

## LIST OF PROMOTERS

List of promoters of the Company belonging to the "Murugappa Group" pursuant to Regulation 3(1)(e)(f) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

SI. No.	Names
1	E.I.D. - Parry (India) Ltd. & its Subsidiaries
2	Silkroad Sugar Private Limited
3	New Ambadi Estates Private Limited & Subsidiaries
4	Ambadi Enterprises Limited & Subsidiaries
5	Tube Investments of India Limited & Subsidiaries
6	Presmet Private Limited
7	Cholamandalam MS Risk Services Limited
8	Carborundum Universal Limited & Subsidiaries
9	Laserwords Private Limited & Subsidiaries
10	Coromandel Engineering Company Limited
11	Murugappa Educational & Medical Foundation
12	AMM Arunachalam & Sons Private Limited
13	AMM Vellayan Sons Private Limited
14	M M Muthiah Sons Private Limited
15	Murugappa & Sons
16	Yelnoorkhan Group Estates
17	Kadamane Estates Company
18	MM Muthiah Research Foundation
19	A R Lakshmi Achi Trust
20	AMM Foundation
21	M V Murugappan & family
22	M V Subbiah & family
23	S Vellayan & family
24	A Vellayan & family
25	V Arunachalam & family
26	A Venkatachalam & family
27	M M Murugappan & family
28	M M Muthiah & family
29	M M Venkatachalam & family
30	M A Alagappan & family
31	Arun Alagappan & family
32	M A M Arunachalam & family
33	Any company/entity promoted or controlled by any of the above

Family for this purpose includes spouse, dependent children and parents.



## AUDITORS' REPORT TO THE MEMBERS OF PARRYS SUGAR INDUSTRIES LIMITED (FORMERLY KNOWN AS GMR INDUSTRIES LIMITED)

1. We have audited the attached Balance Sheet of Parrys Sugar Industries Limited (the "Company") as at June 30, 2011, and the related Profit and Loss Account and Cash Flow Statement for the fifteen months period ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, as on June 30, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) in the case of the Balance Sheet, of the state of affairs of the company as at June 30, 2011;
    - (ii) in the case of the Profit and Loss Account, of the loss for the fifteen-months period ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the fifteen-months period ended on that date.

For and on behalf of  
**Price Waterhouse**  
Firm Registration Number: 301112E  
Chartered Accountants

**J. Majumdar**  
Partner

Membership Number F-51912.

Place: Chennai  
Date: July 25, 2011



## ANNEXURE TO AUDITORS' REPORT

**Referred to in paragraph 3 of the Auditors' Report of even date to the members of Parrys Sugar Industries Limited on the financial statements for the fifteen months period ended June 30, 2011.**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The fixed assets of the Company have been physically verified by the Management during the period and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.  
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the period.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the period. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has granted unsecured loan to one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the period and the period-end balance of such loans aggregates to ₹ 1,312.65 Lakhs and ₹ 1,312.65 Lakhs respectively.  
(b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.  
(c) In respect of the aforesaid loans, the terms of principle and interest repayment are not stipulated.  
(d) In view of our comment in paragraph 3(c) above, it is not possible to ascertain whether there is any overdue amount.  
(e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses 3(f) and 3(g) of Paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the period have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. .

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at June 30, 2011 which have not been deposited on account of a dispute are as follows:

Sl. No.	Statute	Nature of dues	Forum where the dispute is pending	Amount (in Lakhs)	Period to which the matter pertains
1	Central Excise Act, 1944	CENVAT Credit	Additional Commissioner/Deputy Commissioner/Commissioner, Central Excise & Customs	158.75	2005-06
				7.62	2006-07
				95.85	2007-08
				7.75	2008-09
				3.25	2009-10
2	Andhra Pradesh Electricity Duty Act, 1939	Electricity duty	Government of Andhra Pradesh-Electrical Inspectorate	281.85	2004-05 to 2010-11
3	Entry tax	Orissa Sales Tax	Commissioner sales Tax	4.76	2004-05
4	The Andhra Pradesh General Sales Tax Act, 1956	Sales tax	High Court	5.52	1999-00
				14.55	2000-01
				22.46	2005-06
				0.74	2007-08
				5.12	2009-10
5	Value Added Tax Act	VAT	Commissioner (Appeals), Central Excise & Customs	31.37	2006-07

10. The Company has accumulated losses as at June 30, 2011 amounting to ₹ 8,167.10 Lakhs which exceeds fifty per cent of its net worth. The Company has incurred cash losses in the financial period ended on that date amounting to ₹ 6,787.82 Lakhs and in the immediately preceding financial year amounting to ₹ 3,296.16 Lakhs.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year except in respect of repayment, out of its cane price dues to its sugarcane suppliers, of the agricultural loans taken by them from banks, the terms and conditions of which, in our opinion are not prima facie prejudicial to the company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the period.
19. The Company has not issued any debentures during the period.
20. The Company has not raised any money by public issues during the period.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for misappropriation of Company's funds during the year, aggregating ₹ 47,98,316/- by a unit finance head of the Company by way of creating certain false and misleading records and documents, and from whom the aforesaid amount has been recovered on the basis of identification of the aforesaid fraud by the Management and consequential investigation carried out by it and an external firm of chartered accountants, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year.

For and on behalf of

**Price Waterhouse**

Firm Registration Number: 301112E

Chartered Accountants

**J. Majumdar**

Partner

Membership Number F-51912.

Place: Chennai

Date: July 25, 2011

## BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	Schedule	2011	2010
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	<b>10,907.68</b>	3,407.68
Reserves and Surplus	2A	<b>2,166.97</b>	3,467.28
		<b>13,074.65</b>	6,874.96
<b>LOAN FUNDS</b>			
Secured Loans	3	<b>41,303.32</b>	53,372.97
Unsecured Loans	4	<b>20,497.16</b>	—
		<b>61,800.48</b>	53,372.97
<b>DEFERRED TAX LIABILITY (NET)</b>			
[Schedule 19 Note 13A]		<b>1,375.60</b>	2,237.84
		<b>76,250.73</b>	62,485.77
<b>APPLICATION OF FUNDS:</b>			
<b>FIXED ASSETS</b>			
	5		
Gross Block (at cost)		<b>62,217.11</b>	59,115.65
Less: Depreciation		<b>13,241.36</b>	9,626.79
Net Block		<b>48,975.75</b>	49,488.86
Capital Work in Progress		<b>139.81</b>	1,092.92
		<b>49,115.56</b>	50,581.78
<b>INVESTMENTS</b>			
	6	<b>1,368.09</b>	1,368.09
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	<b>12,459.31</b>	8,859.38
Sundry Debtors	8	<b>1,976.51</b>	1,979.69
Cash and Bank Balances	9	<b>875.00</b>	312.06
Other Current Assets	10	<b>608.44</b>	581.69
Loans and Advances	11	<b>7,226.55</b>	5,828.86
		<b>23,145.81</b>	17,561.68
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	12	<b>5,477.19</b>	6,936.96
Provisions	13	<b>68.64</b>	88.82
		<b>5,545.83</b>	7,025.78
<b>NET CURRENT ASSETS</b>			
Profit and Loss Account	2B	<b>17,599.98</b>	10,535.90
		<b>8,167.10</b>	—
		<b>76,250.73</b>	62,485.77
Significant Accounting Policies and Notes to Accounts	19		

The Schedules referred to above form an integral part of the Accounts  
This is the Balance Sheet referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number - 301112E  
Chartered Accountants

**J. Majumdar**  
Partner  
Membership Number - F 51912

Place: Chennai  
Date : July 25, 2011

For and on behalf of the Board

**S. Sandilya**                      **D. Kumaraswamy**  
Chairman                              Managing Director

**G. Jalaja**                              **B.M. Rath**  
Chief Financial Officer      Company Secretary

Place: Chennai  
Date : July 25, 2011

## PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	Schedule	2011	2010
<b>INCOME</b>			
Gross Income from Sales		<b>42,984.90</b>	20,347.98
Less: Excise Duty		<b>1,603.60</b>	583.49
Net Income from Sales and Services		<b>41,381.30</b>	19,764.49
Job work Income - Raw Sugar processing		–	610.83
Other Income	14	<b>413.37</b>	2,380.93
		<b>41,794.67</b>	22,756.25
<b>EXPENDITURE</b>			
Materials (Schedule 19 Note 16)	15	<b>31,573.83</b>	15,385.97
Employee Costs	16	<b>1,974.10</b>	1,448.47
Other Costs	17	<b>7,211.32</b>	5,008.08
Interest and Finance Charges	18	<b>7,823.24</b>	4,209.89
Depreciation	5	<b>3,665.80</b>	2,687.48
		<b>52,248.29</b>	28,739.89
<b>(LOSS) BEFORE TAXATION</b>		<b>(10,453.62)</b>	(5,983.64)
<b>Add/(Less) Provision for Taxation</b>			
-Current Tax (Relating to earlier years) (Credit) [Schedule 19 Note 13B]		<b>(123.97)</b>	55.56
-Deferred Tax ( Credit)		<b>(862.24)</b>	(196.11)
		<b>(986.21)</b>	(140.55)
<b>(LOSS) AFTER TAXATION</b>		<b>(9,467.41)</b>	(5,843.09)
Balance in Profit and Loss Account brought forward		<b>(270.42)</b>	5,572.67
<b>Balance carried to Balance Sheet (Schedule 2B)</b>		<b>(9,737.83)</b>	(270.42)
Earnings/(Loss) Per Share (₹) - Basic and Diluted [Schedule 19 Note 9]		<b>(47.44)</b>	(29.93)
<b>Significant Accounting Policies and Notes to Accounts</b>	19		

The Schedules referred to above form an integral part of the Accounts

This is the Profit and Loss Account referred to in our report of even date

**For Price Waterhouse**

Firm Registration Number - 301112E

Chartered Accountants

**J. Majumdar**

Partner

Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

For and on behalf of the Board

**S. Sandilya**

Chairman

**D. Kumaraswamy**

Managing Director

**G. Jalaja**

Chief Financial Officer

**B.M. Rath**

Company Secretary

Place: Chennai

Date : July 25, 2011

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorized</b>		
51,900,000 (2010: 51,900,000) Equity Shares of face value of ₹ 10/- each	<b>5,190.00</b>	5,190.00
21,000,000 (2010: 21,000,000 ) (8%) Redeemable Non Cumulative Preference Shares of face value of ₹ 11/- each	<b>2,310.00</b>	2,310.00
100,000,000 (2010: NIL ) (8%) Redeemable Cumulative Preference Shares of face value of ₹ 10/- each	<b>10,000.00</b>	—
	<b>17,500.00</b>	<b>7,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
19,961,707 [2010: 19,961,707] Equity Shares of ₹ 10/- each fully paid up Of the above-	<b>1,996.17</b>	1,996.17
[13,963,002 Equity shares of Rs 10 each per share were issued as fully paid up to the shareholders of erstwhile M/s Varalakshmi Sugars Limited and M/s Varalakshmi International Limited on their respective amalgamation with the Company, for consideration otherwise than in cash.]		
12,975,110 Shares [2010: Nil] of ₹ 10/- each are held by the Holding Company M/s E.I.D.-Parry (India) Ltd. (In the Previous Year Holding Company was GMR Holdings Private Limited)		
<b>Preference Shares</b>		
(i) 12,831,880 8% Redeemable Noncumulative Preference shares of ₹ 11/- each  [The above Non Cumulative Preference shares are held by E.I.D.-Parry (India) Ltd. and were transferred from GMR Holdings Pvt. Ltd. pursuant to the Share Purchase Agreement dated April 25, 2010. These shares were earlier issued as fully paid up to M/s. GMR Holdings Private Limited and other shareholders of erstwhile M/s Varalakshmi International Limited on its amalgamation with the Company, for consideration otherwise than in cash.]  [The Preference shares are redeemable not later than 8 years from the date of issue, i.e. August 14, 2004, with a call option to the shareholders for redemption after three years from the date of issue.]	<b>1,411.51</b>	1,411.51
(ii) 75,000,000 8% Redeemable Cumulative Preference shares of ₹ 10/- each  [The Preference shares are redeemable not later than 8 years from the date of issue, i.e. June 30, 2011, with a call option to the shareholders for redemption after three years from the date of issue.]	<b>7,500.00</b>	—
	<b>10,907.68</b>	<b>3,407.68</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT JUNE 30, 2011**

₹ In Lakhs

	2011		2010	
<b>SCHEDULE 2 A</b>				
<b>RESERVES AND SURPLUS</b>				
Capital Redemption Reserve				
As per last Balance Sheet		<b>1,175.00</b>		1,175.00
Securities Premium				
As per last Balance Sheet		<b>991.97</b>		991.97
General Reserve				
As per last Balance Sheet		–	1,570.73	
Less: Debit Balance in Profit and Loss Account*		–	(270.42)	1,300.31
		<b>2,166.97</b>		<b>3,467.28</b>
<b>SCHEDULE 2 B</b>				
<b>PROFIT AND LOSS ACCOUNT</b>				
Debit Balance in Profit and Loss Account		<b>9,737.83</b>		–
Less: General Reserve*		<b>1,570.73</b>	<b>8,167.10</b>	–
(Surplus)/ Deficit in Profit and Loss Account		<b>8,167.10</b>		–
* The debit balance in the Profit and Loss Account has been adjusted with the balance available in General Reserve to conform to the disclosure requirements of Schedule VI to the Companies Act, 1956.				
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
<b>Term Loans</b>				
Rupee Loans				
From Banks [Schedule 19 Note 2 (i) & (ii)]		<b>20,784.08</b>		23,607.15
[Repayable within one year: ₹ 284.08 Lakhs [2010: ₹ 3,888.36 Lakhs]				
From Government of India - Sugar Development Fund [Schedule 19 Note 2(iii)]		<b>3,374.50</b>	<b>24,158.58</b>	3,196.10
[Repayable within one year: ₹ 242.79 Lakhs [2010: ₹ 76.61 Lakhs ]				26,803.25
Foreign Currency Loans				
From Banks		–		42.71
[Repayable within one year: ₹ Nil [2010: ₹ 42.71 Lakhs]			–	42.71
Short Term Loans from Banks against Deposits with Banks		–		19,713.13
[Repayable within one year: ₹ Nil [2010: ₹ 19,713.13 Lakhs]				
Short Term Loans from Banks [Schedule 19 Note 2(iv)]			<b>10,000.00</b>	–
[Repayable within one year: ₹ 8,333.33 Lakhs [2010: Nil]				
<b>Cash Credits and Demand Loans</b>				
From Banks				
Rupee Loans [Schedule 19 Note 2(v)]		<b>7,144.74</b>		6,813.88
		<b>41,303.32</b>		<b>53,372.97</b>



## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Short Term		
From Banks	<b>4,000.00</b>	–
From Others [Schedule 19 Note 3]	<b>16,497.16</b>	–
	<b>20,497.16</b>	–

### SCHEDULE 5 FIXED ASSETS

[Schedule 19 Notes 1(iv) and 1(vi)]

₹ In Lakhs

	GROSS BLOCK (AT COST)			DEPRECIATION				NET BLOCK		
	2010	Additions (Note 1)	Deletions/ Adjustments	2011 (Note 1)	2010	For the Year	Deletions/ Adjustments	2011	2010	
Land	1,371.88	1,068.55	–	<b>2,440.43</b>	–	–	–	<b>2,440.43</b>	1,371.88	
Buildings	9,517.41	283.22	21.01	<b>9,779.62</b>	864.53	321.89	9.50	<b>1,176.92</b>	<b>8,602.70</b>	8,652.88
Plant and Machinery (Note 2 and 3)	45,515.72	1,710.88	–	<b>47,226.60</b>	7,678.13	3,244.07	–	<b>10,922.20</b>	<b>36,304.40</b>	37,837.59
Furniture and Fixtures (Note 3)	2,346.37	22.41	13.02	<b>2,355.76</b>	935.20	51.78	20.79	<b>966.19</b>	<b>1,389.57</b>	1,411.17
Vehicles	364.27	74.38	23.95	<b>414.70</b>	148.93	48.06	20.94	<b>176.05</b>	<b>238.65</b>	215.34
<b>Total</b>	<b>59,115.65</b>	<b>3,159.44</b>	<b>57.98</b>	<b>62,217.11</b>	<b>9,626.79</b>	<b>3,665.80</b>	<b>51.23</b>	<b>13,241.36</b>	<b>48,975.75</b>	<b>49,488.86</b>
<b>2010</b>	<b>52,691.19</b>	<b>6,774.23</b>	<b>349.77</b>	<b>59,115.65</b>	<b>7,076.46</b>	<b>2,687.48</b>	<b>137.15</b>	<b>9,626.79</b>		
<b>Capital Work in Progress (including capital advances)</b>									<b>139.81</b>	1,092.92
									<b>49,115.56</b>	<b>50,581.78</b>

#### Notes:

- 1) Additions during the year include amount aggregating to ₹ 177.38 Lakhs of assets capitalised in relation to Ramdurg Unit, Karnataka, which is taken on lease on Built, Own, Operate and Transfer Basis. The total Gross block of such assets as at June 30, 2011 is ₹ 4,828.57 Lakhs [2010: ₹ 4,659.19 Lakhs]. [ Refer Schedule 19 - Note 10].
- 2) Additions to Plant and Machinery include Foreign exchange differences aggregating to ₹ 0.54 Lakhs [2010: ₹ 58.82 Lakhs] adjusted relating to foreign exchange fluctuations on long term monetary liabilities utilised for acquisition of depreciable fixed assets [Refer Schedule 19 Note 6(a) for details].
- 3) Amounts aggregating to Rs 924.46 Lakhs in opening gross block and opening accumulated depreciation amounting to ₹ 348.82 Lakhs of Plant and Machinery has been reclassified to Furniture and Fixtures to conform to the correct classification.

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT JUNE 30, 2011**

₹ In Lakhs

	2011	2010
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
[Schedule 19 Note 1 (viii)]		
<b>Long Term</b>		
<b>Unquoted</b>		
Trade		
<b>In Equity Shares of Subsidiary Company:</b>		
Alagawadi Bireshwar Sugars Private Limited	<b>1,362.94</b>	1,362.94
[102,222 (2010: 102,222) equity shares of ₹ 100 each fully paid up]		
Other than Trade		
Government Securities - National Savings Certificates	<b>0.15</b>	0.15
<b>Quoted</b>		
Other than Trade		
Cronimet Alloys India Ltd (formerly GMR Ferro Alloys and Industries Ltd)	<b>5.00</b>	5.00
[50,000 (2010: 50,000) equity shares of ₹ 10 each fully paid up]		
	<b>1,368.09</b>	1,368.09
Aggregate value of Quoted investment		
- Market value:	<b>62.40</b>	18.20
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
[Schedule 19 Note 1 (ix)]		
Stores and Spares	<b>957.41</b>	600.23
Raw Materials	<b>101.82</b>	167.68
Finished Goods	<b>10,658.23</b>	6,769.54
Finished Goods in Transit	<b>15.32</b>	–
By Products	<b>576.95</b>	1,086.16
Work-in-Progress	<b>149.58</b>	235.77
	<b>12,459.31</b>	8,859.38
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Considered Good		
Outstanding for a period exceeding six months	<b>1,111.83</b>	827.54
Other Debts	<b>864.68</b>	1,152.15
	<b>1,976.51</b>	1,979.69
	<b>1,976.51</b>	1,979.69
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	<b>4.16</b>	3.44
Balance with Scheduled Banks:		
- On Current Accounts	<b>795.30</b>	152.89
- On Margin Money accounts towards Bank Guarantee	<b>18.68</b>	98.81
- On Unclaimed Dividend Accounts	<b>56.86</b>	56.92
	<b>870.84</b>	308.62
	<b>875.00</b>	312.06

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 10</b>		
<b>OTHER CURRENT ASSETS</b>		
(Unsecured and Considered Good)		
Interest accrued but not due	2.35	0.83
Other Deposits	606.04	580.76
Other Receivables	0.05	0.10
	<u>608.44</u>	<u>581.69</u>
<b>SCHEDULE 11</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered good, unless otherwise stated)		
Loans to Subsidiary	1,312.65	1,134.00
Loans to Employees	0.80	4.70
Advances recoverable in cash or in kind or for value to be received		
Considered Good	3,050.39	1,469.43
Considered Doubtful	32.44	32.44
	<u>3,082.83</u>	<u>1,501.87</u>
Less : Provision for doubtful advances	32.44	32.44
	<u>3,050.39</u>	<u>1,469.43</u>
Balances with Excise Departments including Cenvat/VAT credit	2,580.81	2,943.82
Advance Income Tax (Net of Provisions)	68.68	276.91
MAT Credit Entitlement [Schedule 19 Note 13B]	125.35	–
Others	87.87	–
	<u>7,226.55</u>	<u>5,828.86</u>
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Micro and small enterprises [Schedule 19 Note 14]	–	–
Others	2,717.74	6,236.17
Capital Creditors	84.36	243.25
Unclaimed Dividend	56.86	56.92
Advances received from Customers	610.90	166.82
Other Liabilities	891.74	131.54
Interest accrued but not due	1,115.59	102.26
	<u>5,477.19</u>	<u>6,936.96</u>
<b>SCHEDULE 13</b>		
<b>PROVISIONS</b>		
Retirement Benefits	68.64	88.82
	<u>68.64</u>	<u>88.82</u>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Liquidated Damages	—	399.18
Profit on sales of assets (Net)	—	35.84
Other income from Power	<b>60.30</b>	138.37
Provisions no longer required written back	<b>24.44</b>	1,408.12
Insurance Claims Received	<b>16.55</b>	5.20
Interest Received [Gross, tax deducted at Source: NIL (2010: ₹ 0.65Lakhs)]	<b>53.04</b>	6.21
Scrap Sales	<b>61.04</b>	147.47
Miscellaneous income	<b>198.00</b>	240.54
	<b>413.37</b>	2,380.93
<b>SCHEDULE 15</b>		
<b>MATERIALS</b>		
Raw Materials Consumed		
Opening Stock	<b>167.68</b>	494.26
Add: Purchases during the year	<b>34,816.58</b>	19,008.63
	<b>34,984.26</b>	19,502.89
Less: Closing Stock	<b>101.82</b>	167.68
	<b>34,882.44</b>	19,335.21
<b>(Increase)/ Decrease in Stocks</b>		
Opening Stock		
Work-in-Process	<b>235.77</b>	84.97
Finished Goods	<b>6,769.54</b>	3,241.63
By products	<b>1,086.16</b>	815.63
	<b>8,091.47</b>	4,142.23
Closing Stock		
Work-in-Process	<b>149.58</b>	235.77
Finished Goods	<b>10,673.55</b>	6,769.54
By products	<b>576.95</b>	1,086.16
	<b>11,400.08</b>	8,091.47
	<b>(3,308.61)</b>	(3,949.24)
	<b>31,573.83</b>	15,385.97
<b>SCHEDULE 16</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, Wages and Bonus	<b>1,755.98</b>	1,299.44
Contribution to Provident and Other Funds	<b>106.82</b>	84.86
Staff Welfare Expenses	<b>111.30</b>	64.17
	<b>1,974.10</b>	1,448.47

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 17</b>		
<b>OTHER COSTS</b>		
Material Handling Expenses	<b>312.16</b>	202.97
Other Manpower Cost	<b>629.64</b>	355.32
Power and Fuel	<b>667.25</b>	401.65
Stores, Spares and consumables	<b>1,373.07</b>	1,174.72
Distribution Expenses	<b>15.16</b>	8.76
Repairs and Maintenance		
Plant and Machinery	<b>1,231.81</b>	540.34
Buildings	<b>60.99</b>	26.45
Others	<b>390.57</b>	157.90
Travelling and Conveyance	<b>304.54</b>	221.43
Communication Expenses	<b>64.99</b>	45.65
Consultancy and Other Professional Charges	<b>99.91</b>	219.03
Directors' Remuneration	<b>126.74</b>	117.32
Directors' Sitting Fee	<b>7.95</b>	2.00
Rent	<b>57.41</b>	40.78
Operation Lease rentals [Schedule 19 Note 10]	<b>912.51</b>	704.78
Printing and Stationary	<b>24.46</b>	19.63
Rates and Taxes	<b>167.87</b>	214.91
License Fee	<b>220.57</b>	26.49
Insurance	<b>116.90</b>	86.52
Donations	-	4.25
Auditor's Remuneration		
- Statutory Audit	<b>14.00</b>	10.00
- Tax Audit	<b>0.60</b>	0.60
- Cost Audit	<b>1.25</b>	1.25
- Others	<b>6.00</b>	-
	<b>21.85</b>	11.85
Loss on Sale of Fixed Assets (Net)	<b>2.25</b>	-
Bad Debts Written Off	-	34.80
Provision for Doubtful Advances	-	32.44
Others	<b>402.72</b>	358.09
	<b>7,211.32</b>	5,008.08
<b>SCHEDULE 18</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	<b>6,168.64</b>	3,473.13
Others	<b>997.50</b>	634.70
Bank / Other Finance Charges	<b>657.10</b>	102.06
	<b>7,823.24</b>	4,209.89

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

## SCHEDULE 19

### 1. Significant Accounting Policies

#### i. Basis of preparation of Financial Statements

The financial statements of the Company are prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards notified under Sub-section (3C) of Section 211 of the Companies Act, 1956 (hereinafter referred as "the Act") and other relevant provisions of the Act.

#### ii. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities on the date of the financial statements and reported amounts of income and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### iii. Revenue Recognition

Revenue is recognised when the significant risks and rewards of ownership of goods have been passed on to the buyer. Sale of goods is exclusive of sales tax and captive consumption of Molasses, Power and Bagasse.

Dividend Income is recognised in the year in which the right to receive the payment is established.

Income from investments is recognised in the year in which it is accrued and stated at gross of tax deducted at source.

#### iv. Fixed Assets

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses for bringing the asset concerned to its working condition for its intended use, less accumulated depreciation and impairment loss. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate. Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

#### v. Leases

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis as per terms of the lease.

#### vi. Depreciation and Amortisation

Depreciation is provided on straight line method, pro rata to the period of use, at the rates specified in schedule XIV of the Act or the rates based on the useful lives of the assets as estimated by the management, whichever is higher. The rates based on the useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act:

Description	Rate of depreciation
Electrical Equipment	5.38%
Telephone Equipment	6.33%
Computer Software	16.67%

Lease hold assets are amortised at rate based on the remaining period of lease or the rate specified in Schedule XIV of the Act, whichever is higher.

All individual assets costing Rs 5,000/- or less are fully depreciated in the year of purchase.

#### vii. Impairment

Impairment loss is provided to the extent carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of asset's selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the

sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### **viii. Investments**

Long term investments are valued at cost. Provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current Investments are stated at lower of cost or market value.

#### **ix. Inventories**

a. Stock of Raw-materials is valued at lower of cost or Net Realizable Value. The costs are, in general, determined on Weighted Average Basis.

b. Finished goods and Work-in-process:

Finished goods are valued at lower of cost or Net Realizable Value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

Work in process is valued at lower of cost or Net Realizable Value. The cost is determined up to the estimated stage of process and includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

c. By Products: At estimated realizable value.

d. Stores and Spares: At lower of cost or Net Realizable Value. The costs are, in general, determined on weighted average basis

#### **x. Foreign Exchange Transactions**

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions.

Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles:

Exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are accounted as below:

(a) In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and

(b) In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Items Translation Difference Account' and amortised over the balance period of such long term asset/liability but not beyond March 31, 2011.

All other monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/ losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) -11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008, whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

#### **xi. Employee Benefits**

##### **Defined Contribution Plans**

These comprise of contributions to Employees' Provident Fund with the government and certain state plans like Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as an expense during the period in which the employees perform the services that the payment covers.

##### **Defined Benefit Plan**

Gratuity for employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognised in the Profit and Loss Account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.



### **Other Long term employee benefits**

Other Long term employee benefits comprise of compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on actuarial valuation carried out at each balance sheet date.

### **Short term employee benefits**

Undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

#### **xii. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

#### **xiii. Earnings per Share**

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the period.

#### **xiv. Taxes on Income**

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised 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 recognised and carried forward to the extent that there is a reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

#### **xv. Provisions**

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

#### **xvi. Contingencies**

Obligations which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts.

#### **xvii. Expenditure**

Expenses are net of taxes recoverable, where applicable

## **2. Secured Loans**

- (i) Rupee Term Loans from Banks, other than which are specifically mentioned hereinafter, are secured by second charge on all the fixed assets of the respective divisions of the Company, both present and future, ranking *pari passu* in terms of sanction.
- (ii) Rupee Term Loans include Long Term Loan (LTL) of Rs 20,500 Lakhs from Axis Bank Limited secured by *pari passu* first charge on all the fixed assets of Sankili and Haliyal Units. The process of charge creation is in progress.
- (iii) Sugar Development Fund Loans include Cane Development Loan of ₹ 100 Lakhs secured by a Bank Guarantee. This loan has been availed for Ramdurg Unit.

All other Sugar Development Fund Loans are secured by way of first charge on the movable and immovable assets of respective divisions of the company.

- (iv) Short Term Loan (STL) include ₹ 2,500 Lakhs from Andhra Bank secured by first *pari passu* charge on the fixed assets of Sankili Unit, STL of ₹ 5,000 Lakhs from Bank of India secured by first *pari passu* charge on fixed assets of Haliyal Unit and STL from Axis Bank of ₹ 2,500 Lakhs collaterally secured by land at Srikakulam District of Andhra Pradesh admeasuring 154 acres.

- (v) Cash Credits and demand loan are secured by way of hypothecation of entire current assets of the company and further secured by second charge on company's fixed assets. The creation of second charge is in progress.

### 3. Unsecured Loans

Unsecured Loans include Short Term Loans of ₹ 14,497.16 Lakhs extended by M/s.E.I.D.- Parry (India) Ltd, the Holding Company, and interest accrued and due thereon ₹ Nil.

### 4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) of ₹ 1,587.95 Lakhs (2010: ₹ 55.84 Lakhs).

### 5. Contingent Liabilities

₹ In Lakhs

Particulars	2011	2010
Contingent Liabilities not provided for on account of :		
a) Bank Guarantees	<b>247.42</b>	211.25
b) Letter of Credit	–	786.14
c) Corporate Guarantees given by the Company to banks in respect of crop loans to farmers and harvesters and transporters loans	<b>1,291.70</b>	7,040.00
d) Arrears of fixed cumulative dividends of Preference Shares	–	264.22
e) Claims made by Government Departments against the Company not acknowledged as debts:		
i. Excise claims under appeal	<b>263.79</b>	201.16
ii. Sales tax appeal under various states	<b>79.76</b>	42.89
iii. Other claims	–	166.02
f) Preference Dividend attributable to Cumulative Preference Shares	<b>1.64</b>	–

### 6. a) The Ministry of Corporate Affairs, Government of India has vide its Notification No GSR 225(E) dated March 31, 2009 announced Companies Accounting Standards (Amendment) Rules 2009 prescribing changes to Accounting Standard 11 on 'The Effects of Changes in Foreign Exchange Rates'.

The Company has, pursuant to the adoption of such principles of Companies (Accounting Standards) Amendment Rules 2009, exercised the option of recognising the exchange differences arising on reporting of foreign currency monetary items at rates different from those at which they were recorded earlier, in the original cost of such depreciable fixed assets in so far such exchange differences arose on foreign currency monetary items relating to the acquisition of a depreciable asset as below:

Exchange differences aggregating to ₹ 0.54 Lakhs arising during the period ended June 30, 2011 (2010: ₹ 58.82 Lakhs) have been adjusted to the cost of the depreciable assets.

b) ₹ In Lakhs

	2011	2010
Borrowing cost capitalised on fixed assets/ Capital Work in Progress	<b>113.08</b>	590.89

### 7. Segment Reporting:

The Company has identified three business segments viz. Sugar, Power and Distillery. Segments have been identified and reported taking into account the nature of the products, the differing risks and returns, the organisational structure and internal business reporting system.

- (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as "Un-allocable".
- (b) Segment Assets and Segment Liabilities represent assets and liabilities of respective segment. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Un-allocable"
- (c) The Company generally accounts for inter segment sales/transfer as if the sales/transfers were to external parties at prevailing average market price on the date of transfer.

**Segment Reporting:**
**Information about primary business segments:**

₹ In Lakhs

Business Segments Particulars	Sugar		Power		Distillery		Unallocable		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Revenue</b>										
Revenue from Customers	32,655.64	13,084.35	3,199.73	3,243.99	5,525.93	3,436.15	-	-	41,381.30	19,764.49
Job work Income - Raw Sugar processing	-	610.83	-	-	-	-	-	-	-	610.83
Inter Segment Revenue	3,405.69	1,775.86	3,420.39	2,021.63	-	-	-	-	6,826.08	3,797.49
<b>Segment Revenues</b>	<b>36,061.33</b>	<b>15,471.04</b>	<b>6,620.12</b>	<b>5,265.62</b>	<b>5,525.93</b>	<b>3,436.15</b>	-	-	<b>48,207.38</b>	<b>24,172.81</b>
Operating Expenses	33,822.57	14,635.53	3,679.25	4,465.63	3,257.44	2,741.36	-	-	40,759.26	21,842.52
Inter Segment Cost	3,245.83	1,917.71	2,437.39	1,106.55	1,142.86	773.23	-	-	6,826.08	3,797.49
Depreciation/Amortization	1,859.85	1,450.61	1,122.52	860.21	521.31	238.22	162.12	138.44	3,665.80	2,687.48
<b>Segment Result</b>	<b>(2,866.92)</b>	<b>(2,532.81)</b>	<b>(619.04)</b>	<b>(1,166.77)</b>	<b>604.32</b>	<b>(316.66)</b>	<b>(162.12)</b>	<b>(138.44)</b>	<b>(3,043.76)</b>	<b>(4,154.68)</b>
Interest Expenses	4,341.46	2,615.96	2,725.58	1,398.01	756.20	195.92	-	-	7,823.24	4,209.89
Interest Income	4.91	6.19	5.69	0.02	-	-	42.44	-	53.04	6.21
Other income	325.74	2,038.72	63.89	320.89	13.14	15.11	(42.44)	-	360.34	2,374.72
<b>Profit/(Loss) before tax</b>	<b>(6,877.73)</b>	<b>(3,103.86)</b>	<b>(3,275.04)</b>	<b>(2,243.87)</b>	<b>(138.74)</b>	<b>(497.47)</b>	<b>(162.12)</b>	<b>(138.44)</b>	<b>(10,453.62)</b>	<b>(5,983.64)</b>
<b>Taxation</b>										
Current tax	-	-	-	-	-	-	-	-	(123.97)	55.56
Deferred tax	-	-	-	-	-	-	-	-	(862.24)	(196.11)
<b>Net Profit/(Loss) after taxation/ Adjusted Profits</b>									<b>(9,467.41)</b>	<b>(5,843.09)</b>
<b>Other Information</b>										
Segment Assets	44,435.22	38,853.73	15,593.42	16,633.37	8,934.38	9,016.13	4,666.43	4,468.90	73,629.45	68,972.13
Segment Liabilities	6,193.14	26,040.78	2,225.57	9,472.06	795.74	2,679.84	59,507.46	23,904.49	68,721.91	62,097.17
Capital Expenditure	1,569.07	396.42	210.24	521.34	302.12	594.51	1,078.01	102.38	3,159.44	1,614.65
Other Non-Cash Expenses/(income) (net)	0.30	(1,344.88)	-	4.00	-	-	(22.50)	-	(22.20)	(1,340.88)

During the year under report, the Company has engaged in business only within India and not in any other country. The conditions prevailing in India being uniform, no separate geographical segment disclosure is considered necessary.

## 8. Employee Benefits

- i. The following table sets forth the status of gratuity plan of the company and the amount recognised in the balance sheet and profit and loss account:

₹ In Lakhs

	2011	2010	2009	2008
<b>Changes in present value of obligation</b>				
Present value of Obligations at the beginning of the period	<b>104.65</b>	84.09	62.03	54.61
Service Cost	<b>16.11</b>	30.62	34.62	10.63
Interest cost	<b>9.62</b>	6.08	4.25	3.28
Benefits settled	<b>(21.60)</b>	(16.11)	(2.59)	(5.09)
Actuarial (gain)/loss	<b>(14.24)</b>	(0.03)	(14.22)	(1.40)
Present value of Obligations at the end of the period	<b>94.54</b>	104.65	84.09	62.03
<b>Fair value of plan assets</b>				
Fair value of plan assets as at beginning of the period	<b>67.38</b>	76.97	41.44	24.03
Expected return on plan assets (estimated)	<b>8.76</b>	5.51	4.42	1.92
Actuarial gain/(loss)	<b>2.26</b>	1.01	3.58	0.09
Contributions (less risk premium)	<b>79.75</b>	–	30.12	20.49
Benefits settled	<b>(21.60)</b>	(16.11)	(2.59)	(5.09)
Fair value of plan assets as at end of the period	<b>136.55</b>	67.38	76.97	41.44
<b>Amounts recognised in the Balance sheet</b>				
Present value of obligation at the end of period	<b>94.54</b>	104.65	84.09	62.03
Fair value of Plan assets at end of period	<b>136.55</b>	67.38	76.97	41.44
<b>Net (asset)/ liability recognised in the Balance sheet</b>	<b>42.01</b>	37.27	7.12	20.59
<b>Expense recognised in the statement of Profit and loss account</b>				
Service cost	<b>16.11</b>	30.62	34.62	10.63
Interest cost	<b>9.62</b>	6.08	4.25	3.28
Expected return on plan assets	<b>(8.76)</b>	(5.51)	(4.42)	(1.92)
Actuarial (gain)/loss	<b>(11.98)</b>	(1.32)	(17.81)	(1.48)
<b>Net gratuity cost</b>	<b>4.99</b>	29.87	16.64	10.51
<b>Assumptions</b>				
Discount rate	<b>8.00%</b>	8.00%	7.00%	8.00%
Expected return on assets	<b>8.00%</b>	8.00%	8.00%	8.00%
Rate of compensation increase	<b>6.00%</b>	6.00%	6.00%	6.00%
Attrition Rate	<b>5.00%</b>	5.00%	5.00%	5.00%
Retirement expectancy (in Years)	<b>60</b>	60	58	58
Expected average remaining service (in Years)	<b>23.27</b>	23.36	22.12	22.12
Mortality rates	<b>LIC 1994-96 ultimate table</b>	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table
<b>Actual return on plan assets (₹ In Lakhs)</b>	<b>9.71</b>	<b>6.52</b>	<b>8.00</b>	<b>–</b>

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per the best estimate of the management, contribution of ₹15.00 lakhs is expected to be paid to the plan during the year ending March 31, 2012.

- ii. Provision made during the period for other long term employee benefits based on the actuarial valuation report amounted to ₹ 41.54 Lakhs (2010: ₹ 10.72 Lakhs).
- iii. During the period, the Company has recognised the following amounts in the Profit and Loss Account, which are included in 'Contribution to Provident and Other Funds' in Schedule 16.

₹ In Lakhs

	2011	2010
Provident Fund and Employees' Pension Scheme	96.40	74.61

## 9. Earnings Per Share:

The computation of earnings per share is set out below:

Particulars	2011	2010
Nominal value of equity shares (₹)	10	10
Net (Loss) after tax (₹ Lakhs)	(9,467.41)	(5,843.09)
Less : Preference Dividend attributable to Cumulative Preference Shares (₹ Lakhs)	1.64	132.11
Net (Loss) attributable to the Equity Shareholders. (₹ Lakhs)	(9,469.05)	(5,975.20)
<b>Shares :</b>		
Weighted average number of Equity Shares of ₹ 10 each outstanding during the year	19,961,707	19,961,707
Basic and diluted Earnings/(Loss) – Rs Per Share	(47.44)	(29.93)

Note: There are no potentially dilutive equity shares outstanding during the period.

## 10. Operating Leases:

- i. The Company has entered in to a non cancelable operating lease agreement with Shri Dhanalakshmi Sahakari Sakkare Karkhane Niyamit, Ramdurg for the lease of sugar factory together with the specified assets on Built, Own, Operate and Transfer basis (BOOT) for a period of 25 years. Lease rentals of ₹ 912.51 Lakhs (2010: ₹ 704.78 Lakhs) in respect of the obligation under such lease agreement have been recognised in the Profit and Loss Account.

Future obligations of lease rentals applicable to the above lease agreement aggregate to ₹ 14,798.97 Lakhs (2010: ₹ 15,711.48 Lakhs) and are due:

₹ In Lakhs

Particulars	2011	2010
Not later than one year	753.04	725.65
Later than one year and not later than five years	3,244.91	3,968.18
Later than five years	10,801.02	11,017.65
Total	14,798.97	15,711.48

- ii. The Company has certain operating leases for office facilities and residential premises under a cancellable operating lease agreement. Such agreements are generally with the option of renewal against increased rent and premature termination of agreement. The charge on account of lease rentals under such agreements to the Profit and Loss Account for the fifteen months period is ₹ 57.41 Lakhs (2010: ₹ 40.78 Lakhs).

The future obligations of lease rentals applicable are as under:

₹ In Lakhs

Particulars	2011	2010
Not later than one year	24.37	–

## 11. Related Party Disclosures:

### i. Names of the related parties and description of relationship upto 26th August 2010:

Relationship	Name of the Parties
Holding Company	GMR Holdings Private Limited (GHPL)
Subsidiary Company	Alagawadi Bireshwar Sugars Private Limited (ABSPL)
Fellow Subsidiaries	GMR Infrastructure Limited (GIL) GMR Energy Limited (GEL) GMR Projects Private Limited (GPPL) Delhi International Airport Limited (DIAL) GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL) GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL) GMR Ulundurpet Expressways Private Limited (GUEPL) GMR Pochanpalli Expressways Private Limited (GPEPL) GMR Jadcherla Expressways Private Limited (GJEPL) GMR Ambala Chandigarh Expressways Private Limited (GACEPL) GMR Aviation Private Limited (GAPL) GMR Power Corporation Private Limited (GPCPL) GMR (Badrinath) Hydro Power Generation Private Limited (GHPGPL) GMR Hyderabad International Airport Limited (GHIAL) Raxa Security Services Limited (RSSL) Rajam Enterprises Private Limited (REPL) (Previously as Roshan Investments Private Limited) GMR Enterprises Pvt. Ltd. Grandhi Enterprises Private Limited (GEPL) (Previously Blue Moon Investments Private Limited) GMR Sports Private Limited (GSPL) GMR Varalakshmi Foundation GMR Bajoli Holi Hydro Projects Private Limited (GBHHPL)
Key Management Personnel	Mr. R. Ramakrishnan Mr. TCS Reddy Mr. A. Sankara Rao
Individuals exercising control or significant influence and their relatives	Mr. G.M.Rao  Mr. G.B.S. Raju Mr. G. Kiran Kumar Mr. A. Srinivasa Rao Mrs. G.Varalakshmi Mrs. B. Rama Devi
Enterprises where Individuals exercising control or significant influence over the company have significant influence	Adarsh Industries (AI) Varalakshmi Jute Twine Mills Private Limited GMR Varalakshmi Foundation

**ii. Summary of transactions with the above related parties are as follows:**

₹ In Lakhs

Nature of the Transaction	2011	2010
<b>Corporate Guarantee availed</b>		
Holding Company:		
GHPL	–	3,168.00
<b>Rent Paid</b>		
Individuals exercising control or significant influence and their relatives		
G. Varalakshmi	<b>1.03</b>	2.54
A. Srinivasa Rao	<b>3.34</b>	–
B. Ramadevi	–	0.60
Enterprises where Individuals exercising control or significant influence over the company have significant influence		
Varalakshmi Jute Twine Mills Private Limited	<b>0.23</b>	–
<b>Services received</b>		
Fellow Subsidiary		
RSSL	<b>16.90</b>	54.06
<b>Sale of immovable/movable assets</b>		
Fellow Subsidiaries		
GMR Enterprises Pvt. Ltd.	–	160.96
GMR Varalakshmi Foundation	–	5.54
<b>Investment in Equity Shares</b>		
Subsidiary		
ABSPL	–	843.88
<b>Assignment of Key Man insurance policy</b>		
Individuals exercising control or significant influence and their relatives		
G. M. Rao	–	97.38
<b>Unsecured loans given</b>		
Subsidiary – ABSPL	<b>165.00</b>	1,134.00
<b>Remuneration</b>		
<b>Key Management Personnel</b>		
Mr. R. Ramakrishnan	<b>38.73</b>	73.39
Mr. TCS Reddy	<b>17.07</b>	39.93
Mr. A. Sankara Rao	<b>2.43</b>	4.00
<b>Balance Payable /(recoverable) at the end of the period:</b>		
i. Subsidiary	<b>(1,299.00)</b>	(1,134.00)
ii. Fellow Subsidiaries	–	–
iii. Individuals exercising control or significant influence and their relatives	–	–
iv. Enterprises where Individuals exercising control or significant influence over the company have significant influence	–	–



iii. **Names of the related parties and description of relationship from 27th August 2010:**

Relationship	Name of the Parties
Holding Company	E.I.D.- Parry (India) Limited
Subsidiary Company	Alagawadi Bireswar Sugars Private Limited (ABSPL)
Fellow Subsidiaries	Coromandel International Ltd. Parry Chemicals Ltd. CFL Mauritius Limited Coromandel Brasil Limitada – Partnership. Pasura Bio Tech Private Limited Sadashiva Sugars Ltd. Parry America Inc., Parrys Investments Limited Coromandel Bathware Limited Parrys Sugar Limited Parry Infrastructure Company Private Limited Parry Phytoremedies Private Limited US Nutraceuticals Inc., Parry Agrochem Exports Limited Valensa Europe AG La Belle Botanics LLC
Key Management Personnel	Mr. D. Kumaraswamy

iv. **Summary of transactions with the above related parties are as follows:**

Nature of the Transaction	₹ In Lakhs	
	2011	2010
<b>Purchase of Machinery</b>		
i. Holding Company E.I.D.- Parry (India) Limited	965.42	—
<b>Purchase of Goods/Services</b>		
i. Holding Company E.I.D.- Parry (India) Limited	448.61	—
ii. Fellow Subsidiary Coromandel International Limited	15.72	—
Sadashiva Sugars Limited	97.16	—
<b>Interest on Unsecured Loan</b>		
i. Holding Company E.I.D.- Parry (India) Limited	1,029.87	—
ii. Fellow Subsidiary Coromandel International Limited	2.17	—
<b>Sale of Goods/Services</b>		
i. Holding Company E.I.D.- Parry (India) Limited	12.79	—
ii. Fellow Subsidiary Sadashiva Sugars Limited	255.26	—
Coromandel International Limited	40.20	—
<b>Investment in Equity Shares</b>		
Subsidiary – ABSPL	—	843.88
<b>Unsecured loans given</b>		
Subsidiary – ABSPL	13.65	1,134.00
<b>Unsecured loans taken</b>		
i. Holding Company E.I.D.- Parry (India) Limited	23,997.16	—

₹ In Lakhs

Nature of the Transaction	2011	2010
ii. Fellow Subsidiary Coromandel International Limited	900.00	—
<b>Issue of Preference Shares</b> E.I.D.- Parry (India) Limited	7,500	—
<b>Remuneration</b> Key Management Personnel Mr D. Kumaraswamy	68.50	—
<b>Balance Payable /(recoverable) at the end of the period:</b>		
i. Holding Company	15,802.97	—
ii. Subsidiary	(1,312.65)	(1,134.00)
iii. Fellow Subsidiaries	43.12	—

**Note:** The above information has been determined to the extent such parties have been identified on the basis of information provided by the company, which has been relied upon by the auditors.

## 12. Managerial remuneration

- i. The Profit and Loss Account includes payments and provisions on account of remuneration to managerial persons as under:

₹ In Lakhs

Particulars	2011	2010
Salaries	32.85	33.11
Contribution to Provident and other Funds	8.38	3.82
Allowances	63.44	56.78
Incentives	15.27	2.91
Other benefits	6.80	20.70
<b>Total</b>	<b>126.74</b>	117.32

- ii. The remuneration, as approved by the Remuneration Committee/ Board/ Shareholders, paid to the managerial personnel during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over the maximum remuneration stipulated under Schedule XIII of the Act, due to absence of profit during the year. The Central Government vide its letter dated March 28, 2011 approved excess managerial remuneration of ₹18.67 Lakhs paid to Mr. R.Ramakrishnan, Managing Director of the Company (upto August 27, 2010).

The Central Government has also approved payment of maximum managerial remuneration of ₹ 60.92 Lakhs to Mr. D.Kumaraswamy, Managing Director of the Company (from August 28, 2010) for the financial year 2010-11 and for the Financial Year 2011-12 the approval was obtained for ₹ 102.94 Lakhs

## 13. A) Deferred tax Liability:

The major components of the deferred tax assets and liabilities on account of timing differences are as follows:

₹ In Lakhs

Particulars	2011		2010	
	Asset	Liability	Asset	Liability
Depreciation	—	4,475.92	—	3,497.09
Unabsorbed depreciation	3,070.46	—	1,252.66	—
Business losses	—	—	—	—
Others	29.86	—	6.59	—
<b>Total</b>	<b>3,100.32</b>	<b>4,475.92</b>	1,259.25	3,497.09
<b>Deferred Tax Liability (Net)</b>		<b>1,375.60</b>		2,237.84

**Note:** The deferred tax asset for the fifteen months period ended June 30, 2011, computed on carry forward business loss amounts to ₹ 2,232.51 lakhs. However, the same has not been recognised as a measure of prudence, in the absence of virtual certainty as envisaged in AS 22.

## B) Current Tax:

During the fifteen months period the Company has recognised Minimum Alternate Tax (MAT) credit of ₹125.35 Lakhs relating to Assessment Year 2008-09 based on the income tax order dated December 24, 2010. In accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the provisions of Section 115JB of the Income Tax Act, 1961, issued by Institute of Chartered Accountants of India (ICAI), the company can avail MAT tax credit and recognise as an asset. The company has included the MAT credit entitlement under Schedule 11 - Loans and Advances.

14. Based on the information available with the Company regarding the status of suppliers under Micro, Small and Medium Enterprises Development Act, 2006 (MSME), during the period no amount has been paid beyond the appointed day in terms of the MSME and there is no amount paid towards interest in respect of such suppliers. Further, there is no interest accrued/payable under the said Act as at the Balance Sheet date, June 30, 2011.
15. With respect to receivables from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) included under Schedule 8 Sundry Debtors:
  - a) Amounts aggregating to ₹ 715.87 Lakhs [2010: ₹ 539.42 Lakhs] relate to price difference matter in dispute where APTRANSCO has appealed before the Apex court against an order of Electricity Tribunal. As the matters are pending before the Apex court, the Company, as a matter of prudence, has postponed the recognition of such amounts as income and a corresponding credit is retained as liability in the books of account and adjusted against Sundry Debtors as at June 30, 2011.
  - b) Amounts aggregating to ₹ 582.64 Lakhs [2010: ₹ 551.31 Lakhs] relate to other matters in dispute where APTRANSCO has appealed before the Apex court against the orders of Electricity Tribunal. As the matters are pending before the Apex court, no adjustment has been made in respect of such dues recognised as receivable as at June 30, 2011.
16. Consumption of Raw Materials includes a payment of ₹ 855.81 lakhs towards additional cane price payable for the sugar cane purchased for the season 2009-10. For the comparable previous period, similar expenditure of ₹ 831.29 lakhs paid for the sugar cane purchased for the season 2008-09 was earlier disclosed as Exceptional Item which is now regrouped to Consumption of Raw Materials.
17. Additional information pursuant to the provisions of Paragraph 3, 4C and 4D of Part of Schedule VI to the Act.

### i. Capacities and Production

Particulars	UOM	2011		2010	
		Quantity	Amount	Quantity	Amount
<b>Capacities:</b>					
<b>Licensed Capacity</b>					
Sugarcane crushing	TCD	11,000		11,000	
Co-generation	Units	46,000		46,000	
Distillery	KLPD	85		85	
<b>Installed Capacity</b>					
(As certified by the management)					
Sugarcane crushing	TCD	11,000		11,000	
Co-generation	Units	46,000		46,000	
Distillery	KLPD	85		85	

### ii. Production and Turnover:

Particulars	UOM	2011		2010	
		Quantity	₹ Lakhs	Quantity	₹ Lakhs
<b>Production:</b>					
Sugar	Quintals	1,397,519		566,855	
Molasses	MT	63,219		29,044	
Power	Units	150,805,683		102,557,847	
<b>Distillery:</b>					
Rectified Spirit	Litres	3,918,748		1,662,943	
Extra Neutral Alcohol	Litres	8,329,221		3,624,632	
Impure Spirit	Litres	1,358,100		880,678	
Ethanol	Litres	5,279,288		3,424,058	
<b>Turnover:</b>					
Sugar	Quintals	1,241,396	32,768.23	456,592	13,116.94
Molasses*	MT	65,876	1,298.94	19,199	455.45

Particulars	UOM	2011		2010	
		Quantity	₹ Lakhs	Quantity	₹ Lakhs
Cogeneration – Power#	Units	90,172,760	3,179.31	73,333,000	3238.01
Distillery**					
Rectified Spirit	Litres	3,731,100	859.27	1,340,000	398.35
Extra Neutral Alcohol	Litres	7,800,000	2,467.27	4,316,000	1,518.74
Impure Spirit	Litres	539,250	108.07	297,000	70.57
Ethanol	Litres	63,43,600	2,156.75	3,928,000	1,530.98
Others		–	147.05		18.94
<b>Total</b>			<b>42,984.90</b>		<b>20,347.98</b>

\* Includes inter division transfers of 31,571 MT (2010: 11,650.25 MT) at Nil value.

# Net of captive consumption

\*\* Excludes quantities used in the processing of other distillery products mentioned above.

### iii. Opening and closing stock:

Particulars	UOM	2011		2010	
		Quantity	₹ Lakhs	Quantity	₹ Lakhs
<b>Opening Stocks:</b>					
Sugar	Quintals	281,732	6,248.63	171,469	2,686.82
Molasses	MT	22,010	1,070.61	12,165.15	790.73
Work-in-Process	Quintals	10,008	226.69	4,459.82	84.97
WIP – Molasses	MT	19	9.08		
Bagasse/ Bio-mass	MT	2,393	15.55	3,830.57	24.90
Distillery:					
Rectified spirit	Litres	708,860	198.72	704,783	190.93
Impure Spirit	Litres	264,978	55.78	283,658	68.90
ENA	Litres	242,941	85.49	879,578	240.41
Ethanol	Litres	535,344	180.92	214,741	54.57
Work in Progress	Litres	–	–	–	–
			<b>8,091.47</b>		<b>4,142.23</b>
<b>Closing Stocks:</b>					
Sugar*	Quintals	437,855	10,096.61	281,732	6,248.63
Molasses	MT	19,347	560.95	22,010	1,070.61
Bagasse/Bio-mass	MT	2,239	16.00	2,393	15.55
Work-in-process	Quintals	7,713	173.77	10,008	226.69
WIP- Molasses	MT	30	0.80	19	9.08
Distillery	Litres				
Rectified Spirit		414,723	98.81	708,860	198.72
Impure Spirit		32,630	38.10	264,978	55.78
ENA	Litres	1,107,172	275.34	242,941	85.49
Ethanol	Litres	594,093	125.97	535,344	180.92
Others					
		–	<b>11,386.35</b>	–	<b>8,091.47</b>

\* Excludes goods-in-transit of 628 Quintals (2010: ₹ Nil) valued at ₹ 15.32 Lakhs.

### iv. Raw material consumed:

Particulars	UOM	2011		2010	
		Quantity	₹ Lakhs	Quantity	₹ Lakhs
Sugar cane	MT	1,295,502	30,871.88	585,352	14,072.94
Coal	MT	55,095	2,046.51	76,436	2,602.56
Others			1,964.05		1,828.42
<b>Total</b>			<b>34,882.44</b>		<b>18,503.92</b>

**v. Details of consumption of raw materials and stores and spares**

Particulars	2011		2010	
	%	₹ Lakhs	%	₹ Lakhs
Percentage of raw material consumed:				
Indigenous	100.00	34,882.44	100.00	18,503.92
	100.00	34,882.44	100.00	18,503.92
Stores and spares consumed				
Indigenous	100.00	1,373.07	100.00	1,174.72
Imported	–	–	–	–
	100.00	1,373.07	100.00	1,174.72

**18. Expenditure in foreign currency**

**i. CIF Value of imports:**

₹ In Lakhs

Particulars	2011	2010
Capital Items	12.50	254.41

**ii. Expenditure in Foreign Currency:**

₹ In Lakhs

Particulars	2011	2010
Travel Expenses	1.25	–
Consultancy fees	0.68	–

**19. Earnings in Foreign Currency: NIL**

**20.** During the year, there was an instance of misappropriation of ₹ 47,98,316 by an employee by way of creating certain false and misleading records and documents. The amounts as determined by the management based on investigation carried out independently by a firm of Chartered Accountants aggregating to ₹ 47,98,316 have been recovered from the concerned employee. Further, the company has also strengthened the controls in this area.

**21.** The company has changed its financial accounting year from April – March to April – June. The current financial period is for fifteen months commencing from April 01, 2010 and ending on June 30, 2011. Previous year's figures are for twelve months period commencing from April 01, 2009 and ending on March 31, 2010. Therefore, the figures for the current period are not comparable with those of the previous year with the incremental impacts in financial statements being increase in Income and Expenditure by ₹12,717.38 Lakhs and ₹15,286.10 Lakhs respectively. Further, there is an increase in Loss before Taxation and Loss after Taxation amounting to ₹ 2,568.72 Lakhs and ₹ 2,707.05 Lakhs respectively. Resultant impact on Earning / (Loss) per Share is an increase in loss per share by ₹ 13.57 per share.

**22.** Previous years' figures have been regrouped and reclassified wherever necessary, to conform to those of the current period.

For and on behalf of the Board

**For Price Waterhouse**

Firm Registration Number - 301112E  
Chartered Accountants

**J. Majumdar**

Partner  
Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

**S. Sandilya**

Chairman

**D. Kumaraswamy**

Managing Director

**G. Jalaja**

Chief Financial Officer

**B.M. Rath**

Company Secretary

Place: Chennai

Date : July 25, 2011

## CASH FLOW STATEMENT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>A. Cash flow from Operating Activities</b>		
Net Profit/(Loss) before Taxation	(10,453.62)	(5,983.64)
Adjustments for:		
Depreciation	3,665.80	2,687.48
Bad debts written off	—	34.80
Provision for doubtful advances	—	32.44
Interest received	(53.04)	(6.21)
Interest and finance charges	7,823.24	4,209.89
Provisions no longer required written back	(24.44)	(1,408.12)
(Profit) / Loss on sale of fixed assets	2.25	(35.84)
<b>Operating profit/(loss) before working capital changes</b>	<b>11,413.81</b>	<b>5,514.44</b>
Adjustments for:		
Trade and other receivables	(1,627.97)	(417.22)
Inventories	(3,599.93)	(3,711.22)
Trade and other payables	(2,309.89)	1,171.45
Cash generated from/ (used in) operations	(6,577.60)	(3,426.19)
Interest paid	(6,809.91)	(4,206.40)
Income taxes paid	332.20	(39.70)
<b>Net cash from / (used in) operating activities</b>	<b>(13,055.31)</b>	<b>(7,672.29)</b>
<b>B. Cash from Investing Activities</b>		
Purchase of Fixed assets	(2,365.22)	(1,934.64)
Proceeds from sale of fixed assets	4.50	248.46
Investments in Equity shares of Subsidiaries	—	(843.78)
Proceeds from sale of investments	—	—
Proceeds from transfer of Aircraft business	—	—
Interest / dividends received	51.52	5.60
<b>Net cash from / (used in) investing activities</b>	<b>(2,309.20)</b>	<b>(2,524.36)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issuance of Share Capital	7,500.00	—
Proceeds from Unsecured loans	28,897.16	(1,500.00)
Repayments of Unsecured loans	(8,400.00)	—
Proceeds from Secured loans	59,865.19	12,806.94
Repayment of Secured loans	(71,934.84)	(1,357.65)
Dividend Paid	(0.06)	(0.51)
<b>Net cash from / (used in) financing activities</b>	<b>15,927.45</b>	<b>9,948.78</b>
Net Change In Cash And Cash Equivalents	562.94	(247.87)
Cash And Cash Equivalents -Opening Balance	312.06	559.93
Cash and Cash Equivalents transferred pursuant to Sale of Aircraft Division	—	—
Cash And Cash Equivalents - Closing balance	875.00	312.06
[Refer Note 3 Below ]		

### Notes:

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at June 30, 2011 and the related Profit and Loss Account for the fifteen months period ended on that date.
- The above Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash flow Statements, as notified under Section 211 (3C) of the Companies Act, 1956.
- Cash and Cash Equivalents - closing balance include balances aggregating to ₹ 56.86 Lakhs [2010: ₹ 56.92 Lakhs] with Scheduled banks in respect of unclaimed dividend, which are not available for use by the Company.
- Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

This is the Cash Flow Statement referred to in our report of even date

### For Price Waterhouse

Firm Registration Number - 301112E

Chartered Accountants

### J. Majumdar

Partner

Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

### For and on behalf of the Board

S. Sandilya

Chairman

D. Kumaraswamy

Managing Director

G. Jalaja

Chief Financial Officer

B.M. Rath

Company Secretary

Place: Chennai

Date : July 25, 2011



# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Pursuant to the provisions of Part IV of Schedule VI of the Companies Act, 1956)

## I. Registration Details

Registration No.          State Code

Balance Sheet Date

Date      Month      Year

## II. Capital raised during the year (Rupees in '000)

Public Issue         Rights Issue

Bonus Issue         Private Placement

## III. Position of mobilisation and deployment of funds (Rupees in '000)

Total Liabilities <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="3"/>	Total Assets <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="3"/>
Sources of Funds	Application of Funds
Paid up Capital	
Equity Share Capital <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="7"/>	Net Fixed Assets <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="6"/>
Preference Share Capital <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="1"/>	Investments <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="9"/>
Reserves & Surplus <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	Net Current Assets <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="8"/>
Secured Loans <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="2"/>	Miscellaneous Expenditure <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Unsecured Loans <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="6"/>	
Deferred Tax Liability (Net) <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	

## IV. Performance of Company (Rupees in '000)

Turnover (including other income) <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/>	Profit before Tax <input type="text" value="-"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="2"/>
Total Expenditure <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="9"/>	Profit after Tax <input type="text" value=""/> <input type="text" value="-"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="1"/>

## V. Generic Names of three Principal Products/Services of Company

Item Code <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="."/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value=""/>	Product Description <input type="text" value="S"/> <input type="text" value="U"/> <input type="text" value="G"/> <input type="text" value="A"/> <input type="text" value="R"/>
Item Code <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="7"/>	Product Description <input type="text" value="I"/> <input type="text" value="N"/> <input type="text" value="D"/> <input type="text" value="U"/> <input type="text" value="S"/> <input type="text" value="T"/> <input type="text" value="R"/> <input type="text" value="I"/> <input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="C"/> <input type="text" value="H"/> <input type="text" value="O"/> <input type="text" value="L"/>
Item Code <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>	Product Description <input type="text" value="E"/> <input type="text" value="L"/> <input type="text" value="E"/> <input type="text" value="C"/> <input type="text" value="T"/> <input type="text" value="R"/> <input type="text" value="I"/> <input type="text" value="C"/> <input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="E"/> <input type="text" value="R"/> <input type="text" value="G"/> <input type="text" value="Y"/>



## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF PARRYS SUGAR INDUSTRIES LIMITED (FORMERLY KNOWN AS GMR INDUSTRIES LTD)

1. We have audited the attached consolidated balance sheet of Parrys Sugar Industries Limited (the "Company") and its subsidiary, hereinafter referred to as the "Group", as at June 30, 2011, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the fifteen-months period ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary included in the consolidated financial statements, which constitute total assets of ₹ 1,410.91 lakhs and net assets of ₹ 98.25 Lakhs as at June 30, 2011, total revenue of ₹ Nil, net profit/net loss of ₹ Nil and net cash flows amounting to ₹ 62.80 Lakhs for the period then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditor on separate financial statements and on the other financial information of the component of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at June 30, 2011;
  - (b) in the case of the consolidated Profit and Loss Account, of the loss of the Group for the fifteen-months period ended on that date; and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the fifteen-months period ended on that date.

**For and on behalf of  
Price Waterhouse**

Firm Registration Number: 301112E  
Chartered Accountants

**J. Majumdar**  
Partner

Membership Number F-51912.

Place: Chennai  
Date: July 25, 2011

## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	Schedule	2011	2010
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	<b>10,907.68</b>	3,407.68
Reserves and Surplus	2A	<b>2,166.97</b>	3,467.28
		<b>13,074.65</b>	6,874.96
<b>LOAN FUNDS</b>			
Secured Loans	3	<b>41,303.32</b>	53,372.97
Unsecured Loans	4	<b>20,497.16</b>	—
		<b>61,800.48</b>	53,372.97
<b>DEFERRED TAX LIABILITY (NET)</b>		<b>1,375.60</b>	2,237.84
[Schedule 19 Note 14A]			
		<b>76,250.73</b>	<b>62,485.77</b>
<b>APPLICATION OF FUNDS:</b>			
GOODWILL ON CONSOLIDATION		<b>1,264.73</b>	1,264.73
<b>FIXED ASSETS</b>			
	5		
Gross Block (at cost)		<b>63,381.91</b>	60,280.45
Less: Depreciation		<b>13,241.36</b>	9,626.79
Net Block		<b>50,140.55</b>	50,653.66
Capital Work in Progress		<b>279.23</b>	1,178.05
		<b>50,419.78</b>	51,831.71
<b>INVESTMENTS</b>	6	<b>5.15</b>	5.15
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	<b>12,459.31</b>	8,859.38
Sundry Debtors	8	<b>1,976.51</b>	1,979.69
Cash and Bank Balances	9	<b>979.78</b>	483.31
Other Current Assets	10	<b>619.20</b>	581.68
Loans and Advances	11	<b>5,917.16</b>	4,747.36
		<b>21,951.96</b>	16,651.43
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	12	<b>5,488.90</b>	7,178.43
Provisions	13	<b>69.09</b>	88.82
		<b>5,557.99</b>	7,267.25
<b>NET CURRENT ASSETS</b>		<b>16,393.97</b>	9,384.18
Profit and Loss Account	2B	<b>8,167.10</b>	—
		<b>76,250.73</b>	<b>62,485.77</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	19		

The Schedules referred to above form an integral part of the Accounts

This is the Consolidated Balance sheet referred to in our report of even date

**For Price Waterhouse**

Firm Registration Number - 301112E

Chartered Accountants

**J. Majumdar**

Partner

Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

For and on behalf of the Board

**S. Sandilya**

Chairman

**D. Kumaraswamy**

Managing Director

**G. Jalaja**

Chief Financial Officer

**B.M. Rath**

Company Secretary

Place: Chennai

Date : July 25, 2011

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	Schedule	2011	2010
<b>INCOME</b>			
Gross Income from Sales		<b>42,984.90</b>	20,347.98
Less: Excise Duty		<b>1,603.60</b>	583.49
Net Income from Sales		<b>41,381.30</b>	19,764.49
Job work Income - Raw Sugar processing		—	610.83
Other Income	14	<b>413.37</b>	2,380.93
		<b>41,794.67</b>	22,756.25
<b>EXPENDITURE</b>			
Materials (Schedule 19 Note 17)	15	<b>31,573.83</b>	15,385.97
Employee Costs	16	<b>1,974.10</b>	1,448.47
Other Costs	17	<b>7,211.32</b>	5,008.08
Interest and Finance Charges	18	<b>7,823.24</b>	4,209.89
Depreciation	5	<b>3,665.80</b>	2,687.48
		<b>52,248.29</b>	28,739.89
<b>(LOSS) BEFORE TAXATION</b>		<b>(10,453.62)</b>	(5,983.64)
<b>Add/(Less) Provision for Taxation</b>			
-Current Tax (Relating to earlier years) (Credit) [Schedule 19 Note 14B]		<b>(123.97)</b>	55.56
-Deferred Tax ( Credit)		<b>(862.24)</b>	(196.11)
		<b>(986.21)</b>	(140.55)
<b>(LOSS) AFTER TAXATION</b>		<b>(9,467.41)</b>	(5,843.09)
Balance in Profit and Loss Account brought forward		<b>(270.42)</b>	5,572.67
<b>Balance carried to Balance Sheet (Schedule 2B)</b>		<b>(9,737.83)</b>	(270.42)
Earnings/(Loss) Per Share (₹) - Basic and Diluted [Schedule 19 Note 10]		<b>(47.44)</b>	(29.93)
<b>Significant Accounting Policies and Notes to Accounts</b>	19		

The Schedules referred to above form an integral part of the Accounts

This is the Consolidated Profit and Loss Account referred to in our report of even date

### For Price Waterhouse

Firm Registration Number - 301112E  
Chartered Accountants

### J. Majumdar

Partner  
Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

For and on behalf of the Board

### S. Sandilya

Chairman

### D. Kumaraswamy

Managing Director

### G. Jalaja

Chief Financial Officer

### B.M. Rath

Company Secretary

Place: Chennai

Date : July 25, 2011

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
51,900,000 (2010: 51,900,000) Equity Shares of face value of ₹ 10/- each	<b>5,190.00</b>	5,190.00
21,000,000 (2010: 21,000,000 ) (8%) Redeemable Non Cumulative Preference Shares of face value of ₹ 11/- each	<b>2,310.00</b>	2,310.00
100,000,000 (2010: NIL ) (8%) Redeemable Cumulative Preference Shares of face value of ₹ 10/- each	<b>10,000.00</b>	—
	<b>17,500.00</b>	7,500.00
<b>Issued, Subscribed and Paid-up</b>		
19,961,707 [2010: 19,961,707] Equity Shares of ₹ 10/- each fully paid up	<b>1,996.17</b>	1,996.17
Of the above-		
[ 13,963,002 Equity shares of Rs 10 each per share were issued as fully paid up to the shareholders of erstwhile M/s Varalakshmi Sugars Limited and M/s Varalakshmi International Limited on their respective amalgamation with the Company, for consideration otherwise than in cash.]		
12,975,110 Shares [2010: Nil] of ₹ 10/- each are held by the Holding Company M/s E.I.D.-Parry (India) Ltd. (In the Previous Year Holding Company was GMR Holdings Private Limited)		
<b>Preference Shares</b>		
(i) 12,831,880 8% Redeemable Noncumulative Preference shares of ₹ 11/- each	<b>1,411.51</b>	1,411.51
[The above Non Cumulative Preference shares are held by E.I.D.-Parry (India) Ltd. and were transferred from GMR Holdings Pvt. Ltd. pursuant to the Share Purchase Agreement dated April 25, 2010. These shares were earlier issued as fully paid up to M/s. GMR Holdings Private Limited and other shareholders of erstwhile M/s Varalakshmi International Limited on its amalgamation with the Company, for consideration otherwise than in cash.]		
[The Preference shares are redeemable not later than 8 years from the date of issue, i.e. August 14, 2004, with a call option to the shareholders for redemption after three years from the date of issue.]		
(ii) 75,000,000 8% Redeemable Cumulative Preference shares of ₹ 10/- each	<b>7,500.00</b>	—
[The Preference shares are redeemable not later than 8 years from the date of issue, i.e. June 30, 2011, with a call option to the shareholders for redemption after three years from the date of issue.]		
	<b>10,907.68</b>	3,407.68

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 2 A</b>		
<b>RESERVES AND SURPLUS</b>		
Capital Redemption Reserve		
As per last Balance Sheet	<b>1,175.00</b>	1,175.00
Securities Premium		
As per last Balance Sheet	<b>991.97</b>	991.97
General Reserve		
As per last Balance Sheet	—	1,570.73
Less: Debit Balance in Profit and Loss Account*	—	(270.42)
	<b>2,166.97</b>	<b>3,467.28</b>
<b>SCHEDULE 2 B</b>		
<b>PROFIT AND LOSS ACCOUNT</b>		
Debit Balance in Profit and Loss Account	<b>9,737.83</b>	—
Less: General Reserve*	<b>1,570.73</b>	—
(Surplus)/ Deficit in Profit and Loss Account	<b>8,167.10</b>	—
* The debit balance in the Profit and Loss Account has been adjusted with the balance available in General Reserve to conform to the disclosure requirements of Schedule VI to the Companies Act, 1956.		
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>Term Loans</b>		
Rupee Loans		
From Banks [Schedule 19 Note 3 (i) & (ii)]	<b>20,784.08</b>	23,607.15
[Repayable within one year: ₹ 284.08 Lakhs [2010: ₹ 3,888.36 Lakhs]		
From Government of India - Sugar Development Fund [Schedule 19 Note 3(iii)]	<b>3,374.50</b>	3,196.10
[Repayable within one year: ₹ 242.79 Lakhs [2010: ₹ 76.61 Lakhs ]	<b>24,158.58</b>	26,803.25
Foreign Currency Loans		
From Banks	—	42.71
[Repayable within one year: ₹ Nil [2010: ₹ 42.71 Lakhs]	—	42.71
Short Term Loans from Banks against Deposits with Banks	—	19,713.13
[Repayable within one year: ₹ Nil [2010: ₹ 19,713.13 Lakhs]		
Short Term Loans from Banks [Schedule 19 Note 3(iv)]	<b>10,000.00</b>	—
[Repayable within one year: ₹ 8,333.33 Lakhs [2010: NIL]		
<b>Cash Credits and Demand Loans</b>		
From Banks		
Rupee Loans [Schedule 19 Note 3(v)]	<b>7,144.74</b>	6,813.88
	<b>41,303.32</b>	<b>53,372.97</b>
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Short Term		
From Banks	<b>4,000.00</b>	—
Inter Corporate Loans [Schedule 19 Note 4]	<b>16,497.16</b>	—
	<b>20,497.16</b>	—

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2011

### SCHEDULE 5 FIXED ASSETS

[Schedule 19 Notes 2(iv) and 2(vi)]

₹ In Lakhs

	Gross Block (At Cost)				Depreciation				Net Block	
	2010	Additions (Note 1)	Deletions/ Adjustments	2011 (Note 1)	2010	For the Year	Deletions/ Adjustments	2011	2011	2010
Land	2,536.68	1,068.55	–	<b>3,605.23</b>	–	–	–	–	<b>3,605.23</b>	2,536.68
Buildings	9,517.41	283.22	21.01	<b>9,779.62</b>	864.53	321.89	9.50	<b>1,176.92</b>	<b>8,602.70</b>	8,652.88
Plant and Machinery (Note 2 and 3)	45,515.72	1,710.88	–	<b>47,226.60</b>	7,678.13	3,244.07	–	<b>10,922.20</b>	<b>36,304.40</b>	37,837.59
Furniture and Fixtures (Note 3)	2,346.37	22.41	13.02	<b>2,355.76</b>	935.20	51.78	20.79	<b>966.19</b>	<b>1,389.57</b>	1,411.17
Vehicles	364.27	74.38	23.95	<b>414.70</b>	148.93	48.06	20.94	<b>176.05</b>	<b>238.65</b>	215.34
<b>Total</b>	<b>60,280.45</b>	<b>3,159.44</b>	<b>57.98</b>	<b>63,381.91</b>	<b>9,626.79</b>	<b>3,665.80</b>	<b>51.23</b>	<b>13,241.36</b>	<b>50,140.55</b>	<b>50,653.66</b>
<b>2010</b>	<b>53,554.98</b>	<b>7,075.24</b>	<b>349.77</b>	<b>60,280.45</b>	<b>7,076.46</b>	<b>2,687.48</b>	<b>137.15</b>	<b>9,626.79</b>		
<b>Capital Work in Progress (including capital advances)</b>									<b>279.23</b>	1,178.05
									<b>50,419.78</b>	51,831.71

#### Notes:

- Additions during the year include amount aggregating to ₹ 177.38 Lakhs of assets capitalised in relation to Ramdurg Unit, Karnataka, which is taken on lease on Built, Own, Operate and Transfer Basis. The total Gross block of such assets as at June 30, 2011 is ₹ 4,828.57 Lakhs [2010: ₹ 4,659.19 Lakhs]. [Refer Schedule 19 - Note 11].
- Additions to Plant and Machinery include Foreign exchange differences aggregating to ₹ 0.54 Lakhs [2010: ₹ 58.82 Lakhs] adjusted relating to foreign exchange fluctuations on long term monetary liabilities utilised for acquisition of depreciable fixed assets [Refer Schedule 19 Note 7(a) for details].
- Amounts aggregating to Rs 924.46 Lakhs in opening gross block and opening accumulated depreciation amounting to ₹ 348.74 Lakhs of Plant and Machinery has been reclassified to Furniture and Fixtures to conform to the correct classification.

₹ In Lakhs

	2011	2010
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
[Schedule 19 Note 2(viii)]		
<b>Long Term</b>		
<b>Unquoted</b>		
Other than Trade		
Government Securities - National Savings Certificates	<b>0.15</b>	0.15
<b>Quoted</b>		
Other than Trade		
Cronimet Alloys India Ltd (formerly GMR Ferro Alloys and Industries Limited) [50,000 (2010: 50,000) equity shares of ₹ 10 each fully paid up]	<b>5.00</b>	5.00
	<b>5.15</b>	5.15
Aggregate value of Quoted investment		
- Book value:	<b>10.00</b>	10.00
- Market value:	<b>62.40</b>	18.20

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2011**

₹ In Lakhs

	2011	2010
<b>SCHEDULE 7</b>		
<b>INVENTORIES</b>		
[Schedule 19 Note 2(ix)]		
Stores and Spares	957.41	600.23
Raw Materials	101.82	167.68
Finished Goods	10,658.23	6,769.54
Finished Goods in Transit	15.32	–
By Products	576.95	1,086.16
Work-in-Process	149.58	235.77
	<u>12,459.31</u>	<u>8,859.38</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured)		
Considered Good		
Outstanding for a period exceeding six months	1,111.83	827.54
Other Debts	864.68	1,152.15
	<u>1,976.51</u>	<u>1,979.69</u>
	<u>1,976.51</u>	<u>1,979.69</u>
<b>SCHEDULE 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	4.87	4.15
Balance with Scheduled Banks:		
- On Current Accounts	799.37	219.77
- On Fixed Deposit Accounts	100.00	103.66
- On Margin Money accounts towards Bank Guarantee	18.68	98.81
- On Unclaimed Dividend Accounts	56.86	56.92
	<u>974.91</u>	<u>479.16</u>
	<u>979.78</u>	<u>483.31</u>
<b>SCHEDULE 10</b>		
<b>OTHER CURRENT ASSETS</b>		
(Unsecured and Considered Good)		
Interest accrued but not due	13.11	0.82
Other Deposits	606.04	580.76
Other receivables	0.05	0.10
	<u>619.20</u>	<u>581.68</u>

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2011

₹ In Lakhs

	2011		2010	
<b>SCHEDULE 11</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured and considered good, unless otherwise stated)				
Loans to Subsidiary		-		-
Loans to Employees		<b>0.80</b>		4.70
Advances recoverable in cash or in kind or for value to be received				
Considered Good	<b>3,050.39</b>		1,519.41	
Considered Doubtful	<b>32.44</b>		32.44	
	<b>3,082.83</b>		1,551.85	
Less : Provision for doubtful advances	<b>32.44</b>	<b>3,050.39</b>	32.44	1,519.41
Balances with Excise Departments including Cenvat/VAT credit		<b>2,580.81</b>		2,943.82
Advance Income Tax (Net of Provisions)		<b>71.98</b>		279.43
MAT Credit Entitlement [Schedule 19 Note 14B]		<b>125.35</b>		-
Others		<b>87.83</b>		-
		<b>5,917.16</b>		<b>4,747.36</b>
<b>SCHEDULE 12</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors				
Micro and small enterprises [Schedule 19 Note 15]		-		-
Others	<b>2,729.45</b>		6,477.64	
Capital Creditors	<b>84.36</b>	<b>2,813.81</b>	243.25	6,720.89
Unclaimed Dividend		<b>56.86</b>		56.92
Advances received from Customers		<b>610.90</b>		166.82
Other Liabilities		<b>891.74</b>		131.54
Interest accrued but not due		<b>1,115.59</b>		102.26
		<b>5,488.90</b>		<b>7,178.43</b>
<b>SCHEDULE 13</b>				
<b>PROVISIONS</b>				
Retirement Benefits		<b>69.09</b>		88.82
		<b>69.09</b>		<b>88.82</b>



## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Liquidated Damages	—	399.18
Profit on sales of assets (Net)	—	35.84
Other income from Power	<b>60.30</b>	138.37
Provisions no longer required written back	<b>24.44</b>	1,408.12
Insurance Claims Received	<b>16.55</b>	5.20
Interest Received [Gross, tax deducted at Source: NIL (2010: ₹ 0.65Lakhs)]	<b>53.04</b>	6.21
Scrap Sales	<b>61.04</b>	147.47
Miscellaneous income	<b>198.00</b>	240.54
	<b>413.37</b>	<u>2,380.93</u>
<b>SCHEDULE 15</b>		
<b>MATERIALS</b>		
Raw Materials Consumed		
Opening Stock	<b>167.68</b>	494.26
Add: Purchases during the year	<b>34,816.58</b>	19,008.63
	<b>34,984.26</b>	19,502.89
Less: Closing Stock	<b>101.82</b>	167.68
	<b>34,882.44</b>	19,335.21
<b>(Increase)/ Decrease in Stocks</b>		
Opening Stock		
Work-in-Process	<b>235.77</b>	84.97
Finished Goods	<b>6,769.54</b>	3,241.63
By products	<b>1,086.16</b>	815.63
	<b>8,091.47</b>	4,142.23
<b>Closing Stock</b>		
Work-in-Process	<b>149.58</b>	235.77
Finished Goods	<b>10,673.55</b>	6,769.54
By products	<b>576.95</b>	1,086.16
	<b>11,400.08</b>	8,091.47
	<b>(3,308.61)</b>	(3,949.24)
	<b>31,573.83</b>	<u>15,385.97</u>
<b>SCHEDULE 16</b>		
<b>EMPLOYEE COSTS</b>		
Salaries, Wages and Bonus	<b>1,755.98</b>	1,299.44
Contribution to Provident and Other Funds	<b>106.82</b>	84.86
Staff Welfare Expenses	<b>111.30</b>	64.17
	<b>1,974.10</b>	<u>1,448.47</u>

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>SCHEDULE 17</b>		
<b>OTHER COSTS</b>		
Material Handling Expenses	<b>312.16</b>	202.97
Other Manpower Cost	<b>629.64</b>	355.32
Power and Fuel	<b>667.25</b>	401.65
Stores, Spares and consumables	<b>1,373.07</b>	1,174.72
Distribution Expenses	<b>15.16</b>	8.76
Repairs and Maintenance		
- Plant and Machinery	<b>1,231.81</b>	540.34
- Buildings	<b>60.99</b>	26.45
- Others	<b>390.57</b>	157.90
Travelling and Conveyance	<b>304.54</b>	221.43
Communication Expenses	<b>64.99</b>	45.65
Consultancy and Other Professional Charges	<b>99.91</b>	219.03
Directors' Remuneration	<b>126.74</b>	117.32
Directors' Sitting Fee	<b>7.95</b>	2.00
Rent	<b>57.41</b>	40.78
Operating Lease rentals [Schedule 19 Note 11]	<b>912.51</b>	704.78
Printing and Stationary	<b>24.46</b>	19.63
Rates and Taxes	<b>167.87</b>	214.91
License Fee	<b>220.57</b>	26.49
Insurance	<b>116.90</b>	86.52
Donations	-	4.25
Auditor's Remuneration		
- Statutory Audit	<b>14.00</b>	10.00
- Tax Audit	<b>0.60</b>	0.60
- Cost Audit	<b>1.25</b>	1.25
- Others	<b>6.00</b>	-
	<b>21.85</b>	11.85
Loss on Sale of Fixed Assets (Net)	<b>2.25</b>	-
Bad Debts Written Off	-	34.80
Provision for Doubtful Advances	-	32.44
Others	<b>402.72</b>	358.09
	<b>7,211.32</b>	<b>5,008.08</b>
<b>SCHEDULE 18</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	<b>6,168.64</b>	3,473.13
Others	<b>997.50</b>	634.70
Bank / Other Finance Charges	<b>657.10</b>	102.06
	<b>7,823.24</b>	<b>4,209.89</b>

## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

### SCHEDULE 19

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

##### 1. Principles of Consolidation:

The consolidated financial statements include financial statements of the Company and its subsidiary companies. Subsidiary companies are those companies in which Parys Sugar Industries Limited, either directly or indirectly, has interest of more than one half of voting power or otherwise has power to exercise control over operations. Subsidiaries are consolidated from the date on which effective control is transferred to the group till the date such control exists. The consolidated financial statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules, 2006, and the relevant provisions of the Companies Act, 1956 in India.

All intra group transactions, balances and unrealised profits and losses on transactions between the group companies are eliminated.

Minority interest represents the amount of equity attributable to minority shareholders/partners at the date on which investment in subsidiary is made and its share of movements in equity.

The details of the subsidiary considered in the consolidated financial statements for the year ended June 30, 2011, alongwith the shareholding, is listed below:

Name of the Company	Relationship	% of Share Holding as at	
		June 30, 2011	March 31, 2010
Alagawadi Bireshwar Sugars Private Limited	Subsidiary	100%	100%

##### 2. Significant Accounting Policies

###### i. Basis of preparation of Financial Statements

The financial statements of the Company are prepared to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards notified under Sub-section (3C) of Section 211 of the Companies Act, 1956 (hereinafter referred as "the Act") and other relevant provisions of the Act.

###### ii. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities on the date of the financial statements and reported amounts of income and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

###### iii. Revenue Recognition

Revenue is recognised when the significant risks and rewards of ownership of goods have been passed on to the buyer. Sale of goods is exclusive of sales tax and captive consumption of Molasses, Power and Bagasse.

Dividend Income is recognised in the year in which the right to receive the payment is established.

Income from investments is recognised in the year in which it is accrued and stated at gross of tax deducted at source.

###### iv. Fixed Assets

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses for bringing the asset concerned to its working condition for its intended use, less accumulated depreciation and impairment loss. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate. Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

###### v. Leases

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis as per terms of the lease.

###### vi. Depreciation and Amortisation

Depreciation is provided on straight line method, pro rata to the period of use, at the rates specified in schedule XIV of the Act or the

rates based on the useful lives of the assets as estimated by the management, whichever is higher. The rates based on the useful lives of the assets in the following categories are estimated to be higher than those specified in Schedule XIV of the Act:

Description	Rate of depreciation
Electrical Equipment	5.38%
Telephone Equipment	6.33%
Computer Software	16.67%

Lease hold assets are amortised at rate based on the remaining period of lease or the rate specified in Schedule XIV of the Act, whichever is higher.

All individual assets costing Rs 5,000/- or less are fully depreciated in the year of purchase.

#### vii. Impairment

Impairment loss is provided to the extent carrying amount of assets exceeds their recoverable amount. Recoverable amount is higher of asset's selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### viii. Investments

Long term investments are valued at cost. Provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current Investments are stated at lower of cost or market value.

#### ix. Inventories

- a. Stock of Raw-materials is valued at lower of cost or Net Realizable Value. The costs are, in general, determined on Weighted Average Basis.
- b. Finished goods and Work-in-process:
 

Finished goods are valued at lower of cost or Net Realizable Value. Cost includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.

Work in process is valued at lower of cost or Net Realizable Value. The cost is determined up to the estimated stage of process and includes direct materials, labour and a proportion of manufacturing overheads based on normal operating capacity.
- c. By Products: At estimated realizable value.
- d. Stores and Spares: At lower of cost or Net Realizable Value. The costs are, in general, determined on weighted average basis.

#### x. Foreign Exchange Transactions

All foreign currency transactions are accounted for at the exchange rates prevailing on the date of such transactions.

Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles:

Exchange differences arising on reporting of long term foreign currency monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are accounted as below:

- (a) In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and
- (b) In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Items Translation Difference Account' and amortised over the balance period of such long term asset/liability but not beyond March 31, 2011.

All other monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/ losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) -11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008, whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

## **xi. Employee Benefits**

### **Defined Contribution Plans**

These comprise of contributions to Employees' Provident Fund with the government and certain state plans like Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as an expense during the period in which the employees perform the services that the payment covers.

### **Defined Benefit Plan**

Gratuity for employees is covered under a scheme of Life Insurance Corporation of India and contributions in respect of such scheme are recognised in the Profit and Loss Account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

### **Other Long term employee benefits**

Other Long term employee benefits comprise of compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on actuarial valuation carried out at each balance sheet date.

### **Short term employee benefits**

Undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

## **xii. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

## **xiii. Earnings per Share**

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprise of the net profit after tax less dividend (including dividend distribution tax) on preference shares. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the period.

## **xiv. Taxes on Income**

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised 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 recognised and carried forward to the extent that there is a reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

## **xv. Provisions**

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

## **xvi. Contingencies**

Obligations which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts.

## **xvii. Expenditure**

Expenses are net of taxes recoverable, where applicable

## **3. Secured Loans**

- (i) Rupee Term Loans from Banks, other than which are specifically mentioned hereinafter, are secured by second charge on all the fixed assets of the respective divisions of the Company, both present and future, ranking *pari passu* in terms of sanction.
- (ii) Rupee Term Loans include Long Term Loan (LTL) of Rs 20,500 Lakhs from Axis Bank Limited secured by *pari passu* first charge on all the fixed assets of Sankili and Haliyal Units. The process of charge creation is in progress.

- (iii) Sugar Development Fund Loans include Cane Development Loan of ₹ 100 Lakhs secured by a Bank Guarantee. This loan has been availed for Ramdurg Unit.  
All other Sugar Development Fund Loans are secured by way of first charge on the movable and immovable assets of respective divisions of the company.
- (iv) Short Term Loan (STL) include ₹ 2,500 Lakhs from Andhra Bank secured by first *pari passu* charge on the fixed assets of Sankili Unit, STL of ₹ 5,000 Lakhs from Bank of India secured by first *pari passu* charge on fixed assets of Haliyal Unit and STL from Axis Bank of ₹ 2,500 Lakhs collaterally secured by land at Srikakulam District of Andhra Pradesh admeasuring 154 acres.
- (v) Cash Credits and demand loan are secured by way of hypothecation of entire current assets of the company and further secured by second charge on company's fixed assets. The creation of second charge is in progress.

#### 4. Unsecured Loans

Unsecured Loans include Short Term Loans of ₹ 14,497.16 Lakhs extended by M/s.E.I.D.- Parry (India) Ltd, the Holding Company, and interest accrued and due thereon ₹ Nil.

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) of ₹ 1,587.95 Lakhs (2010: ₹ 101.84 Lakhs).

#### 6. Contingent Liabilities

(₹ In Lakhs)

Particulars	2011	2010
Contingent Liabilities not provided for on account of :		
a) Bank Guarantees	347.42	311.25
b) Letter of Credit	—	786.14
c) Corporate Guarantees given by the Company to banks in respect of crop loans to farmers and harvesters and transporters loans.	1,291.70	7,040.00
d) Arrears of fixed cumulative dividends of Preference Shares	—	264.22
e) Claims made by Government Departments against the Company not acknowledged as debts:		
i) Excise claims under appeal	263.79	201.16
ii) Sales tax appeal under various States	79.76	42.89
iii) Other claims	—	166.02
f) Preference Dividend attributable to Cumulative Preference Shares	1.64	—

7. a) The Ministry of Corporate Affairs, Government of India has vide its Notification No GSR 225(E) dated March 31, 2009 announced Companies Accounting Standards (Amendment) Rules 2009 prescribing changes to Accounting Standard 11 on 'The Effects of Changes in Foreign Exchange Rates'.

The Company has, pursuant to the adoption of such principles of Companies (Accounting Standards) Amendment Rules 2009, exercised the option of recognising the exchange differences arising on reporting of foreign currency monetary items at rates different from those at which they were recorded earlier, in the original cost of such depreciable fixed assets in so far such exchange differences arose on foreign currency monetary items relating to the acquisition of a depreciable asset as below:

Exchange differences aggregating to ₹ 0.54 Lakhs arising during the period ended June 30, 2011 (2010: ₹ 58.82 Lakhs) have been adjusted to the cost of the depreciable assets.

- b) (₹ In Lakhs)

	2011	2010
Borrowing cost capitalised on fixed assets/ Capital Work in Progress	113.08	590.89

#### 8. Segment Reporting:

The Company has identified three business segments viz. Sugar, Power and Distillery. Segments have been identified and reported taking into account the nature of the products, the differing risks and returns, the organisational structure and internal business reporting system.

- (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as "Un-allocable".
- (b) Segment Assets and Segment Liabilities represent assets and liabilities of respective segment. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Un-allocable"
- (c) The Company generally accounts for inter segment sales/transfer as if the sales/transfers were to external parties at prevailing average market price on the date of transfer.

**Segment Reporting:**  
**Information about primary business segments:**

₹ In Lakhs

Business Segments Particulars	Sugar		Power		Distillery		Unallocable		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<b>Revenue</b>										
Revenue from Customers	32,655.64	13,084.35	3,199.73	3,243.99	5,525.93	3,436.15	-	-	41,381.30	19,764.49
Job work Income - Raw Sugar processing	-	610.83	-	-	-	-	-	-	-	610.83
Inter Segment Revenue	3,405.69	1,775.86	3,420.39	2,021.63	-	-	-	-	6,826.08	3,797.49
<b>Segment Revenues</b>	<b>36,061.33</b>	<b>15,471.04</b>	<b>6,620.12</b>	<b>5,265.62</b>	<b>5,525.93</b>	<b>3,436.15</b>	-	-	<b>48,207.38</b>	<b>24,172.81</b>
Operating Expenses	33,822.57	14,635.53	3,679.25	4,465.63	3,257.44	2,741.36	-	-	40,759.26	21,842.52
Inter Segment Cost	3,245.83	1,917.71	2,437.39	1,106.55	1,142.86	773.23	-	-	6,826.08	3,797.49
Depreciation/Amortization	1,859.85	1,450.61	1,122.52	860.21	521.31	238.22	162.12	138.44	3,665.80	2,687.48
<b>Segment Result</b>	<b>(2,866.92)</b>	<b>(2,532.81)</b>	<b>(619.04)</b>	<b>(1,166.77)</b>	<b>604.32</b>	<b>(316.66)</b>	<b>(162.12)</b>	<b>(138.44)</b>	<b>(3,043.76)</b>	<b>(4,154.68)</b>
Interest Expenses	4,341.46	2,615.96	2,725.58	1,398.01	756.20	195.92	-	-	7,823.24	4,209.89
Interest Income	4.91	6.19	5.69	0.02	-	-	42.44	-	53.04	6.21
Other income	325.74	2,038.72	63.89	320.89	13.14	15.11	(42.44)	-	360.34	2,374.72
<b>Profit/(Loss) before tax</b>	<b>(6,877.73)</b>	<b>(3,103.86)</b>	<b>(3,275.04)</b>	<b>(2,243.87)</b>	<b>(138.74)</b>	<b>(497.47)</b>	<b>(162.12)</b>	<b>(138.44)</b>	<b>(10,453.62)</b>	<b>(5,983.64)</b>
<b>Taxation</b>										
Current tax	-	-	-	-	-	-	-	-	(123.97)	55.56
Deferred tax	-	-	-	-	-	-	-	-	(862.24)	(196.11)
<b>Net Profit/(Loss) after taxation/ Adjusted Profits</b>									<b>(9,467.41)</b>	<b>(5,843.09)</b>
Other Information										
Segment Assets	44,435.22	37,830.50	15,593.42	17,173.70	8,934.38	9,016.13	4,666.43	5,733.59	73,629.45	69,753.92
Segment Liabilities	6,193.14	26,282.24	2,225.57	10,012.39	795.74	2,679.84	59,507.46	23,904.49	68,721.91	62,878.96
Capital Expenditure	1,569.07	396.42	210.24	521.34	302.12	594.51	1,078.01	102.38	3,159.44	1,614.65
Other Non-Cash Expenses/(income) (net)	0.30	(1,344.88)	-	4.00	-	-	(22.50)	-	(22.20)	(1,340.88)

During the year under report, the Company has engaged in business only within India and not in any other country. The conditions prevailing in India being uniform, no separate geographical segment disclosure is considered necessary.



## 9. Employee Benefits

- i. The following table sets forth the status of gratuity plan of the company and the amount recognised in the balance sheet and profit and loss account:

₹ In Lakhs

	2011	2010	2009	2008
Changes in present value of obligation				
<b>Present value of Obligations at the beginning of the period</b>	<b>104.65</b>	84.09	62.03	54.61
Service Cost	<b>16.11</b>	30.62	34.62	10.63
Interest cost	<b>9.62</b>	6.08	4.25	3.28
Benefits settled	<b>(21.60)</b>	(16.11)	(2.59)	(5.09)
Actuarial (gain)/loss	<b>(14.24)</b>	(0.03)	(14.22)	(1.40)
<b>Present value of Obligations at the end of the period</b>	<b>94.54</b>	104.65	84.09	62.03
<b>Fair value of plan assets</b>				
<b>Fair value of plan assets as at beginning of the period</b>	<b>67.38</b>	76.97	41.44	24.03
Expected return on plan assets (estimated)	<b>8.76</b>	5.51	4.42	1.92
Actuarial gain/(loss)	<b>2.26</b>	1.01	3.58	0.09
Contributions (less risk premium)	<b>79.75</b>	–	30.12	20.49
Benefits settled	<b>(21.60)</b>	(16.11)	(2.59)	(5.09)
<b>Fair value of plan assets as at end of the period</b>	<b>136.55</b>	67.38	76.97	41.44
<b>Amounts recognised in the Balance sheet</b>				
Present value of obligation at the end of period	<b>94.54</b>	104.65	84.09	62.03
Fair value of Plan assets at end of period	<b>136.55</b>	67.38	76.97	41.44
<b>Net (asset)/ liability recognised in the Balance sheet</b>	<b>42.01</b>	37.27	7.12	20.59
<b>Expense recognised in the statement of Profit and loss account</b>				
Service cost	<b>16.11</b>	30.62	34.62	10.63
Interest cost	<b>9.62</b>	6.08	4.25	3.28
Expected return on plan assets	<b>(8.76)</b>	(5.51)	(4.42)	(1.92)
Actuarial (gain)/loss	<b>(11.98)</b>	(1.32)	(17.81)	(1.48)
<b>Net gratuity cost</b>	<b>4.99</b>	29.87	16.64	10.51
<b>Assumptions</b>				
Discount rate	<b>8.00%</b>	8.00%	7.00%	8.00%
Expected return on assets	<b>8.00%</b>	8.00%	8.00%	8.00%
Rate of compensation increase	<b>6.00%</b>	6.00%	6.00%	6.00%
Attrition Rate	<b>5.00%</b>	5.00%	5.00%	5.00%
Retirement expectancy (in Years)	<b>60</b>	60	58	58
Expected average remaining service (in Years)	<b>23.27</b>	23.36	22.12	22.12
Mortality rates	<b>LIC 1994-96 ultimate table</b>	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table
<b>Actual return on plan assets (₹ In Lakhs)</b>	<b>9.71</b>	6.52	8.00	–

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching government bonds.

The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

As per the best estimate of the management, contribution of ₹ 15.00 lakhs is expected to be paid to the plan during the year ending March 31, 2012.



- ii. Provision made during the period for other long term employee benefits based on the actuarial valuation report amounted to ₹ 41.54 Lakhs (2010: ₹ 10.72 Lakhs).
- iii. During the period, the Company has recognised the following amounts in the Profit and Loss Account, which are included in 'Contribution to Provident and Other Funds' in Schedule 16.

₹ In Lakhs

	2011	2010
Provident Fund and Employees' Pension Scheme	96.40	74.61

## 10. Earnings Per Share:

The computation of earnings per share is set out below:

Particulars	2011	2010
Nominal value of equity shares (₹)	10	10
Net (Loss) after tax (₹ Lakhs)	(9,467.41)	(5,843.09)
Less : Preference Dividend attributable to Cumulative Preference Shares (₹ Lakhs)	1.64	132.11
Net (Loss) attributable to the Equity Shareholders. (₹ Lakhs)	(9,469.05)	(5,975.20)
<b>Shares :</b>		
Weighted average number of Equity Shares of ₹ 10 each outstanding during the year	19,961,707	19,961,707
Basic and diluted Earnings/(Loss) – Rs Per Share	(47.44)	(29.93)

Note: There are no potentially dilutive equity shares outstanding during the period.

## 11. Operating Leases:

- i. The Company has entered in to a non cancelable operating lease agreement with Shri Dhanalakshmi Sahakari Sakkare Karkhane Niyamit, Ramdurg for the lease of sugar factory together with the specified assets on Built, Own, Operate and Transfer basis (BOOT) for a period of 25 years. Lease rentals of ₹ 912.51 Lakhs (2010: ₹ 704.78 Lakhs) in respect of the obligation under such lease agreement have been recognised in the Profit and Loss Account.

Future obligations of lease rentals applicable to the above lease agreement aggregate to ₹ 14,798.97 Lakhs (2010: ₹ 15,711.48 Lakhs) and are due:

₹ In Lakhs

Particulars	2011	2010
Not later than one year	753.04	725.65
Later than one year and not later than five years	3,244.91	3,968.18
Later than five years	10,801.02	11,017.65
<b>Total</b>	<b>14,798.97</b>	<b>15,711.48</b>

- ii. The Company has certain operating leases for office facilities and residential premises under a cancellable operating lease agreement. Such agreements are generally with the option of renewal against increased rent and premature termination of agreement. The charge on account of lease rentals under such agreements to the Profit and Loss Account for the fifteen months period is ₹ 57.41 Lakhs (2010: ₹ 40.78 Lakhs).

The future obligations of lease rentals applicable are as under:

₹ In Lakhs

Particulars	2011	2010
Not later than one year	24.37	–

## 12. Related Party Disclosures:

### i. Names of the related parties and description of relationship upto 26th August 2010:

Relationship	Name of the Parties
Holding Company	GMR Holdings Private Limited (GHPL)
Subsidiary Company	Alagawadi Bireshwar Sugars Private Limited (ABSPL)
Fellow Subsidiaries	GMR Infrastructure Limited (GIL) GMR Energy Limited (GEL) GMR Projects Private Limited (GPPL) Delhi International Airport Limited (DIAL) GMR Tuni-Anakapalli Expressways Private Limited (GTAEPL) GMR Tambaram-Tindivanam Expressways Private Limited (GTTEPL) GMR Ulundurpet Expressways Private Limited (GUEPL) GMR Pochanpalli Expressways Private Limited (GPEPL) GMR Jadcherla Expressways Private Limited (GJEPL) GMR Ambala Chandigarh Expressways Private Limited (GACEPL) GMR Aviation Private Limited (GAPL) GMR Power Corporation Private Limited (GPCPL) GMR (Badrinath) Hydro Power Generation Private Limited (GHPGPL) GMR Hyderabad International Airport Limited (GHIAL) Raxa Security Services Limited (RSSL) Rajam Enterprises Private Limited (REPL) (Previously as Roshan Investments Private Limited) GMR Enterprises Pvt. Ltd. Grandhi Enterprises Private Limited (GEPL) (Previously Blue Moon Investments Private Limited) GMR Sports Private Limited (GSPL) GMR Varalakshmi Foundation GMR Bajoli Holi Hydro Projects Private Limited (GBHHPL)
Key Management Personnel	Mr. R. Ramakrishnan Mr. TCS Reddy Mr. A. Sankara Rao
Individuals exercising control or significant influence and their relatives	Mr.G.M.Rao  Mr. G.B.S. Raju Mr. G. Kiran Kumar Mr. A. Srinivasa Rao Mrs. G.Varalakshmi Mrs. B. Rama Devi
Enterprises where Individuals exercising control or significant influence over the company have significant influence	Adarsh Industries (AI) Varalakshmi Jute Twine Mills Private Limited GMR Varalakshmi Foundation

**ii. Summary of transactions with the above related parties are as follows:**

₹ In Lakhs

<b>Nature of the Transaction</b>	<b>2011</b>	<b>2010</b>
<b>Corporate Guarantee availed</b>		
Holding Company: GHPL	–	3,168.00
<b>Rent Paid</b>		
Individuals exercising control or significant influence and their relatives		
G.Varalakshmi	<b>1.03</b>	2.54
A. Srinivasa Rao	<b>3.34</b>	–
B. Ramadevi	–	0.60
Enterprises where Individuals exercising control or significant influence over the company have significant influence		
Varalakshmi Jute Twine Mills Private Limited	<b>0.23</b>	–
<b>Services received</b>		
Fellow Subsidiary RSSL	<b>16.90</b>	54.06
<b>Sale of immovable/movable assets</b>		
Fellow Subsidiaries		
GMR Enterprises Pvt. Ltd.	–	160.96
GMR Varalakshmi Foundation	–	5.54
<b>Assignment of Key Man insurance policy</b>		
Individuals exercising control or significant influence and their relatives		
G. M. Rao	–	97.38
<b>Remuneration</b>		
<b>Key Management Personnel</b>		
Mr. R. Ramakrishnan	<b>38.73</b>	73.39
Mr. TCS Reddy	<b>17.07</b>	39.93
Mr. A. Sankara Rao	<b>2.43</b>	4.00
<b>Balance Payable /(recoverable) at the end of the period:</b>		
i. Fellow Subsidiaries	–	–
ii. Individuals exercising control or significant influence and their relatives	–	–
iii. Enterprises where Individuals exercising control or significant influence over the company have significant influence	–	–

**iii. Names of the related parties and description of relationship from 27th August 2010:**

<b>Relationship</b>	<b>Name of the Parties</b>
Holding Company	E.I.D.- Parry (India) Limited
Subsidiary Company	Alagawadi Bireswar Sugars Private Limited (ABSPL)
Fellow Subsidiaries	Coromandel International Ltd. Parry Chemicals Ltd. CFL Mauritius Limited Coromandel Brasil Limitada – Partnership. Pasura Bio Tech Private Limited Sadashiva Sugars Ltd. Parry America Inc., Parrys Investments Limited Coromandel Bathware Limited Parrys Sugar Limited Parry Infrastructure Company Private Limited Parry Phytoremedies Private Limited US Nutraceuticals Inc., Parry Agrochem Exports Limited Valensa Europe AG La Belle Botanics LLC
Key Management Personnel	Mr. D. Kumaraswamy

iv. Summary of transactions with the above related parties are as follows:

₹ In Lakhs

Nature of the Transaction	2011	2010
<b>Purchase of Machinery</b>		
i. Holding Company E.I.D.- Parry (India) Limited	965.42	—
<b>Purchase of Goods/Services</b>		
i. Holding Company E.I.D.- Parry (India) Limited	448.61	—
ii. Fellow Subsidiary Coromandel International Limited	15.72	—
Sadashiva Sugars Limited	97.16	—
<b>Interest on Unsecured Loan</b>		
i. Holding Company E.I.D.- Parry (India) Limited	1,029.87	—
ii. Fellow Subsidiary Coromandel International Limited	2.17	—
<b>Sale of Goods/Services</b>		
i. Holding Company E.I.D.- Parry (India) Limited	12.79	—
ii. Fellow Subsidiary Sadashiva Sugars Limited	255.26	—
Coromandel International Limited	40.20	—
<b>Unsecured loans taken</b>		
i. Holding Company E.I.D.- Parry (India) Limited	23,997.16	—
ii. Fellow Subsidiary Coromandel International Limited	900.00	—
<b>Issue of Preference Shares</b>		
E.I.D.- Parry (India) Limited	7,500	—
<b>Remuneration</b>		
Key Management Personnel Mr D. Kumaraswamy	68.50	—
<b>Balance Payable /(recoverable) at the end of the period:</b>		
i. Holding Company	15,802.97	—
ii. Fellow Subsidiaries	43.12	—

Note: The above information has been determined to the extent such parties have been identified on the basis of information provided by the company, which has been relied upon by the auditors.

13. Managerial remuneration

- i. The Profit and Loss Account includes payments and provisions on account of remuneration to managerial persons as under:

₹ In Lakhs

Particulars	2011	2010
Salaries	32.85	33.11
Contribution to Provident and other Funds	8.38	3.82
Allowances	63.44	56.78
Incentives	15.27	2.91
Other benefits	6.80	20.70
<b>Total</b>	<b>126.74</b>	<b>117.32</b>

- ii. The remuneration, as approved by the Remuneration Committee/ Board/ Shareholders, paid to the managerial personnel during the year has been considered as the minimum remuneration, resulting in excess of such remuneration over the maximum remuneration stipulated under Schedule XIII of the Act, due to absence of profit during the year. The Central Government vide its letter dated March 28, 2011 approved excess managerial remuneration of ₹ 18.67 Lakhs paid to Mr. R.Ramakrishnan, Managing Director of the Company (upto August 27, 2010).

The Central Government has also approved payment of maximum managerial remuneration of ₹ 60.92 Lakhs to Mr. D.Kumaraswamy, Managing Director of the Company (from August 28, 2010) for the financial year 2010-11 and for the Financial Year 2011-12 the approval was obtained for ₹ 102.94 Lakhs

#### 14. A) Deferred tax Liability:

The major components of the deferred tax assets and liabilities on account of timing differences are as follows:

₹ In Lakhs

Particulars	2011		2010	
	Asset	Liability	Asset	Liability
Depreciation	-	4,475.92	-	3,497.09
Unabsorbed depreciation	3,070.46	-	1,252.66	-
Business losses	-	-	-	-
Others	29.86	-	6.59	-
Total	3,100.32	4,475.92	1,259.25	3,497.09
Deferred Tax Liability (Net)		1,375.60		2,237.84

Note: The deferred tax asset for the fifteen months period ended June 30, 2011, computed on carry forward business loss amounts to ₹ 2,232.51 Lakhs. However, the same has not been recognised, as a measure of prudence, in the absence of virtual certainty as envisaged in AS 22.

#### B) Current Tax:

During the fifteen months period the Company has recognised Minimum Alternate Tax (MAT) credit of ₹ 125.35 Lakhs relating to Assessment Year 2008-09 based on the income tax order dated December 24, 2010. In accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under the provisions of Section 115JB of the Income Tax Act, 1961, issued by Institute of Chartered Accountants of India (ICAI), the company can avail MAT tax credit and recognise as an asset. The company has included the MAT credit entitlement under Schedule 11 - Loans and Advances.

15. Based on the information available with the Company regarding the status of suppliers under Micro, Small and Medium Enterprises Development Act, 2006 (MSME), during the period no amount has been paid beyond the appointed day in terms of the MSME and there is no amount paid towards interest in respect of such suppliers. Further, there is no interest accrued/payable under the said Act as at the Balance Sheet date, June 30, 2011.
16. **With respect to receivables from Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) included under Schedule 8 Sundry Debtors:**
- Amounts aggregating to ₹ 715.87 Lakhs [2010: ₹ 539.42 Lakhs] relate to price difference matter in dispute where APTRANSCO has appealed before the Apex court against an order of Electricity Tribunal. As the matters are pending before the Apex court, the Company, as a matter of prudence, has postponed the recognition of such amounts as income and a corresponding credit is retained as liability in the books of account and adjusted against Sundry Debtors as at June 30, 2011.
  - Amounts aggregating to ₹ 582.64 Lakhs [2010: ₹ 551.31 Lakhs] relate to other matters in dispute where APTRANSCO has appealed before the Apex court against the orders of Electricity Tribunal. As the matters are pending before the Apex court, no adjustment has been made in respect of such dues recognised as receivable as at June 30, 2011.
17. Consumption of Raw Materials includes a payment of ₹ 855.81 lakhs towards additional cane price payable for the sugar cane purchased for the season 2009-10. For the comparable previous period, similar expenditure of ₹ 831.29 lakhs paid for the sugar cane purchased for the season 2008-09 was earlier disclosed as Exceptional Item which is now regrouped to Consumption of Raw Materials.

## 18. Expenditure in foreign currency

### i. CIF Value of imports:

₹ In Lakhs

Particulars	2011	2010
Capital Items	12.50	254.41

### ii. Expenditure in Foreign Currency:

₹ In Lakhs

Particulars	2011	2010
Travel Expenses	1.25	—
Consultancy fees	0.68	—

## 19. Earnings in Foreign Currency: NIL

20. During the year, there was an instance of misappropriation of ₹ 47,98,316 by an employee by way of creating certain false and misleading records and documents. The amounts as determined by the management based on investigation carried out independently by a firm of Chartered Accountants aggregating to ₹ 47,98,316 have been recovered from the concerned employee. Further the company has also strengthened the controls in this area.
21. The company has changed its financial accounting year from April – March to April – June. The current financial period is for fifteen months commencing from April 1, 2010 and ending on June 30, 2011. Previous year's figures are for twelve months period commencing from April 01, 2009 and ending on March 31, 2010. Therefore, the figures for the current period are not comparable with those of the previous year with the incremental impacts in financial statements being increase in Income and Expenditure by ₹12,717.38 Lakhs and ₹15,286.10 Lakhs respectively. Further, there is an increase in Loss before Taxation and Loss after Taxation amounting to ₹ 2,568.72 Lakhs and ₹ 2,707.05 Lakhs respectively. Resultant impact on Earning / (Loss) per Share is an increase in loss per share by ₹ 13.57 per share.
22. Previous years' figures have been regrouped and reclassified wherever necessary, to conform to those of the current period.

For and on behalf of the Board

### For Price Waterhouse

Firm Registration Number - 301112E  
Chartered Accountants

### J. Majumdar

Partner  
Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

### S. Sandilya

Chairman

### D. Kumaraswamy

Managing Director

### G. Jalaja

Chief Financial Officer

### B.M. Rath

Company Secretary

Place: Chennai

Date : July 25, 2011

## CONSOLIDATED CASH FLOW STATEMENT FOR THE FIFTEEN MONTHS PERIOD ENDED JUNE 30, 2011

₹ In Lakhs

	2011	2010
<b>A. Cash flow from Operating Activities</b>		
Net Profit/(Loss) before Taxation	(10,453.62)	(5,983.64)
Adjustments for:		
Depreciation	3,665.80	2,687.48
Bad debts written off	—	34.80
Provision for doubtful advances	—	32.44
Interest received	(53.04)	(6.21)
Interest and finance charges	7,823.24	4,209.89
Provisions no longer required written back	(24.44)	(1,408.12)
(Profit) / Loss on sale of fixed assets	2.25	(35.84)
<b>Operating profit/(loss) before working capital changes</b>	<b>11,413.81</b>	<b>5,514.44</b>
Adjustments for:		
Trade and other receivables	(1,399.30)	466.77
Inventories	(3,599.93)	(3,711.22)
Trade and other payables	(2,539.20)	1,302.65
Cash generated from/ (used in) operations	(6,578.24)	(2,411.00)
Interest paid	(6,809.91)	(4,206.40)
Income taxes	331.42	(40.16)
<b>Net cash from / (used in) operating activities</b>	<b>(13,056.73)</b>	<b>(6,657.56)</b>
<b>B. Cash from Investing Activities</b>		
Purchase of Fixed assets	(2,419.51)	(3,141.90)
Proceeds from sale of fixed assets	4.51	248.46
Investments in National Savings Certificates	—	—
Proceeds from sale of investments	—	0.10
Proceeds from transfer of Aircraft business	—	—
Interest / dividends received	40.75	5.62
<b>Net cash from / (used in) investing activities</b>	<b>(2,374.25)</b>	<b>(2,887.72)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issuance of Share Capital	7,500.00	—
Proceeds from Unsecured loans	28,897.16	(2,120.11)
Repayments of Unsecured loans	(8,400.00)	—
Proceeds from Secured loans	59,865.19	12,806.95
Repayment of Secured loans	(71,934.84)	(1,357.65)
Dividend Paid	(0.06)	(0.51)
<b>Net cash from / (used in) financing activities</b>	<b>15,927.45</b>	<b>9,328.68</b>
Net Change In Cash And Cash Equivalents	496.47	(216.60)
Cash And Cash Equivalents -Opening Balance	483.31	699.91
Cash And Cash Equivalents - Closing balance	979.78	483.31
[Refer Note 3 Below ]		

**Notes:**

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at June 30, 2011 and the related Profit and Loss Account for the fifteen months period ended on that date.
- The above Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash flow Statements, as notified under Section 211 (3C) of the Companies Act, 1956.
- Cash and Cash Equivalents - closing balance include balances aggregating to ₹ 56.86 Lakhs [2010: ₹ 56.92 Lakhs] with Scheduled banks in respect of unclaimed dividend, which are not available for use by the Company.
- Previous year's figures have been regrouped wherever necessary in order to conform to this period's presentation.

This is the Cash Flow Statement referred to in our report of even date

**For Price Waterhouse**

 Firm Registration Number - 301112E  
 Chartered Accountants

**J. Majumdar**

Partner

Membership Number - F 51912

Place: Chennai

Date : July 25, 2011

For and on behalf of the Board

**S. Sandilya**

Chairman

**D. Kumaraswamy**

Managing Director

**G. Jalaja**

Chief Financial Officer

**B.M. Rath**

Company Secretary

Place: Chennai

Date : July 25, 2011

**STATEMENT PURSUANT TO GENERAL EXEMPTION PROVIDED UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY.**

**Name of the Subsidiary Company: M/s Alagawadi Bireshwar Sugars Pvt. Ltd.**

Particulars	(₹ in Lakhs)	
	2010-11*	2009-10**
Share capital	<b>102.22</b>	102.22
Reserves & Surplus	-	-
Total Assets	<b>1414.88</b>	1236.22
Total Liabilities	<b>1414.88</b>	1236.22
Total Turnover	<b>7.89</b>	4.07
Profit/(Loss) Before Tax	-	-
Provision for Tax	-	-
Profit/ Loss After Tax	-	-
Proposed Dividend	-	-
Investments	-	-

\* For the 15 months period ended June 30, 2011.

\*\* For the 12 months period ended March 31, 2010.





# Parrys Sugar Industries Limited

(Formerly GMR Industries Limited)

Regd. Office: Venus Building, 3rd Floor, 1/2 Kalyanamantapa Road, Jakkasandra,  
Koramangala, Bengaluru - 560034



## ATTENDANCE SLIP

(Please complete this Attendance Slip and hand It over at the entrance of the meeting hall)

Name & Address of the Member	Registered Folio No.	Client ID & DP ID No.	No. of shares held

I hereby record my presence at the Annual General Meeting of the Company held on Wednesday, the September 28, 2011.

### SIGNATURE OF THE MEMBER OR PROXY ATTENDING THE MEETING

If member, please sign here	If Proxy, please sign here

Note: Members are requested to bring their copy of the AGM Notice to the Meeting as the same will not be circulated at the Meeting.



# Parrys Sugar Industries Limited

(Formerly GMR Industries Limited)

Regd. Office: Venus Building, 3rd Floor, 1/2 Kalyanamantapa Road, Jakkasandra,  
Koramangala, Bengaluru - 560034



## PROXY FORM

Folio No.....

Client ID No. & DP ID No.....

I/We..... of ..... being a Member/

Members of Parrys Sugar Industries Limited, hereby appoint..... of

.....or failing him/her.....

of..... as my/our Proxy to attend and vote for me/us on my/our behalf

at the Annual General Meeting of the Company to be held on Wednesday, the September 28, 2011 at 11.00 A.M. and at any adjournment thereof.

Signed.....

Date.....

Affix  
Revenue  
stamp

Note: The Proxy form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. The Proxy need not be a Member of the Company.



# The Spirit of the Murugappa Group

Integrity

Responsibility

Passion

## The five lights

The values, principles and beliefs that have always guided us and continue to show the way forward.

Respect

Quality

### Integrity

We value professional and personal integrity above all else. We achieve our goals by being honest and straightforward with all our stakeholders. We earn trust with every action, every minute of every day.

### Passion

We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in everything that we do.

### Quality

We take ownership of our work. We unflinchingly meet high standards of quality in both what we do and the way we do it. We take pride in excellence.

### Respect

We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

### Responsibility

We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.



**murugappa**

**Be the energy**

**PARRYS SUGAR INDUSTRIES LTD**

Registered Office : Venus Building, 3<sup>rd</sup> Floor, 1/2 Kalayanamantapa Road,  
Jakkasandra, Koramangala, Bengaluru - 560034  
Ph : 080 4900 6666 Fax : 080 4900 6600.