DWARIKESH SUGAR INDUSTRIES LIMITED

"We will either find a way or make one…"

Annual Report 2012-13

Mission Statement

" In our endeavour to be the torch-bearers of the Indian sugar industry, we are specially committed to our farmers, workforce and shareholders. It is our endeavour to provide our farmers the agreed price in time and to provide a transparent system of sugar cane procurement. We also seek to provide a congenial atmosphere and work place for the employees of the company, who are our lifeline. Adherence to the best corporate governance practices and a deep-rooted commitment to excellence is our resolve. All these culminate in our permanent effort to enhance shareholder value and wealth through growth of the company."

Contents

CORPORATE INFORMATION

DIRECTORS

G. R. Morarka	Chairman & Managing Director
K. L. Garg	IDBI Nominee Director
B. K. Agarwal	Independent Director
K. N. Prithviraj	Independent Director
L. P. Aggarwal	Independent Director
B. J. Maheshwari	Whole Time Director & Company secretary cum Chief Compliance Officer
Vijay S. Banka	Whole Time Director & Chief Financial Officer

REGISTERED OFFICE & UNIT I

Unit I: Dwarikesh Nagar - 246 762.
District: Bijnor,
Uttar Pradesh.

CORPORATE OFFICE

511, Maker Chambers – V,
221, Nariman Point,
Mumbai - 400 021.

OTHER UNITS

Unit II: Dwarikesh Puram - 246 722.
Tehsil Dhampur, District Bijnor,
Uttar Pradesh.

Unit III: Dwarikesh Dham - 243 503.
Tehsil Faridpur, District Bareilly,
Uttar Pradesh.

VICE PRESIDENT (WORKS) – DN UNIT

A. K. Misra

VICE PRESIDENT – COMMERCIAL

K. P. Gadia

VICE PRESIDENT (WORKS) – DD UNIT

R. K. Gupta

SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe
Kanga & Co.

BANKERS

Punjab National Bank
IDBI Bank
Sarva UP Gramin Bank Limited
U.P. Co-operative Bank Limited
Zila Sahkari Bank Ltd.

AUDITORS

S. S. Kothari Mehta & Co.
Chartered Accountants

BOARD OF DIRECTORS

Meet the Directors:

G. R. Morarka - Chairman & Managing Director

A visionary and a dynamic entrepreneur with more than two decades of experience, he started his career by overseeing the family-run Pampasar Distillery Limited (PDL), which he subsequently divested in favour of Shaw Wallace. This son of late parliamentarian Mr. Radheshyam Morarka, G. R. Morarka launched his own business by setting up a sugar plant at Dwarikesh Nagar, Uttar Pradesh in a record period of 14 months. With his far–sighted vision and strategic thought, he then expanded his business by setting up the Dwarikesh Puram and Dwarikesh Dham sugar plants and co-generation plant.

A Commerce graduate and ICWA Inter, Mr. G. R. Morarka is the recipient of Indira Gandhi Priyadarshini Award for Management. He has also been honoured with "Bhamasha Award" for the year 2006 and again in the year 2011 by Rajasthan State Government for social service in the field of education. He has also been awarded "Indira Gandhi Sadbhavna Award" in the year 2011. He has recently been awarded "Swami Krishnanand Saraswati Purashkar".

K. L. Garg - Independent Nominee Director

Shri Garg is a science graduate and having degree in Law and he has also done his CAIIB and PG Diploma in Disaster Preparedness and Rehabilitation. He has 33 years of experience of working in various departments of IDBI including Corporate Finance, Administration, Recovery and Rehabilitation.

B.K. Agarwal - Independent Director

A former representative of the Government of Maharashtra on the BSE Board, Mr. B. K. Agarwal is an IAS officer who retired as Additional Chief Secretary, Govt. of Maharashtra. This Commerce and Law graduate was also on the Boards of Industrial Investment Bank of India, SIDBI and SICOM, besides being Managing Director of the Maharashtra State Financial Corporation.

K. N. Prithviraj - Independent Director

As Independent Director of various Boards, he contributed significantly to the growth of many entities, such as Surana Ind. Ltd; Falcon Tyres Ltd; Brickwork Ratings India Pvt. Ltd. Mr. K. N. Prithviraj was also a Research Fellow of Department of Economics, University of Madras. Masters in Economics, he has also done his CAIIB (I) and is associated with organizations of repute like Axis Bank Ltd., PNB Investment Services Ltd., Falcon Tyres Ltd. to name a few.

L. P. Aggarwal - Independent Director

He is a rank holder chartered accountant with 30 years of experience in finance, treasury, syndication of funds & has gained wide knowledge of Indian companies in various industries and also as a nominee director of IDBI Bank on various Companies in past. He has deep knowledge and understanding of Indian equity and financial markets as well as of banking operations. He has recently joined M/s Suresh Chandra & Associates, (SCA) Chartered Accountants, as Partner. He was Group CFO of India Infoline Ltd. (IIFL) from September 2010 to August 2012. Before joining, IIFL, he was CFO of Bombay Stock Exchange Ltd from September 2007 to September 2010. Earlier he was with IDBI Bank from March 1984 to September 2007 (23 years) and grown there from a Management Trainee to CFO.

B. J. Maheshwari – Whole Time Director & Company Secretary cum Chief Compliance Officer

A qualified Chartered Accountant and Company Secretary, he has been inducted on the Board in May, 2009 and been appointed as "Whole Time Director & Company Secretary (CS) & Chief Compliance Officer (CCO), associated with the Company since 1994, Shri B. J. Maheshwari has more than 29 years of relevant experience spanning Legal, Taxation, Secretarial and Administrative matters.

Vijay S. Banka – Whole Time Director & Chief Financial Officer

A qualified Chartered Accountant, he has been inducted on the Board in May, 2009 and been appointed as "Whole Time Director & Chief Financial Officer", associated with the Company since the past five years, Mr. Vijay S. Banka has nearly two decades of rich experience in handling Finance and Strategy.

LETTER FROM THE CMD

DEAR FELLOW STAKE HOLDERS

It is my pleasure to present to you the 20th Annual General Report of your company.

As you know, the world economy weakened considerably in 2012 and a number of developed economies have already fallen into a double-dip recession, while many developed economies are caught in downward spiraling dynamics from weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial fragility. The economic woes of the developed countries are spilling over to developing countries through weaker demand for their products and heightened volatility in capital flows and commodity prices. The prospects for the next two years continue to be challenging.

However, the global economy appears to be transitioning toward a period of more stable, but slower growth. Global gross domestic product (GDP), which slowed in mid 2012, is recovering and a modest acceleration in quarterly GDP is expected during the course of 2013. The World Bank has projected the whole-year growth for 2013 at 2.2 percent, a bit slower than in 2012. A weakening global economy, coupled with domestic problems including policy uncertainties and structural capacity constraints contributed to weaker growth in 2012. The strengthening of quarterly growth is likely to show up in whole-year global GDP growth of 3.0 percent for 2014 and 3.3 percent in 2015 mainly on account of improved financial conditions.

The majority of developing countries have navigated the crisis. In many countries, policy attention is appropriately returning to simplifying regulations, opening up trade and investment and investing in infrastructure. Overall, the global economy is moving into a new and hopefully less volatile phase. However, for the Indian economy, sharp decline in commodity prices remains a cause of concern. Policy makers need to take a closer look at the potential consequences of a sharper than anticipated decline in commodity prices specially those of sugar in the larger interest of millions of sugarcane farmers.

A STEP IN THE RIGHT DIRECTION

Government of India constituted a High Power Committee headed by Dr. C. Rangarajan, Chairman, Economic Advisory Council to Hon'ble Prime Minister to comprehensively look into all the issues related to regulation of the sugar sector, and suggest ways and means to change those regulations in a manner that better promotes efficiency and investments, and sets this sector on a higher growth trajectory, increasing employment in rural areas and enhancing incomes of all the stake holders.

In October, 2012, the Rangarajan Committee recommended complete decontrol of the sugar sector. The Committee asked the government to remove levy sugar obligation and to do away with the regulated release mechanism immediately beside rationalization of sugarcane pricing and liberalization of sugar trade in a calibrated and phased manner.

In April, 2013, the central government took a decision to partially decontrol sugar sector, the only industry left under the government control, whereby the government removed the levy obligation from the sugar season 2012-13 and dispensed with the regulated release mechanism with immediate effect. The government further decided that levy sugar may be procured by the state governments through transparent system and the central government will reimburse the difference between the current retail issue price i.e. ₹ 13.50 per kg and prevailing ex-mill price calculated provisionally at that time at ₹ 32 per kg. The ex-mill price was capped at ₹ 32 for the season 2012-13 and 2013/14 for the purpose of reimbursement of subsidy.

LARGER ISSUE STILL UNRESOLVED

Although the removal of much awaited release mechanism and removal of levy sugar obligation are expected to provide some relief to the sugar mills, the larger issue of sugarcane pricing remains unresolved. With the intention of ensuring profitability of sugar mills and stability of farmer revenues, the Rangarajan Committee recommended abolishing SAP and sharing 70 per cent of the revenues from the sale of sugar and its major by-products with farmers. The government is, however, yet to implement this recommendation. I believe that linking sugarcane prices to the prices of end-products is vital for safeguarding the long-term financial health and sustenance of the sugar sector. This will also help in reducing the extent of volatility in sugar production by enabling more efficient transmission of price signals to farmers so that they may be able to plant the crop accordingly.

PROLONGED CRISIS

Sugar sector in general and sugar mills particularly in U.P. have faced the unprecedented crisis and posted heavy losses in 2012-13 sugar season because of the widening gap between the sugarcane and sugar prices. While sugar distribution has been decontrolled with effect from April 2013 following the abolition of the regulated releases mechanism and levy sugar obligation, sugarcane prices continue to be dually regulated by the central and state governments.

Over the last few years, the increase in sugar prices has not kept pace with the increase in cane prices. While average sugarcane prices paid by mills in U.P. (SAP) increased at a CAGR of 19% over the last 3 years vis-à-vis 2% rise in sugar prices. The steep rise in sugarcane price (accounting for about 70 per cent of total operating costs in general) vis-à-vis sugar prices has significantly impacted the profitability of sugar mills during this period. In the last three seasons ending sugar season 2012-13, the ratio of sugarcane costs to revenues from the sale of sugar and its by-products has been as high as 76-79 per cent as compared with the previous decadal average of about 67 per cent. As a proportion of sugar price, cane cost for U.P. sugar mills was as much as 97% in the sugar season 2012-13, as compared to an average of about 75% in other sugar producing states. Increasing cane costs have pushed even best performing sugar mills to face heavy losses during this period and the crisis seems to be prolonged this time.

LEVEL PLAYING FIELD IS REQUIRED

As you know, sugar is produced in select states but it is consumed throughout the country. Whereas price of sugar is almost same throughout the country, sugar production cost is different in various states and hence the level playing field is required to make it a viable business proposition. Mills in U.P. pay SAP for sugarcane which is significantly higher than the FRP paid by sugar mills in Southern/Western States. On account of agro-climatic conditions, the average recovery in Maharashtra is around 11-12% and above whereas the same is around 9.1% in UP. Taking into consideration the recovery difference, the cane cost per qtl. of sugar in the SAP States of Uttar Pradesh, Uttarakhand, Bihar, Haryana and Punjab works out to be higher by ₹ 700 to ₹ 800 per qtl. as compared to the non-SAP States. Moreover, the transportation cost from South and Maharashtra to Northern Market is hardly about ₹ 200/- per qtl. Therefore, clearly there is a ₹ 500/- per qtl. marketing advantage for Southern mills vis-a-vis their Northern counterparts. Since there are no geographical barriers, low cost sugar produced there, makes inroads into the Northern markets, causing a dent in the margins of the mills in North, who are already victims of a much higher cane cost. Beside that Southern/ Western mills have location advantage being near to the ports, which increases their export and import competitiveness. Uniform cane price across the nation based on a proven formula linking sugarcane price with sugar prices, recovery and sugar contents etc. will ensure equality and a level playing field to both the famers and the millers.

CAPITAL EMPLOYED IS NOT BEING FULLY UTILISED

The state of U.P. has an excess capacity which cannibalized on account of the Sugar Industry Promotion Policy announced by the state government in 2004. Through the policy, state government had then offered a 10 per cent capital subsidy on investment, reimbursement of transport cost of sugar from factory up to a distance of 600 km, reimbursement of purchase tax on cane and society commission among others. Such concessions were to be given for five years to a company investing a minimum of ₹ 350 crore and for 10 years in case of investment of ₹ 500 crore and above.

Buoyed by such incentives, sugar companies rushed to set up green field projects and a total of 29 units with a capacity exceeding 2 lakh tons crushed per day (TCD) came up. However, by the time these mills started making claims, the state administration saw a change in guard and the new incumbent government scrapped the policy. Total claims under the sugar policy of 2004 runs into hundreds of crores, which have not been reimbursed, resulting in to heavy losses for the industry. No new sugar mill came up since then. Sugar is the largest industry in U.P. both in terms of turnover and employment generated. However, the state government announced a New Sugar Policy 2013 but no capital investment could be made in the sugar sector due to prolonged crisis and lack of appropriate policy environment for business viability.

Excess capacity has not only reduced the number of crushing days, but has resulted in mills competing with one another for their cane requirement. As compared, the average crushing days for mills in Western and Southern states are 175 to 200 days as against 100 to 150 days in UP. In other words, the mills in Maharashtra and Southern India have much better asset turnover ratio and the capital employed is more optimally utilised. Therefore, it is imperative that efforts should be made to fully utilise the existing capacity and no new sugar mill should be allowed within the radial distance of 25 kms from the existing mill till then.

GLUT IN SUGAR MARKET

Sugar production in the country has been estimated at 25.1 million tons in the season 2012-13 as against 26.34 million tons in the previous season. Continuous hike in sugarcane price led to an increase in the cane area, cane production vis-a-vis sugar production. Besides, carryover stocks of about 6.13 million tons of sugar from the previous season created a glut in the domestic sugar market. Meanwhile, domestic consumption remained at about 23 million tons. Similar situation prevailed in the world sugar market due to which India could hardly export about 3.4 lakh tons of sugar against 3.4 million tons in the previous season. In the given scenario, domestic sugar prices continued to remain depressed whereas the cane price was record high. This resulted into heavy losses even to the best performing units. Excessive import of cheap sugar further aggravated the problem.

CHALLENGES AHEAD

The SAP for sugarcane was increased by a whopping 17% to ₹ 280 per qtl. in the season 2012-13 for the general variety from ₹ 240 per qtl. in the previous season. Higher cane price has encouraged the farmers to plant more sugarcane and divert more sugarcane to the sugar factories as compared to the unorganized sector like Gur and Khandsari. This has led to an increase in sugar production in U.P. to 74.85 lakh tons in the season 2012-13 as against 69.74 tons in the previous season i.e. an increase of about 5.11%. It is estimated that production of sugar in U.P. in the crushing season 2013-14 would be around 78 lakh tons. While cane price is increasing, sugar price is not following the trend as excessive production and stocks have softened the sugar prices. Thus viability of the sugar sector has been severely affected. Therefore, rationalization of cane price is vital for sustenance of sugar sector in U.P.

As sugar is produced in few states but it is consumed across the nation, it is imperative that uniform rates of taxation and other levies should be applicable throughout the country in order to ensure a fair competition and provide a level playing field to all sugar producers.

Strict controls on by-products also affect the viability of the sugar sector. Reservation of molasses for country liquor is one example. Sugar industry is asked to subsidise other industries at its cost is unfair and such controls need to be removed immediately.

However, mills face a yet another big challenge. Rejected and low recovery variety of sugarcane is still thriving in the command area of many mills. That's why yield and average recovery is still lower. It will require gigantic effort on the part of sugar mills to eradicate such variety. Some help from the government is also required. New varieties with better yield and recovery should be encouraged for plantation.

DWARIKESH SUGAR INDUSTRIES: 2012-13

The overall negative environment prevailing in the industry impacted the working of your Company as well. Higher sugarcane cost vis-a-vis lower sugar sales realisation together pulled the performance down. Throughout the year sugar price hovered in the range of ₹ 2,800 to ₹ 3,200 per qtl. and are currently hovering around ₹ 2,800-2,900 per qtl. which are far below the cost of sugar production. This has resulted into heavy losses and accumulation of all time high cane price arrears. In view of this, sugar mills are having excessive pressure to clear cane price arrears.

DWARIKESH – HIGHLIGHTS: 2012-13

On the operational side, I am happy to inform you that DN plant maintained its highest standards of manufacturing efficiencies and clocked the best recovery in the State. Another notable achievement of your company for the season was that the process losses recorded at DN and DP unit are among the lowest in the sugar industry in Uttar Pradesh. In totality, crushing and production was in line with the expectation and was quite comparable at all the three units.

Recovery at DD plant is better than the recovery recorded last year. Massive cane development efforts have been embarked upon in the Command Area of DD unit and it is expected that in a couple of years crushing and recovery at DD plant would improve by leaps and bounds.

I am pleased to inform you that your company excelled in cogeneration of power. We exported cogenerated power worth ₹ 7,181 lakhs to the state grid in the season 2012-13 against ₹ 7,316 lakh in the previous season. However, multiple barriers on sale of molasses adversely impacted the top-line and cash-flows of sugar companies including your company as well.

FINANCIAL SCORE CARD

Particulars	2012-13 (₹ Lacs)	%	2011-12 (₹ Lacs)	%
Net Sales	92,391	100.00	68,887	100.00
EBIDTA	7,183	7.77	9,611	13.95
EBDTA	127	0.14	1,725	2.50
EBT	(3,192)	(3.45)	(1,564)	(2.27)

Depressed sugar market conditions impacted the prices. While the year started on a positive note with sugar prices at reasonable level, it started sliding thereafter on the back of higher global production of sugar and estimates of higher production in India. The State Government of Uttar Pradesh announced a very high and unaffordable SAP of ₹ 280 per quintal. Melange of high cost of sugarcane and lower price of sugar played havoc with the economics and the bottom-line of most sugar companies in Uttar Pradesh. Mismatched raw material price and finished product dented the profitability of the Company.

TRENDZ: 2013-14

Sugar production in the country is estimated to be in excess of domestic consumption by about 2 million tons due to an increase in cane area. With the surplus from the preceding season estimated at about 8.5 million tons, the market is currently facing the bearish trend in sugar prices. Spot prices have declined from ₹ 3,400 per qtl before partial decontrol to ₹ 2,800-2,900 per qtl now.

Meanwhile, import of cheap foreign sugar has further added to the woes as in the previous season few millers and traders have imported the substantial quantity of sugar due to lower sugar prices in the world market, lower import duty and fluctuating currency. Imports of cheap sugar have crashed the prices in the domestic market and the mills are not in a position to clear the all time high cane price arrears of the previous season. Therefore, unnecessary imports of sugar need to be stopped completely.

At the state level, Government of U.P. declared the SAP for the season 2013-14 at last years' level which is ₹ 275, 280, 290 per quintal of sugarcane respectively for rejected, general and early varieties. In 2011-12, a price of ₹ 240 per quintal was announced for the general variety of sugarcane as compared to ₹ 205 per quintal in 2010-11. A sharp increase in sugarcane prices without a commensurate increase in sugar prices has resulted in a spike in cane price arrears in U.P. over the last 3 years. As of June 2013, U.P. accounted for 73 per cent of all-India cane arrears (as compared to 61 per cent as of March 2013), reflecting the relative inability of U.P. mills to pay farmers.

Due to continuous losses to the sugar industry, it has been regularly representing to the Government to rationalize the cane price on the basis of its paying capacity which is further based on a well proven revenue sharing formula as also to grant certain immediate reliefs for the survival of the sugar sector.

Currently, sugar mills are under abnormal stress to clear cane price dues and situation is so grim that the industry association as well as most of the mills in the state of U.P. submitted the notices of suspension of operations in the season 2013-14 until the SAP is brought down to ₹ 225 per qtl of cane i.e. in accordance with the current paying capacity of the mills as per established formula. However, the state government granted some relief measures on 28th November, 2013 but the relief amount was insufficient to overcome the current crisis situation and start the factories until a viable cane price is announced and sufficient relief measures are granted.

On 1st December 2013, a delegation of the sugar industry met Hon'ble Chief Minister of U.P. and also submitted a memorandum on behalf of the association seeking some relief, which was accepted by the state government to arrive at an adhoc settlement despite crushing operation being unviable at the present cane price in the larger interest of millions of sugarcane farmers.

Under this settlement, industry will make payment for sugarcane price in 2 tranches i.e. ₹ 260/- per quintal in the first within the stipulated time period and balance ₹ 20/- per quintal in the 2nd by the closing of the crushing season i.e. by 30th September, 2014. The state government also agreed for a relief of ₹ 11.03 per quintal in the form of Entry Tax Waiver ₹ 2.73, Purchase Tax Waiver ₹ 2 and the Society Commission ₹ 6.30 per quintal of cane.

Meanwhile, the state government assured that a viable long term cane price formula would be worked out as per recommendation of the Rangarajan Committee so as to ensure the long term viability and growth of the sugar industry in the state.

Of late, the Government of India has come forward with a Scheme for Extending Financial Assistance to Sugar Undertakings vide its Notification dated 3rd January, 2014 to grant five year loans equal to three year's excise duty plus cess to clear the cane price arrears. Meanwhile, the Government is also considering granting some WTO compatible support measures to boost sugar export.

The international market price are still under pressure for 2013-2014, where Brazil already started harvesting the estimated bumper crop; Thailand, the world's largest exporter after Brazil expanded the production by 10% which adds to the estimated global surplus of about 4.5 million tons this season 2013-2014, a surplus for the 4th consecutive season, which is a rare phenomenon.

Given the surplus scenario for the season, the way out for millers is to take control over the excess supply through export markets. Again with the infrastructure, the mills closer to ports may explore the opportunity. Meanwhile, government can help to mitigate the crisis by facilitating export of sugar through WTO compatible measures and other policy measures such as creation of buffer stock, provision of soft loans and other concessions by way of remission of levies and taxes as applicable in the interest of all the stake holders including millions of sugarcane farmers. This will provide immediate relief to the crisis ridden sugar industry in the short term. However, linkage of sugarcane and sugar price will play pivotal role for sustenance of the largest agro processing industry in the long run.

GOING FORWARD

Both sugar and sugarcane are treated as 'essential commodity'. The government's focus to give high cane price to farmer and maintain low sugar price for the consumer is economically unsustainable. Low sugar price leads to unremunerative cane price and its delayed payment, leading to accumulation of cane price arrears and forcing the cane farmers to switch to other crops. This kick starts sugar shortage and high sugar price, in turn prompting higher sugarcane price to lure the farmer back to sugarcane. This cycle gets repeated ad infinitum with resultant spike in sugar production causing demand-supply in-equilibrium and driving sugar prices on a roller-coaster ride. However, fundamental changes in the consumer profile and demonstrated ability of the sector to continuously ensure availability of sugar for domestic consumption has diluted the need for sugar and sugarcane to be considered as an essential commodity. Time is now overripe for removal of sugarcane and sugar from the ambit of essential commodities.

Due to wide production swings, India is an erratic driver of the world sugar market. It is the only big sugar producer exporting sugar in some years at through away prices, soon followed by importing sugar at very high prices. Unlike this, Brazil, Thailand and Australia are steady and sustained exporters. India has enough potential to produce and export sugar and earn a lot of precious foreign exchange as about 5-6 million ton refining capacity has come up in the neighbouring countries and India is one of the most efficient processors. Besides, India offer freight advantage as compared to far off exporting countries. However, to become an important player, it only needs to align the sugarcane and sugar prices.

Central government in April 2013 advised respective state governments to implement revenue sharing model for determination of cane price. Karnataka state has already passed The Karnataka Sugarcane (Regulation of purchase and supply) Act, 2013. It provides for the formation of a Sugar Board consisting of representatives from the farmers, sugar mills and the government. The board shall meet at least thrice in a year, before commencement of crushing, after closure of crushing and at the end of sugar season to decide sugarcane prices on revenue sharing basis taking into consideration actual revenue realised from sugar, bagasse, molasses and press mud. Maharashtra state is also in the process of framing a new law for linking cane prices with end product prices. Meanwhile, other sugar producing states have not taken any steps in this regard.

Indian millers pay a high price for sugarcane and realize a low price for sugar. The intrinsic imbalance between sugar and cane price often leads to huge build up of cane price arrears that accelerates the infamous Indian sugar cycle. A long term pricing formula for sugarcane based on sugar sales realization in accordance with proven global sugarcane price model and as recommended by the Rangarajan Committee would bring stability and eliminate the vicious sugar cycle. In the long run, this will benefit all the stake holders i.e. consumers, farmers and millers.

SUMMING UP

I would like to take this opportunity to thank you for all your support. I seek your continued support in our endeavor to achieve better results in future. I would also like to use this opportunity to thank all our business associates, our employees, our farming brethren who have reposed immense confidence in us, our Banks and Financial Institutions who have proved to be our reliable and trustworthy friends, various Government agencies and last but not the least the illustrious members of our Board who have provided their valuable guidance whenever required.

G. R. MORARKA

(Chairman and Managing Director)

A VIRTUAL TOUR OF THE COMPANY'S PLANT & MANUFACTURING PROCESS

3

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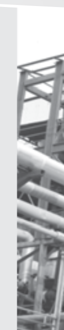

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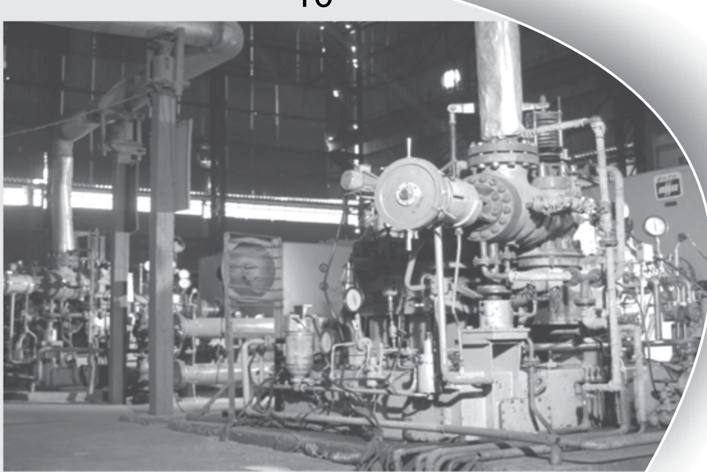
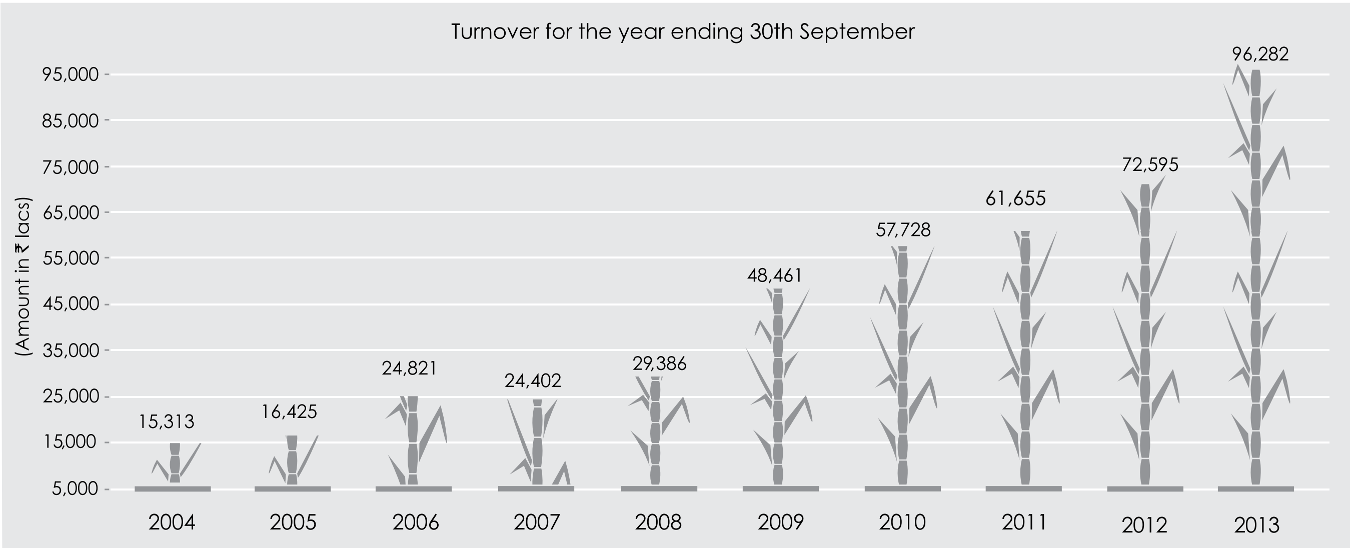
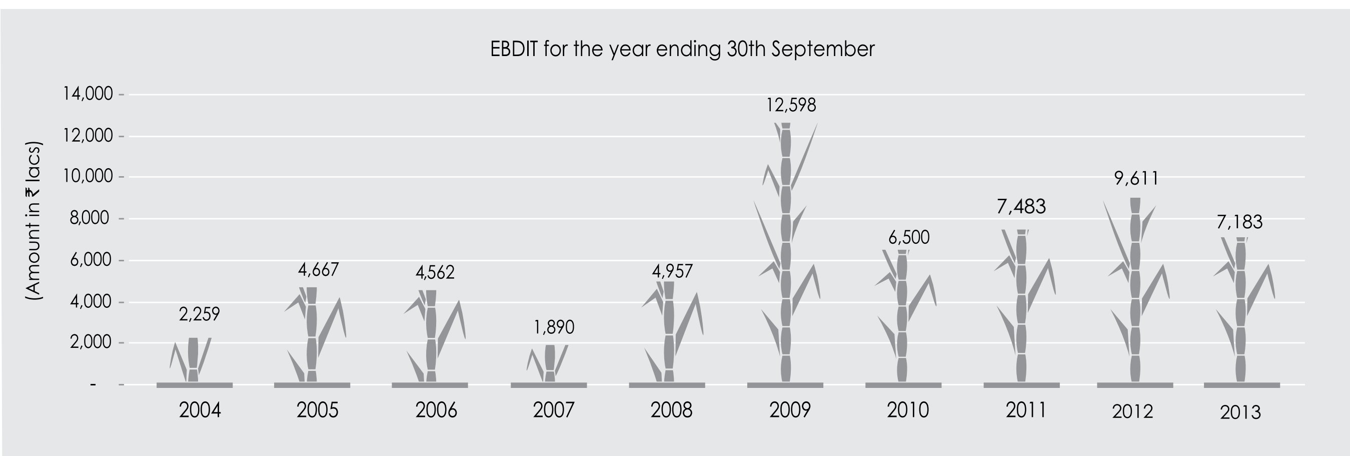
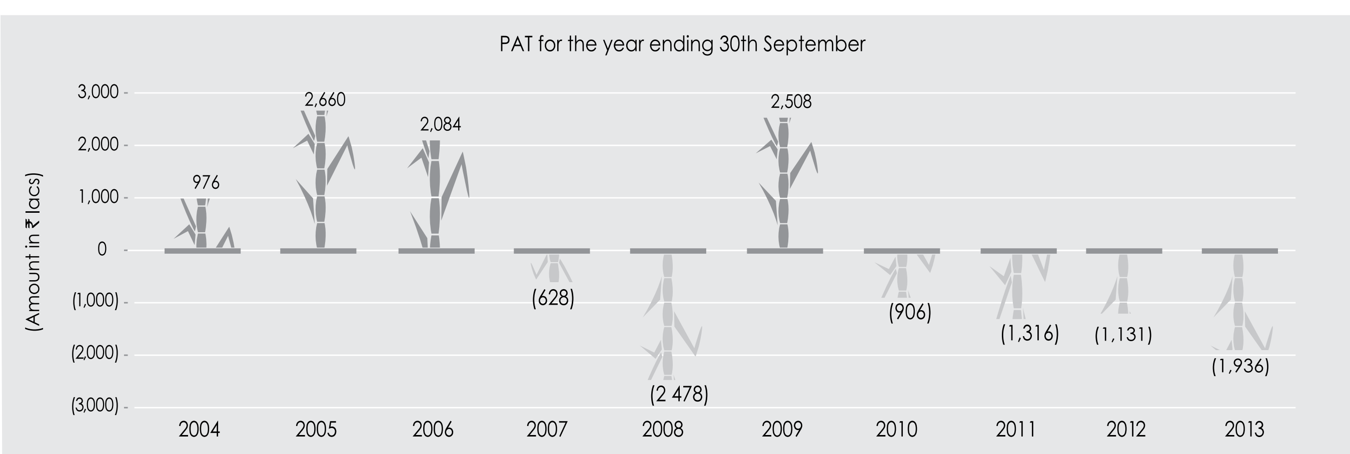


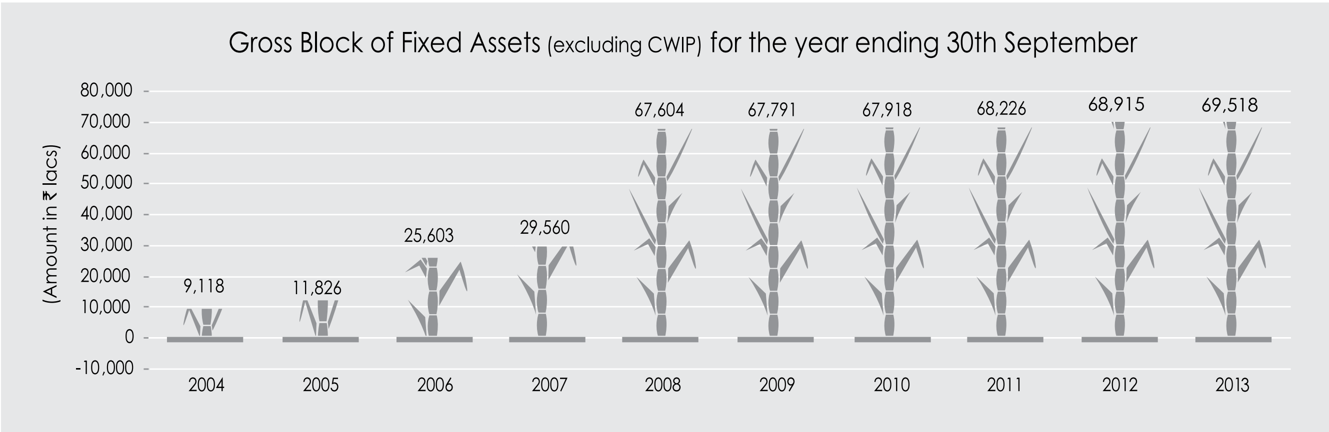
1. Loading of Truck carrying sugar cane on the Truck Tippler
2. Unloading of sugar cane from the truck by unloaders into cane carrier.
3. Sugar cane fibres after being cut taken by elevators to the sugar mills for crushing.
4. Syrup receiving Station.
5. Boiler Station.
6. Sugar crystals being cooled in hopper.
7. Final product (sugar being bagged).
8. Sugar Godown.
9. 30 KLPD Distillery.
10. Co-generation of power

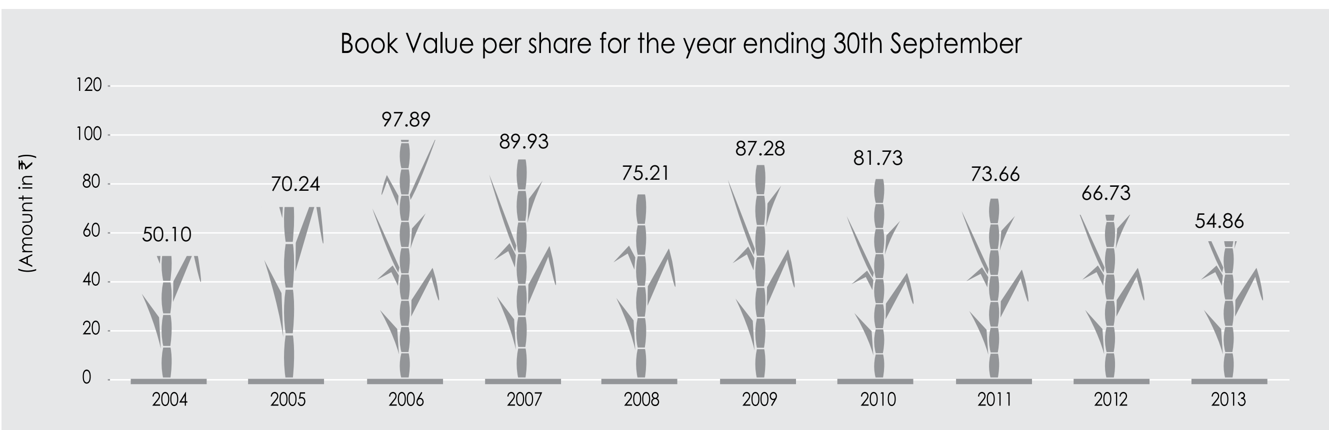
WHAT THE NUMBERS SAY

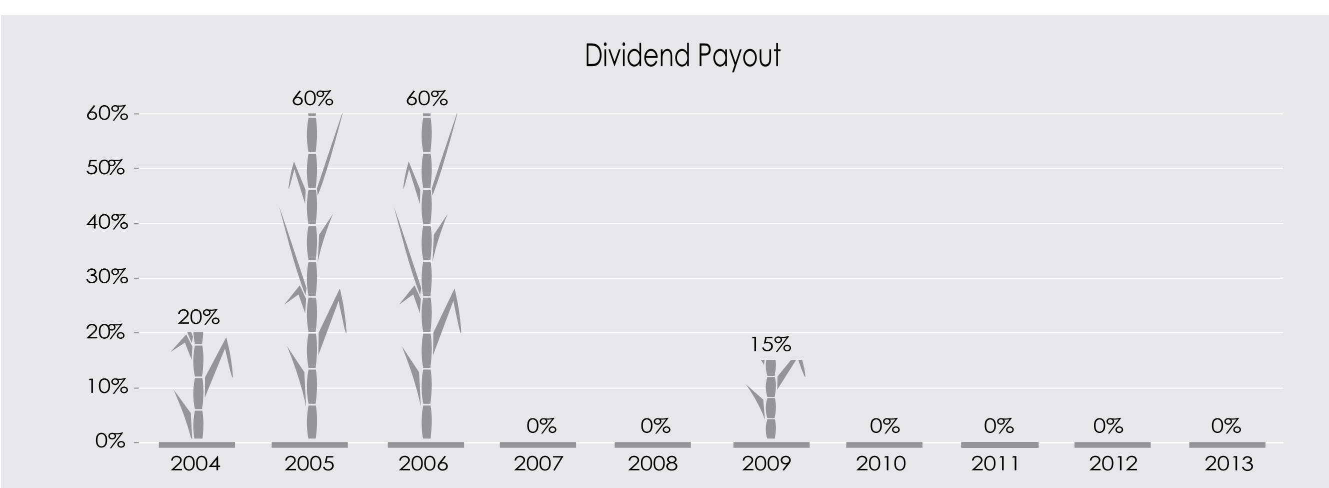







Gross Block of Fixed Assets (excluding CWIP) for the year ending 30th September
(Amount in ₹ lacs)
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
-10,000
9,118
11,826
25,603
29,560
67,604
67,791
67,918
68,226
68,915
69,518
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013


Book Value per share for the year ending 30th September
(Amount in ₹)
120
100
80
60
40
20
0
50.10
70.24
97.89
89.93
75.21
87.28
81.73
73.66
66.73
54.86
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013


Dividend Payout
60%
50%
40%
30%
20%
10%
0%
20%
60%
60%
0%
0%
15%
0%
0%
0%
0%
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013

OPERATIONAL OVERVIEW

PRESENT BUSINESS OPERATIONS:

The Company is currently engaged in the business of manufacture and sale of Sugar, Co-generation of power and Industrial Alcohol.

Sugar Division:

The Company has three sugar manufacturing units, out of which 2 units are located in Bijnor District of Uttar Pradesh (UP) & one Sugar Unit in Bareilly District, UP. The present Sugar cane crushing capacity of the 3 plants is 21,500 TCD, out of which Dwarikesh Nagar, Dist: Bijnor, UP has 6,500 TCD, Dwarikesh Puram, District Bijnor, UP has 7,500 TCD & Dwarikesh Dham, District Bareilly, UP has 7,500 TCD. The Company manufactures and sells three grades of sugar viz. L, M and S. The Company sells sugar in Bulk to wholesalers / Agents.

Power Co-generation:

The Company is also engaged in Co-generation of Power. The Company has a power plant with a capacity of 17 MW at it's Dwarikesh Nagar Unit and is using 9 MW for captive consumption in manufacture of sugar and balance 8 MW is supplied to SEB viz. Uttar Pradesh Power Corporation Limited (UPPCL). Further, the Company has capacity of 33 MW at it's Dwarikesh Puram Unit, out of which 24 MW is used for sale of power to State Grid and balance 9 MW for captive consumption. Further the Company has 36 MW of Co-generation at it's Dwarikesh Dham Unit, out of which 24 MW is for sale to State Grid & balance 12 MW for captive consumption. During the year, the Company sold Power worth ₹ 7,181 lacs to the SEB.

Industrial Alcohol / (Ethanol):

The Company has a ready capacity of 30 KLPD distillery for the manufacture of Industrial Alcohol & Ethanol. During 2012-13, company sold Industrial Alcohol of ₹ 836.25 lacs & sale of Ethanol ₹ 268.58 lacs.

MEASURES TAKEN BY THE COMPANY FOR CANE DEVELOPMENT:

The Company follows an extensive cane development process, assisted by the Cane Development Councils. The main objectives of the company's cane development measures are listed below:

- Production of improved and early varieties of sugar cane.
- Increase in per acre yield so that farmers can maximize their earnings and the company is assured of an increased supply.
- Providing seeds, fertilizers and pesticides to farmers covering the command area of the company, so that their crop is not vulnerable to disease etc.
- Procurement of cane seeds from Sugarcane Research Station, and distribution of seeds to growers for raising foundations and primary nurseries.
- Financial assistance for raising and maintenance of nurseries.
- Conducting training seminars for farmers at the Research Station, at the company's expenses.
- Road development as well as repair and maintenance of different link roads in the respective command areas.

EXISTING MARKET AND SELLING ARRANGEMENTS:

Condition of sale of 10% of the sugar produced as levy sugar has been removed by the Government from October 1, 2012, hence hereafter, entire production of sugar can be sold in the open market. The price of the sugar sold in the open market depends on market forces. The system of release mechanism has also been withdrawn & hence the Company is allowed to sell as much quantity as it can depending on the demand situations.

The Company sells free sale sugar through a network of agents, who in turn sell to wholesalers. Trade settlements are usually on cash terms. Besides, the company sells its sugar in Central & West UP, part of West Bengal, Bihar, Jharkhand, Assam, Punjab, Haryana, Rajasthan & Delhi.

Key Financial Data

₹ in lakhs

PARTICULARS	2010-2011*	2011-2012	2012-2013
Sales	61,655	72,595	96,282
Revenue from operation			
Other Income	35	216	1,310
Increase/Decrease ( ) in stock	(1,829)	9,941	(4,511)
Total Income	**59,861**	**82,752**	**93,082**
Manufacturing and operating expenses	43,134	63,790	74,247
(cost of material used)			
Excise Duty	2,342	2,735	3,521
Exceptional item/ Deferred revenue expenditure	0	0	0
Staff expenses	3,543	3,805	4,030
Selling & administration expenses	3,359	2,811	4,101
(other expenses)*			
Total Expenditure	**52,378**	**73,141**	**85,899**
Profit before interest, depreciation and tax (PBIDT)	7,483	9,611	7,183
Depreciation and amortization expenses	3,272	3,289	3,319
Profit before interest and tax (PBIT)	4,212	6,322	3,864
Interest	5,978	7,886	7,056
Profit before tax (PBT)	(1,766)	(1,564)	(3,192)
Taxes	(450)	(433)	(1,256)
Profit after Tax (PAT)	(1,316)	(1,131)	(1,936)
Cash accruals	1,506	1,725	117
Equity Share Capital	1,631	1,631	1,631
Preference Share Capital	1,610	1,610	3,110
Share Application money pending allotment		1,000	0
Equity Share Warrant		0	0
Reserves & Surplus	10,386	9,255	7,319
Secured loan funds excluding cash credit limits/	39,308	33,169	23,983
secured loan including repayable within 1 year/ long term borrowing including current maturity of long term debt*			
Unsecured loan funds	239	11	9
Net block of fixed assets	50,032	46,999	44,044
Investment	24	24	24
Deferred tax liability	683	249	0
Deferred tax Assets			1,017
Current assets	14,058	26,967	19,837
Non Current Assets/Long term loans & advances & other non current assets*	1,208	1,231	1,125
Current Liabilities / current liabilities excluding short term borrowing & current maturity of loan term debts*	3,301	7,813	13,529
Non Current Liabilities/Other long term liabilities & long term provisions*	1,046	1,159	1,237
Current Liabilities including cash credit limit	10,419	27,137	28,758
Capital raising expenditure to the extent not written off	0	0	0

*regrouped /reclasiified as per schedule VI since 2010-11

VALUE-ADDED STATEMENT

₹ in lakhs

PARTICULARS	2010-2011*	2011-2012	2012-2013
Corporate Output (Total Income)	59,861	82,752	93,082
Less: Manufacturing & Operating expenses/ *cost of material consumed**	43,134	63,790	74,247
Less:Exceptional Item/ deferred revenue expenditure	0	0	0
Less: Selling & Administrative expenses/ *Other Expenses**	3,359	2,811	4,099
Gross Value Added	13,368	16,151	14,736
Less: Depreciation	3,272	3,289	3,319
Net Value Added	10,096	12,862	11,417
Allocation of Net Value Added			
to personnel	3,543	3,805	4,030
to Exchequer (Excise)	2,342	2,735	3,521
to Exchequer (Direct Taxes)	0	0	3
to Mat Credit entitlement	128	0	0
to deferred tax	(578)	(433)	(1,256)
to Stake holders (Interest)	5,978	7,886	7,056
to Investors (Dividend)	0	0	0
to Company (Retained earnings)	(1,316)	(1,131)	(1,936)
	10,096	12,862	11,417

*regrouped /reclasiified as per schedule VI since 2010-11

KEY STATISTICS

PARTICULARS	2010-2011*	2011-2012	2012-2013
No of days crushed			
- DN	141	155	159
- DP	132	147	148
- DD	113	145	143
Sugar cane Crushed in Qtls.			
- DN	68,82,340	76,62,759	77,30,481
- DP	58,70,034	78,88,321	83,90,189
- DD	61,05,708	81,57,356	81,39,741
Recovery % - DN	10.30	10.16	10.32
Recovery % - DP	9.47	9.73	10.00
Recovery % - DD	8.55	9.09	9.15
Total losses % -DN	1.85	1.82	1.83
Total losses % -DP	1.93	1.76	1.81
Total losses % -DD	2.07	1.90	1.92
Sugar Cane Bagged in Qtls. - DN	7,10,349	7,78,198	7,97,890
Sugar Cane Bagged in Qtls. - DP	5,57,845	7,67,410	8,38,650
Sugar Cane Bagged in Qtls. - DD	5,22,085	7,41,195	7,44,505

*regrouped /reclasiified as per schedule VI since 2010-11

SUCCESS DRIVERS

WHAT THE NUMBERS DO NOT SAY

1) STATE OF THE ART PLANTS:

The Company is very well geared to take optimum advantage of the promising forthcoming crushing season 2013-14. The company currently has three plants viz. Dwarikesh Nagar (DN), Dwarikesh Puram (DP) & Dwarikesh Dham (DD). DN & DP are located in Bijnor District of Uttar Pradesh and DD is located in Bareilly District in Uttar Pradesh.

Besides, the Company has Cogeneration facilities of 17 MW at DN, 33 MW at DP & 36 MW at DD unit. Out of the above, Company exports 8 MW from DN, 24 MW from DP & 24 MW from DD unit to State Grid.

The Company at its DN unit has a distillery of 30,000 litres per day, which is capable of manufacturing Industrial Alcohol & Ethanol.

Your company is conscious of its social responsibility and hence has in place Bio-methanation, plant which not only results in removing BOD/COD from its spent wash, but also generates energy enabling longer working duration of Distillery operation.

With a view to enhance shareholders value and return to the shareholders, the company is consistently trying to improve and optimise its production capacities.

The Company's present production Capacities are outlined in the following Matrix:

Particulars	DN Unit	DP Unit	DD Unit	Total
Crushing Capacity (TCD)	6,500	7,500	7,500	21,500
Co-geneation (MW)	17	33	36	86
Supply to State Grid (MW)	8	24	24	56
Distillery (Ltr.per day)	30,000	-	-	30,000

The Company's Distillery is capable of manufacturing both Industrial Alcohol and Ethanol.

2) REVVING UP THE REVENUE SIDE

Sugar sector is free to sell any quantity of sugar in the open market following the abolition of quota release mechanism since April, 2013. Sales volume is likely to increase initially resulting into more sugar sales realisation and revving up the revenue, meanwhile resulting into some savings on account of the interest and carry forward or storage cost. But the return will still be affected by the increased pressure on the market and real returns will start accumulating once the market adopts the new mechanism. In the transition period, revenue margin is likely to be severely affected, which will return to normalcy subject to adoption of price sharing formula for the sugarcane price and the sugar price, as recommended by the Dr. Rangarajan Committee.

3) ABUNDANCE OF WATER & PROXIMITY TO GANGETIC PLAINS:

The company is well-equipped with tube-wells and self reliant in terms of utilities. The proximity of its existing plants to the Gangetic plains is another major plus point. This proximity minimizes risk to some extent in the monsoon dependent sugar sector.

4) REPLACEMENT COST:

The replacement cost of the Company's state of the art sugar plants would be substantially higher, suggesting a hidden asset inbuilt beyond the numbers.

5) TAX SHIELD BENEFIT:

The Company is not liable to pay any tax except Wealth Tax at the applicable rate in force.

6) WORKING TOWARDS CARBON CREDITS AND RENEWABLE ENERGY CERTIFICATES (REC):

The company's Dwarikesh Puram and Dwarikesh Dham have already been registered with UNFCCC enabling the benefit of Carbon Credits for both the plants. The revenue from Carbon Credit has already started accruing from season 2008-09 onwards. Besides CER, the Company has received accreditation & registration for renewable energy certificates (RECs), which are capable of being sold on the power exchanges shall boost company's revenue stream.

KEY MANAGEMENT PERSONNEL

Names	Designations	Experience (Years)
A.K. Misra	Vice President (Works) DN Unit	40
K.P. Gadia	Vice President (Commercial)	39
R. K. Gupta	Vice President (Works) DD Unit	29

FLASH FORWARD A Peep into 2013-14

The sugar production shall be robust in year 2013-14. Government has extended interest free loan based on excise duty and cess on production of last 3 years for a period of 5 years with moratorium of 2 years. Government is also considering granting subsidy on export of sugar. Going forward, sugarcane and sugar prices would decide the viability of sugar sector.

It is expected that the production of sugar from all three units at Dwarikesh Nagar, Dwarikesh Puram and Dwarikesh Dham would be around 22 lakh quintals in 2013-14. It is also expected that revenue would rise to ₹ 100 billion.

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held on Friday, March 21, 2014, at 10 a.m. at the Registered Office of the company at Dwarikesh Nagar - 246 762, Dist. Bijnor, Uttar Pradesh, to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 30th September, 2013 and the Balance Sheet as at that date together with the Directors' Report and the Auditors' Report thereon.
2. To appoint Auditors and fix their remuneration.
3. To appoint a Director in place of Shri B.K. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri K.N. Prithviraj, who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution.

   RESOLVED THAT pursuant to the provisions of section 161 of the Companies Act, 2013, read with Article 132 of the Articles of Association of the company, Shri L.P.Aggarwal, who was appointed as an Additional Director with effect from November 27, 2013, and who hold office upto the date of ensuing Annual General Meeting of the company & in respect of whom, the Company has received a notice in writing under section 257 of the Companies Act, 1956 together with requisite deposit, proposing his candidature as a Director, 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 modifications, the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of section 180(1)(c) of the Companies Act, 2013, and other applicable provisions, if any, the Board of Directors of the Company be and is hereby authorized and empowered to borrow, from time to time, any sum or sums of money from one or more bank, financial institution, Central or State Government, body corporate, firms or any other person(s), whether by way of term loan, working capital facility, cash credit facility, inter corporate loan, bill discounting, issue of debenture or bonds or any other fund based or non-fund based facility, in Indian Rupee or in Foreign Currency, whether secured or unsecured, notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up share capital and free reserves (the reserves not set apart for any specific purpose) of the Company but so however that the total amount up to which the money may be borrowed by the Board of Directors and outstanding at anytime shall not exceed the sum of ₹ 1,000 crores (Rupees One Thousand Crores only) or equivalent amount in foreign currency, exclusive of interest and other charges.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to execute such agreements, papers, deeds, and other instruments or writings containing such conditions and covenants as it may think fit to give effect to this resolution.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the aforesaid powers to any committee of Directors/officers, one or more director/managing director or any other principal officer of the Company on such conditions as the Board may deem fit and to take all such steps that may be required to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

   RESOLVED THAT pursuant to the provisions of Section 181 of the Companies Act, 2013 and other applicable provisions, if any, the Board of Directors of the Company be and are hereby authorized to contribute to Charitable or other funds, not directly relating to the business of the Company or the welfare of its employees, such amount or amounts, the aggregate of which in any accounting year will not exceed ₹ 1,00,00,000/- or 5% of its average net profits as defined in the provisions to the above said section, whichever is greater.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the aforesaid powers to any committee of Directors/officers, one or more director/managing director or any other principal officer of the Company on such conditions as the Board may deem fit and to take all such steps that may be required to give effect to this resolution."

By The Order of the Board,
For **Dwarikesh Sugar Industries Limited**

Place: New Delhi
Date: November 27, 2013

B. J. Maheshwari
Whole Time Director & CS cum CCO

Registered Office:

Dwarikesh Nagar – 246762
Dist: Bijnor, Uttar Pradesh.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxies, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members & Share Transfer Books of the Company will be closed from Monday, 10th March, 2014 to Friday, 21st March, 2014 (both days inclusive) for the purpose of Annual General Meeting of the Company.
4. The relevant Explanatory Statement pursuant to section 102 of the Companies Act, 2013 in respect of item 5, 6 &7 are annexed and forms a part of this notice.
5. Members are requested to notify any change in their address immediately to the company.
6. Members/proxies are requested to bring their copy of Annual Report, while attending the Annual General Meeting.
7. Shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in **Form 2B** which can be obtained from the Company's Registrar & Transfer Agents (RTA) M/s. Universal Capital Securities Pvt. Ltd.
8. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Registered Office well in advance so that the same reaches the company at least ten days before the date of the meeting to enable the Management to keep the information required readily available.
9. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, as amended and with the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid dividend account of the Company is required to be transferred to the Investor Education and Protection Fund established by the Central Government. The unclaimed dividend for the accounting years 1996-97, 1997-98, 2000-01, 2001-02, 2002-03, 2003-04 & 2004-05 have been transferred to the Investor Education and Protection Fund as on 26/04/2005, 11/05/2006, 14/05/2009, 29/06/2010 , 28/04/2011, 5/12/2011 & 21/11/2012 respectively (there was NIL outstanding in unpaid dividend account of the accounting year 1998-99 & 1999-00 hence the transfers to Central Government were not applicable for these years) respectively and no claim shall lie against the said Fund or the Company for the amount of dividend so transferred. Unpaid dividend for following years is due as per the details below for transfer to the Investors Education and Protection Fund.

Year	Amount unpaid in the A/c as on 30/09/2013 (₹)	Date of transfer to Central Govt.
2005-2006	4,40,298.00	21/04/2014
2008-2009	4,65,298.50	14/04/2017

10. Pursuant to the green initiatives by the Ministry of corporate affairs, the company proposes to send all documents to be sent to shareholders like notices of general meeting together with AGM, audited financial statements, directors report, auditors report etc. henceforth to the shareholders in electronic form, to those members who

have made available either directly or through their DP their email addresses to receive the same in electronic form on their email addresses. Members may also download these documents from company's website www.dwarikesh.com. The physical copy of annual report will also be made available free of cost to the members on their written request. Members who have not given specific consent for receipt of these documents in electronic form hitherto are requested to register their email addresses by sending their details to their Depository participants or company or its RTA & also their consent by e mail to investors@dwarikesh.com or by a written consent to Company's corporate office or to it's RTA.

11. SEBI has mandated the submission of PAN by every participant in securities market. Shareholders who are holding the shares in electronic mode are therefore requested to submit the PAN to their depository participants with whom they are having their demat accounts. Shareholders having shares in physical form can submit their PAN details to the company or its RTA.

12. Other Disclosures:

    Other Disclosures are given in corporate governance report.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item no.5

The Board of Directors had, in order to strengthen the Board, appointed Shri L.P. Aggarwal as an Additional Director of the Company under the provisions of Section 161(1) of the Companies Act, 2013 with effect from November 27, 2013. Pursuant to Section 161 of the Companies Act, 2013 he will hold this office up to the date of the forthcoming Annual General Meeting. Notice in writing from a member has been received by the Company under Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri L.P. Aggarwal for appointment as Director of the Company.

The Directors recommend and place before you the proposed resolution for your consideration and approval.

None of the Directors, Key Managerial Personnel and relatives of directors and Key Managerial Personnel may be deemed to be interested in the proposed resolution except Shri L.P. Aggarwal.

Item no.6

Company being in sugar industry, which is a capital intensive sector, requires from time to time to further borrow money from one or more bank, financial institution, body corporate, firms and persons. The aforesaid borrowings may exceed the paid up share capital and free reserves of the Company. Approval of the members under section 180(1)(c) of the Companies Act, 2013 is required for the purpose of authorizing the Board to make borrowing in excess of the paid up share capital and free reserves.

The Directors recommend and place before you the proposed resolution for your consideration and approval.

None of the Directors, Key Managerial Personnel and relatives of directors and Key Managerial Personnel may be deemed to be interested in the proposed resolution except to the extent to their respective shareholding, individually and/ or their relatives.

Item no.7

The company is committed to act as a benevolent and philanthropic entity by contributing for the bonafide charitable purpose. The company is permitted to undertake such activities as per the provisions of section 181 of the Companies Act, 2013. Pursuant to the provisions of section 181 of the Companies Act, 2013, such contribution in excess of 5% of Company's average net profits for the three immediately preceding financial year requires a shareholders permission by way of special resolution. Since the amount proposed to be spent by the company on many instances may exceed the limits of 5% of Company's average net profits for the three immediately preceding financial year, the Directors recommend and place before you the proposed resolution for your consideration and approval.

None of the Directors, Key Managerial Personnel and relatives of directors and Key Managerial Personnel may be deemed to be interested in the proposed resolution.

By The Order of the Board,
For **Dwarikesh Sugar Industries Limited**

Place: New Delhi
Date: November 27, 2013

B. J. Maheshwari
Whole Time Director & CS cum CCO

Registered Office:

Dwarikesh Nagar – 246762
Dist: Bijnor, Uttar Pradesh.

Details of Directors seeking appointment / re-appointment in Annual General Meeting to be held on March 21, 2014.

(Pursuant to clause 49 of the Listing Agreement)

Name, Concise Resume & functional Expertise of Director Appointed	Directorship in other companies	Committee positions held in other companies	
		Audit Committee	Investor grievance/ shareholders' committee
Shri B.K. Agarwal **Qualification:** I.A.S. **Experience:** A retired I.A.S. Officer associated with the Company since the past seven years, Shri B.K. Agarwal has wide experience in various companies. **Expertise:** Law, Commerce & Strategy Director since 14.10.2005 **Shareholding in company:** Nil	Motilal Oswal Financial Services Limited Motilal Oswal Securities Limited U. B. Engineering	Chairman	
Shri K.N. Prithviraj **Qualification:** CAIIB- I, M.A. (Economics) **Experience:** He has, as an independent director of various companies' boards, contributed significantly to the growth of many entities. Shri Prithviraj was also a research fellow of Dept. of Economics, Uni.of Madras and has been associated with organisations of repute like OBC,UBI, PNB, Oriental Insurance Company **Expertise:** Banking, Economics & Finance Director since 30.11.2009 **Shareholding in company:** Nil	UTI Infrastructure Technology And Services Limited Axis Bank Ltd. Surana Industries Limited Falcon Tyres Limited PNB Investment Services Ltd. National Financial Holdings Co.Ltd.	Member Member Member	
Shri L.P.Aggarwal **Qualification:** Chartered Accountant **Experience:** He had been associated with IDBI for more than 23 years & held last position as CFO & with BSE for almost 3 years as CFO & with India Infoline Ltd. (IIFL) for 2 years as Group CFO. **Expertise:** He has rich experience in various fields including Finance, capital market & Banking operations **Shareholding in Company:**Nil	Modison Metals Ltd. Sarla Performance Fibres Ltd.	Member	

Notes:

1. Pursuant to the revised clause 49 of the listing agreement, only two committees viz. Audit Committee and shareholders' / investors' grievances committee have been considered.
2. The directorships in private limited companies, foreign companies and companies covered under section 25 of the Companies Act, 1956 have not been considered.

By The Order of the Board,
For **Dwarikesh Sugar Industries Limited**

Place: New Delhi
Date: November 27, 2013

B. J. Maheshwari
Whole Time Director & CS cum CCO

Registered Office:

Dwarikesh Nagar – 246762
Dist: Bijnor, Uttar Pradesh.

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

The world economy weakened considerably in 2012 and a number of developed economies have already fallen into a double-dip recession, while many developed economies are caught in downward spiralling dynamics from weak aggregate demand compounded by fiscal austerity, high public debt burdens, and financial fragility. The economic woes of the developed countries are spilling over to developing countries through weaker demand for their products and heightened volatility in capital flows and commodity prices. The prospects for the next two years continue to be challenging.

However, the global economy appears to be transitioning toward a period of more stable, but slower growth. Global gross domestic product (GDP), which slowed in mid 2012, is recovering and a modest acceleration in quarterly GDP is expected during the course of 2013. The World Bank has projected the whole-year growth for 2013 at 2.2 percent, a bit slower than in 2012. A weakening global economy, coupled with domestic problems including policy uncertainties and structural capacity constraints contributed to weaker growth in 2012. The strengthening of quarterly growth is likely to show up in whole-year global GDP growth of 3.0 percent for 2014 and 3.3 percent in 2015 mainly on account of improved financial conditions.

The majority of developing countries have navigated the crisis. In many countries, policy attention is appropriately returning to simplifying regulations, opening up trade & investment and investing in infrastructure. Overall, the global economy is moving into a new and hopefully less volatile phase. However, for Indian economy worst slow down of the decade, is a cause of concern. Policy makers need to take a closer look at its potential consequences vis-à-vis appropriate policy measures to put the Indian economy on an even keel.

DOMESTIC ECONOMY

Indian economy grew at its slowest pace in a decade estimated at about 5% for the fiscal year 2012–13 compared with 6.2% in the previous year, as per CSO data. On 28 August 2013, the Indian rupee hit an all time low of 68.80 against the US dollar. In order to control the fall in rupee, government of India introduced capital controls on outward investment by the Corporates and individuals. India's GDP grew by 9.3% in 2010–11; thus, the growth rate has nearly halved in just three years.

GDP growth rose marginally to 4.8% during the quarter through March 2013, from about 4.7% in the previous quarter, providing some hope of a tentative turnaround. But the overall economic scenario still remains challenging and the GDP data comes as a wake-up call for the government. The government has forecasted a growth rate of 6.1%-6.7% for the year 2013–14, whilst the RBI expects the same to be at about 5.7%. Beside this, India suffered a very high fiscal deficit estimated at about 4.8% of GDP in the year 2012–13. The Government aims to cut the fiscal deficit to about 3.7% of GDP by the next year.

Indian economy slowed down sharply from the scorching growth notched a few years back due to a string of factors, including high inflation, high interest rates, slowing global economy, delay in implementation of projects, policy logjams, slowing industrial growth and declining business sentiment.

The government initiated some reform measures hoping to script a turnaround in the India growth story. But policy logjams have dashed hopes of any reform measures being pushed through. Business confidence has taken a knock and economists feel that urgent steps are necessary to reverse the slowdown.

The inability to usher in reforms and resolve all important issues have hurt growth and industrial expansion. India Inc feels that the economic situation is grim and stepped up demands for interest rate cuts and a fresh push to clear policy logjams needs to be explored for raising consumption and investment demand. The government is however, hopeful that the weakness in economic activity has bottomed out and a gradual upswing is imminent.

GLOBAL SUGAR INDUSTRY

After three years of statistical surplus, estimated at 1.32 mln tons in 2010-11, 6.16 mln tons in 2011-12 and 10.26 mln tons in 2012-13, the world sugar economy is facing another surplus season in 2013-14. The first I.S.O. forecast of the world sugar balance for the period from October 2013 to September 2014 puts world production at 180.84 mln tons, raw value.

For the first time since 2008-09, in the new season world sugar output is expected to reduce by 2.12 mln tons. World consumption is projected to grow by a healthy 2.11%, generally in line with the 10-year average of 2.34%. Global use of sugar is expected to reach 176.33 mln tons, raw value.

The world sugar export availability is anticipated to increase to a record 57.50 mln tons as against 55.74 mln tons estimated for the previous season. By contrast, import demand is expected to decrease for the third consecutive season. As a result, imports are projected at 52.69 mln tons, as against 54.01 mln tons estimated for the previous season.

As a result, a world statistical surplus of 4.50 mln tons is projected in the season 2013-14. Most of the trade surplus is projected for the raw sugar segment (2.95 mln tons), while global export availability for white sugar is expected to exceed import demand by no more than 1.41 mln tons.

World market values have remained under bearish pressure exerted by the sizeable surplus in 2012-13 and expectations of another year of surplus, albeit of a significantly smaller size. Fundamentals are likely to remain in surplus for at least one more year. The world surplus is expected to decrease considerably in 2013-14, but it nevertheless implies a further rise in global stock levels. It seems that a lower global surplus per se cannot be treated as a price supportive factor and the market may record more losses during the 2013-14 season.

INTERNATIONAL LANDSCAPE – UNDER CONSTANT CHANGE

- Sugar mills in major producing countries Brazil, India and China are struggling with tumbling margins and falling prices and high production costs. Closures of more than a few mills appear to be imminent as per expert agency reports.
- This has led many countries to support their sugar sector. Sugar forfeited for recovery of loans was released three times till now in the current season for conversion into ethanol in the US. Some countries created a price band for selling of sugar in the domestic market, while others provided support by way of loans or subsidy in one form or the other.
- Sugar export from Brazil has been estimated at 26.6 mln tons in 2013-14. It is consolidating its position of the dominant world sugar exporter on the back of higher production, depreciating currency and the ethanol route. Its share in the world sugar exports is estimated at about 46.7% as against 48.6% and 39.5% in 2012-13 and 2011-12, respectively.
- Thailand has emerged as a major player. Sugar production in Thailand, the second-largest exporter, may reach a record 11 mln tons in the season 2013-14, about 10% higher over the previous year as millers expand capacity to meet rising regional demand. Thailand's sugar exports may increase to 7.62 mln tons compared to 6.13 mln tons in 2012-13. Meanwhile, it is learnt that an international highway has been planned between New Delhi and Bangkok, which is likely to be operational within 4-5 years and hence it is likely to give a new shape to the sugar trade dynamics in the region.
- Another key point of attention is the surplus opening stock of sugar in India estimated at 8.85 mln tons in the season 2013-14 and another 2 mln ton surplus estimated from the season 2013-14. This stock is almost equal to 6 months of Indian consumption and exceeds 2.4 times the world sugar surplus. This indicates continuation of bearish trend in Indian market in the current season until 3-4 mln tons of sugar is exported.
- In the recent past, the world sugar trade has undergone significant structural changes. Since 2000, most of the additional sugar traded in the world market has been raw sugar. Between 2000 and 2005, raw sugar exports averaged 23.3 mln tons, compared to 20 mln tons of white sugar exports. While the volumes of white sugar traded internationally have remained locked within a range of between 20 to 25 mln tons, raw sugar exports have increased significantly by over 10 mln tons to nearly 35 mln tons now.
- Behind this structural change in the world sugar trade is the mushrooming of destination refineries in three key regions: the Middle East and North Africa, the Far East and the Indian Subcontinent, where total new raw sugar refining capacity installed since 2000 has now reached 17 mln tons. Around 6.5 mln tons of new refining capacity has come up in the Middle East and North Africa, 5.3 mln tons in the Indian Subcontinent and 5.1 mln tons in the Far East. In addition, 2.7 mln tons of refining capacity has been set up in Equatorial and Sub-Saharan Africa. Crucially, another 10.6 mln tons of raw sugar refining capacity is expected to come up worldwide over the next few years.
- Bangladesh's sugar refining capacity has grown tremendously over the past few years. Meanwhile, production of sugar from locally grown cane by the country's 14 sugar mills managed by the state-run Bangladesh Sugar and Food Industries Corp has been recently static at less than 1,00,000 tons a year. There are currently seven autonomous sugar refineries in the country, with several of them having started operations only since 2011. The refineries have a combined annual refining capacity of 3.8 mln tons. As a result, using fully the overall existing refining capacity would allow the country to re-export large volumes of refined sugar after covering domestic consumption. However exports are also subject to government regulation. The government in early 2010 implemented a ban on sugar exports, which was only lifted in October 2012. Still, even after the change in policy, refiners have had to take permission from the Ministry of Commerce for each consignment.

- In India, since 2008, two large refineries at Haldia and Kandla ports owned by Renuka Sugars have started operations. Current refining capacity at India's existing two port refineries is 1.5 mln tons. The raw sugar is sourced mainly from Brazil. These operations have also affected the white sugar trade flows from India. India currently applies a duty of 15% on import of sugar, which is waived under the advance licence scheme for re-exports.
- With the arrival of another two refineries, India's overall autonomous refining capacity is estimated at about 2.4 mln tons. There are two port refineries under construction in India with a joint annual refining capacity of 900,000 tons. In 2011 a joint venture between Simbhaoli Sugars and ED&F Man Holdings announced the construction of a ₹ 2.5 bln refinery located in Kandla with a daily capacity of 1,000 tons or around 3,00,000 tons of sugar a year. Simbhaoli Sugars will have a 57.5% stake in the joint venture company, called Uniworld Sugars (USL), while ED&F Man will have the remaining shares. This will be the second sugar refinery in Kandla after that operated by Renuka.
- E.I.D.-Parry hopes to start operating a 2,000 tonne-a-day or 600,000 tonne-a-year sugar refinery in Kakinada in Andhra Pradesh on the east coast in the first half of 2014. The refinery Silkroad Sugar Pvt Ltd is a subsidiary of the Murugappa Group. The project had an initial stake from Cargill Asia Pacific, which exited the venture by selling its shares to E.I.D-Parry in late 2012.
- Only a tiny fraction of Sri Lanka's sugar consumption, currently estimated at 7,00,000 tons, is produced locally, and the country has been traditionally one of the largest importers of white sugar from the world market. In 2012, a sugar mill that also refines imported raws was re-opened near the east coast at Hingurana after having been idle for 15 years. The estimated annual refining capacity of this plant is around 50,000 tons.
- Further, Sri Lanka's first large scale autonomous refinery is set to open next year (2014) at the Southern port of Hambantota. The new plant belongs to Renuka Sugars and estimated refining capacity will be around 6,00,000 tons a year. The USD 220 mln project has been made upon an agreement between Renuka Sugars and Sri Lanka's investment arm, the Board of Investment.

SUGAR PRICES

- Surplus fundamentals are likely to keep sugar prices under pressure in the world market for one more season i.e. 2013-14.
- Domestic prices have continued to fall in the world's top consumers, including India and Brazil. In the EU, prices have started to cool, after trading at historical highs earlier in the year. In Russia, prices are flat in USD but show some modest gains in local currency. In the US, domestic refined sugar prices fell to a 5-and-a-half-year low in July, 2013.
- The US Dollar has strengthened significantly against the currencies of most of the world's largest sugar exporters over the past 6 months: by 16% relative to the Brazilian Real (BRL); and 14% against the Australian Dollar (AUD) and Indian Rupee (INR). The strong depreciation of the BRL is boosting the value of sugar exports from the world's top sugar supplier, which have risen in local currency despite the fall of world sugar market prices in USD over the past 6 months.
- At the beginning of May, the spot price for raw sugar (the ISA daily price) was about 18.0 cents/lb but it steadily declined to 16.51 cents/lb on 16th July 2013, a level which had not been seen for three years since July 2010. Then, world prices showed some signs of recovery on the back of concerns about frost-related damage to the cane crop in Brazil, the world's leading sugar producer and exporter, but drifted below 17cents/lb in the second half of August. In terms of monthly averages, the ISA daily price decreased in May to 17.62 cents/lb from 17.80 cents/lb in the previous month and further to 17.09 cents/lb in June and 16.84 cents/lb in July. The average for the month of August was 17.20 cents/lb.
- White sugar prices (the ISO White Sugar Price Index) followed a similar pattern. After reaching a multi-year low at USD 462/tonne (20.97 cents/lb) in mid-July, prices has varied between USD 480/tonne (21.78 cents/lb) and USD 498/tonne (22.59 cents/lb) in August. On a monthly basis, prices decreased in May to USD 482/tonne (21.87 cents/lb) from USD 500/tonne (22.72 cents/lb) in the previous month, remained practically unchanged in June (USD 483/tonne or 21.91 cents/lb) and drifted further down to USD 477/tonne (21.86 cents/lb) in July. The average for the month of August was USD 489/tonne (22.19 cents/lb).
- Production in Brazil, Thailand and India would be key drivers of sugar prices in future. Export of surplus sugar by India will play a decisive role.
- Thailand is coming up as a major exporter of sugar after Brazil due to vast capacity expansion. For the coming season 2013-14, Thailand is likely to export as much as 7.62 mln tons.

INTERNATIONAL SCENARIO IN A NUTSHELL

- Two or three countries play decisive role although sporadic surprises sprung by some countries have challenged the balance.
- Thailand to be a major exporter. Gains in Brazil are coupled with better production prospects in China and Australia.
- Weather in Brazil holds the key for cane yield and cane quality in Brazil.
- Depreciation of Brazilian and Indian currency to play key role in the international trade.
- India expected to have bumper sugar production of 25 mln tons for the year 2013-14.
- Expectation of global surplus of sugar estimated at about 4.5 mln tons in 2013-14 has softened the sugar prices in the world market. Huge stock of sugar from India has further aggravated the problem.
- Trade focus in the world market is likely to shift towards raw sugar as compared to whites in view of the large refining capacity in the pipeline.
- Macro factors will have the potential to destabilize the market. The attitude of funds could drive the prices up or pull the same down. This is notwithstanding the market fundamentals.

WORLD SUGAR BALANCE

(Estimated Figure in Mln Tons)

Particulars	**2010-11**	**2011-12**	**2012-13 (Est.)**	**2013-14 (Est.)**
Production	163.4	173.5	182.96	180.83
Consumption	160.8	168.3	172.70	176.33
Surplus/ (Deficit)	2.7	5.2	10.26	4.50

(Source: I.S.O.)

- Production to fall 2.13 mln ton in 2013-14 as compared to previous season.
- Consumption to increase by 3.6 mln ton in 2013-14.
- After three surplus years, 2013-14 is again a surplus year but surplus quantity is much lower as compared to previous years.
- Above three factors likely to support the fundamentals for world sugar market as compared to previous season but excessive statistical surplus from India may soften the prices.
- Record higher output in Brazil and Thailand to add surplus in the world market.
- Surplus fundamentals to keep world prices under pressure but it will be less as compared to previous year.

INDIAN SUGAR INDUSTRY

- India is the world's largest consumer of sugar and the second largest producer of sugar after Brazil. The sugar sector is having dense penetration with all types of players in public, private and co-operative sectors with over 650 sugar mills and with presence of both organised and unorganised players in sugar sector. The industry is highly fragmented with no single player dominating the scene. Of late, about 2.4 mln tons raw sugar refining capacity is coming up in India alone.
- The sector's activity is not merely confined to sugar production but it also extends to the cogeneration of 5,000 MW of power and 4 billion litres of rectified spirits / alcohol. Besides sugar companies generating power are eligible to receive Renewal Energy Certificates (REC) for captive power consumption. These certificates can be traded on power exchanges. While carbon credit is available for power sold, RECs will be available for captive power consumption. The crux though in both cases is reduction of carbon emission.
- Sugar industry is gripped with a plethora of problems. Rising input costs coupled with near stagnant selling prices have engulfed the industry in a vortex of problems. The sugar industry is a highly cyclic industry and is also a highly regulated one. While sugar distribution has been decontrolled with effect from April 2013 following the abolishment of the regulated releases mechanism and levy sugar obligation, sugarcane prices, unlike any other cash crop continue to be dually regulated by the central and state governments.
- Although the removal of much awaited release mechanism and removal of levy sugar obligation are expected to provide some relief to the sugar mills, the larger issue of sugarcane pricing remains unresolved. With the intention of ensuring profitability of sugar mills and stability of farmer revenues, the Rangarajan Committee recommended abolishing State Advised Prices and sharing 70 per cent of the revenues from the sale of sugar and its major by-

products with farmers. The government is, however, yet to implement this recommendation. Linking sugarcane prices to the prices of end-products is vital for sustenance of the sugar sector. This will also help in reducing the extent of volatility in sugar production by enabling more efficient transmission of price signals to farmers so that they may be able to plant the crop accordingly.

- However, central government in April 2013 advised respective state governments to implement revenue sharing model for determination of cane price. Karnataka state has already passed The Karnataka Sugarcane (Regulation of purchase and supply) Act, 2013. It provides for the formation of a Sugar Board consisting of representatives from the farmers, sugar mills and the government. The board shall meet at least thrice in a year, before commencement of crushing, after closure of crushing and at the end of sugar season to decide sugarcane prices on revenue sharing basis taking into consideration actual revenue realised from sugar, bagasse, molasses and press mud. Maharashtra state is also in the process of framing a new law for linking cane prices with end product prices. Meanwhile, other sugar producing states have not taken any steps in this regard.
- The fundamentals of the sugar industry globally are not very strong, similar position is there in the domestic market. Due to bearish trend in the world market, India has not been able to achieve the desired level of sugar exports. India could hardly export about 3.4 lakh ton sugar in the season 2012-13 against 34 lakh tons in the previous season. After removal of release mechanism and compulsion to pay high sugarcane prices resulted into lower sales realisation much below the cost of sugar production. Beside that continuous sugar imports due to lower price in the international market, have further aggravated the problem of the sugar industry.
- In the sugar season 2013-14, sugar output is expected to be about 25 mln tons as against the estimated consumption of 23 mln tons, besides a carryover stock of about 8.85 mln tons from the previous season, making the sugar stock balance totally skewed against the industry. Besides industry does not have any respite in the matter of sugarcane pricing. Unfortunately the polices of Central Government aimed at pegging the sugar prices at lower levels in conjunction with the policies of State Government aimed at rewarding the farmers with highest possible price for sugarcane, regardless of the economics of sugar mills, has brought the industry to a stage of flux where it has not even the foggiest idea about the course of future events.

INDIA SUGAR BALANCE

(Estimated Figures in Lakh Tons)

Particulars	2012-13	2013-14
Opening Stock	61.29	88.48
Production	251.42	250
Imports	7.25	-
Total availability	319.96	338.48
Consumption	228.0	230
Export	3.48	40
Total off-take	231.48	270
Closing Stock	88.48	68.48

*The period covered above is October to September sugar season

- Prospects of 2013-14: About 250 Lakh tons sugar production against a consumption of 230 Lakh Tons.
- High cane price in previous 3 seasons has provided booster dose to area under sugarcane.
- It is estimated that the total acreage under sugarcane available for the crushing in the sugar season 2013-14, will be about 51.50 lakh hectares, which is about 1.52% less than last year of 52.30 lakh hectares.
- Carryover stocks from the previous season vis-à-vis unabated import of cheap foreign sugar have depressed the domestic sugar prices, much lower even as compared to production costs.

CRUSHING SEASON 2012-13 – HIGHLIGHTS

- ✓ Sugar production 25.1 mln tons as against 26.3 mln tons in the previous crushing season
- ✓ Higher area under sugarcane partly responsible for increase in production
- ✓ Higher sugarcane price resulted in lower diversion to unorganized sectors
- ✓ 10% Levy sugar obligation abolished from the season 2012-13.
- ✓ Sugar prices continued to remain depressed in the domestic market due to excessive sale amidst record high cane price.

DOMESTIC SUGAR PRICES

- The sugar prices remained subdued and range-bound. Throughout the year price of free sale sugar hovered in the band of ₹ 2,800 to 3,200 per quintal and are currently ruling at about ₹ 2,900 per quintal which are far below the cost of sugar production.
- Bulk sugar demand, largely from cold drink and ice cream manufacturers, is seen weakening as these buyers stay away from large purchases due to volatile situation.
- Sugar exports are estimated at about 3.4 lakh tons in the season 2012-13 against 34 lakh tons in the previous season. Sugar imports estimated at 7.25 lakh tons worsen the situation further.
- Comfortable stock levels revved by slow exports drove the prices southwards. From the perspective of sugar mills prices prevailed below breakeven levels for more than 3 years in a row.
- This has resulted into heavy losses and accumulation of all time high cane price arrears.
- In view of this, sugar mills are having excessive pressure to clear cane price arrears.
- Of late, the Government of India has come forward with a Scheme for Extending Financial Assistance to Sugar Undertakings vide its Notification dated 3rd January, 2014 to grant five year loans equal to three year's excise duty plus cess to clear the cane price arrears.
- Meanwhile, the Government is also considering granting some WTO compatible support measures to boost sugar export.
- It is tad ironical that India, in spite of being the largest sugar consuming nation and the second largest sugar producing nation, has a continuously bleeding sugar industry.

LOW DOMESTIC VIS-À-VIS INTERNATIONAL PRICES

- As of now, world market prices have shown significant strength despite a still widely expected global surplus in the 2013-14 season. At the end of August, 2013 the spot price for raw sugar (the ISA daily price) was as low as 16.68 cents/lb but steadily improved to about 18.90 cents/lb by mid-October on the back of concerns about unfavourable weather conditions in Brazil, continuing large-scale imports by China and a high number of net long future positions held by speculators in ICE, New York.
- Then, there was a strong market reaction to a devastating fire at a Brazil's Santos sugar export terminal. The fire, which broke on 18th October, not only destroyed about 2,00,000 tons of sugar at Copersucar's terminal, but also may affect Brazil's shipping capacity over the coming months. On 22nd October the ISA daily price reached 19.23 cents/lb, the highest daily quotation since 1st January 2013. Prices have failed, however, to consolidate above 19.00 cents/lb and by 12th November the ISA daily price retreated to 17.74 cents/lb.
- The ISO White Sugar Price Index has varied between USD 469/tonne (21.29 cents/lb) and USD 514/tonne (23.32 cents/lb). The period is also characterised by a significant reduction of the nominal white sugar premium.
- Presently the international prices are rather subdued. Higher production estimates from Brazil, Thailand, Australia, China & Russia has dampened the international sugar price.
- Price arbitrage opportunity seems to be frittered away as the world sugar market prices have come down heavily.
- Meanwhile, domestic prices also do not offer any leeway due to excessive pressure to clear the cane price arrears amidst excessive sale of sugar in the domestic market.

SUGAR INDUSTRY IN UTTAR PRADESH, PERENNIALLY IN PROBLEM

The industry is one of the largest in the State and in a State starved of Industrial development is the fulcrum around which the growth of the State depends. The industry in the State has a good mix of players from private, public and Co-operative Sector. The sugar mills in the State face exceptional challenges as compared to their peers in the State of Maharashtra and other Southern States as:

- Mills in UP pay SAP for sugarcane which historically is significantly higher than the FRP paid by sugar mills in Western/Southern States.
- On account of agro-climatic conditions, the recovery is several notches lower than the recovery recorded in Maharashtra. Average recovery in Maharashtra is impressive 11.5% and above whereas the same is around 9.1% in UP.
- Average crushing days are about 100 to 150 days in U.P. as compared to 175 to 200 days in Maharashtra and Southern India. Besides, U.P. has about 2,00,000 TCD excess capacity which cannibalised on account of the incentive policy announced by the then Government in 2004. The policy was however scrapped by the

incumbent Government. Excess capacity has not only reduced the number of crushing days, but has resulted in mills competing with one another for their cane requirement. In other words, mills in Maharashtra and Southern India have much better asset turnover ratio and capital employed is more optimally utilised.

- Land holding in the State of Uttar Pradesh is highly fragmented. Use of advanced scientific farming practices is therefore beyond the means of farmers in Uttar Pradesh. Agro-climatic conditions are also not very favourable. Consequently yield at farm level is sub-optimal.
- The price received by sugar mills in Maharashtra for sale of power to the State grid is higher than price received by their peers in the State of Uttar Pradesh.

UTTAR PRADESH – CRUSHING SEASON 2012-13 - A BIRD'S EYE VIEW

- Increase in State Administered Price (SAP) to ₹ 280 per quintal for the general variety from ₹ 240 per quintal in the season 2011-12, a whopping increase in excess of 17%.
- Recovery fractionally lower than the recovery recorded in the previous season
- Production of sugar 74.85 lakh tons as compared to 69.74 lakh tons produced in the previous crushing season due to increase in cane price and cane area.
- Many mills operated at sub-optimal capacity.
- Multiple barriers on sale of molasses adversely impacted the top-line and cash-flows of sugar Companies.

SEASON 2013-14

- It is estimated that Uttar Pradesh will have record high sugarcane acreage in this season, which is about 3% higher than last year.
- Production of sugar is estimated to increase by 5% to 78 Lakh Tons in the season 2013-14.
- Despite having huge sugarcane arrears of about ₹ 2,400 crores in mid November, 2013, substantially higher sugarcane prices in comparison to other competing crops in Uttar Pradesh like wheat and paddy, has not only kept the farmers interested in sugarcane in the season 2013-14, but also attracted more farmers from other crops.
- The Government of U.P. has declared the SAP for the season 2013-14 at last years' level on 20th November, 2013 which is ₹ 27,52,80,290 respectively for rejected, general and early varieties. In 2011-12, a price of ₹ 240 per quintal was announced for the general variety of sugarcane as compared to ₹ 205 per quintal in 2010-11.
- Over the last few years, the increase in sugar prices has not kept pace with the increase in cane prices. While average sugarcane prices paid by mills in U.P. (SAP) increased at a CAGR of 19% over the last 3 years vis-à-vis 2% rise in sugar prices.
- Sharp increase in cane price in U.P. without any linkage with sugar prices has resulted into heavy losses during the past 3 years.
- Sugar industry in the state suffered a loss of about ₹ 3,000 crores in the season 2102-13 and at the current SAP and current sugar prices of about ₹ 2,900 per qtl, losses have been estimated at about ₹ 5,000 crores in the season 2013-14.
- Due to continuous losses mills expressed their helplessness to clear the arrears of about ₹ 2,400 crores from the previous season for the reasons beyond their control.
- With unpaid cane price arrears of about ₹ 2,400 crores from the previous season to be cleared this season and the lower paying capacity now, the announcement of a similar unviable cane price as of the previous year will only lead to unprecedented cane price arrears crossing ₹ 12,000 crores in March, 2014.
- This SAP for the current season is unviable and much beyond the ₹ 225/- per qtl of cane price paying capacity of the sugar industry in U.P. At these prices, it is extremely difficult to convince banks to grant further loans or enhance the working capital limits so that industry may be in a position to carry on the crushing operations in the current season 2013-14.
- Though sugar industry had been continuously informing the State Government about its cane price paying capacity, which is worked out to be ₹ 225/- per qtl for the season 2013-2014 based on the current sugar price to enable the mills to start their operations, yet the state government directed the sugar mills in Meerut, Moradabad and Saharanpur Divisions to start crushing by 25th November, 2013 and by 30th November, 2013 in rest of the U.P.
- On 19th November, 2013, the industry association as well as most of the mills in the state submitted the notices of suspension of operations in the current season until the SAP is brought down to ₹ 225 per qtl of cane i.e. in accordance with the current paying capacity of the mills as per established formula.

- Despite that the state government declared an unviable SAP at last year's level on 20.11.2013 and said that it is likely to take a stricter route against the mills which are unable to start crushing operations within the stipulated time as also for the recovery of cane price arrears pertaining to previous season.
- Sugar industry in the state again clarified that in case a viable and affordable sugarcane price is not declared by the government in accordance with the paying capacity of the sugar mills linked with the sugar sales realisation as recommended by the Rangrajan Committee, they are not in a position, within their constitutional and legal rights, to apply for and or accept any cane reservation and to commence the crushing operation of the Sugar Mills on heavy losses as being contemplated/directed and shall be constrained to proceed for suspension of operations of the Units for the reason beyond their control as they cannot continue to bear and suffer the recurring losses and operate the mills under financial crunch.
- Due to continuous losses to the sugar industry, it has been regularly representing to the Government to rationalize the cane price based on a well proven revenue sharing formula as also to grant certain immediate reliefs for the survival of the sugar sector.
- Linking sugarcane prices to the prices of sugar and primary by products is critical for sustenance of the sugar industry in the long term.
- State of Karnataka has already passed an Act to decide sugarcane price on revenue sharing basis and Maharashtra state is also in the process of enacting the new law. Recently, many sugar producing states have granted various reliefs to the ailing sugar sector. Karnataka state has reduced the sugarcane price for the current season. It will give 1st payment ₹ 200/- plus harvesting and transportation charges keeping in view the steep fall in sugar prices. Gujarat pays the cane price after deducting processing, labour and administration charges from the total sugar sales realisation. Therefore, at the prevailing sugar prices, the average procurement price of cane in Gujarat is likely to go down. After all the sugar mills of UP will have to withstand the competition with the mills of other States as sugar is produced in the select states but it is consumed throughout the country. Moreover, a level playing field is also required to ensure business viability.
- Meanwhile, the state government of U.P. issued the unilateral sugarcane reservation orders without declaration of the cane price and in the absence of the company representatives. Matter is sub judice and is being considered by the Allahabad High Court.
- The matter challenging the constitutional validity of arbitrary fixation of higher SAP each year by various state governments for hearing by the 7 Judges Constitution Bench was listed on 19th November, 2013 in the Apex Court wherein it has been ordered that the matter will now be listed in February, 2014.
- It is high time that the Government announces a cohesive sugar policy so that industry players can in turn formulate their own hedging strategies so as to avoid the unnecessary litigation each year and divert the capital so saved to other fruitful activity in the interest of all the stake holders.

CURRENT POSITION

- Currently, the interests of major stakeholders in sugar sector viz. the sugarcane farmers and sugar mill owners are not in sync with one another to pricing of cane this year. This is happening in varying degrees across all sugarcane growing states, but most prominently in Uttar Pradesh. While farmers are seeking that sugarcane price be fixed at higher levels, the millers are not even in a position to afford the existing prices of cane, as sugar prices are significantly lower than last year's and even much lower as compared to production cost.
- The sugar industry is facing the double whammy of mounting sugarcane arrears, which it is under tremendous pressure to clear and the daunting prospect for the season 2013-14 at unaffordable sugarcane price.

THE WAY OUT

- Sugar sector is facing the worst ever crisis at present and there seems to be no way out.
- With current sugar prices at about ₹ 2,900 per quintal, the estimated cane price paying capacity would be ₹ 225 per quintal.
- Cane price beyond this level will cause heavy losses and further accumulation of cane price arrears.
- At current sugar prices and the SAP declared by the state government recently for the current season, a loss of ₹ 6 per kg of sugar is imminent.
- As an immediate solution, the difference between the SAP and the estimated cane price based on sugar sales realisation may be borne by the state government in view of the larger interest of millions of sugarcane farmers and contribution of the sugar industry to the state economy. Earlier, Central Government made similar recommendation when concept of FRP was introduced in the season 2009-10.

- Moreover, various state governments are traditionally used to meet the losses incurred by their corporate and cooperative sugar mills, whereas private mills are deprived of such benefit, even in the extreme circumstances, which is grossly unfair. The state governments must come forward to extend the helping hand even to the private units especially during the testing times as SAP is their price and they should better look after their own social perspective.
- Meanwhile, other controls on the byproducts such as reservation of molasses for country liquor in the state etc. needs immediate removal.
- The central government may also be requested to create a buffer stock, provision of soft loans, waiving of the excise and additional excise duty, complete restriction on sugar imports, conversion of excess sugar to ethanol, according priority to production of raw sugar by the mills near to the ports and production of raw sugar exclusively by the factories having their own refineries, facilitation of fair prices to major by products of sugar industry such as cogenerated power and ethanol and increase in the blending ratio of ethanol to petrol etc.
- But in the long-run, the stakeholders have to realise that it would be in their best interest to go for the Revenue Sharing Formula for the cane price, which will be transparent and stable for the sustenance of the largest agro processing industry.
- Else, every other year, they will face difficulty in fixing cane prices, increasing uncertainty, risk of being a perennial importer of sugar at higher cost, thereby affecting the interest of all stake holders including millions of farmers and consumers and thereby restricting the potential growth of this important sector.

COMPLETE DECONTROL

- In April, 2013, the central government took a decision to partially decontrol sugar sector, whereby the government removed the levy obligation from the sugar season 2012-13 and dispensed with the regulated release mechanism with immediate effect.
- Although the removal of much awaited release mechanism and removal of levy sugar obligation are expected to provide some relief to the sugar mills, the larger issue of sugarcane pricing remains unresolved.
- With the intention of ensuring profitability of sugar mills and stability of farmer revenues, the Rangarajan Committee recommended abolishing SAP and sharing 70 per cent of the revenues from the sale of sugar and its major by-products with farmers. The government is, however, yet to implement this recommendation.
- Since, the farmer is the major stake holder in the sugar sector and he is like a small business man, he should derive the benefit of price rise i.e. profit sharing and also bear the losses when the situation so arises. This is possible when the cane price is linked to sugar sales realisation as suggested by the Rangarajan Committee.
- At the same time, the government also advised respective state governments to implement revenue sharing model for determination of cane price. Karnataka state has already passed The Karnataka Sugarcane (Regulation of purchase and supply) Act, 2013 to decide sugarcane prices on revenue sharing basis taking into consideration actual revenue realised from sugar, bagasse, molasses and press mud. Maharashtra state is also in the process of framing a new law for linking cane prices with end product prices. Meanwhile, other sugar producing states have not taken any steps in this regard.
- Major sugar producing and exporting countries are following such practice and on the basis of the same, their sugar sector has grown exponentially. Brazil, Thailand and Australia are good examples, which have become major producers and exporters of sugar by adopting such transparent policies, which are largely driven by economic rather than politics.
- India has the huge potential and can totally transform the crisis ridden sugar sector to not only cater to the domestic market but also tap the huge refining capacity coming up in the Indian Ocean region and earn a lot precious foreign exchange through fine tuning of policy measures and linkage of cane price to the sugar sales realisation and realisation from other primary by products like molasses, bagasse and press mud.
- Linking sugarcane prices to the prices of end-products is vital for safeguarding the long-term financial health and sustenance of the sugar sector. This will also help in reducing the extent of volatility in sugar production by enabling more efficient transmission of price signals to farmers so that they may be able to plant the crop accordingly.
- In other words, Complete Decontrol of the sugar sector would eventually benefit all the stake holders including millions of farmers and consumers as there would be all round efficiency.

OTHER CHALLANGES

Sugar mills face yet another big challenge. Rejected and low recovery variety of sugarcane is still thriving in the command area of many mills. It will require gigantic effort on the part of sugar mills to eradicate such variety. Some help from the State Government is also required. Cane price for rejected variety needs to be frozen with immediate effect and or the price gap between rejected and normal variety needs to be widened so as to encourage the high sucrose varieties.

To improve the yield and recovery, new varieties need to be cultivated and promoted and the cane price needs to be linked with sugar contents and recovery in order to curtail the losses and reward the efficient farmers for their input costs.

Further, the cane price needs to be declared much in advance before sowing of the next crop so that farmer may take an economic decision to plant the crop accordingly.

ETHANOL

Ethanol is produced from molasses, a by-product generated by sugar industry. It is blended with gasoline and used as an automotive fuel. Ethanol usage can address the energy needs of the nation and resultantly foreign exchange reserves of the nation can be more gainfully deployed. While ethanol is a derivative product for Indian Sugar industry, it is besides sugar, the main product for the Brazilian Sugar industry. But unlike Brazil or US, ethanol blending program is yet to gain momentum in India due to conflicting interests of various users like oil industry, liquor industry and chemical industry. Consequently there is flip-flop and the ethanol blending program is lying in a state of virtual inertia.

The government's revamped ethanol policy made it mandatory for oil marketing companies (OMCs) to blend 5% ethanol nation-wide by June 2013 and scrapped the long-standing regulated procurement price for ethanol of ₹ 27 per litre ex-distillery. Instead, the price is now determined by the market. Even though the OMCs issued first tender early in 2013 to buy ethanol for a nation-wide E-5 blend (around 1 bln litres) by the end of June, the attempt to source sufficient product failed. The main reason was that efforts to procure ethanol had come too late. The sugar season in India starts in October by which date most of the molasses supplies have already been committed. As a result, a tender issued by the OMCs in the first quarter of 2013 attracted only little interest. The new tender for 2013/14 (December/November) had a much better timing and interest was reportedly much higher. Various producers and suppliers of ethanol submitted bids between ₹ 38 and ₹ 49 per litre. The price level compares with ₹ 48 per litre for extra neutral alcohol (ENA) grades and ₹ 40-42 for industrial grades. Roughly 600 mln litres were offered, less than half of the tender floated by the OMCs on July 22, 2013 for 1.33 bln litres.

Meanwhile, the Competition Commission of India has dismissed a complaint filed by the chemicals and liquor producers against the sugar sector and the OMCs asking for a halt in fuel ethanol procurement under the previous tender. The beverage and chemicals industries fear that non-fuel ethanol supplies would suffer from the fuel ethanol program and that ethanol prices would go up as a result.

CO-GENERATION

India is short on power capacity. Indian sugar industries have traditionally been practicing cogeneration of power by using bagasse as fuel. The Indian sugar industry has capabilities to produce 5,000 MW of power through cogeneration which can be scaled up. Apart from the captive consumption, the surplus power generated can be sold / traded which can assist the sugar industry to improve its viabilities and diversify its business model, besides help mitigating the energy crisis in the Country. The sugar industry in India has woken up and realised its potential to generate power. However there are many sugar mills which for obvious reason are still using the old, rundown, inefficient boilers & turbines. Resultantly the power generation is far below its potential. The need of the hour is to upgrade boilers to high pressure boilers, use efficient turbines and automate the process so that steam usage is economised, power generation maximised and revenues optimised.

The Central Electricity Regulatory Commission (CERC) is the central body which regulates the various aspects of generation and supply system at national levels. Besides CERC, there are State Regulatory Commissions in each and every State to deal with the aspect of tariff and regulation of generation, supply and distribution of energy. No State has so far allowed open access; electricity cannot be exported outside the State. There is a need to provide open access to all suppliers and tariffs for cogenerated power must be fixed on long term basis at par with other states and also at par with other renewable suppliers such as solar power etc. Trading of energy in form of Renewable Energy Certificates is allowed since 2010 for which CERC as well as the State Electricity Regulatory Commissions have promulgated various regulations. There were multiple hurdles in Uttar Pradesh which have now been cleared and it is expected that the Sugar industry in Uttar Pradesh should now be able to trade the REC's.

DWARIKESH – NUMBER CRUNCHING:

Salient features of the crushing operations in Dwarikesh are listed herein under:

- Sugarcane crushing marginally higher
- Production of sugar up by 4.11% in all the three plants over the last year
- Recovery of sugar marginally higher at all the three plants i.e. DN, DP & DD
- Satisfactory utilisation of Co-generation capacity

Particulars	2012-13	2011-12	% Change
Crushing (Lac/Quintals)	242.60	237.08	2.33%
Recovery (%)	DN – 10.32 DP – 10.00 DD – 9.15	DN – 10.16 DP – 9.73 DD – 9.09	
Production (Lac/Quintals)	23.81	22.87	4.11%

In totality, crushing and production was in line with the expectation and was quite comparable at all the three units. DN plant maintained its highest standards of manufacturing efficiencies and clocked the best recovery in the State. Recovery at DD plant is still lower and is a cause of concern.

Massive cane development efforts have been embarked upon in the Command Area of DD unit that are aimed at bringing varietal change, planting of more and more sugar cane and better farming practices. Efforts are aimed at not only increase the area under sugarcane cultivation, but also to incentivise farmers to shift from rejected varieties to better varieties. There has been gradual reduction in the area under cultivation of rejected variety and it is expected that in a couple of years crushing and recovery at DD plant would improve by leaps and bounds.

UNIT-WISE PERFORMANCE:

Particulars	DN	DP	DD
Crushing(Lac/Quintals)	77.30	83.90	81.39
Recovery (%)	10.32	10.00	9.15
Total Losses (%)	1.83	1.81	1.92

The process losses recorded at DN and DP unit are among the lowest in the sugar industry in Uttar Pradesh. Recovery clocked at DN plant is the highest in the State of Uttar Pradesh.

Cogeneration		
		Lac/₹
Power Exported	**2012-13**	**2011-12**
DN	1,074	1,016
DP	2,789	2,641
DD	3,318	3,659
Total	**7,181**	**7,316**

Performance at DN & DP improved marginally. However suffered in DD unit owing to technical reasons

FINANCIAL SCORE CARD:

₹ In lacs

Particulars	2012-13	%	2011-12	%
Net Sales	92,761	100.00	69,860	100.00
EBIDTA	7,183	7.74	9,611	13.76
EBDTA	127	0.14	1,725	2.47
EBT	(3,192)	(3.44)	(1,564)	(2.25)

Depressed sugar market conditions impacted the prices. While the year started on a positive note with sugar prices at reasonable level, it started sliding thereafter on the back of higher global production of sugar and estimates of higher production in India. The State Government of Uttar Pradesh announced a very high and unaffordable SAP of ₹ 280 per quintal. Melange of high cost of sugarcane and lower price of sugar played havoc with the economics and the bottom-line of most sugar companies in Uttar Pradesh. Mismatched raw material price and finished product dented the profitability of the Company.

Notwithstanding the loftiest standards of efficiency followed by the Company and notwithstanding the highest recovery recorded in North India, EBIDTA margin registered a decline. The bottom-line of the Company is also under stress because of higher interest cost. In spite of several odds the Company has managed to earn minuscule cash profit during the year.

ACCOUNTING POLICIES

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The significant accounting policies followed by your Company are stated in Schedule ‘A’ & Schedule ‘B’ - Significant Accounting policies and notes on accounts forming part of the annual report.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has in place an adequate internal control system in order to ensure that all transactions are authorized, recorded and reported correctly and that all assets are protected against perils of unauthorized use or disposition. Towards enhancing the efficacy of internal controls, services of external consultants are hired. Their suggestions are reviewed and implemented. Your Company also periodically reviews its business processes with a view to fine tune them.

Your Company also has in place an Internal audit system, whereby an independent professional firm of Internal Auditors conduct regular audits across the Company and their scope and findings are reviewed by the Management and Audit Committee on a regular basis.

The Audit Committee of the board also meets periodically to review the internal controls, internal audit findings, action taken reports and to advise Management on corrective policies, if necessary.

HUMAN CAPITAL:

Your Company recognizes the importance of human capital and is in the process of building a strong talent pool which would provide it with the competitive edge. Your Company has started series of initiatives for talent acquisition and retention.

Skill mapping and matching is done on a continuous basis. Assessment of training and development needs of the employees is carried out at the time of performance appraisals and the training programs are then designed to bridge gaps, if any. Key Result Areas of employees are determined and their performance evaluated accordingly.

The industrial relations continued to be cordial with spirit of bonhomie and camaraderie prevailing among the rank and file of employees. Your Company employed a total of 1624 employees during the year.

Risks & Concerns:

Raw material risks

The risk could be of farmers switching over to other cash crops, diversion of sugarcane to unorganized sector, adverse weather conditions causing erosion in yield and consequently supplies to the mills and most importantly the risk of State Government mandating arbitrarily high prices of sugarcane.

Sugar Price Risk

Volatility in the sugar prices on the back of wildly oscillating sugar production.

Regulatory risks

Sugar Industry operates in a highly regulated environment. Any change in the Government policy could impact the sugar industry and your Company.

As part of our business strategy we are constantly expanding. Our strategy of expansion exposes us to risks such as cost over runs of the project, delay in implementation of the project leading to strain and stress on the financial position of the Company.

The Company has in place mechanism to inform the Board Members about the Risk Assessment and Minimization procedures and periodical reviews, to ensure that the risk is controlled by the Executive management through the means of a properly defined policy.

1. Raw material risk: lower cane realization may prompt farmers to shift to alternate crops, threatening Company's significant investment in assets and infrastructure.

   Risk mitigations:

   As a focused producer, the Company has invested in enduring farmer relationships through the following initiatives:

   a. Educating the farmers on advantages of growing sugar cane.
   b. Provision of high yielding seeds, cane disease management, timely payment of cane price, etc.
   c. Encouraging the farmers to grow more sugar cane and making cane cultivation attractive.
   d. Providing subsidies to plant better variety of Sugar cane.
   e. Intercropping of cane with other crops to increase the returns to poor farmers.
   f. New irrigation techniques to save water and allow proper drainage.
   g. Mechanisation for sowing and cutting of crops

2. Sugar Price Risk: There is volatility in the sugar price on account of oscillating sugar production.

   Risk Mitigations:

   The company has sizable capacity of power cogeneration. Thus company is de-risking its business to address to the problems of volatility in sugar prices. The Company is also planning some hedging strategies so as to capture the upside in the volatility in the global sugar prices in its revenue stream.

3. Political and regulatory risks: Sugar is one of the industries still to be fully liberalized. The government still stipulates the minimum cane price that the sugar companies should pay to the farmers. Unlike any other cash crop, cane price is dually fixed by central and state governments.

   Risk mitigation:

   This is a systematic risk which cannot be alleviated unless the industry is completely decontrolled. Way forward is complete deregulation of sugar industry and consolidation of the industry.

CAUTIONARY STATEMENT

The statements in the Management Discussions & Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. As these statements are based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global or domestic demand and supplies, political and economic developments in India or other countries, government regulations and taxation policies, prices and availability of raw materials, prices of finished goods, abnormal climatic and geographical conditions, etc. The Company assumes no responsibility in respect of forward looking statements that may be revised or modified in the future on the basis of Subsequent developments, information or events.

DIRECTOR'S REPORT

The Members of the Company,

Your Directors take pleasure in presenting their Twentieth Annual Report together with the audited accounts for the year ended 30th September 2013.

1. FINANCIAL RESULTS

	₹ in lacs Year ended 30.09.2013	₹ in lacs Year ended 30.09.2012
Gross profit before depreciation, interest & tax	**7,182.82**	9,610.93
Less: Depreciation	**3,318.52**	3,289.04
Finance Costs	**7,056.09**	7,885.90
Profit / (Loss) before tax and exceptional items	**(3,191.79)**	(1,564.01)
Less: Provision for taxes	**9.98**	---
Deferred tax liability	**(1,265.74)**	(433.47)
Profit /(Loss) after tax	**(1,936.03)**	(1,130.54)
Add: Balance brought forward from previous year	**(3,265.41)**	(2,134.87)
Amount available for appropriation	**(5,201.44)**	(3,265.41)
Appropriations:		---
Balance carried forward to next year	**(5,201.44)**	(3,265.41)

2. DIVIDEND

In view of losses during the year, your directors are compelled to skip dividend on 8% (Series II,III & IV) and 12% (series I) Cumulative Redeemable Preference Shares and also on the Equity Shares for the year.

The dividend on Cumulative Redeemable Preference Shares (both 8% & 12% series) are being accumulated and will be paid in the year of profit.

3. INCREASE IN AUTHORISED, ISSUED, SUBSRIBED AND PAID UP SHARE CAPITAL

The company has increased its' Authorised share capital by creation of 10,00,000 preference shares of ₹ 100 each during the year by creating a new series IV cumulative redeemable preference share by obtaining shareholders approval in Extra Ordinary General Meeting held on March 22, 2013.The Authorised Share capital at present is as follows: The Authorised Share Capital of the Company is ₹ 54,00,00,000/- (Rupees Fifty Four Crores Only) divided in to 1,75,00,000 (One Crore Seventy Five Lac Only) Equity Shares of ₹ 10/- each, 1,50,000 (One Lac Fifty Thousand Only) 12% Cumulative Redeemable Preference Shares of ₹ 100/- each (Series I) and 15,00,000 (Fifteen Lac Only) Cumulative Redeemable Preference Shares of ₹ 100/- each (Series II), 10,00,000 (Ten Lac Only) Cumulative Redeemable Preference Shares of ₹ 100/- each (Series III) and 10,00,000 (Ten Lac Only) Cumulative Redeemable Preference Shares of ₹ 100/- each (Series IV).

4. YEAR IN RETROSPECT

OPERATIONS:

Metrics of sugarcane crushed, sugar produced and recovery achieved during the year is given herein under:

Units	Cane crushed in (Qtl)	Sugar produced in quintals	Recovery in %
Dwarikesh Nagar (DN)	77,30,481	7,97,890	10.32
Dwarikesh Puram (DP)	83,90,189	8,38,650	10.00
Dwarikesh Dham (DD)	81,39,741	7,44,505	9.15
Total	2,42,60,411	23,81,045	

Your Directors are pleased to inform that the recovery recorded at DN plant was the highest in State of Uttar Pradesh.

Performance of cogeneration division: Metrics of power sold:

Unit	2012-13		2011-12	
	Power sold in lac units	Amount in ₹ lacs	Power sold in lac units	Amount in ₹ lacs
DN	262	1,074	255	1,016
DP	648	2,789	628	2,641
DD	772	3,318	869	3,659
Total	1,682	7,181	**1,752**	**7,316**

Performance of Distillery:

During the year 3,431,173 Litres of Industrial Alcohol (previous year 3,809,947 Litres) and 711,883 Ethanol (previous year 576,219) was produced at Dwarikesh Nagar Unit of the Company. In value terms the sale of rectified spirit was ₹ 836.25 lacs (previous year ₹ 852.84 lacs) & sale of Ethanol was ₹ 268.58 lacs (Previous Year ₹ 230.42 lacs).

5. FINANCIAL PERFORMANCE:

Financially, year 2012-13 proved to be one most challenging year in the recent history of the Company and the sugar industry in Uttar Pradesh. The sugar prices were relatively better to begin with. However since January, 2013 they are on downward spiral. Deregulation of the sector on the sell-side and consequent lifting of curbs on the quantity that each sugar mill could sell every month / quarter also accentuated the free fall in the prices. The abolition of levy obligation did provide some succour to the industry. Given the backdrop of higher domestic and international production, sugar prices are now below ₹ 3,000 per quintal with no trace of any early resurrection. However sharp increase in the SAP announced by the State Government from ₹ 240 per quintal in 2011-12 to ₹ 280 per quintal in 2012-13 proved to be catastrophic.

Sharp increase in the raw material price coupled with declining sugar prices had its impact on the bottom-line of your Company. Your Company posted after tax loss of ₹ 19.36 crores as against after tax loss of ₹ 11.31 crores in the previous year. However, your Company did manage to earn minuscule cash profit.

Financial highlights are given below:

Lac ₹

Particulars	**2012-13**	**%**	**2011-12**	**%**
Net Sales	92,761	100.00	69,860	100.00
EBIDTA	7,183	7.74	9,611	13.76
EBDTA	127	0.14	1,725	2.47
EBT	(3,192)	(3.44)	(1,564)	(2.25)

Following analogy can be drawn from the above numbers:

1. EBIDTA in absolute terms as well as in percentage terms is lesser than the EBIDTA for the earlier year. The EBIDTA in absolute terms is lesser by approximately ₹ 24 crores and in % terms is 7.74%, down by more than 6%.
2. The non satisfactory financial results are on account of:
   a. Irrationally high sugarcane price (SAP of ₹ 280 as against SAP of ₹ 240 last year), an increase of more than 16%.
   b. Non commensurate increase in the selling price of sugar. On full year basis the Company realised a price of ₹ 3,151 per quintal on the quantity of sugar sold. This is as compared to an average price realisation of ₹ 2,897 per quintal in the previous year (after factoring for 10% of levy sugar sold at a price of less than ₹ 2,000 per quintal).
3. Net Sales during the year is higher on account of higher quantity of sugar sold. Post deregulation of the sector effective 1st April, 2013, sugar companies were at liberty to sell sugar at any time and any quantity they deemed appropriate depending on their market perception. This resulted in many companies liquidating their sugar stock with a view to shrink their interest burden. The company produced 23.81 lac quintals of sugar as compared to 22.87 lac quintals of sugar produced in the previous year.
4. EBIDTA margin of your Company is lower on account of increase in raw material cost and less than commensurate increase on the selling price of sugar. The dichotomy of the sugar business is that while the price of finished product is market driven, the price of raw material price is regulated by the Government and is always skewed against the sugar mills.
5. Company's efforts to recalibrate its debt profile with a view to augment the cash flows and with a view to rationalise interest costs continues.

6. CANE & SUGAR POLICY:

The main policies of the government in relation to the sugar industry during the year were:

1. The ratio of levy and free sale sugar was 10:90 for the period up to 30th September, 2012 & thereafter levy obligation was abolished pursuant to adoption of recommendations contained in the report of Dr. Rangarajan.
2. The Fair & Remunerative Price (FRP) for the crushing season 2012-13 was ₹ 170 per quintal and the same has now been increased to ₹ 210 per quintal for 2013-14.
3. Chronology of SMP announced by the Central Government on the basis of recovery is given herein under:

Season	SMP/F&RP (₹ Quintal)
2000-01(SMP)	59.50*
2001-02	62.05*
2002-03	64.50*
2002-03 (Revised)	69.50*
2003-04	73.00*
2004-05	74.50*
2005-06	79.50&
2006-07	80.25&
2007-08	81.18&
2008-09	81.18&
2009-10 (SMP since replaced by F&RP)	129.84@
2010-11	139.12@
2011-12	145.00@
2012-13	170.00@

* Linked to recovery of 8.50 %

& Linked to recovery of 9%

@Linked to recovery of 9.50%

4. The Company is required to pay State Advised Price (SAP) .For the crushing season 2011-12, the State Government of Uttar Pradesh announced SAP of ₹ 240 per quintal of sugarcane of the general variety to be delivered at the factory gate, which has now been steeply increased to ₹ 280 per quintal for general variety, an increase of ₹ 40 per quintal for the season 2012-13 .The said increase is sharp rise of around 17% for the General variety of Sugar cane and is another blow to the beleaguered sugar industry.

7. DIRECTORS

Pursuant to Article 146 of the Articles of Association of the company, Shri B.K. Agarwal & Shri K. N. Prithviraj retire in the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Shri L.P. Aggarwal who was appointed as an Additional Director of the company with effect from 27th November, 2013 by the Board of Directors and holds office upto the date of ensuing Annual General Meeting under section 269 of the Companies Act, 1956 (the act) read with Article 132 of the Atricles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under section 257 of the Act from a shareholder signifying his intention to propose Shri L.P. Aggarwal as a candidate for the office of a Director.

8. STATEMENT OF DIRECTOR'S RESPONSIBILITIES

As required under the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

(i) in the preparation of the annual accounts, applicable Accounting Standards have been followed with proper explanation relating to material departures, if any;

(ii) 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 your company at the end of the financial year and of the profit of your company for that period;

(iii) Taken proper & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

(iv) Prepared the Annual accounts on a going concern basis.

9. CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance together with the Auditors Certificate regarding compliance of the conditions of corporate governance, Management Discussion and Analysis statement forms part of the Annual report.

10. EMPLOYEES

In accordance with the provisions of sections 217 (2A), read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the directors report, as an addendum thereto. However, as per the provisions of section 219 (1)(b)(iv) of the Companies Act, 1956, the report and accounts, as therein set out, are being sent to all members of the company excluding the aforesaid information about employees. Any member, who is interested in obtaining such particulars about employees, may write to the Company Secretary at the Registered Office of the Company.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Pursuant to section 217 (1)(e) of the Companies Act, 1956, the particulars in respect of conservation of energy, technology absorption and foreign exchange earnings & outgo are furnished in Annexure –I and form a part of this report.

12. SUBSIDIARY COMPANY'S REPORT:

The Company presently do not have any subsidiary in terms of provisions of Companies Act, 1956 However, Pursuant to provisions of section 2(87) (ii) of the Companies Act, 2013, Dwarikesh Informatics Limited is a subsidiary of the company as on September 30, 2013. However, provisions relating to consolidation of accounts pursuant to section 129 (3) of the Companies Act, 2013 is still not notified to be operational as on date.

13. AUDITORS & AUDITOR'S REPORT:

There are no qualifications in the Auditors report.

The Auditors, M/s. S S Kothari Mehta & Co., Chartered Accountants retire at the ensuing Annual General Meeting of the Company. You are requested to re-appoint the Auditors for the accounting year 2013-14 and fix their remuneration. M/s S S Kothari Mehta & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.

Regarding observation in point no. xvii in Annexure to Auditors report, Company is in the process of arranging long term funds to set right the mismatch.

14. COST AUDITORS:

As per the directions issued by the Central Government pursuant to the provisions of section 233B of the Companies Act, 1956 M/s Ramanath Iyer & Co, Cost Accountants were appointed to conduct cost audits relating to sugar, electricity and industrial alcohol for the year ended September 30, 2013.

The cost audit report for the financial year ended September 30, 2013 shall be filed by the cost auditors latest by March 28, 2014 which shall be well within the due date.

15. PUBLIC DEPOSITS

The Company does not have any fixed deposits at the beginning of the year in terms of Section 58A of the Companies Act, 1956. The Company did not accept any deposits during the year.

16. ACKNOWLEDGEMENT

Your directors wish to place on record their sincere gratitude and appreciation to its share holders, sugar cane growers, employees, bankers, financial institutions, Central & State Government Agencies for their valuable contribution in the growth of the organisation.

By Order of the Board
For DWARIKESH SUGAR INDUSTRIES LIMITED

G. R. MORARKA
CHAIRMAN & MANAGING DIRECTOR

VIJAY S BANKA
WHOLE TIME DIRECTOR & CFO

Place : New Delhi
Dated : November 27, 2013

B J MAHESHWARI
WHOLE TIME DIRECTOR & CS Cum CCO

ANNEXURE - I

PARTICULARS AS REQUIRED UNDER THE COMPANIES [DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS] RULES, 1988.

1. CONSERVATION OF ENERGY

Energy conservation is an on-going activity in the Company and the efforts to conserve energy through improved operational methods and other means are continuing. Details of total energy consumption and energy consumption per unit of production are furnished in the prescribed Form 'A' below.

FORM 'A'

[See Rule 2]

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year 2012-13	Previous Year 2011-12
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Unit – KWH	**6,36,356**	6,92,360.5
Total amount (₹)	**69,78,759**	61,13,479.79
Rate / Unit (₹)	**10.97**	8.83
b) Own Generation		
i) Through Diesel Generator		
Unit –KWH	**1,03,185**	1,74,055
Unit Per Ltr of Diesel	**3.28**	3.38
Oil cost/Unit(₹)	**14.68**	12.44
ii) Through Steam Turbine/Generator		
Unit –KWH	**25,90,55,028**	26,56,23,478
Unit per Ltr of fuel		
Oil/Gas		
Cost/Unit (₹)		
2. Coal (Specify quantity and where used		
Quantity (Tons)	**NIL**	NIL
Total Cost	**N.A.**	N.A.
Average Rate	**N.A.**	N.A.
3. Furnace Oil		
Quantity (Kilo Ltrs.)	**NIL**	NIL
Total amount	**N.A.**	N.A.
Average Rate	**N.A.**	N.A.
4. Other / internal Generation		

	Bagasse (Qtls.)		**Firewood (Qtls.)**		**Diesel (Ltrs.)**	
	2012-13	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
Quantity	77,90,108.68	75,00,152.21	-	-	31,859	51,798
Total Cost (₹)	Own generation	Own generation	-	-	15,14,670	21,65,605
Rate/Unit (₹)			-	-	47.54	41.81

B. CONSUMPTION PER UNIT OF PRODUCTION

PRODUCT - SUGAR (Unit Qtls.)

Total Sugar Produced = 2381045 Qtl.

	Standards (if any)	**Current Year 2012-13**	**Previous Year 2011-12**
Electricity (KWH)	N.A.	--	--
Furnace Oil	N.A.	--	--
Coal (Specify Qua)	N.A.	--	--
Others (Specify)	N.A.	--	--
Firewood (MT)	N.A.	--	--
G.N. Husk (MT)	N.A.	--	--
Bagasse (MT)		**0.32 MT/Qtl of Sugar**	**0.33 MT/Qtl of Sugar**

TECHNOLOGY ABSORPTION

FORM-B

FORM FOR DISCLOSURE OF PARTICULARS IN RESPECT OF TECHNOLOGY ABSORPTION

I RESEARCH AND DEVELOPMENT:

A. FOCUS AREA :-

Proper interaction with prominent cane growers of the area, sugar cane scientists / research stations and Cane Development Council / Cane Co-operative Societies of the reserved zone to educate the cane cultivators and field staff members to disseminate the new and improved cane cultivation technology, innovation in sugarcane research and modern farming package of practices. Educating farmers for adoption of crop rotation, ratoon management, intercropping, establishment of cane seed nurseries for multiplication of seed as well as for commercial cultivation, use of Bio-agents, adoption of cultural practices and plant protection from pest and diseases. Time to time we also disseminate the new technology and different information on website of the company as well as through SIS, SMS on mobiles of the cane suppliers.

1. SOIL HEALTH:-

To maintain soil health collected 5 soil samples from each & every villages (to represent the whole village) from farmers fields, got analysed of almost all villages in the reserved zone; soil map was prepared with the technical guidance of nearest research station for finding the NPK availability in the soil and requirement for cane cultivation along with data of pH, organic carbon etc. Growers are advised to use inputs as per requirements of soil, so that optimum fertilizer dose can be given to increase the quality & yield of cane crop and other prominent crops. As per reports of soil analysis of different villages and centres, recommendation is being given to the cane growers, so that concept and use of balance fertilizer could be maintained. Availability of organic manures is scarce, so that we are providing bio-fertilizer/ bio-compost to the farmers free of cost for sugar cane cultivation.

2. PLANT PROTECTION:-

Under plant protection measures, timely arrangement of quality agrochemicals for soil treatment, seed treatment and control of other pests affecting the sugarcane crop in our area. Agrochemicals and fertilizers are provided on subsidised rates. In spring planted cane mild incidence of Top Borer appeared in general in all cane varieties and we have got controlled through application of Furadan 3G as well as Coragen, which has successfully controlled the incidence of Top borer.

3. VARIETAL IMPROVEMENT:-

Distribution of nuclear cane seeds of different improved varieties like CoS-96268, 96275, CoSe-03234, COJ 88, Co 0238, 0239, 0118, COJ -83, CoJ-85, etc. for raising the foundation seed nurseries and subsequent multiplication in primary and secondary nurseries. Allotted nuclear cane seed of different cane varieties obtained from research stations / centres and distributed among the farmers on subsidise rates. All these varieties have been found suitable and are under further multiplication in the command area.

4. TECHNICAL GUIDANCE:-

Proper supervision of cane seed nurseries is provided by our technically trained staff. Sugarcane Scientists are invited to provide technical guidance to farmers for propagation and multiplication of better quality cane seed.

5. MANAGEMENT OF DISEASES:-

Management of common diseases is continue through cane seed treatment of improved varieties with M.H.A.T. units to control seed born diseases like Grassy shoot disease, Ratoon stunting disease, Red Rot and leaf stripe diseases etc. In new cane varieties like- Co-0238, 0239, 0118 and in some other broad leaved varieties the incidence of Pokka boeng, Top-rot have also come in appearance during the rainy season, farmers have been advised to rough out the affected clumps, however, its impact has been non significant on the crop.

6. STAFF / FARMER'S TRAINING & VISITS:-

To educate the farmers regarding intercultural practices in sugar cane crop to achieve higher profitability with proper yield with good quality of cane. Conducted seminars, village meetings, arranged farmer's trainings & tours at Sugarcane Research stations and at other progressive farmers' fields, also arranged staff trainings through in house refresher programme. Small growers have taken interest for intercropping of pulses crops with sugarcane. Concept of mixed cropping is being propagated in entire command area.

7. INFRA-STRUCTURE DEVELOPMENT:-

To facilitate the farmers for smooth transportation of cane and other agriculture produce, we take up construction, repairing and maintenance of link roads in our reserved zone. Wherever it is required to facilitate easy transportation of sugarcane from the respective fields/ villages of farmers to centres and from centres to mills, we facilitate the same with the help of Cane Development Councils' and contribute 25% share. Construction / major repairing of link road are undertaken on priority basis and Govt. authorities are being followed up for the same on regular basis.

8. DEMONSTRATION & TRIALS:-

Conduct demonstrations / trials of different cane varieties, effectiveness of fertilizers/ manures and effect of different agrochemicals in different soil conditions, topography and means of irrigation to determine the best means for its general adoption. We are providing agriculture implements to the cane growers to propagate deep ploughing of soil for maintenance of better tillage operations through M.B. Plough, Disc plough and for proper depth and width of sugar cane planting Paired row Trench planter and cane planting ridger free of charge.

9. DEVELOPMENT OF IRRIGATION FACILITIES:-

To develop the new cane area in rain fed zone a large number of Deep tube well boring is being undertaken. We provide assistance to the growers to identified service provider and inform of subsidization of bore well charges, all material cost is borne by the growers themselves. Since last 7 years this scheme is in place for dry belt / rain fed areas, which is about 25% of the total reserved area and this process is continued.

10. MECHENIZATION IN CANE LOADING

In order to reduce dependability on manual loading labourers and to reduce time between harvesting and cane crushing, we introduced mechanical cane loaders for loading of cane at out cane purchasing centres. Now we have planned to hire sufficient no. of cane loader for smooth cane loading at centres.

B BENEFITS DERIVED:-

1 IMPROVEMENT IN VARIETAL BALANCE:-

Area under Early and improved varieties increased. Early cane varieties increased from 20% to 31%. New improved varieties like- Co-0238, 0239, 0118, CoS-96268, CoJ-83, 85, 88 are being multiplying fast and on increasing trend, since it helps increase in cane yield as well as sugar recovery. Replacement of Rejected and unsuitable cane varieties are being done with new improved cane varieties.

2 INCREASE IN CANE QUALITY & PRODUCTION:-

Distribution of cane seed of improved varieties, Bio- agents/Agrochemicals, bio fertilizers for plant protection measures & other developmental activities have improved cane production, productivity and sugar recovery.

3 SAVING OF TIME & MONEY:-

Use of improved agricultural implements, use of sprayers in protection of cane crops from pests & diseases and cane loading by mechanical cane loader at centres help in mechanization cane cultivation, It has increased the cane yield and made sugar cane cultivation easy and economical.

4 FARMERS AWARENESS:-

Exhibition/demonstration, farmers meeting, training and tour programmes have been very helpful in imparting improved technical know-how of sugar cane cultivation to cane growers as well as staff members. Awareness about improved cultural practices of sugar cane cultivation has increased and helpful in obtaining better yield as well as better quality of cane.

5 INCREASE IN IRRIGATION FACILITY:-

Developed irrigation facility through deep tube well boring scheme supported by the factory in rain fed area. This has helped the growers to increase area under cane as well as improvement in cane production. We have established 122 borings at farmers' fields under this scheme and all are successful and we are able to grow cane even in rain fed area.

6 SUGAR CANE INFORMATION SYSTEM:-

Cane commissioner UP, Lucknow has introduced SIS (sugar cane information system) which helped in providing different type of information like – cane area, varieties, Basic quota, no. of supply tickets, cane supply position, cane price payment and all other information related to cane supply / cane area of the farmers. Apart from this, it helps in providing cane development activities information like- improved cane varieties, cane planting methods, incidence of pest and diseases, information related to agrochemicals for control of pest and diseases etc through SMS, on website and the information are updated on daily basis. This has abundantly facilitated the cane growers/ suppliers. Cane area survey conducted with GPS Machine & its display on website and availability of all information related with cane on website or through SMS, IVRS & Quarry SMS also create awareness among the cane growers.

C ACTION PLAN:

1. For proper varietal balance replacement of old & unsuitable cane varieties with new & improved cane varieties to be continued.
2. To maintain new improved cane seed nurseries like –Co-0238, 0239 and 0118, CoS-96268, CoJ-85, 83, 88 etc under supervision of our trained staff so as to achieve the results of low fibre, high sugar, high juice and high yield from these cane varieties. New cane variety Co-0238 is multiplying at fast speed and the present area under this variety is about 4,500 hect.
3. Conduct more and more Farmers meeting & Seminars with a view to educate the farmers on new Technology, modern practices in cane cultivation, ratoon management etc, which have proven to be very useful through creating positive impact on the cane growers to obtained better relation, higher yield and sugar recovery.
4. Focus on construction of link roads for easy transportation of sugar cane at mills gate as well as out centres, to facilitate sugarcane suppliers as well as cane transporters with a view to reduce cane transportation cost.
5. Support for deep bore well facility in rain fed area will be continued.
6. Mechanization in sugar cane cultivation & cane loading at out centres.

II TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

EFFORTS MADE:

1. Raising seed nurseries of new and promising cane varieties, seed multiplication programme and distribution of quality agrochemicals has helped in improvement in proper varietals combination, significant improvement in cane yield as well as sugar cane recovery.
2. In view of labour scarcity in future, the company is making efforts for introduction of mechanization of cane loading at out centres.
3. Computerization of out cane purchasing centres in form of HHC, installation of electronic W/Bs and online transfer of cane purchase data to the factory.
4. In order to improve monitoring of cane yard, CC TV camera has been installed at gate W/Bs and GPS system has been installed at company vehicle used for field activities.
5. The Company is planning to set up own research farms with the objective of conducting demonstrations and trials frequently so as to find better varieties of sugarcane and innovation in cultivation practices for obtaining quality cane production.
6. In order to disseminate information, sugar cane information system (Cane Website, IVRS, SMS, QSMS) is being updated regularly.
7. New and improved agricultural implements like- Trench ridger, M.B. plough, Disk plough, Sugarcane cultivator, Sugarcane planter etc. have come in the market. These are cost effective and given better performance. Such implements have been purchased and their services are being provided to the cane planters free of charge.
8. The Company has carried out the survey of the cane area through satellite mapping. This will facilitate the better estimation of cane area, cane production and condition of the cane crop which may further help in arriving at the tentative estimation of sugar production in the ensuing season.

III FOREIGN EXCHANGE EARNING AND OUTGO

Activities relating to exports: The Company has not made any exports during the year.

₹

C I F VALUE OF IMPORTS	Nil (Nil)
EXPENDITURE IN FOREIGN CURRENCY Amortization of Global Depository Receipts expenses GDR) (net)	Nil (Nil)
Interest on Foreign Currency Term Loans	Nil (16,02,84,102)
EARNINGS IN FOREIGN CURRENCY Sale of CER's	Nil (1,08,64,146)

IV EXPENDITURE INCURRED ON R&D

	Particular	**(₹ in Lacs)**
a)	Capital	Nil
b)	Recurring	104.21
c)	Total	104.21
d)	Total R & D expenditure as percentage of total turnover	0.11%

CORPORATE GOVERNANCE REPORT

INTRODUCTION: Corporate Governance is the mechanism by which the values, principles, management policies and procedures of a corporation are made manifest in the real world. Corporate Governance contemplates fairness, transparency, accountability and responsibility in the functioning of the management and the board of companies. Corporate Governance represents moral framework, the ethical framework and the value framework under which an enterprise takes decisions.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your company has implemented and continuously tries to improve the Corporate Governance Practices which attempt to meet stakeholders' expectations' and company's societal commitments through high standards of ethics, sound business decisions, prudent financial management practices, professionalism in decision making and conducting the business and finally with strict compliance with regulatory guidelines on corporate governance.

"Transparency, honesty, efficiency, complete and timely disclosure and sustained enhancement of shareholders value, justice to vendors, employees and the society at large are the cardinal principles of Corporate Governance for your Company"

CLAUSE 49 OF THE LISTING AGREEMENT

Clause 49 of the Listing Agreement with the Stock Exchange sets up the norms and disclosures that are required to be met by the Company on the Corporate Governance front. We confirm our compliance with Corporate Governance criteria, as required under the said clause, vide this report. Certificate of the Statutory Auditors of your company regarding compliance of the conditions of Corporate Governance as stipulated in the Clause 49 of the Listing Agreement with the Stock Exchange, is enclosed.

2. BOARD OF DIRECTORS

Composition and Category

The Current policy is to have an appropriate mix of executives and independent directors to maintain the independence of the Board. As on 30th September, 2013 the constitution of the Board was:

There are 6 Directors in the Company as on 30th September, 2013.

Name of the Director	Category	No. of other Directorship	No of membership of other Board committee*	No of Board Committee for which Chairman	No. of Equity shares held
Mr. G. R. Morarka	Chairman & Managing Director	4	2	---	28,09,385
Mr. K. L. Garg	Independent Non executive Director -IDBI Nominee	---	---	---	---
Mr. B. K. Agarwal	Independent Non executive Director	3	---	1	---
Mr. K. N. Prithviraj	Independent Non executive Director	6	3	---	---
Mr. B. J. Maheshwari	Whole Time Director	3	2	---	---
Mr. Vijay S. Banka	Whole Time Director	2	1	---	---

*In accordance with clause 49, directorships of only public limited companies have been considered. The directorships in section 25 companies and private companies have been excluded. Further, memberships & chairmanships of only Audit committee and Shareholders/Investors Grievance Committee of all Public Limited Companies (excluding Dwarikesh Sugar Industries Limited) have been considered.

Directors retiring by rotation & seeking appointment / re-appointment.

Pursuant to Article 146 of the Articles of Association of the company, Mr. B. K. Agarwal, & Mr. K. L. Garg retire in the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Details of the directors seeking appointment / re-appointment are provided in the Notice of the Annual General Meeting, which is forming part of this Annual report.

Remuneration to Directors:

Effective 19th October, 2007, each director (except Chairman & Managing Director, Whole Time Directors) is paid a sitting fees @ ₹ 10,000 per meeting of Board of Directors of the Company for attending the meeting.

Mr. G. R. Morarka, Mr. B. J. Maheshwari and Mr. Vijay S Banka are the Whole Time Directors in the Company.

Mr. G. R. Morarka is entitled to remuneration up to 5% of net profits of the Company (computed as per section 349 and 350 of the Companies Act, 1956), by way of salaries, perquisites, Ex-gratia, medical reimbursement, allowances and commission. The details of remuneration paid / payable to Shri Morarka is provided in note no.6.a to the Notes on accounts.

Mr. B. J. Maheshwari and Mr. Vijay S. Banka are paid minimum remuneration as per Schedule XIII of the Companies Act subject to overall ceiling of remuneration of 10% of the net profits payable to Managing Directors and Whole Time Directors. The details of remuneration paid/payable to Mr. Maheshwari & Mr. Banka are provided in note no.6.b to the Notes on accounts.

Details of the Directors' remuneration:

The details of the remuneration paid or provided to the directors of the company for the year ended 30th September, 2013 are provided below:

A. Executive Directors:

1. Remuneration to Managing Director

Particulars	**2012-13 (₹)**
Salary	72,00,000
Leave Encashment	12,00,000
	84,00,000
Add: Company's Contribution to P.F. (exempted allowance)	8,64,000
Total	92,64,000

(Commission to Managing Director is not payable in view of inadequacy of profit as per Schedule XIII of the Companies Act, 1956 and hence not provided for. Further, the remuneration as approved by the Central Government vide letter no. SRN No.B74128893/2013-CL-VII dated 05.09.2013 has been accounted for effective from April 01, 2013).

2. Remuneration to other Whole time directors

Particulars	**Amount (₹)**
Salary	45,40,536
Other Allowances	44,83,896
Leave Salary	3,43,629
Interim Bonus	---
Company's Contribution to P.F. (exempted allowance)	5,44,863
Total	99,12,924

1. The terms of office of executive directors are for 3 years from the date of their respective appointment / reappointment.
2. Notice period is nil in case of Mr. G. R. Morarka and 24 months each in cases of Mr. B. J. Maheshwari and Mr. V. S. Banka. No stock options have been granted to any directors nor pension is payable to them.
3. Severance fees is nil.

B. Non-Executive Directors:

Name of the Director	**Sitting fees (in ₹)**	**Commission payable (In ₹)**	**Total Payments paid / payable in 2012-13 (In ₹)**
Mr. K. L. Garg	52,500	---	52,500
Mr. B. K. Agarwal	50,000	---	50,000
Mr. K. N. Prithviraj	25,000	---	25,000

CEO/CFO certificate is attached along with the report.

Attendance of each Director at the Board Meetings and the Last Annual General Meeting:

During the financial year ended 30th September, 2013, 4 Board Meetings were held: on October 25, 2012; February 14, 2013; May 14, 2013 & August 13, 2013. The attendance of each director at these Board meetings and the last Annual General Meeting (AGM) was as follows:

Name of the Directors	No. of Board meeting attended	Attendance at Last AGM held on March 22, 2013
Mr. G. R. Morarka	4	Yes
Mr. K. L. Garg	4	No
Mr. B. K. Agarwal	3	No
Mr. B.J. Maheshwari	4	Yes
Mr. Vijay S. Banka	4	No
Mr. K. N. Prithviraj	2	No

3. COMMITTEES OF BOARD

A. AUDIT COMMITTEE

Pursuant to Clause 49 II of the Listing Agreement and also pursuant to the provisions of the Companies Act, 1956, the Committee was constituted, initially comprising of four directors; all of them are independent, non-executive and later expanded by addition of two Whole Time Directors. Out of these two Whole Time Directors, Mr. B. J. Maheshwari has ceased to be a member of the Audit Committee w.e.f. August 12, 2011 and an Independent Director Mr. B. K. Agarwal is inducted in the same meeting. Members of Audit Committee are eminent persons in their field. Mr. K. N. Prithviraj acts as Chairman of the Audit Committee. Mr. B. J. Maheshwari being a Company Secretary of the company acts as the secretary to the Committee.

Terms of Reference: The Audit Committee reviews and reports to the Board on the following:

- Overseeing the financial reporting process.
- Appointment and remuneration of Auditors.
- Reviewing the financial and risk management policies.
- Reviewing the adequacy of internal control systems.
- Compliance with listing and other legal requirements.
- Changes in accounting policies and practices and reasons for the same.
- Periodical and yearly financial results of the Company.

The Committee also reviews the observations of the Internal and Statutory Auditors, along with the comments and action taken thereon by the Management and invites senior executives to its Meetings as necessary.

The constitution of the Audit Committee as on September 30, 2013 is as follows:

1.	Mr. K. N. Prithviraj	Non-executive Director
2.	Mr. K. L. Garg	Non-executive Director
3.	Mr. B. K. Agarwal	Non- executive Director
4.	Mr. Vijay S Banka	Whole Time Director

Meeting and attendance

During the financial year ended 30th September, 2013, 4 Audit Committee Meetings were held on October 25, 2012; February 8, 2013; May 14, 2013 & August 13, 2013.

Name of the Directors	No of meeting attended
Mr. Vijay S. Banka	4
Mr. K. N. Prithviraj	2
Mr. B. K. Agarwal	4
Mr. K. L. Garg	4

B. REMUNERATION COMMITTEE

Besides Audit Committee, in terms of the Section 292(A) of the Companies Act, 1956, the Remuneration Committee was formed on 22nd October, 2001 now comprising of three independent non executive directors (including a Nominee Director) as members & two Whole Time Directors .The Company Secretary acts as the secretary to the Committee.

The Remuneration Committee looks after terms and conditions of appointment, remuneration and related matters of Managerial Personnel such as Managing Director, Whole Time Director & Directors etc. Remuneration Committee recommends the remuneration for executive directors to the board of directors for its approval and such remuneration is also subject to the approval of shareholders and such other approvals as may be required. In its recommendations, the remuneration committee considers the parameters like performance and contribution, practices and norms followed by companies of similar size and industry standards.

The non-executive directors do not draw any remuneration from the company except payment by way of sitting fees for attending the board / committee meetings.

The composition and names of members of the Remuneration Committee as on September 30, 2013 are as under:

1.	Mr. B.J. Maheshwari	Whole Time Director
2.	Mr. Vijay S. Banka	Whole Time Director
3.	Mr. B.K. Agarwal	Non-executive Director
4.	Mr. K.L. Garg	Nominee Director
5.	Mr. K.N. Prithviraj	Non-executive Director

The Chairman of the Remuneration Committee is elected by its members from amongst themselves.

During the year ended 30th September, 2013, one Remuneration committee meeting was held on February 8, 2013

Name of the Director	No. of meetings attended
Mr. B.K. Agarwal	1
Mr. B.J.Maheshwari	1
Mr. K.L. Garg	1

Sitting fees @ ₹ 2,500 is paid to a member for attending meeting of the Remuneration committee & Audit Committee and in an event the meeting is held outside Mumbai, additionally, out of pocket expenses of ₹ 500 per meeting is to be paid.

C. SHAREHOLDER'S COMMITTEE

The committee was constituted on 17th March, 2001 to look into the matters relating to redressal of Shareholders and Investors complaints such as transfer of shares, non-receipt of balance Sheet, non-receipt of declared dividends etc. Mr. B. K. Agarwal is Chairman of the committee & Mr. B. J. Maheshwari -Company Secretary is designated as a Compliance officer.

The Shareholder's Committee comprise of following directors as on September 30, 2013.

1.	Mr. Vijay S. Banka	Whole Time Director
2.	Mr. B.J. Maheshwari	Whole Time Director
3.	Mr. B.K. Agarwal	Non-executive Director

The scope of Shareholders Committee is as follows:

1. To attend to investors grievances or shareholders grievances.
2. To appoint Registrars and Share Transfer Agent.
3. To transfer, transmit, consolidate, issue duplicate share certificates, split share certificates, etc.
4. To attend to complaints of Shareholders regarding non-receipt of Balance Sheet and non-receipt of Declared dividend etc.
5. To do all such acts, things, deeds as may be required to be done in the above regard.

The Shareholders / Investors Grievance Committee are also required to submit their reports / suggestions to the Board of Directors of the Company from time to time.

During the year ended 30th September, 2013, there were no investor's complaints at the beginning of the year, no complaints received during the year & no complaints are pending at the end of the year.

Investor Services

Your Company has appointed M/s Universal Capital Securities Pvt. Ltd. as Registrar and Share Transfer Agent, who have adequate infrastructure and VSAT connectivity with both the depositories, which facilitate better and faster service to the investors.

COMPLIANCE OFFICER

The Board has designated Mr. B. J. Maheshwari, Whole-Time Director and CS cum CCO as the compliance officer.

OTHER DISCLOSURES:

A. Transactions during the year:

- No penalty or strictures have been imposed on the Company by Stock Exchanges, SEBI or any Statutory Authority on any matter during last 3 years.
- The Compliance Reports of all laws applicable to the Company are periodically reviewed by the Board.

  All related party transactions have been entered into in the Ordinary course of business and were placed periodically before the Audit Committee and the Board. All transactions with the related parties or others are on an arm's length basis.

B. Disclosure of Accounting Treatment:

All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.

C. Risk Management:

The Company has in place mechanism to inform the Board Members about the Risk Assessment and Minimisation procedures and periodical reviews, to ensure that risk is controlled by the Executive Management through the means of a properly defined policy.

i) Raw material risk:

Higher cane prices on account of lower rainfall would increase the input cost and may also impact the availability of sugarcane.

Risk mitigations:

As a focused producer, Dwarikesh Sugar Industries Limited, has invested in enduring farmer relationships through the following initiatives:

- Educating the farmers on advantages of growing sugar cane.
- Provision of high yielding seeds, cane disease management, timely payment of cane price, etc.
- Encouraging the farmers to grow more sugar cane and making cane cultivation attractive.
- Providing subsidies to plant better variety of Sugar cane.

ii) Sugar Price Risk:

There is volatility in the Sugar Price on account of oscillating sugar production.

Risk mitigation:

The Company has diversified its product mix by foraying into non-sugar business like Industrial Alcohol, Ethanol, Power generation to derisk the volatility in sugar prices being a commodity cyclical. This product mix has done well when the sugar prices are not lucrative and optimized the benefits by the diversified product portfolio.

iii) Political and regulatory risks:

Sugar is one of the industries still to be fully liberalised. The government still stipulates the minimum cane price that sugar companies should pay to the farmers, for the cane. Even the by-products of sugar are also controlled by the Government.

Risk mitigation:

This is a systemic risk which cannot be alleviated unless the industry is completely decontrolled.

D. Proceeds from public issues, right issues, preferential issues, etc.

During the year, the company has allotted 5,00,000 Preference shares of ₹ 100 each, which is paid up fully.

E. Subsidiary Companies:

The Company presently do not have any subsidiary in terms of provisions of Companies Act, 1956. However, pursuant to provisions of section 2(87) (ii) of the Companies Act, 2013, Dwarikesh Informatics Limited is a subsidiary of the company as on September 30, 2013. However, provisions relating to consolidation of accounts pursuant to section 129 (3) of the Companies Act, 2013 is still not notified to be operational as on date.

GENERAL BODY MEETINGS

Location and time, where last Annual / Extra Ordinary General Meetings were held during last 3 years is given below:

Financial Year	Date	Location of the Meeting	Time	AGM/ EGM
2009-10	16th March, 2011	Dwarikesh Nagar – 246 762 District : Bijnor, Uttar Pradesh	10.00 a.m.	AGM
2010-11	16th March, 2012	Dwarikesh Nagar – 246 762 District : Bijnor, Uttar Pradesh	10.00 a.m.	AGM
2011-12	10th September, 2012	Dwarikesh Nagar – 246 762 District : Bijnor, Uttar Pradesh	10.00 a.m.	EGM
2011-12	22nd March, 2013	Dwarikesh Nagar – 246 762 District : Bijnor, Uttar Pradesh	10.00 a.m. 11.00 a.m.	AGM & EGM

Special resolutions passed in General Meetings during last 3 years:

Date	Particulars
16th March, 2011	NIL
16th March, 2012	a. Appointment & fixation of remuneration of Mr. B J Maheshwari, Whole Time Director & CS cum CCO. b. Appointment & fixation of remuneration of Mr. Vijay S Banka, Whole-Time Director & CFO.
10th September, 2012	a. Alteration of capital clause V(a) of the Memorandum of the Company. b. Alteration of capital clause 4(a) of the Articles of Association of the Company. c. Further issue of Cumulative Redeemable Preference Shares of the Company to members / non members of the company.
22nd March, 2013	a. Alteration of capital clause V(a) of the Memorandum of the Company. b. Alteration of capital clause 4(a) of the Articles of Association of the Company. c. Further issue of Cumulative Redeemable Preference Shares of the Company to members / non members of the company. d. Renewal of appointment & fixation of remuneration of Mr. G. R. Morarka, Chairman and Managing Director. e. Ratification of enhanced remuneration of Ms. Priyanka G Morarka.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board at its meeting held on 24th January, 2005 adopted the Code of Business Conduct and Ethics for Directors and Senior Management ('the Code') pursuant to clause 49 of the listing agreement. This code is a comprehensive code applicable to all Directors, Executive & Non-Executive and members of senior management. However, in the light of changing scenario of corporate functioning, the same has been modified & adopted by the Board at its meeting held on 29th November, 2010.

A copy of the Code has been put on the Company's website: www.dwarikesh.com.

The code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by Shri B.J. Maheshwari, Whole Time Director & CS cum CCO is given below:

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the Accounting Year 2012-13.

B. J. Maheshwari
Whole Time Director & CS cum CCO

INSIDER TRADING

The Company has adopted Code of Internal Procedures and conduct' framed under the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, inter alia, to prevent insider trading in the shares of the Company.

DISCLOSURES

The Company does not have any related party transactions except the ones disclosed in note no. 18 in Other Notes in Notes on Accounts, which may have potential conflict with the interest of the Company at large.

MEANS OF COMMUNICATION

Quarterly Results: The Company's quarterly results in the proforma prescribed by the Stock Exchanges pursuant to clause 41 of the Listing Agreement are approved and taken on record by the Board within the prescribed time frame, and sent forthwith to all Stock Exchanges on which the Company's shares are listed. These results are being published in leading newspapers.

Website: As per the requirements of clause 52 and 54 of the Listing Agreement, all the data related to quarterly financial results, shareholding pattern etc. is posted on corpfiling website (www.corpfiling.co.in) and also on the Company's website**:(www.dwarikesh.com)** within the time prescribed in this regard. The Company's website also displays the official news releases.

Annual Report: Annual Report containing, inter alia, Audited Annual Accounts, Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD & A) Report forms part of the Annual Report.

GENERAL SHAREHOLDER INFORMATION:

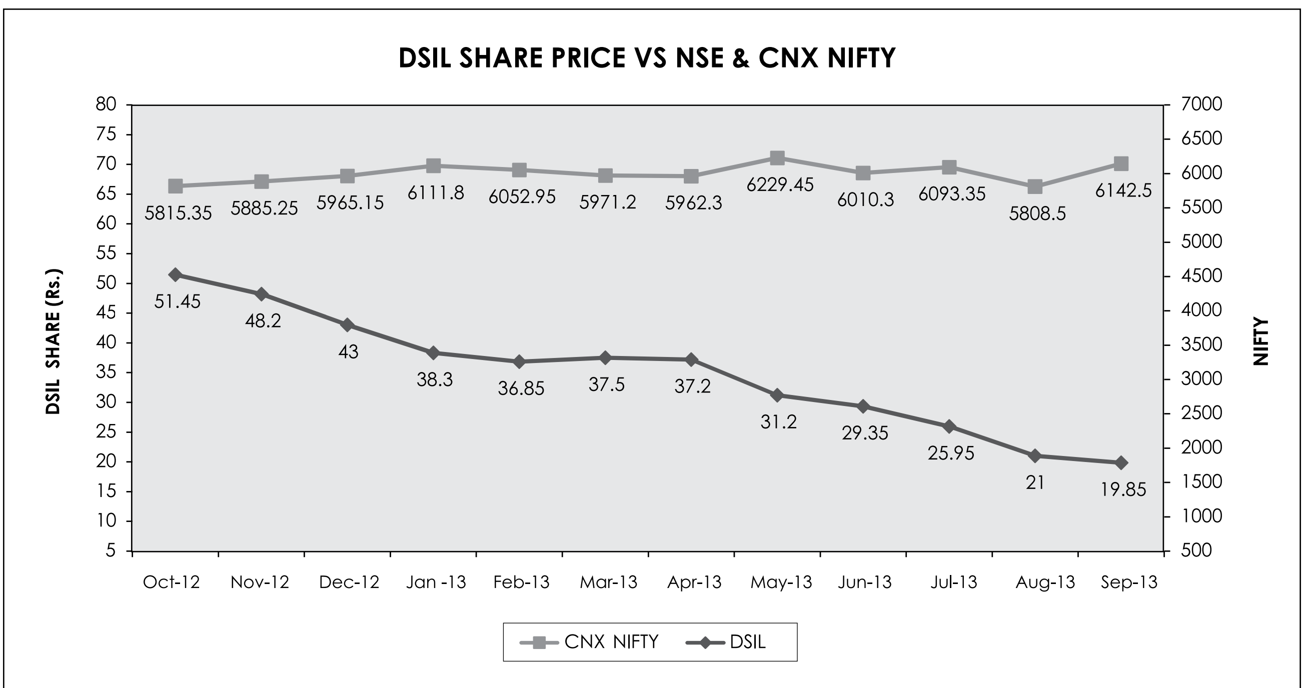
Annual General Meeting	20th Annual General Meeting
Date, Time and Venue	Friday, 21st March, 2014 at 10 a.m. at Dwarikesh Nagar – 246 762 District : Bijnor, Uttar Pradesh
Financial Calendar Particulars (October-September) (tentative and subject to change)	Date of Approval/publication
First Quarter Results	On or before 14th February, 2014
Second Quarter Results	On or before 15th May, 2014
Third Quarter Results	On or before 14th August, 2014
Last Quarter Results	On or before 29th November, 2014
Dates of Book Closure	10th March, 2014 to 21st March, 2014 (both days inclusive).
Dividend Payment Date	Not Applicable since no dividend is recommended.
Listing Details	BSE & NSE

The details of the Stock Exchanges on which the Company's shares are listed are as under:		
Name	**Address**	**Stock Code**
The Bombay Stock Exchange Ltd. (BSE)	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532610
The National Stock Exchange of India Ltd.(NSE)	"EXCHANGE PLAZA", Bandra-Kurla Complex Bandra (E), Mumbai – 400 051	"DWARKESH"
International Securities Identification Number (ISIN)	INE 366A 01033	

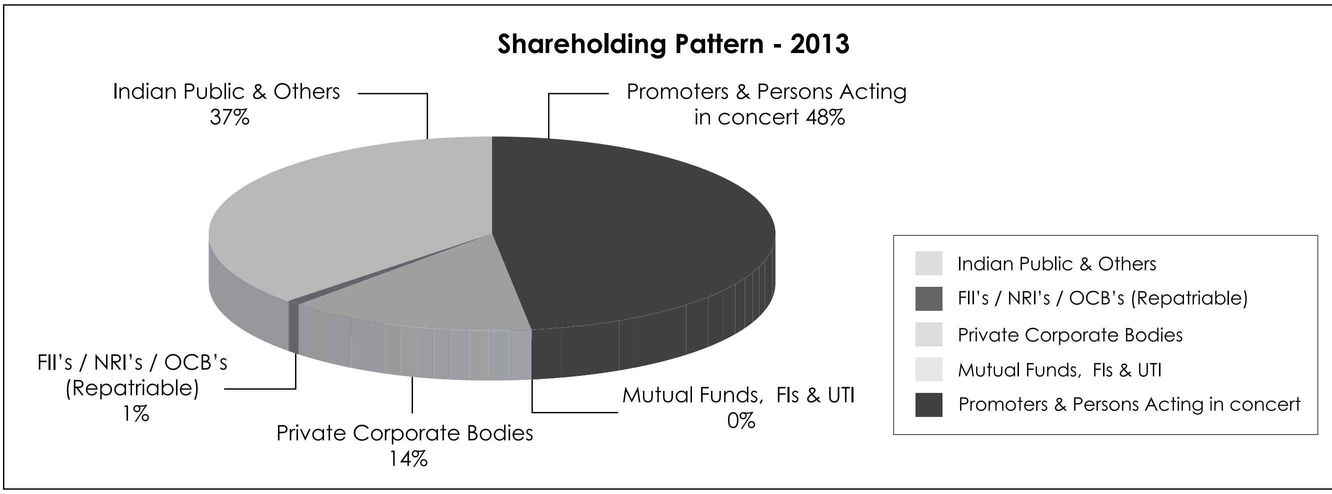
Payment of Listing Fees: Annual listing fee for the year 2013-14 (as applicable) has been paid by the Company to BSE & NSE.

MARKET PRICE DATA: Monthly high/low of market price of the Company's equity shares traded on the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) during the last financial year was as under:

	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	Month's High price (₹)	Month's Low price (₹)	Volume (Nos.)	Month's High price (₹)	Month's Low price (₹)	Volume (Nos.)
Oct-12	52.60	44.95	1,61,284	51.45	44.00	3,06,896
Nov-12	48.85	42.00	73,066	48.20	41.05	1,98,601
Dec-12	43.45	34.45	1,23,163	43.00	34.30	3,13,463
Jan-13	37.75	30.40	1,29,047	38.30	30.40	2,42,798
Feb-13	36.90	28.75	1,51,253	36.85	29.10	2,96,524
Mar-13	37.85	27.80	1,27,157	37.50	27.60	3,07,981
Apr-13	37.50	28.50	2,52,998	37.20	27.40	6,29,400
May-13	31.00	25.00	2,02,769	31.20	25.25	1,93,387
Jun-13	28.90	21.50	40,853	29.35	21.25	2,22,321
Jul-13	26.60	19.00	43,955	25.95	18.90	1,16,961
Aug-13	20.25	14.50	94,586	21.00	14.10	2,16,956
Sep-13	19.70	14.95	1,38,030	19.85	14.85	4,55,318



Shareholding pattern of the Company as on 30th September, 2013



Sr. No.	Particulars	Percentage
1	Promoters & Persons Acting in concert	**48.25**
2	Mutual Funds, FIs & UTI	**---**
3	Private Corporate Bodies	**14.05**
4	FII's / NRI's / OCB's (Repatriable)	**1.26**
5	Indian Public & Others	**36.44**
	Total	**100.00**

Distribution of Shareholding as on 30th September, 2013:

Sr. No.	No. of Equity Shares Held in the range of	No. of Shareholders	Percentage	No. of Shares	Total Percentage
1	1 – 500	9,877	86.059	13,34,427	8.179
2	501 – 1000	718	6.256	5,81,157	3.562
3	1001 – 2000	429	3.738	6,25,713	3.835
4	2001 – 3000	176	1.534	4,42,158	2.710
5	3001 - 4000	46	0.401	1,63,112	1.000
6	4001 – 5000	62	0.540	2,90,436	1.780
7	5001-10000	73	0.636	5,26,750	3.229
8	10,001 & above	96	0.836	1,23,50,923	75.705
	Total	**11,477**	**100.00**	**1,63,14,676**	**100.00**

Registrar and Transfer Agents:

Universal Capital Securities Pvt. Ltd.
21, Shakil Niwas,
Mahakali Caves Road,
Andheri (East),
Mumbai - 400 093.
Tel: 28207201 / 7203 / 7204 / 7205
Fax: 28369704 / 28207207
E-mail: info@unisec.in

GDR status:

During the financial year 2005-06 the company raised funds amounting to ₹ 54,05,49,427/- through 3 million Global Depositary Receipts (GDR) representing 3 million Equity Shares of face value of ₹ 10/- each @ USD 4 per GDR. The GDRs were listed on Luxembourg stock exchange. All 3 million GDRs have been converted into equity shares on or before 30th September, 2008. As on 30th September, 2013, there are no GDRs outstanding.

Dematerialisation of Shares

The company has signed an agreement with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As intimated by SEBI, trading in the shares of the company is compulsorily to be in the dematerialised form for all the investors. As on 30th September, 2013, 99.58% of the total shares of the Company have been dematerialised.

Address for Correspondence

Corporate Secretarial Department

The Corporate Secretarial Department is located at the Company's Corporate Office situated at 511, Maker Chambers - V, 221, Nariman Point, Mumbai - 400 021. Tel: 022 22832468; Fax: 022 22047288; e mail:investors@dwarikesh.com

The shareholders may address their communications/grievances/ queries to Mr. B. J. Maheshwari, Whole Time Director and CS cum CCO at the above mentioned address.

Change of Address

The shareholders holding shares in Physical form should contact the share transfer agent of the company for change of address.

The shareholders holding shares in Dematerialised form should contact their depository participants for change of address.

Human Resource Development / Industrial Relations:

Continuous learning is the cornerstone of the Company's human resource policy. The Company's human resource policy is structured to meet the aspirations of the employees as well as of the organisation. The Company has adopted a progressive policy of continuous development of its human resources by training and motivating its employees to attain greater efficiency and competency.

Industrial relations in all the units were cordial throughout the year under review.

Corporate Benefits:

Financial Year	Equity Dividend Rate	Dividend Declaration Date
1996-1997	10%	16/03/1998
1997-1998	15%	30/03/1999
1998-1999	15%	28/03/2000
1999-2000	15%	19/06/2001
2000-2001	15%	27/03/2002
2001-2002	5%	31/05/2003
2002-2003	5%	29/03/2004
2003-2004	20%	01/11/2004
2004-2005	60%	16/01/2006
2005-2006	60%	23/03/2007
2006-2007	NIL	---
2007-2008	NIL	---
2008-2009	15%	16/03/2010
2009-2010	NIL	---
2010-2011	NIL	---
2011-2012	NIL	---
2012-2013	NIL	---

Bonus Issues of fully Paid-up Equity Shares

Financial Year	Ratio
2000-2001 (09/04/2001)	13:100

Non-Mandatory Requirements:

Mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company. Non-mandatory requirements are as hereunder:

1. **The Board**

   As the Company has an Executive Chairman and Managing Director, the applicability of this provision does not arise. Maximum tenure of Independent Directors as mentioned is not adopted.

2. **Remuneration Committee**

   The Company has already appointed Remuneration Committee on 22nd October, 2001 and the Committee is operational.

3. **Shareholders Rights**

   The quarterly, Half Yearly and Annual Results are published in leading English News Paper having circulation all over India and also in Hindi News Paper circulating in the District. The results are also posted on the Company's website and corpfiling Website, therefore the same are not sent to the Shareholders individually.

4. **Audit Qualification**

   The company is in the regime of un-qualified financial statements

5. **Training of Board Members**

   The Board of Directors consists of professionals having considerable experience and expertise in their respective fields and industry.

6. **Mechanism for evaluating Non-Executive Board Members**

   As the Non-Executive Directors are professionals, no such mechanism exists.

7. **Whistle Blower Policy**

   There is no Whistle Blower Policy. However the company recognises the importance of reporting to the management by any employee at any level about the unethical behaviour or suspected fraud in violation of the Company's Code of Conduct or any other point of concern.

Location of Plants:

Sugar Mills:

(1) Dwarikesh Nagar – 246 762, District Bijnor, Uttar Pradesh.
(2) Dwarikesh Puram – 246 722, Dist: Bijnor, Uttar Pradesh.
(3) Dwarikesh Dham – 243 503, Dist: Bareilly , Uttar Pradesh.

Distillery:

(1) Dwarikesh Nagar – 246 762, District Bijnor, Uttar Pradesh.

Co-generation:

(1) Dwarikesh Nagar – 246 762, District Bijnor, Uttar Pradesh.
(2) Dwarikesh Puram – 246 722, Dist: Bijnor, Uttar Pradesh.
(3) Dwarikesh Dham – 243 503, Dist: Bareilly Uttar Pradesh.

Subsidiary:

The Company presently do not have any subsidiary in terms of provisions of Companies Act, 1956. However, pursuant to provisions of section 2(87) (ii) of the Companies Act, 2013, Dwarikesh Informatics Limited is a subsidiary of the company as on September 30, 2013. However, provisions relating to consolidation of accounts pursuant to section 129(3) of the Companies Act,2013 is still not notified to be operational as on date.

On behalf of the Board of Directors

Place: New Delhi
Dated: November 27, 2013

B. J. Maheshwari
Whole Time Director & CS Cum CCO

Certificate on Compliance of Corporate Governance under Corporate Governance Clause of the Listing Agreement(s)

To,

The Board of Directors,
Dwarikesh Sugar Industries Limited,

We hereby certify that:

(a) We have reviewed financial statements for the year ended 30th September, 2013 and that to the best of our knowledge and belief;

   (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

   (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal and violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the audit committee

   (i) Significant changes in internal control during the year.

   (ii) Significant changes in accounting policies, if any during the year and that the same have been disclosed in the notes to the financial statements, and

   (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Vijay S. Banka
Chief Financial Officer

G. R. Morarka
Chairman & Managing Director

Place : New Delhi
Date : November 27, 2013

Auditor Certificate on Compliance of Corporate Governance under Corporate Governance Clause of the Listing Agreement(s)

To The Members of

Dwarikesh Sugar Industries Limited.

We have reviewed the implementation of Corporate Governance procedures by **Dwarikesh Sugar Industries Limited (“the Company”)** during the year ended September 30, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

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

On the basis of our review and according to the information and explanations given to us, and the representations made by Directors and the management, the conditions of Corporate Governance as stipulated in Corporate Governance Clause 49 of the listing agreement(s) with the stock exchange(s) have been complied with by the Company and that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders’ committee.

We further state that such compliance is neither an assurance as to the further viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.S. Kothari Mehta & Co.
Chartered Accountants
Firm Registration No.: 000756N

ARUN K. TULSIAN
Partner,
Membership No.89907

Place : New Delhi
Dated : November 27, 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DWARIKESH SUGAR INDUSTRIES LIMITED

Report On the Financial Statements

We have audited the accompanying Financial Statements of Dwarikesh Sugar Industries Limited ("the Company") which comprise the Balance Sheet as at September 30, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of Significant Accounting Policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") which, as per a clarification issued by the Ministry of Corporate Affairs, continue to apply under section 133 of the Companies Act , 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f 12 September 2013). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of Balance Sheet, of the state of affairs of the Company as at September 30, 2013;

(b) in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 (as amended) ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act , 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 purpose 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act, which, as per a clarification issued by the Ministry of Corporate Affairs, continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f 12 September 2013); and

(e) On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For S. S. KOTHARI MEHTA & CO.
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907

Place: New Delhi
Date: 27th November, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under the heading "Report on the Legal and Regulatory requirements "of our report of even date.)

i) a) The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets.

b) Physical verification of fixed assets is being conducted by the management based on a programme designed to cover all assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the company and nature of its business. Discrepancies noticed on such verification as compared to book records were not material and have been properly adjusted in the books of account.

c) During the year, the Company has not disposed off substantial part of the fixed assets.

ii) a) The inventories have been physically verified by the management during the year at all its locations. In our opinion, the frequency of such verification is reasonable.

b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material and have been properly dealt with in the books of account.

iii) a) The Company has taken unsecured loans from two companies and Managing Director covered in the register maintained under section 301 of the Act, maximum balance outstanding against these loans is ₹ 10,84,899 and year end balance is ₹ 8,53,269.

b) In our opinion, the rate of interest and other terms & conditions on which these loans have been taken are not, prima facie, prejudicial to the interest of the Company.

c) These loans are repayable on demand; therefore, there are no overdue amounts at the year end.

d) The company has not granted any loan, secured or unsecured, to companies, firms and other parties covered in the register maintained under section 301 of the Act.

e) Since there are no such loans, comments regarding terms & conditions, repayment of the principal amount & interest due thereon and overdue amounts are not required.

iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory & fixed assets and with regard to sale of goods & services. Further, on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instances of major weaknesses in the aforesaid internal control systems.

v) a) To the best of our knowledge and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Act, have been so entered.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act, and exceeding the value of rupees five lacs in respect of each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.

vi) The company has not accepted any deposits from the public within the meaning of provisions of Section 58A, 58AA & any other relevant provisions of the Act, including the Companies (Acceptance of Deposits) Rules, 1975.

vii) In our opinion, the Company has an internal audit system which is commensurate with the size of the company and the nature of its business.

viii) We have broadly reviewed the cost accounting records maintained by the Company as prescribed by the Government of India under Section 209 (1) (d) of the Act. We are of the opinion that, prima facie, the prescribed records have been made and maintained by the company. However, we are not required to make a detailed examination of such records.

ix) a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Investor Education and Protection fund, Employees state insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it. There are no arrears of such dues outstanding as at the year end for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us and as per the books & records examined by us, there are no dues of Income tax, Wealth tax, Trade tax, Service tax, Custom duty and Cess which have not been deposited on account of any dispute except the following in respect of Excise duty along with the forum where the dispute is pending:

S.N.	Name of statue	Nature of dues	Disputed Amt. (net of payments made)	Forum where dispute is pending
1	The Central Excise Act, 1944	Excise Duty	₹ 3,07,87,721	Excise Appellate Authorities

x) The accumulated losses as at the end of the financial year are less than fifty percent of the net worth. Further, the Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.

xi) According to the information and explanations given to us and as per the books and records examined by us, the company has not defaulted in repayment of dues to any financial institution or banks.

xii) According to the information & explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the Company is not a chit fund or nidhi/mutual benefit fund/ society. Therefore the relevant reporting requirements of the Order are not applicable.

xiv) According to the information and explanations given by the management, the Company is not dealing in or trading in shares, securities, debentures and other investments and hence the related reporting requirements of the Order are not applicable.

xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.

xvi) In our opinion and according to the information and explanations given to us, the Company has not raised any term loans during the year.

xvii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the Company, *the funds raised by the Company on short-term basis have been applied for long-term investment to the extent of ₹ 83,01,18,093/-.*

xviii) During the year, the company has not made any preferential allotment of shares to companies and parties covered in the register maintained under section 301 of the Act.

xix) During the financial year, the Company has not issued any debentures nor has any outstanding debentures.

xx) The company has not raised any monies by way of public issues during the year.

xxi) During the course of our examination of the books & records of the company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, noticed and reported during the year, nor have we been informed of such case by the management.

For S. S. KOTHARI MEHTA & CO.
Chartered Accountants
Firm Regn. No. 000756N

ARUN K. TULSIAN
Partner
Membership No. 89907

Place: New Delhi
Date: 27th November, 2013

BALANCE SHEET AS AT 30TH SEPTEMBER, 2013

(Amount in ₹)

		Note No.	As at 30/09/2013		As at 30/09/2012	
I.	**EQUITY AND LIABILITIES**					
(1)	**Shareholders' Funds**					
	(a) Share capital	1	**47,41,46,760**		32,41,46,760	
	(b) Reserves and surplus	2	**73,19,33,962**		92,55,36,996	
				1,20,60,80,722		1,24,96,83,756
(2)	**Share application money pending allotment**			**---**		10,00,00,000
(3)	**Non-Current Liabilities**					
	(a) Long-term borrowings	3	**1,56,71,73,934**		2,43,59,27,816	
	(b) Deferred tax liabilities (net)	4	**---**		2,49,10,144	
	(c) Other long term liabilities	5	**4,73,84,721**		4,46,34,480	
	(d) Long term provisions	6	**7,62,75,512**		7,12,47,592	
				1,69,08,34,167		2,57,67,20,032
(4)	**Current Liabilities**					
	(a) Short-term borrowings	7	**1,52,36,88,378**		1,93,33,69,291	
	(b) Trade payables	8	**98,05,12,111**		9,29,50,789	
	(c) Other current liabilities	9				
	Current maturities of long term debts		**83,11,09,200**		88,09,90,874	
	Others		**35,48,05,744**		67,25,24,119	
	(d) Short-term provisions	10	**1,76,31,604**		1,58,69,714	
				3,70,77,47,037		3,59,57,04,787
	TOTAL			**6,60,46,61,926**		7,52,21,08,575
II.	**ASSETS**					
(1)	**Non-current assets**					
	(a) Fixed assets	11				
	(i) Tangible assets		**4,40,44,08,117**		4,69,92,42,680	
	(ii) Intangible assets		**---**		---	
	(iii) Capital work-in-progress		**---**		6,46,903	
			4,40,44,08,117		4,69,98,89,583	
	(b) Non-current investments	12	**24,00,000**		24,00,000	
	(c) Deferred Tax assets (net)	4	**10,16,64,138**		---	
	(d) Long term loans and advances	13	**10,54,17,644**		10,52,70,069	
	(e) Other non-current assets	14	**70,89,766**		1,78,01,676	
				4,62,09,79,665		4,82,53,61,328
(2)	**Current assets**					
	(a) Inventories	15	**1,91,95,48,316**		2,39,35,19,332	
	(b) Trade receivables	16	**2,00,49,034**		25,77,56,187	
	(c) Cash and bank balances	17	**2,10,86,072**		1,33,31,680	
	(d) Short-term loans and advances	18	**2,29,65,081**		2,70,27,744	
	(e) Other current assets	19	**33,758**		51,12,304	
				1,98,36,82,261		2,69,67,47,247
	TOTAL			**6,60,46,61,926**		7,52,21,08,575

See accompanying notes to the financial statements

As per our report of even date
For S.S. Kothari Mehta & Co.
Chartered Accountants

Arun K. Tulsian
Partner
Membership No. 89907

B.J. Maheshwari
Whole Time Director & CS cum CCO

G.R. Morarka
Chairman & Managing Director

Vijay S. Banka
Whole Time Director & Chief Financial Officer

K.L. Garg
Nominee Director

Place: New Delhi
Date: 27th November, 2013

Place: New Delhi
Date: 27th November, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30TH SEPTEMBER, 2013

(Amount in ₹)

		Note No.	Year ended 30/09/2013	Year ended 30/09/2012
	REVENUE:			
I.	Revenue from operations (Gross)	**20**	**9,62,82,38,022**	7,25,94,62,309
	Less: Excise duty		**35,20,88,521**	27,34,89,638
	Revenue from operations (Net)		**9,27,61,49,501**	6,98,59,72,671
II.	Other income	**21**	**13,10,37,638**	2,16,43,481
III.	**Total Revenue (I +II)**		**9,40,71,87,139**	7,00,76,16,152
IV.	**EXPENSES:**			
	Cost of materials consumed	**22**	**7,42,47,47,921**	6,37,89,76,281
	Purchase of stock-in-trade		**---**	---
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	**23**	**45,10,60,768**	(99,41,05,905)
	Employee benefit expenses	**24**	**40,29,57,112**	38,05,36,000
	Finance cost	**25**	**70,56,09,489**	78,85,89,966
	Depreciation and amortization expenses	**26**	**33,18,52,043**	32,89,04,153
	Other expenses	**27**	**41,01,38,929**	28,11,17,097
V.	**Total Expenses**		**9,72,63,66,262**	7,16,40,17,592
VI.	**Profit/(Loss) before tax (III - V)**		**(31,91,79,123)**	(15,64,01,440)
VII.	Tax expense:			
	(1) Current tax			
	Current year		**9,98,193**	---
	Previous year		**---**	(362)
	(2) Deferred tax		**(12,65,74,282)**	(4,33,46,890)
VIII.	**Net Profit/(Loss) for the period after tax**		**(19,36,03,034)**	(11,30,54,188)
IX.	Earning per equity share (Nominal value ₹ 10 per share)			
	(1) Basic		**(13.53)**	(7.88)
	(2) Diluted		**(13.53)**	(7.88)
	See accompanying notes to the financial statements			

As per our report of even date
For S.S. Kothari Mehta & Co.
Chartered Accountants

Arun K. Tulsian
Partner
Membership No. 89907

B.J. Maheshwari
Whole Time Director & CS cum CCO

G.R. Morarka
Chairman & Managing Director

Vijay S. Banka
Whole Time Director & Chief Financial Officer

K.L. Garg
Nominee Director

Place: New Delhi
Date: 27th November, 2013

Place: New Delhi
Date: 27th November, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2013

(Amount in ₹)

		Year ended September 30, 2013		Year ended September 30, 2012	
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net profit before tax			**(31,91,79,123)**		(15,64,01,440)
Adjustments for :					
Depreciation/Obsolescence		**33,18,52,043**		32,89,04,153	
Loss on sale of fixed assets		**4,02,763**		2,55,977	
Bad debts written off (Refer note.10 of note no.28B)		**8,03,55,167**		---	
Other operating revenue (Refer note.10 of note no.28B)		**(3,51,23,452)**		---	
Finance cost		**70,56,09,489**		78,85,89,966	
Interest income		**(9,35,873)**		(10,98,004)	
Dividend income		**(2,00,000)**		(2,00,000)	
Provision for wealth tax & Fringe benefit tax		**2,60,009**	**1,08,22,20,146**	2,99,540	1,11,67,51,632
Operating profit before working capital changes			**76,30,41,023**		96,03,50,192
Adjustments for changes in Working Capital :					
(Increase)/Decrease in Inventories		**47,39,71,016**		(1,03,20,61,302)	
(Increase)/Decrease in Trade Receivables		**19,29,73,876**		(25,87,81,616)	
(Increase)/Decrease in Other Receivables		**1,92,39,908**		56,99,315	
Increase/(Decrease) in Trade Payables		**88,82,11,652**		2,58,76,326	
Increase/(Decrease) in Other Payables		**(30,30,54,114)**	**1,27,13,42,338**	37,54,14,286	(88,38,52,991)
Cash generated from operations			**2,03,43,83,361**		7,64,97,201
Direct taxes paid			**(10,69,187)**		13,57,777
Net cash from operating activities			**2,03,33,14,174**		7,78,54,978
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of fixed assets (including capital advances)		**(3,74,95,403)**		(2,72,30,304)	
Investment in shares of subsidiary company		**---**		---	
Interest received		**9,35,873**		10,98,004	
Dividend income		**2,00,000**		2,00,000	
Sale of fixed assets		**5,00,246**		3,10,608	
Net cash from investing activities			**(3,58,59,284)**		(2,56,21,692)
C. CASH FLOW FROM FINANCING ACTIVITIES					
Share application money pending allotment		**(10,00,00,000)**		15,00,00,000	
Increase in share capital		**15,00,00,000**		---	
Proceeds from long term borrowings		**---**		---	
Repayment of long term borrowings		**(91,86,35,556)**		(61,38,88,309)	
Increase/(Decrease) in short term borrowings including cash credit		**(40,96,80,913)**		1,19,76,61,290	
Finance cost paid		**(71,13,84,029)**		(77,78,88,330)	
Net cash from financing activities			**(1,98,97,00,498)**		(4,41,15,349)
Net increase in cash and cash equivalents	**(A+B+C)**		**77,54,392**		81,17,937
Opening balance of cash and cash equivalents			**1,33,31,680**		52,13,743
Closing balance of cash and cash equivalents			**2,10,86,072**		1,33,31,680

Notes:

1. Closing Cash and bank balances Comprise :

a. Cash & Cash Equivalents				
i) Current accounts	**40,91,528**		4,91,512	
ii) Fixed deposit account (having maturity upto 3 months)	**---**		65,14,863	
iii) Cash on hands	**8,38,197**		16,40,148	
b. Other bank balances				
i) Earmarked balance for unpaid dividend	**9,05,597**		9,74,348	
ii) Earmarked balance in current account (as per Uttar Pradesh State Molasses Control Rules, 1974)	**52,21,759**		37,10,809	
iii) Fixed deposit account (having maturity more than 3 months to 12 months)	**1,00,28,991**		---	
Total		**2,10,86,072**		1,33,31,680

2. Figures in bracket indicate cash outflow.

3. The above cash flow statement has been prepared under the indirect method set out in AS-3 notified pursuant to the Companies (Accounting Standards) Rules,2006.

4. Previous year figures have been regrouped and recasted wherever necessary to conform to the current year's classification.

As per our report of even date
For S.S. Kothari Mehta & Co.
Chartered Accountants

Arun K. Tulsian
Partner
Membership No. 89907

B.J. Maheshwari
Whole Time Director & CS cum CCO

G.R. Morarka
Chairman & Managing Director

Vijay S. Banka
Whole Time Director & Chief Financial Officer

K.L. Garg
Nominee Director

Place: New Delhi
Date: 27th November, 2013

Place: New Delhi
Date: 27th November, 2013

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

Note No.		As at 30/09/2013	As at 30/09/2012
1	**SHARE CAPITAL**		
	AUTHORISED:		
	1,75,00,000 (previous year 1,75,00,000) equity shares of ₹ 10 each	**17,50,00,000**	17,50,00,000
	12% 1,50,000 (previous year 1,50,000) cumulative redeemable preference shares of ₹ 100 each (Series I)	**1,50,00,000**	1,50,00,000
	8% 15,00,000 (previous year 15,00,000) cumulative redeemable preference shares of ₹ 100 each (Series II)	**15,00,00,000**	15,00,00,000
	8% 10,00,000 (previous year 10,00,000) cumulative redeemable preference shares of ₹ 100 each (Series III)	**10,00,00,000**	10,00,00,000
	8% 10,00,000 (previous year Nil) cumulative redeemable preference shares of ₹ 100 each (Series IV)	**10,00,00,000**	---
		54,00,00,000	44,00,00,000
	ISSUED:		
	1,63,14,676 (previous year 1,63,14,676) equity shares of ₹ 10 each paid up	**16,31,46,760**	16,31,46,760
	12% 1,10,000 (previous year 1,10,000) cumulative redeemable preference shares of ₹ 100 each paid up (Series I)	**1,10,00,000**	1,10,00,000
	8% 15,00,000 (previous year 15,00,000) cumulative redeemable preference shares of ₹ 100 each paid up (Series II)	**15,00,00,000**	15,00,00,000
	8% 10,00,000 (previous year 10,00,000) cumulative redeemable preference shares of ₹ 100 each (Series III)	**10,00,00,000**	10,00,00,000
	8% 10,00,000 (previous year Nil) cumulative redeemable preference shares of ₹ 100 each (Series IV)	**10,00,00,000**	---
		52,41,46,760	42,41,46,760
	SUBSCRIBED AND FULLY PAID UP:		
	1,63,14,676 (previous year 1,63,14,676) equity shares of ₹ 10 each paid up	**16,31,46,760**	16,31,46,760
	12% 1,10,000 (previous year 1,10,000) cumulative redeemable preference shares of ₹ 100 each paid up (Series I)	**1,10,00,000**	1,10,00,000
	8% 15,00,000 (previous year 15,00,000) cumulative redeemable preference shares of ₹ 100 each paid up (Series II)	**15,00,00,000**	15,00,00,000
	8% 10,00,000 (previous year Nil) cumulative redeemable preference shares of ₹ 100 each (Series III)	**10,00,00,000**	---
	8% 5,00,000 (previous year Nil) cumulative redeemable preference shares of ₹ 100 each (Series IV)	**5,00,00,000**	---
	Total Share Capital	**47,41,46,760**	32,41,46,760

NOTES TO THE FINANCIAL STATEMENTS

A Reconciliation of shares outstanding at the beginning and at the end of the reporting period is set out below:

	As at 30/09/2013		As at 30/09/2012	
	No of shares	**Amount in ₹**	No of shares	Amount in ₹
AUTHORISED:				
a) Equity Shares:-				
At the beginning of the period	**1,75,00,000**	**17,50,00,000**	2,75,00,000	27,50,00,000
Reclassified into preference shares	**---**	**---**	1,00,00,000	10,00,00,000
Outstanding at the end of the period	**1,75,00,000**	**17,50,00,000**	1,75,00,000	17,50,00,000
b) Preference Shares:-				
12% cumulative redeemable preference shares of ₹ 100 each (Series I)				
At the beginning of the period	**1,50,000**	**1,50,00,000**	1,50,000	1,50,00,000
Change during the period	**---**	**---**	---	---
Outstanding at the end of the period	**1,50,000**	**1,50,00,000**	1,50,000	1,50,00,000
8% cumulative redeemable preference shares of ₹ 100 each (Series II)				
At the beginning of the period	**15,00,000**	**15,00,00,000**	15,00,000	15,00,00,000
Change during the period	**---**	**---**	---	---
Outstanding at the end of the period	**15,00,000**	**15,00,00,000**	15,00,000	15,00,00,000
8% cumulative redeemable preference shares of ₹ 100 each (Series III)				
At the beginning of the period	**10,00,000**	**10,00,00,000**	---	---
Reclassified from equity shares	**---**	**---**	10,00,000	10,00,00,000
Outstanding at the end of the period	**10,00,000**	**10,00,00,000**	10,00,000	10,00,00,000
8% cumulative redeemable preference shares of ₹ 100 each (Series IV)				
At the beginning of the period	**---**	**---**	---	---
Change during the period	**10,00,000**	**10,00,00,000**	---	---
Outstanding at the end of the period	**10,00,000**	**10,00,00,000**	---	---
ISSUED:				
a) Equity Shares:-				
At the beginning of the period	**1,63,14,676**	**16,31,46,760**	1,63,14,676	16,31,46,760
Change during the period	**---**	**---**	---	---
Outstanding at the end of the period	**1,63,14,676**	**16,31,46,760**	1,63,14,676	16,31,46,760
b) Preference Shares:-				
12% cumulative redeemable preference shares of ₹ 100 each (Series I)				
At the beginning of the period	**1,10,000**	**1,10,00,000**	1,10,000	1,10,00,000
Change during the period	**---**	**---**	---	---
Outstanding at the end of the period	**1,10,000**	**1,10,00,000**	1,10,000	1,10,00,000
8% cumulative redeemable preference shares of ₹ 100 each (Series II)				
At the beginning of the period	**15,00,000**	**15,00,00,000**	15,00,000	15,00,00,000
Change during the period	**---**	**---**	---	---
Outstanding at the end of the period	**15,00,000**	**15,00,00,000**	15,00,000	15,00,00,000
8% cumulative redeemable preference shares of ₹ 100 each (Series III)				
At the beginning of the period	**10,00,000**	**10,00,00,000**	---	---
Change during the period	**---**	**---**	10,00,000	10,00,00,000
Outstanding at the end of the period	**10,00,000**	**10,00,00,000**	10,00,000	10,00,00,000
8% cumulative redeemable preference shares of ₹ 100 each (Series IV)				
At the beginning of the period	**---**	**---**	---	---
Change during the period	**10,00,000**	**10,00,00,000**	---	---
Outstanding at the end of the period	**10,00,000**	**10,00,00,000**	---	---

NOTES TO THE FINANCIAL STATEMENTS

		As at 30/09/2013		As at 30/09/2012	
		No of shares	**Amount in ₹**	No of shares	Amount in ₹
	SUBSCRIBED AND FULLY PAID UP:				
a)	**Equity Shares:-**				
	At the beginning of the period	**1,63,14,676**	**16,31,46,760**	1,63,14,676	16,31,46,760
	Change during the period	**---**	**---**	---	---
	Outstanding at the end of the period	**1,63,14,676**	**1,6,31,46,760**	1,63,14,676	16,31,46,760
b)	**Preference Shares:-**				
	12% cumulative redeemable preference shares of ₹ 100 each (Series I)				
	At the beginning of the period	**1,10,000**	**1,10,00,000**	1,10,000	1,10,00,000
	Change during the period	**---**	**---**	---	---
	Outstanding at the end of the period	**1,10,000**	**1,10,00,000**	1,10,000	1,10,00,000
	8% cumulative redeemable preference shares of ₹ 100 each (Series II)				
	At the beginning of the period	**15,00,000**	**15,00,00,000**	15,00,000	15,00,00,000
	Change during the period	**---**	**---**	---	---
	Outstanding at the end of the period	**15,00,000**	**15,00,00,000**	15,00,000	15,00,00,000
	8% cumulative redeemable preference shares of ₹ 100 each (Series III)				
	At the beginning of the period	**---**	**---**	---	---
	Change during the period	**10,00,000**	**10,00,00,000**	---	---
	Outstanding at the end of the period	**10,00,000**	**10,00,00,000**	---	---
	8% cumulative redeemable preference shares of ₹ 100 each (Series IV)				
	At the beginning of the period	**---**	**---**	---	---
	Change during the period	**5,00,000**	**5,00,00,000**	---	---
	Outstanding at the end of the period	**5,00,000**	**5,00,00,000**	---	---

B Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

	No of shares	**% holding**	No of shares	% holding
a) Equity Shares:-				
Dwarikesh Trading Company Limited	**26,24,889**	**16.09%**	24,24,889	14.86%
Morarka Finance Limited	**21,59,118**	**13.23%**	23,59,118	14.46%
Param Capital Research Private Limited	**8,65,237**	**5.30%**	8,65,237	5.30%
Gautam R Morarka	**28,14,385**	**17.25%**	28,09,385	17.22%
As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.				
b) Preference Shares:-				
12% Cumulative Redeemable Preference Shares (Series I)				
Dwarikesh Trading Company Limited	**1,10,000**	**100.00%**	1,10,000	100.00%
8% Cumulative Redeemable Preference Shares (Series II)				
Bimla Devi Poddar	**2,00,000**	**13.33%**	2,00,000	13.33%
Krishna Neotia	**2,00,000**	**13.33%**	2,00,000	13.33%
Gayatri Neotia	**2,00,000**	**13.33%**	2,00,000	13.33%
Suresh Kumar Neotia	**2,00,000**	**13.33%**	2,00,000	13.33%
Madhu Neotia	**3,00,000**	**20.00%**	3,00,000	20.00%
Harshvardhan Neotia	**2,00,000**	**13.34%**	2,00,000	13.34%
Govind Commercial Company Limited	**1,00,000**	**6.67%**	1,00,000	6.67%
Likhami Commercial Company Limited	**1,00,000**	**6.67%**	1,00,000	6.67%
8% Cumulative Redeemable Preference Shares (Series III)				
Bimla Devi Poddar	**7,50,000**	**75.00%**	---	---
Madhu Neotia	**2,50,000**	**25.00%**	---	---
8% Cumulative Redeemable Preference Shares (Series IV)				
Harshvardhan Neotia	**5,00,000**	**100.00%**	---	---

NOTES TO THE FINANCIAL STATEMENTS

C Rights & restrictions attached to various classes of shares are as under:

a) Equity Shares:-

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors, If any is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholding.

b) Preference Shares:-

12% cumulative redeemable preference shares (Series I):

1,10,000, 12% cumulative redeemable preference shares of ₹ 100 each were issued in September 1998. These preference shares were to be redeemed at par in September, 2011 which has been extended to September, 2014 by virtue of the resolution passed in the committee of preference share holders meeting held on 28th July, 2011 and the consent obtained from the concerned shareholders.

8% cumulative redeemable preference shares (Series II):

15,00,000, 8% cumulative redeemable preference shares of ₹ 100 each were issued in August, 2007. These preference shares were to be redeemed at par in August, 2012, which has been extended to August, 2015 by virtue of consent obtained from the concerned shareholders.

8% cumulative redeemable preference shares (Series III):

10,00,000, 8% cumulative redeemable preference shares of ₹ 100 each were issued in October 2012. These preference shares shall be redeemed at par in September, 2017.

8% cumulative redeemable preference shares (Series IV):

5,00,000, 8% cumulative redeemable preference shares of ₹ 100 each were allotted in April 2013. These preference shares shall be redeemed at par in March, 2018.

D Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.-Nil

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		As at 30/09/2013	As at 30/09/2012
2	RESERVES AND SURPLUS		
a)	**Capital reserve**		
	As per last account	**59,86,500**	59,86,500
	Changes during the period	**---**	---
	Closing balance	**59,86,500**	59,86,500
b)	**Capital redemption reserve**		
	As per last account	**7,52,00,000**	7,52,00,000
	Changes during the period	**---**	---
	Closing balance	**7,52,00,000**	7,52,00,000
c)	**Securities premium reserve**		
	As per last account	**90,00,38,192**	90,00,38,192
	Changes during the period	**---**	---
	Closing balance	**90,00,38,192**	90,00,38,192
d)	**Other reserves**		
	General reserve		
	As per last account	**27,08,54,154**	27,08,54,154
	Changes during the period	**---**	---
	Closing balance	**27,08,54,154**	27,08,54,154
e)	**Surplus / (Deficit) in Statement of Profit and Loss**		
	As per last account	**(32,65,41,850)**	(21,34,87,662)
	Add: during the period	**(19,36,03,034)**	(11,30,54,188)
	Less: appropriations	**---**	---
	Closing balance of Surplus / (Deficit) in Statement of Profit and Loss	**(52,01,44,884)**	(32,65,41,850)
	Total Reserves & Surplus	**73,19,33,962**	92,55,36,996

		As at 30/09/2013	As at 30/09/2012
3	LONG-TERM BORROWINGS		
	(Refer note.1 of note no.28B)		
a)	**SECURED**		
	i) Term loans		
	From banks	**1,29,03,27,734**	2,03,64,59,736
	From others	**27,68,46,200**	39,48,23,400
	ii) Deferred payment liabilities-interest free trade tax loan	**---**	46,44,680
	Total Secured Long term borrowings	**1,56,71,73,934**	2,43,59,27,816

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		AS AT 30/09/2013		AS AT 30/09/2012	
		Deferred Tax Asset	**Deferred Tax Liability**	Deferred Tax Asset	Deferred Tax Liability
4	**DEFERRED TAX LIABILITIES (NET):**				
	Difference between book depreciation and tax depreciation		**1,01,00,25,858**		1,00,03,09,275
	Non payment of taxes and duties	**34,94,295**		48,44,102	
	Non payment of bonus, leave & gratuity	**3,23,13,597**		2,87,67,759	
	Deferment of interest	**69,48,149**		99,45,608	
	Non payment of excise duty on closing stock	**1,95,54,440**		2,75,68,967	
	Brought forward losses & depreciation	**1,04,93,79,515**		90,42,72,695	
	Total	**1,11,16,89,996**	**1,01,00,25,858**	97,53,99,131	1,00,03,09,275
	Net Deferred Tax Asset /(Liability)		**10,16,64,138**		(2,49,10,144)

Deferred tax assets in respect of brought forward losses and depreciation have been recognized owing to virtual certainty of availability of future taxable income to realize such assets.

		AS AT 30/09/2013	AS AT 30/09/2012
5	**OTHER LONG TERM LIABILITIES**		
a)	Trade payables	**6,73,550**	23,220
b)	Capital Supplier payable	**3,41,98,057**	3,41,98,057
c)	Other payables		
	Security/Retention money	**1,25,13,114**	1,04,13,203
	Total Other Long Term Liabilities	**4,73,84,721**	4,46,34,480
6	**LONG-TERM PROVISIONS**		
	Provision for employee benefits		
	Gratuity	**5,58,71,076**	5,08,10,481
	Leave encashment	**2,04,04,436**	2,04,37,111
	Total Long Term Provisions	**7,62,75,512**	7,12,47,592
7	**SHORT-TERM BORROWINGS**		
	(Refer note.1 of note no.28B)		
a)	**Secured**		
	Cash credit from banks	**1,52,28,35,109**	1,93,23,11,065
		1,52,28,35,109	1,93,23,11,065
b)	**Unsecured**		
	Loan & advances from related parties		
	(Refer note.18 of note no.28B)		
	due to director	**6,53,794**	7,85,852
	inter corporate deposits	**1,99,475**	2,72,374
		8,53,269	10,58,226
	Total Short Term Borrowings	**1,52,36,88,378**	1,93,33,69,291

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		As at 30/09/2013	As at 30/09/2012
8	**TRADE PAYABLES**		
a)	Micro, small and medium enterprises*	**10,63,073**	3,74,678
b)	Others	**97,94,49,038**	9,25,76,111
	Total Trade Payables	**98,05,12,111**	9,29,50,789
*	There are no outstanding amounts payable beyond the agreed period to Micro, Small and Medium enterprises as required by MSMED Act, 2006 as on the Balance Sheet date to the extent such enterprises have been identified based on information available with the company. In view of this there is no overdue interest payable.		
9	**OTHER CURRENT LIABILITIES**		
a)	Current maturities of long term debts		
	(Refer note.1 of note no. 28B)		
	i) Term loans		
	From banks	**71,31,32,000**	76,21,93,224
	From others	**11,79,77,200**	11,79,77,200
	ii) Deferred payment liabilities-interest free trade tax loan	**---**	8,20,450
	Total Current maturities of long term debts	**83,11,09,200**	88,09,90,874
b)	Interest accrued but not due on borrowings	**4,20,49,749**	4,78,24,289
c)	Advance from customer and others	**15,35,60,970**	39,46,39,685
d)	Unpaid dividend*	**9,05,597**	9,74,348
e)	Application money received for allotment of shares (since allotted)	**---**	5,00,00,000
f)	Other payables		
	Statutory dues payable	**4,21,78,728**	3,97,32,196
	(Including TDS, Purchase tax,PF and Excise duty)		
	Salary & wages payable	**3,32,09,310**	3,45,34,753
	Remuneration-due to directors	**34,25,009**	10,15,807
	Excise duty payable on stock	**5,75,29,979**	8,49,71,389
	Security/Retention money payable	**1,19,67,327**	1,41,84,272
	Others	**99,79,075**	46,47,380
	Including amount payable to related parties of ₹ 7,86,744 (previous year ₹ 1,92,832)		
	Total Others	**35,48,05,744**	67,25,24,119
	Total Other Current Liabilities	**1,18,59,14,944**	1,55,35,14,993
*	There are no amounts outstanding in respect of unpaid dividend for more than seven years to be transferred to Investor Education and Protection Fund.		
10	**SHORT TERM PROVISIONS**		
a)	Provision for employee benefits		
	Gratuity	**91,89,788**	77,98,504
	Leave encashment	**84,41,816**	80,71,210
	Total Short Term Provisions	**1,76,31,604**	1,58,69,714

NOTES TO THE FINANCIAL STATEMENTS

11 FIXED ASSETS

		GROSS CARRYING VALUE				DEPRECIATION				NET CARRYING VALUE	
		As at 01/10/2012 ₹	Added during the period ₹	Disposals ₹	As at 30/09/2013 ₹	Up to 01/10/2012 ₹	For the period ₹	Disposals ₹	Up to 30/09/2013 ₹	As at 30/09/2012 ₹	As at 30/09/2013 ₹
i)	**Tangible Assets**										
	Freehold land	**7,72,24,710**	---	---	**7,72,24,710**	---	---	---	---	**7,72,24,710**	**7,72,24,710**
		(7,72,24,710)	---	---	(7,72,24,710)	---	---	---	---	(7,72,24,710)	(7,72,24,710)
	Buildings	**1,08,75,50,504**	**13,17,406**	**6,77,483**	**1,08,81,90,427**	**21,17,66,869**	**2,86,73,950**	**1,54,662**	**24,02,86,157**	**87,57,83,635**	**84,79,04,270**
		(1,08,30,23,560)	(45,26,944)	---	(1,08,75,50,504)	(18,31,42,300)	(2,86,24,569)	---	(21,17,66,869)	(89,98,81,260)	(87,57,83,635)
	Plant and Equipment	**5,59,28,69,707**	**3,12,81,078**	**21,048**	**5,62,41,29,737**	**1,88,77,37,385**	**29,45,58,321**	**1,533**	**2,18,22,94,173**	**3,70,51,32,322**	**3,44,18,35,564**
		(5,53,63,38,029)	(5,66,56,789)	(1,25,111)	(5,59,28,69,707)	(1,59,92,26,447)	(28,85,42,575)	(31,637)	(1,88,77,37,385)	(3,93,71,11,582)	(3,70,51,32,322)
	Furniture and Fixtures	**3,85,41,584**	**10,69,575**	**14,38,745**	**3,81,72,414**	**2,24,21,650**	**18,65,361**	**1,147,916**	**2,31,39,095**	**1,61,19,934**	**1,50,33,319**
		(3,79,88,191)	(11,19,010)	(5,65,617)	(3,85,41,584)	(2,07,38,621)	(21,38,926)	(4,55,897)	(2,24,21,650)	(1,72,49,570)	(1,61,19,934)
	Vehicles	**3,41,66,077**	**11,98,470**	**8,60,031**	**3,45,04,516**	**1,65,00,966**	**30,52,145**	**6,71,822**	**1,88,81,289**	**1,76,65,111**	**1,56,23,227**
		(3,29,28,153)	(20,23,852)	(7,85,928)	(3,41,66,077)	(1,37,57,473)	(30,11,037)	(2,67,544)	(1,65,00,966)	(1,91,70,680)	(1,76,65,111)
	Office equipment	**1,54,11,637**	**8,61,839**	**29,38,525**	**1,33,34,951**	**80,94,669**	**8,88,954**	**24,35,699**	**65,47,924**	**73,16,968**	**67,87,027**
		(1,36,45,326)	(17,74,362)	(8,051)	(1,54,11,637)	(72,13,916)	(8,88,801)	(8,048)	(80,94,669)	(64,31,410)	(73,16,968)
	Others (Computers)	**3,85,49,673**	**21,92,121**	**61,85,665**	**3,45,56,129**	**3,85,49,673**	**21,92,121**	**61,85,665**	**3,45,56,129**	---	---
		(3,57,83,336)	(40,35,289)	(12,68,952)	(3,85,49,673)	(3,57,83,336)	(40,35,289)	(12,68,952)	(3,85,49,673)	---	---
	Total (i)	**6,88,43,13,892**	**3,79,20,489**	**1,21,21,497**	**6,91,01,12,884**	**2,18,50,71,212**	**33,12,30,852**	**1,05,97,297**	**2,50,57,04,767**	**4,69,92,42,680**	**4,40,44,08,117**
ii)	**Intangible Assets**										
	Computer Softwares (Bought out)	**72,06,811**	---	**15,33,326**	**56,73,485**	**72,06,811**	---	**15,33,326**	**56,73,485**	---	---
		(56,98,851)	(15,07,960)	---	(72,06,811)	(56,98,851)	(15,07,960)	---	(72,06,811)	---	---
	Total (ii)	**72,06,811**	---	**15,33,326**	**56,73,485**	**72,06,811**	---	**15,33,326**	**56,73,485**	---	---
	Grand Total (i + ii)	**6,89,15,20,703**	**3,79,20,489**	**1,36,54,823**	**6,91,57,86,369**	**2,19,22,78,023**	**33,12,30,852**	**1,21,30,623**	**2,51,13,78,252**	**4,69,92,42,680**	**4,40,44,08,117**
	Previous Year	(6,82,26,30,156)	(7,16,44,206)	(27,53,659)	(6,89,15,20,703)	(1,86,55,60,944)	(32,87,49,157)	(20,32,078)	(2,19,22,78,023)	(4,95,70,69,212)	(4,69,92,42,680)

Acquisition through business combination, other adjustments and impairment/revaluation are not applicable as no such transactions occurred during the year,and in the corresponding previous year.

Note:-Figures in the brackets are for the previous year.

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

Note No.		As at 30/09/2013	As at 30/09/2012
12	NON-CURRENT INVESTMENTS		
	Other investments-Associate companies		
	Unquoted investments (valued at cost except for permanent diminution in value)		
a)	**Investment in equity instruments**		
	20,000 (previous year 20,000) equity shares of ₹ 10 each fully paid up in 'Dwarikesh Informatics Limited'	**2,00,000**	2,00,000
	extent of holding : 40% (previous year 40%)		
	20,000 (previous year 20,000) equity shares of ₹ 10 each fully paid up in 'Faridpur Sugars Limited'	**2,00,000**	2,00,000
	extent of holding : 40% (previous year 40%)		
b)	**Investments in preference shares**		
	20,000 (previous year 20,000) 10% preference shares of ₹ 100 each fully paid up in 'Dwarikesh Informatics Limited'	**20,00,000**	20,00,000
	extent of holding : 100% (previous year 100%)		
	Total Non-Current Investments	**24,00,000**	24,00,000
	Aggregate amount of unquoted investments	**24,00,000**	24,00,000
	Aggregate provision for diminution in the value of investments	**---**	---
13	LONG TERM LOANS & ADVANCES		
	unsecured, considered good		
a)	Capital advances	**2,76,73,832**	2,74,52,015
b)	Security deposits	**17,10,417**	18,06,421
c)	Others		
	MAT Credit Entitlement	**5,97,38,677**	5,97,38,677
	Advances recoverable in cash or in kind or for value to be received		
	Considered good	**1,62,94,718**	1,62,72,956
	Considered doubtful	**12,12,958**	12,12,958
	Less: provision for bad and doubtful advances	**12,12,958**	12,12,958
	Total Long Term Loans & Advances	**10,54,17,644**	10,52,70,069
14	OTHER NON-CURRENT ASSETS		
	Unsecured, considered good		
(a)	Trade receivables*		
	Considered good	**33,78,609**	38,77,047
	Considered doubtful	**7,99,497**	7,99,497
	Less: provision for bad and doubtful debts	**7,99,497**	7,99,497
		33,78,609	38,77,047
(b)	Other receivables		
	i) Fixed deposit account (having maturity of more than 12 months) (as margin money for bank guarantees / pledged with government departments ,including net interest accrued thereon ₹ 3,94,959 (previous year ₹ 19,49,520)	**18,94,959**	1,11,59,520
	ii) Others**	**18,16,198**	27,65,109
	Total Non-Current Assets	**70,89,766**	1,78,01,676

* Since the matter is in litigation, management considers the same as non current.

NOTES TO THE FINANCIAL STATEMENTS

		As at 30/09/2013	As at 30/09/2012
			(Amount in ₹)
**	Includes ₹ 13,64,355 (previous year ₹ 23,30,519)representing sales tax and interest thereon paid as a matter of abundant caution under protest under applicable Trade & Sales tax Act, based on the enquiry made on the company by Uttar Pradesh Trade tax authorities in respect of diesel, steel and cement provided to contractors/ sugar cane transporters during the years 1997-98,1998-99 and 2000-2001.		
	However, the company is confident of the non-applicability of any sales tax levy on this score as these items have been provided strictly for the activities directly related to the manufacturing process. The issue of diesel and other items has also not been classified as revenue income and has always been treated as store consumption. The company has paid the amount purely to establish its bona fide intentions and is confident of settling the issue in its favor and does not consider it necessary for making any provision.		
15	**INVENTORIES**		
	(As taken, valued and certified by the Management)		
	Valued at or below cost: (Refer note.6 of note no.28A)		
a)	Raw materials	**---**	---
b)	Work-in-progress (Refer note.5 II (b) (ii) of note no.28B)	**3,78,273**	3,72,399
c)	Finished goods (Refer note.5 II (b) (i) of note no.28B)	**1,79,22,62,838**	2,27,07,70,890
d)	Stores and spares	**12,17,08,730**	11,68,59,622
e)	Chemicals	**35,86,568**	20,17,319
f)	Packing material	**16,11,907**	34,99,102
	Total Inventories	**1,91,95,48,316**	2,39,35,19,332
16	**TRADE RECEIVABLES**		
	unsecured, considered good		
a)	Outstanding for more than six months from the due date	**---**	---
b)	Others		
	Considered good	**2,00,49,034**	25,77,56,187
	Total Trade Receivable	**2,00,49,034**	25,77,56,187
17	**CASH & BANK BALANCES**		
a)	**Cash & Cash Equivalents**		
	Balance with scheduled banks		
	i) Current accounts	**40,91,528**	491,512
	ii) Fixed deposit account (having maturity upto 3 months) (as margin money for bank guarantees / pledged with government departments ,including net interest accrued thereon ₹ Nil (previous year ₹ Nil)	**---**	65,14,863
	Cash on hand	**8,38,197**	16,40,148
		49,29,725	86,46,523
b)	**Other bank balances**		
	i) Earmarked balance for unpaid dividend	**9,05,597**	9,74,348
	ii) Earmarked balance in current account (as per Uttar Pradesh State Molasses Control Rules, 1974)	**52,21,759**	37,10,809
	iii) Fixed deposit account (having maturity more than 3 months to 12 months) (as margin money for bank guarantees / pledged with government departments ,including net interest accrued thereon ₹ 23,18,991 (previous year ₹ Nil)	**1,00,28,991**	---
	Total Cash & Bank Balances	**2,10,86,072**	1,33,31,680

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		As at 30/09/2013	As at 30/09/2012
18	**SHORT TERM LOANS & ADVANCES**		
	unsecured, considered good		
a)	Loans & advances to related parties	---	---
b)	Others		
	Balances with government authorities	1,00,01,902	85,53,924
	Advance taxes & TDS {net of provisions of ₹ 20,68,419 (previous year ₹ 6,15,38,885}	66,957	2,55,970
	Advances recoverable in cash or in kind or for value to be received	1,28,96,222	1,82,17,850
	Total Short Term Loans & Advances	**2,29,65,081**	2,70,27,744
19	**OTHER CURRENT ASSETS**		
a)	Interest subvention receivable	---	50,25,955
b)	Interest receivable and others	33,758	86,349
	Total Other Current Assets	**33,758**	51,12,304

		Year ended 30/09/2013	Year ended 30/09/2012
20	**REVENUE FROM OPERATIONS** (Refer note.5.II (a) of note no.28B)		
a)	Sale of products	9,59,12,14,883	7,16,21,40,759
b)	Other operating revenues* (Refer note.10 of note no.28B)	3,70,23,139	9,73,21,550
	Gross Revenue From Operations	9,62,82,38,022	7,25,94,62,309
c)	Less: excise duty on sale of products	35,20,88,521	27,34,89,638
	Total Net Revenue From Operations	**9,27,61,49,501**	6,98,59,72,671

* a) Includes ₹ Nil (previous year ₹ 3,60,67,063) being the amount received towards surrender of export entitlement of sugar in favor of third parties.

b) Includes ₹ Nil (previous year ₹ 1,08,64,146) being the amount received from sale of Carbon Emission Reductions (CERs).

		Year ended 30/09/2013	Year ended 30/09/2012
21	**OTHER INCOME**		
a)	Interest income		
	on current deposits	8,08,237	3,03,513
	on non current deposits with banks	1,27,636	7,94,491
b)	Dividend income from non current investment	2,00,000	2,00,000
c)	Other non operating income	12,99,01,765	2,03,45,477
	Total Other Income	**13,10,37,638**	2,16,43,481

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		Year ended 30/09/2013	Year ended 30/09/2012
22	**COST OF MATERIALS CONSUMED**		
a)	Raw material consumed *		
	Sugar cane		
	Opening stock	**---**	---
	Add: purchases	**7,22,56,21,516**	6,17,82,09,196
	Less: closing stock	**---**	---
		7,22,56,21,516	6,17,82,09,196
b)	Other materials consumed		
	i)Chemicals		
	Opening stock	**20,17,319**	7,52,989
	Add: purchases	**7,40,31,955**	7,83,83,855
	Less: closing stock	**35,86,568**	20,17,319
		7,24,62,706	7,71,19,525
	ii) Packing Material consumed		
	Opening stock	**34,99,102**	6,27,941
	Add: purchases	**12,47,76,504**	12,65,18,721
	Less: closing stock	**16,11,907**	34,99,102
		12,66,63,699	12,36,47,560
	Total Cost Of Materials Consumed	**7,42,47,47,921**	6,37,89,76,281

* Society commission on purchase of sugarcane amounting to ₹ 4,82,12,723 for the period February, March and April 2012 was not provided in view of anticipated relief from the State Government. However, no such relief was granted by the State Government. Accordingly, the same has now been provided during the year under the head Raw material consumed.

		Year ended 30/09/2013	Year ended 30/09/2012
23	**(INCREASE)/DECREASE IN STOCKS**		
	(Refer note.5.II (b) of note no.28B)		
	Closing stock		
	Finished goods	**1,79,22,62,838**	2,27,07,70,890
	Work in progress	**3,78,273**	3,72,399
		1,79,26,41,111	2,27,11,43,289
	Opening stock		
	Finished goods	**2,27,07,70,890**	1,24,67,09,834
	Work in progress	**3,72,399**	4,37,532
		2,27,11,43,289	1,24,71,47,366
	NET (INCREASE)/DECREASE IN STOCK	**47,85,02,178**	(1,02,39,95,923)
	Excise duty on account of increase/decrease on stock of finished goods	**(2,74,41,410)**	2,98,90,018
	Total (Increase)/Decrease In Stocks	**45,10,60,768**	(99,41,05,905)

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		Year ended 30/09/2013	Year ended 30/09/2012
24	**EMPLOYEE BENEFIT EXPENSES**		
a)	Salary and wages	**34,73,19,565**	32,23,56,837
	Bonus	**11,53,457**	15,18,069
	Leave encashment	**89,41,585**	1,28,99,393
	Gratuity (Refer note.7.b(ii) of note no.28B)	**87,37,503**	1,16,43,824
		36,61,52,110	34,84,18,123
b)	Contribution to provident and other funds		
	Provident fund	**3,04,60,024**	2,62,25,374
c)	Staff welfare expenses	**63,44,978**	58,92,503
	Total Employee Benefit Expenses	**40,29,57,112**	38,05,36,000
25	**FINANCE COST**		
a)	Interest expense		
	i) Interest on fixed loans :		
	Term loans	**39,25,96,143**	38,57,64,579
	Others (including paid to directors ₹ 72,055 previous year ₹ 4,87,020)	**89,17,197**	10,26,975
		40,15,13,340	38,67,91,554
	ii) Interest on cash credit	**29,39,22,126**	27,32,31,367
b)	Other borrowing costs	**1,01,74,023**	1,43,85,775
c)	(Gain) / loss on foreign exchange transactions	**---**	11,41,81,270
	Total Finance Cost	**70,56,09,489**	78,85,89,966
26	**DEPRECIATION AND AMORTIZATION EXPENSES**		
a)	Depreciation		
	Depreciation of tangible assets	**33,12,30,852**	32,87,49,157
	Obsolescence	**6,21,191**	1,54,996
		33,18,52,043	32,89,04,153
b)	Amortization of intangible assets	**---**	---
	Total Depreciation and Amortization Expenses	**33,18,52,043**	32,89,04,153

NOTES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

		Year ended 30/09/2013	Year ended 30/09/2012
27	**OTHER EXPENSES**		
	Power and fuel		
	Power	**1,15,11,186**	81,36,288
	(Net of ₹ 1,26,51,625 power banked with UPPCL previous year ₹ 1,14,28,376)		
	Fuel	**8,60,062**	18,53,144
	Other manufacturing expenses	**6,22,47,498**	5,83,22,207
	Repairs to buildings	**87,67,194**	96,08,861
	Repairs to machinery		
	Consumption of stores & spare parts	**7,44,38,294**	5,43,98,530
	Plant & machinery	**2,31,39,882**	2,50,40,664
	Rent	**25,42,648**	25,73,682
	Insurance	**1,03,93,970**	33,32,612
	Rates and taxes*	**47,02,323**	51,80,190
	Travelling & conveyance	**1,13,40,440**	1,25,25,751
	Postage, telephone & telex	**22,58,844**	22,91,686
	Printing & stationery	**28,10,149**	24,20,430
	Selling commission -others	**3,67,79,895**	1,83,18,016
	Freight and forwarding (net of recovery from customers)	**1,94,50,622**	1,65,17,177
	Donations & charity	**22,000**	11,47,100
	Repairs & maintenance - others	**54,22,614**	47,19,781
	Loss on sale of fixed assets	**4,02,763**	2,55,977
	Bad debts written off (Refer note.10 of note no.28B)	**8,03,55,167**	---
	Payment to the auditors		
	Audit fees	**11,75,000**	6,25,000
	Taxation matters	**1,25,000**	75,000
	Other Law Matters	**3,00,000**	---
	Reimbursement of expenses	**1,03,544**	1,07,797
	Miscellaneous expenses	**5,09,89,834**	5,36,67,204
	Total Other Expenses	**41,01,38,929**	28,11,17,097

* Includes provision for wealth tax of ₹ 2,60,009 for the Assessment year 2013-14 (previous year ₹ 3,61,115) as per the provisions of Wealth Tax Act, 1957 and provision for Fringe Benefit Tax pertaining to earlier years ₹ Nil (previous year ₹ (61,575))

NOTES ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE "28 A"

GENERAL INFORMATION

Dwarikesh Sugar Industries Limited (DSIL) is a public limited company domiciled in India and was incorporated in the year 1993 under the provisions of the Companies Act,1956.

Currently equity shares of the company are listed at BSE and NSE.

DSIL is integrated conglomerate, primarily engaged in manufacture of sugar and allied products. From a humble beginning in 1993, DSIL today is a multi faceted, fast growing industrial group with the strong presence in diversified fields such as sugar manufacturing, power and Ethanol/Industrial Alcohol production.

The Company has three sugar manufacturing units, out of which 2 units namely Dwarikesh Nagar and Dwarikesh Puram are located in Bijnor District of Uttar Pradesh (U.P.) and one unit namely Dwarikesh Dham in Bareilly District (U.P.).

Registration details

Registration No. CIN No. L15421 UP1993 PLC 018642

State code 20

Generic name of principal product of the Company

Item code No.(ITC Code) 170111.09

Product Description Cane Sugar

SIGNIFICANT ACCOUNTING POLICIES

1. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

   The company prepares its accounts on accrual basis following the historical cost convention and on the basis of going concern in compliance with the provisions of Section 211 (3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956 which, as per a clarification issued by the Ministry of Corporate Affairs, continue to apply under section 133 of the Companies Act 2013 (which has superseded section 211(3C) of the Companies Act 1956 w.e.f 12 September 2013).

2. **USE OF ESTIMATES**

   The preparation of financial statements requires the use of estimates and assumptions to be made that affect the reported amount of assets, liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. **FIXED ASSETS**

   Fixed assets are capitalised at cost of acquisition including directly attributable costs such as freight, insurance and specific installation charges for bringing the assets to their working condition for intended use.

   Emergency machinery spares of irregular use and critical insurance machinery spares are capitalised as part of relevant plant & machinery.

   Pre-operative expenditure incurred upto the date of commencement of commercial production is capitalized as part of fixed assets.

4. **INVESTMENTS**

   Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost after providing for diminution in value where in the opinion of the management such diminution is not temporary in nature.

5. **DEPRECIATION**

   Depreciation is provided for on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in respect of computers (including accessories and peripherals), which are depreciated fully in the year of addition. Depreciation on other additions/deletions is provided pro-rata from/ upto the month of addition/deletion.

   Emergency machinery spares of irregular use and critical insurance spares are depreciated over the balance useful life of the parent asset.

   All assets costing ₹5,000 or below are depreciated in full by way of a onetime depreciation charge.

6. INVENTORY VALUATION

Inventories are valued at lower of cost or net realisable value except in case of scrap which is taken at net realizable value. Cost for various items of inventory is determined as under:

a.	Raw materials (including those in transit)	:	Purchase cost including incidental expenses on FIFO basis.
b.	Chemicals, Packing material, other Stores and spares (including those in transit)	:	Purchase cost including incidental expenses on weighted average basis.
c.	Work-in-process	:	At raw material cost including proportionate production overheads.
d.	Finished goods		
	i) Sugar	:	At raw material cost including proportionate production overheads.
	ii) Molasses	:	At average net realisable price.
	iii) Industrial Alcohol	:	At value of molasses as determined above plus proportionate production overheads in distillery.
	iv) Traded goods	:	Purchase cost including incidental expenses on FIFO basis.

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

7. REVENUE RECOGNITION

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

Insurance and other claims are accounted for as and when admitted by the appropriate authorities in view of uncertainty involved in ascertainment of final claim.

Sale of goods

Sales includes excise duty and is accounted for upon dispatch of goods from the factory when the risks and rewards of ownership are transferred to the buyer. Gross sales and net sales are disclosed separately in Statement of Profit & Loss.

Carbon Credit Entitlement (CERs)

In process of production, the Company also generates carbon emission reduction units which may be negotiated for price in international market under Clean Development Mechanism (CDM) subject to completing certain formalities and obtaining certificate of Carbon Emission Reduction (CER) as per Kyoto Protocol. Revenue from CER is recognized as and when the CER's are certified and it is probable that the economic benefits will flow to the Company.

Late Payment Surcharge

Late payment surcharge on delayed payments is recognized as income in accordance with the terms of power purchase agreement (PPA) entered into with UPPCL and its associates.

Interest

Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Revenue in respect of dividends is recognised when the Shareholders rights to receive payment is established by the balance sheet date.

8. CONTINGENCIES AND EVENTS OCCURING AFTER THE BALANCE SHEET DATE

Events occurring after the date of the Balance sheet, which provide further evidence of conditions that existed at the Balance Sheet date or that arose subsequently, are considered upto the date of approval of accounts by the Board of Directors, where material.

9. GOVERNMENT GRANTS

Grants relating to specific fixed assets are deducted from the original cost of specified assets.

10. EMPLOYEES BENEFITS

a) Provident Fund

Company's contribution to provident fund, being in the nature of defined contribution plan, are being charged to Statement of Profit & Loss in the period during which services are rendered by employees.

b) Gratuity & Leave Encashment

Provision for gratuity and leave encashment in the nature of defined benefit obligation is considered on the basis of Accounting Standard AS-15 on actuarial valuation using projected unit credit method. The discount rate and other financial assumptions are based on the parameters defined in the accounting standard.

c) Other Short term benefits

Expenses in respect of other short term benefits are recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

11. EXCISE DUTY

Excise duty in respect of finished goods (including molasses) is accounted for at the end of period and is included in the value of closing stock as per 'Guidance Note on Accounting Treatment of Excise Duty' issued by the Institute of Chartered Accountants of India.

12. INTANGIBLE ASSETS

Items of expenditure that meet the recognition criteria as mentioned in Accounting Standard are classified as intangible assets and are amortized over the period of economic benefits not exceeding ten years.

13. BORROWING COSTS

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

14. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currency are accounted for at the exchange rate prevailing on the date of transaction. Exchange differences arising on account of forward contracts are dealt with in the Statement of Profit & Loss over the period of the contracts. Monetary assets and liabilities relating to foreign currency transactions are converted at the year end rate or at forward contract rate, as applicable. Gains or losses arising on cross currency forex swap transactions are accounted for over the period of contract.

15. TAXES ON INCOME

Tax on income for the current period is determined on the basis of taxable income & tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on expected outcome of assessments/ appeals.

Deferred Tax is recognized on timing differences between the accounting income and the taxable income for the year and reversal/adjustment of earlier year deferred tax assets / liabilities which are quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets on account of unabsorbed losses and depreciation are recognized and carried forward to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed at each Balance Sheet date.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

16. IMPAIRMENT OF ASSETS

Where the recoverable amount of the fixed asset is lower than its carrying amount, a provision is made for the impairment loss. Post impairment, depreciation is provided for on the revised carrying value of the asset over its remaining useful life. The impairment loss recognized in prior accounting period is reversed if there is a favourable change in the estimate of recoverable amount.

17. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

Contingent liabilities, if material, are disclosed by way of notes, contingent assets are not recognized or disclosed in the financial statements. A provision is recognized when an enterprise has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation(s), in respect of which a reliable estimate can be made for the amount of obligation.

18. EARNING PER SHARE (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year.

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

19. LEASES

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Where the Company is the lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

20. SEGMENT ACCOUNTING & REPORTING

Identification of segments

The company's operating business are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products.

Allocation of common costs

Common allocable costs are allocated to each segment on reasonable basis.

Unallocated Items

Unallocable assets & liabilities represent the assets & liabilities not allocable to any segment as identified as per the Accounting Standard.

Segment Policies

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

21. CASH & CASH EQUIVALENTS

Cash & Cash Equivalents comprise cash at bank and cash/cheque in hand and term deposits with banks.

"28 B" – OTHER NOTES

1. SECURITIES FOR BORROWINGS:

Value in ₹

Abbreviations: PNB- Punjab National Bank DP- Dwarikesh Puram Unit IDBI- IDBI Bank Limited DCB- District Co-Operative Bank (Zila Sahkari Bank) O/S- Amount outstanding PICUP- The Pradeshiya Industrial & Investment Corporation of Uttar Pradesh	DD - Dwarikesh Dham Unit Qtly.- Quarterly DN - Dwarikesh Nagar Unit; SUPGB- SarvaU.P.Gramin Bank ROI-Rate of interest; UPCB-U.P.Co-Operative Bank SDF-Sugar Development Fund

Bank/FI, amount sanctioned and outstanding as on reporting Date	Current (₹)	Non-Current (₹)	Security	Repayment Schedule of amount outstanding and ROI on the reporting date
i) Long Term Borrowings				
IDBI** Sanctioned-50,00,00,000 O/S - Nil (10,00,00,000)	--- (7,50,00,000)	--- (2,50,00,000)	Pari-passu Charge on fixed assets : -1st on DD - 2nd on DN - 3rd on DP	- ROI-15.00% - Fully paid
IDBI Sanctioned-16,00,00,000 O/S- 5,60,00,000 (8,80,00,000)	2,40,00,000 (2,40,00,000)	3,20,00,000 (6,40,00,000)		- ROI-14.00% - 7 qtly installments of ₹80,00,000 each payable In October, 2013 and onwards.
PNB** # Sanctioned-90,00,00,000 O/S - 38,04,40,989 (57,06,52,989)	19,02,12,000 (19,02,12,000)	19,02,28,989 (38,04,40,989)	Pari-passu Charge on fixed assets : - 1st on DP - 2nd on DN - 3rd on DD	- ROI-15.00% - 7 quarterly installments of ₹4,75,53,000 each and final installment of ₹4,75,69,989 payable in December, 2013 and onwards.
PNB ** # Sanctioned-94,00,00,000 O/S -54,70,18,763 (71,99,99,987)	19,89,20,000 (17,29,81,224)	34,80,98,763 (54,70,18,763)	Pari-passu Charge on fixed assets : - 1st on DD - 2nd on DN - 3rd on DP	- ROI-15.00% - 10 quarterly installments of ₹ 4,97,30,000 each and final installment of ₹4,97,18,763 payable in October, 2013 and onwards.
PNB ** # Sanctioned-56,00,00,000 O/S -12,00,00,000 (12,00,00,001)	--- (---)	12,00,00,000 (12,00,00,001)	Pari-passu Charge on fixed assets : -1st on DP 24 MW Co-gen assets -2nd on DN -3rd on DD	- ROI-15.00% - next installment of ₹ 15,01,319 payable in April, 2015 - rest amount of 3 installments of ₹ 2,96,26,000 payable qtly each and final installment of ₹ 2,96,20,681 payable inJuly, 2015 and onwards.
PNB * Sanctioned - 50,00,00,000 O/S - 30,00,00,000 (40,00,00,001)	10,00,00,000 (10,00,00,000)	20,00,00,000 (30,00,00,001)	Pari-passu Charge on fixed assets : -1st on DN -2nd on DP -3rd on DD	- ROI-15.00% - 12 qtly installments of ₹ 2,50,00,000 each payable inOctober, 2013 and onwards.
PNB Sanctioned-1,00,00,00,000 O/S - 59,99,99,982 (79,99,99,982)	20,00,00,000 (20,00,00,000)	39,99,99,982 (59,99,99,982)	Pari-passu Charge on fixed assets : -1st on DN -2nd on DP -3rd on DD	- ROI-15.00% - 11 qtly installments of ₹ 5,00,00,000 each and final installment of ₹ 4,99,99,982 payable in December, 2013 and onwards.

Total term loans from Banks O/S - 2,00,34,59,734 (2,79,86,52,960)	**71,31,32,000 (76,21,93,224)**	**1,29,03,27,734 (2,03,64,59,736)**		
SDF Sanctioned -27,50,00,000 O/S- 20,52,25,600 (25,65,32,000)	5,13,06,400 (5,13,06,400)	15,39,19,200 (20,52,25,600)	Pari-passu Charge on fixed assets : -1st on DP	- ROI- 4% - 8 half yearly Installments of ₹ 2,56,53,200 each payable in November, 2013 and onwards.
SDF Sanctioned- 26,50,00,000 O/S -17,20,97,800 (22,12,68,600)	4,91,70,800 (4,91,70,800)	12,29,27,000 (17,20,97,800)	Pari-passu Charge on fixed assets : -1st on DD	- ROI- 4% - 7 half yearly Installments of ₹ 2,45,85,400 each payable in November, 2013 and onwards.
SDF Sanctioned - 2,00,00,000 O/S - 50,00,000 (1,00,00,000)	50,00,000 (50,00,000)	-- (50,00,000)	Bank Guarantee	- ROI- 4% - Yearly Installment of ₹ 50,00,000 payable in January, 2014
SDF Sanctioned - 2,50,00,000 O/S - 62,50,000 (1,25,00,000)	62,50,000 (62,50,000)	--- (62,50,000)	Bank Guarantee	- ROI- 4% - Yearly Installment of ₹ 62,50,000 payable in January,2014
SDF Sanctioned - 2,50,00,000 O/S - 62,50,000 (1,25,00,000)	62,50,000 (62,50,000)	--- (62,50,000)	Bank Guarantee	- ROI- 4% - Yearly Installment of ₹ 62,50,000 payable in January,2014
Total term Loans from others O/S - 39,48,23,400 (51,28,00,600)	**11,79,77,200 (11,79,77,200)**	**27,68,46,200 (39,48,23,400)**		
PICUP O/S - Nil (54,65,130) (Trade Tax loan repayable after 5 years from the respective year of collection)	--- (8,20,450)	--- (46,44,680)	Pari-passu Charge on fixed assets : -2nd on DN & DP	- Interest Free - Fully paid during the year
Total long term borrowings O/S - 2,39,82,83,134 (3,31,69,18,690)	**83,11,09,200 (88,09,90,874)**	**1,56,71,73,934 (2,43,59,27,816)**		

ii) Short Term Borrowings:				
a. Cash Credit				
PNB Sanctioned- 2,60,00,00,000	1,35,29,83,671 (1,50,28,17,858)	--- (---)	-hypothecation & pledge of stock of sugar, molasses, chemicals, stores & spares - 2nd Pari-passu charge on fixed assets of all three units of the company	- ROI- 14.50%
IDBI Sanctioned- Nil	--- (24,99,47,277)	--- (---)		---
SUPGB Sanctioned- 10,00,00,000	6,99,23,516 (9,97,45,947)	--- (---)		- ROI- 14.00%
DCB Sanctioned- 96,00,00,000	9,99,27,922 (7,97,99,983)	--- (---)		- ROI- 11.50%

UPCB Sanctioned- 60,00,00,000	--- (---)	(---)	Pledge of sugar stock in specific godowns at DN Unit - 2nd Pari-passu charge on fixed assets of all three units of the company	- ROI - 11.50%
Total Cash Credit	**1,52,28,35,109** **(1,93,23,11,065)**	--- **(---)**		

b. Loans & advances from related parties	**8,53,269** **(10,58,226)**	**---** **(---)**	Unsecured	- ROI- 10% - Payable on demand
Total short term borrowings	**1,52,36,88,378** **(1,93,33,69,291)**			

-Term Loans from PNB and IDBI and Cash credit from all the banks aggregating to ₹ 3,52,62,94,843 (previous year ₹ 4,73,09,64,025)are personally guaranteed by the Chairman & Managing Director of the company out of which the company has given Counter guarantees of ₹ 2,75,64,43,423 (previous year ₹ 3,75,14,18,113) to him to secure all these personal guarantees excluding PNB term loan outstanding of ₹ 59,99,99,982 (previous year ₹ 79,99,99,982) and CC outstanding of SUPGB,DCB& UPCB.

- PNB Term Loans marked with # are additionally secured by second pari-passu charge on current assets of the company

-Term Loans marked with * were restructured in 2009 and term loans marked with ** were restructured twice first in 2007 and second time in 2009

2. Contingent liabilities not provided for

Particulars	As at 30th Sep'13 ₹	As at 30th Sep'12 ₹
(a) Claims not acknowledged as debts by the company.	20,76,408	20,76,408
(b) In respect of show cause notices from Central Excise department in various cases against which the company has preferred appeals [net of amount reversed and payments of ₹ 2,40,62,421(previous year ₹ 2,29,14,802)].	3,22,30,862	3,33,78,481
(c) In respect of Trade Tax and Entry Tax demand received from Uttar Pradesh Trade Tax authorities in various cases, in respect of which the company has preferred appeals [net of amount deposited under appeal of ₹ 15,98,498(previous year ₹ 25,85,075)].	Nil	Nil

3. a) Estimated amount of contracts remaining to be executed on capital account, net of advance of ₹ 2,76,73,832 (previous year ₹ 2,74,52,015) and not provided for is ₹ 73,87,249 (previous year ₹ 1,31,43,996). Other Commitments ₹ Nil (previous year ₹ Nil).

4. Dividend not provided for on cumulative preference shares:-

Particulars	As at 30th Sep'13 ₹	As at 30th Sep'12 ₹
12% 1,10,000 (previous year 1,10,000) cumulative redeemable preference shares (Series I)	52,80,000 ₹48 per share	39,60,000 ₹ 36 per share
8% 15,00,000 (previous year 15,00,000) cumulative redeemable preference shares (Series II)	4,80,00,000 ₹32 per share	3,60,00,000 ₹ 24 per share
8% 10,00,000 (previous year Nil) cumulative redeemable preference shares (Series III)	80,00,000 ₹8 per share	---
8% 5,00,000 (previous year Nil) cumulative redeemable preference shares (Series IV)	20,00,000 ₹4 per share	---

5. Particulars of Capacity, Production, Stock and Turnover

I Capacities & Production

a.) Capacities

Particulars	**Unit**	**Licensed Capacity**	**Installed Capacity**
Sugar Cane	TCD	21,500 (21,500)	21,500 (21,500)
Industrial Alcohol / Ethanol	KLPD	30 (30)	30 (30)
Power	MW	86 (86)	86 (86)

Note: Capacities are as certified by the Management.

b.) Production

Class of Goods	Unit	Actual Production
Sugar	Qtls.	23,81,045 (22,86,803)
Molasses	Qtls.	11,68,080 (11,36,033)
Power	Kwh.	25,90,55,028 (26,56,23,478)
Industrial Alcohol		
-Spirit	Ltrs.	34,31,173 (38,09,947)
-Ethanol	Ltrs.	7,11,883 (5,76,219)

II Particulars of Revenue from operations & Inventory

a) Revenue from operations:

Class of Goods	**Unit**	**Quantity**	**Value (₹)**
i) Sugar	Qtls.	25,57,370 (19,97,605)	8,30,55,98,394 (5,97,45,50,079)
ii) Molasses	Qtls.	*12,02,412 (9,65,688)	44,04,79,110 (32,13,48,115)
iii) Power	Kwh.	16,81,67,676 (17,51,80,992)	71,80,61,573 (73,15,63,737)
iv) Industrial Alcohol			
- Spirit	Ltrs.	**26,78,000 (31,71,000)	8,36,25,581 (8,52,84,142)
- Ethanol	Ltrs.	6,21,000 (5,40,000)	2,68,58,541 (2,30,42,199)
v) Miscellaneous sale			1,65,91,684 (2,63,52,487)
vi) Other operating Revenue			3,70,23,139 (9,73,21,550)
Total Revenue from operations			9,62,82,38,022 (7,25,94,62,309)

Note:

* Excludes 1,44,274 Qtls (previous year 1,59,510 Qtls) molasses used internally for manufacturing of Industrial Alcohol in Distillery.

** Excludes 7,58,646 Ltrs (previous year 6,16,594 Ltrs) spirit used internally manufacturing of Ethanol in Distillery.

b) Inventories

i) Finished Goods

			Opening Stock		Closing Stock	
	Class of goods	**Unit**	**Quantity**	**Amount (₹)**	**Quantity**	**Amount (₹)**
i)	Sugar	Qtls.	7,57,302 (4,68,104)	2,20,91,47,652 (1,18,66,15,393)	5,80,977 (7,57,302)	1,78,84,33,082 (2,20,91,47,652)
ii)	Molasses	Qtls.	1,81,032 (1,70,686)	6,03,86,233 (6,00,42,436)	*1,518 (1,81,032)	4,23,829 (6,03,86,233)
iii)	Industrial Alcohol					
	- Spirit	Ltrs.	11,195 (2,970)	2,12,679 (52,005)	**1,449 (11,195)	27,618 (2,12,679)
	- Ethanol	Ltrs.	42,902 (Nil)	10,24,326 (Nil)	***1,42,802 (42,902)	33,78,309 (10,24,326)

Note: The quantities are net of:

* 908 Qtls (Previous year 489 Qtls) normal losses.

** 4,273 Ltrs (Previous year 14,128 Ltrs) normal losses and use from SDS solution.

*** 9,017 Ltrs (Previous year 6,683 Ltrs)normal gains.

ii) Work-in-progress

			Opening Stock		Closing Stock	
	Class of goods	Unit	Quantity	Amount (₹)	Quantity	Amount (₹)
i)	Sugar	Qtls.	108 (210)	2,40,003 (4,08,030)	142 (108)	3,13,576 (2,40,003)
ii)	Molasses	Qtls.	54 (104)	9,933 (20,018)	93 (54)	28,909 (9,933)
iii)	Industrial Alcohol	Ltrs.	6,884 (587)	1,22,463 (9,484)	2,027 (6,884)	35,788 (1,22,463)

(B) Raw Material & Chemicals Consumed

		Quantity (Qtls.)	%	Value (₹)
a)	Sugar Cane	2,42,60,411 (2,37,08,436)		7,22,56,21,516 (6,17,82,09,196)
b)	Chemicals			7,24,62,706 (7,71,19,525)
Indigenous			100 (100)	7,29,80,84,222 (6,25,53,28,721)
Imported			Nil (Nil)	Nil (Nil)
Total			100 (100)	7,29,80,84,222 (6,25,53,28,721)
c)	C I F VALUE OF IMPORTS			Nil (Nil)
d)	EXPENDITURE IN FOREIGN CURRENCY Interest on Foreign Currency Term Loans			Nil (16,02,84,102)
e)	EARNINGS IN FOREIGN CURRENCY Sale of CER's			Nil (1,08,64,146)

Note:-Figures in the brackets are for the previous year.

6.

a) Remuneration to Managing Director

	2012-2013 ₹	2011-2012 ₹
Salary	72,00,000	48,00,000
Leave Encashment *	12,00,000	Nil
	84,00,000	48,00,000
Add: Company's Contribution to P.F. (exempted allowance)	8,64,000	5,76,000
Total	92,64,000	53,76,000

Commission to Managing Director is not payable in view of inadequacy of profit as per Schedule XIII of the Companies Act,1956 and hence not provided for. Further, the remuneration as approved by the Central Government vide letter no. SRN No. B74128893/2013-CL-VII dated 05.09.2013 has been accounted for effective from April 01,2013.

b) Remuneration to other Whole time directors

Salary	45,40,536	41,69,880
Other Allowances	44,83,896	35,65,200
Leave Salary *	3,43,629	1,31,789
Interim Bonus	---	3,24,324
Company's Contribution to P.F. (exempted allowance)	5,44,863	5,00,382
Total	99,12,924	86,91,575

c)

Directors sitting Fee- Non-executive directors	1,27,500	1,60,000

Total Managerial Remuneration (a +b+c)	1,93,04,424	1,42,27,575

*Gratuity and long term liability in respect of leave encashment not determinable as the actuarial valuation is done on overall company basis. The above figures are actual payments.

7.

a) The company has made provision for gratuity and leave encashment in the nature of defined benefit obligation on the basis of actuarial valuation as per Accounting Standard AS-15. Since the liability has not been funded through a Trust or Insurer, there are no plan assets.

b)

i) Defined Contribution Plans :

Employer's Contribution to Provident Fund ₹ 3,04,60,024 (previous year ₹ 2,62,25,374).

ii) Defined Benefits Plans :

Liability for Gratuity is determined on actuarial basis using projected unit credit method. The details are as under:

	As at 30th Sep'13 ₹	As at 30th Sep'12 ₹
Change in defined benefit obligation:		
Opening defined benefit obligation	5,86,08,985	4,73,69,283
Current service cost	61,38,833	54,74,255
Interest cost	50,50,431	41,63,991
Actuarial loss/ (gain)	(24,51,761)	20,05,578
Past service cost	---	---
Benefit paid	(22,85,624)	(4,04,122)
Closing defined benefit obligation	6,50,60,864	5,86,08,985

Change in fair value of assets :		
Contribution by employer	22,85,624	4,04,122
Benefit paid	(22,85,624)	(4,04,122)
Change in fair value of plan assets	---	---
Expense recognized in Statement of Profit & Loss		
Current service cost	61,38,833	54,74,255
Interest cost	50,50,431	41,63,991
Net actuarial losses / (gain)	(24,51,761)	20,05,578
Past service cost	---	---
Expense recognized in Statement of Profit & Loss	87,37,503	1,16,43,824
Financial Assumptions at the valuation date		
Discount rate	9.25%	8.30%
Expected rate of return on assets (p.a.)	---	---
Salary escalation	6.00%	6.00%

Amount for the current and previous four years in respect of gratuity are as follows:-

	Period Ended				
Particulars	**30-Sep-13**	**30-Sep-12**	**30-Sep-11**	**30-Sep-10**	**30-Sep-09**
	(in ₹)				
Defined Benefit Obligation	6,50,60,864	5,86,08,985	4,73,69,283	3,73,93,670	2,84,12,041
Plan Assets	---	---	---	---	---
Surplus/(Deficit)	(6,50,60,864)	(5,86,08,985)	(4,73,69,283)	(3,73,93,670)	(2,84,12,041)
Exp. Adj. on Plan Liabilities	26,74,548	17,63,251	41,07,428	40,30,723	4,28,767
Exp. Adj. on Plan Assets	---	---	---	---	---

8. Trade Receivable/Payables and Loans and Advances balances are subject to confirmation and reconciliation.

9. Aggrieved by the Order of the Directorate of Sugar, Government of India, converting un-lifted quantity of non-levy sugar of 1,77,403 quintals into levy, the company filed a writ petition with the Hon'ble Allahabad High Court. Hon'ble High Court upheld the Order of the Directorate of Sugar. The company filed SLP with the Hon'ble Supreme Court of India and the order of the Directorate of Sugar in the interim was stayed. On 31.10.2013, vide its order No. 3-1/2012-E&V the Directorateof Sugar rescinded its earlier orders converting undelivered/undispatched non-levy sugar into levy sugar. Due to this development, the company does not have any liability on this account. Pursuant to the said development, on 19.11.2013, the company filed an application for withdrawal of the SLP and the SLP would therefore be, dismissed as withdrawn.

10. The Company has accounted for late payment surcharge on dues recoverable from UPPCL, on account of power supply from its co-generation units, of ₹ 3,51,23,452 during the year (clubbed with other operating revenues) and ₹ 4,52,31,715 upto the end of previous year. The company had approached the State Electricity Regulatory Commission to formally stake its claim. The petition has since been withdrawn.In view of the withdrawal of petition, the outstanding late payment surcharge amounting to ₹ 8,03,55,167 including ₹ 3,51,23,452 for the current year has been written off as bad debt.

11. As per the Accounting Standard AS-28 'Impairment of Assets', the company has tested impairment to identify the impairment loss, if any. Based on the assessment of the existing assets, the realizable amount for all the units is higher than the carrying values of such units. Accordingly no impairment is required to be recognized during the period.

12. The company has not taken/given any assets on finance/ operating lease. Accordingly, Accounting Standard AS-19 on leases is not applicable. The company has taken various office/ residential premises and office equipments on cancellable leases which are renewable on expiry of the respective lease period.

13. **Derivative instruments and foreign currency exposures:**

    (a) There is no foreign currency exposure outstanding as at the Balance Sheet date (Previous year ₹ Nil).

    (b) Particulars of un-hedged foreign currency exposures as at the Balance Sheet date are ₹ NIL (Previous year ₹ Nil).

14. There are no present obligations requiring provision in accordance with the guiding principles as enunciated in Accounting Standard AS-29 as it is not probable that an outflow of resources embodying economic benefit will be required.

15. Figures for the previous year have been regrouped / reclassified, wherever necessary.

16. **Segment information for the year ended 30th September, 2013**

(i) Information about Primary Business segment

(Amount in ₹)

Particulars	Sugar	Co-Gen.	Distillery	Adjustment	Total
Revenue					
External Revenue	8,42,44,43,223	75,31,85,025	9,85,21,253		9,27,61,49,501
	(6,10,15,82,777)	(78,76,59,598)	(9,67,30,296)		(6,98,59,72,671)
Internal Revenue	3,70,34,376	38,49,91,557	---	(42,20,25,933)	---
	(4,47,44,845)	(37,48,07,981)	---	(-41,95,52,826)	---
Total Revenue	**8,46,14,77,599**	**1,13,81,76,582**	**9,85,21,253**	**(42,20,25,933)**	**9,27,61,49,501**
Results					
Segment Results	(41,88,36,071)	76,74,78,343	3,77,88,094		38,64,30,366
	(-28,03,42,898)	(88,33,44,385)	(2,91,87,039)		(63,21,88,526)
Less: Unallocated Expenditure (net of income)					
Interest					70,56,09,489
					(78,85,89,966)
Profit before tax					**(31,91,79,123)**
					(-15,64,01,440)
Provision for tax					(12,55,76,089)
					(-4,33,47,252)
Profit after tax					(19,36,03,034)
					(-11,30,54,188)
Other Information					
Segment Assets	5,44,41,64,706	92,18,58,914	10,93,00,336		6,47,53,23,956
	(6,16,05,98,906)	(1,21,77,55,006)	(11,51,27,616)		(7,49,34,81,528)
Segment Liabilities	1,47,27,64,328	5,39,578	33,05,786		1,47,66,09,692
	(89,03,35,219)	(31,41,549)	(32,21,797)		(89,66,98,565)
Capital Expenditure	1,82,90,149	1,96,30,340	---		3,79,20,489
	(7,05,37,985)	(7,63,081)	(3,43,140)		(7,16,44,206)
Depreciation/Obsolescence	25,12,02,273	7,24,82,798	81,66,972		33,18,52,043
	(25,35,49,005)	(6,71,92,259)	(81,62,889)		(32,89,04,153)

Revenue in respect of captive power produced from co generation plant has been arrived at based on the rates at which the same is being supplied to State Electricity Board.

(ii) The company does not have any Secondary Business Segment since there were no exports during the year and no assets located outside India.

17. **Earning per share:**

(Amount in ₹)

	2012-13	2011-12
Profit after tax	(19,36,03,034)	(11,30,54,188)
Less: Preference dividend including corporate dividend tax of earlier year	2,71,03,087	1,54,80,837
Profit attributable to Equity Share holders	(22,07,06,121)	(12,85,35,025)
Number of equity shares outstanding during the period (weighted average)	1,63,14,676	1,63,14,676
Potential equity shares (weighted average)	---	---
Number of equity shares outstanding during the period including potential shares (weighted average)	1,63,14,676	1,63,14,676
Nominal value of equity shares (₹)	10	10
Earning per share (₹) Basic	(13.53)	(7.88)
Earning per share (₹) Diluted	(13.53)	(7.88)

18. **Related party disclosures as required by Accounting Standard AS-18 for the year ended 30th September, 2013**

a) Names of the related parties and description of relationship:

i) Enterprises over which key management personnel are able to exercise significant influence
- Morarka Finance Limited
- Dwarikesh Trading Company Limited
- Dwarikesh Informatics Limited
- Dwarikesh Agriculture Research Institute
- Faridpur Sugars Limited (Associate Company)

ii) Key Management Personnel
- Shri G.R.Morarka Chairman & Managing Director
- Shri B.J.Maheshwari Whole-time Director & Company Secretary Cum Chief Compliance Officer
- Shri Vijay S. Banka Whole -time Director & Chief Finance Officer

iii) Relatives of Key Managerial Personnel

Shri G.R.Morarka
- Smt. Smriti G. Morarka (Wife)
- Ms. Priyanka G. Morarka (Daughter)
- Shri Pranay G. Morarka (Son)

Shri V.S.Banka
- Smt. Sarla V. Banka (Wife)

b) Details of Transactions

Sl. No.	Name of Related Party	Nature of Transaction	Volume of Transaction (₹)	Amount due to (₹)	Amount due from (₹)	Investment (₹)
1	Dwarikesh Trading Co. Ltd.	Inter Corporate Deposit Repaid	72,899 (3,78,50,000)	73,264 (1,46,163)		
		Inter Corporate Deposit Received	Nil (2,50,00,000)			
		Interest Paid	12,537 (5,27,299)			
		Rent Received	2,40,000 (2,40,000)			
		Advance Rent		1,60,000 (1,60,000)		
2	Dwarikesh Informatics Ltd.	Services Purchased	26,96,640 (32,44,956)	5,65,344 (1,92,832)		22,00,000 (22,00,000)
		Reimbursement of Expenses Received / Receivable	23,24,128 (28,44,296)			
		Dividend Received	2,00,000 (2,00,000)			

Sl. No.	Name of Related Party	Nature of Transaction	Volume of Transaction (₹)	Amount due to (₹)	Amount due from (₹)	Investment (₹)
3	Dwarikesh Agriculture Research Institute (Formerly Dwarikesh Sugarcane Research Institute	Interest Paid	12,621 (12,656)	1,26,211 (1,26,211)		
4	Faridpur Sugars Limited					2,00,000 (2,00,000)
5	Morarka Finance Limited	Rent Paid	2,46,000 (Nil)	2,21,400 (Nil)		
6	Shri G.R.Morarka	Loan Repayment	2,65,444 (1,38,60,500)	6,53,794 (7,85,852)		
		Loan Taken	1,33,386 (38,60,500)			
		Interest Paid	72,055 (4,87,020)			
		Remuneration	80,64,000 (53,76,000)			
		Leave Encashment	12,00,000 (Nil)			
7	Shri B.J. Maheshwari	Remuneration	47,31,834 (40,64,913)			
		Ex-gratia/Interim Bonus	Nil (1,69,884)			
		Leave Encashment	1,82,239 (1,18,919)			
8	Shri Vijay S. Banka	Remuneration	48,37,461 (41,70,549)			
		Ex-gratia/Interim Bonus	Nil (1,54,440)			
		Leave Encashment	1,61,390 (12,870)			
9	Ms. Priyanka G. Morarka	Remuneration	9,00,000 (9,00,000)			
		Ex-gratia/Interim Bonus	Nil (57,550)			
		Leave Encashment	44,275 (42,350)			

As per our report of even date
For S.S.Kothari Mehta & Co.
Chartered Accountants

Arun K. Tulsian
Partner
Membership No. 89907

B J Maheshwari
Whole Time Director & CS cum CCO

G R Morarka
Chairman & Managing Director

Vijay S Banka
Whole Time Director & Chief Financial Officer

K L Garg
Nominee Director

Place: New Delhi
Date: 27th November, 2013

Place: New Delhi
Date: 27th November, 2013

Key Financial Data

₹ in lakhs

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13
Sales *Revenue from operation*	15,313	16,425	24,821	24,402	29,386	48,461	57,728	61,655	72,595	96,282
Other Income	45	44	144	119	40	155	190	35	216	1,310
Increase/Decrease ( ) in stock	(2,329)	321	(954)	6,929	7,005	(9,318)	6,132	(1,829)	9,941	(4,511)
Total Income	**13,029**	**16,790**	**24,011**	**31,450**	**36,431**	**39,297**	**64,051**	**59,861**	**82,752**	**93,082**
Manufacturing and operating expenses *(cost of material used)*	8,114	9,820	16,091	25,440	26,089	20,499	50,735	43,134	63,790	74,247
Excise Duty	1,003	937	1,355	1,708	2,121	2,274	2,221	2,342	2,735	3,521
Exception item/ Deferred revenue expenditure	628	21	30	30	30	30	30	0	0	0
Staff expenses	627	804	1,206	1,597	2,412	2,858	3,218	3,543	3,805	4,030
Selling & administration expenses *(other expenses*)*	398	541	767	784	822	1,038	1,346	3,359	2,811	4,101
Total Expenditure	**10,770**	**12,123**	**19,449**	**29,559**	**31,474**	**26,699**	**57,551**	**52,378**	**73,141**	**85,899**
Profit before interest, depreciation and tax (PBIDT)	2,259	4,667	4,562	1,890	4,957	12,598	6,500	7,483	9,611	7,183
Depreciation and amortization expenses	461	550	1,221	1,331	2,943	3,295	3,206	3,272	3,289	3,319
Profit before interest and tax (PBIT)	1,798	4,117	3,341	559	2,014	9,302	3,294	4,212	6,322	3,864
Interest	704	594	650	1,846	4,947	6,164	4,631	5,978	7,886	7,056
Profit before tax (PBT)	1,094	3,523	2,691	(1,287)	(2,933)	3,138	(1,336)	(1,766)	(1,564)	(3,192)
Taxes	118	863	607	(658)	(455)	630	(431)	(450)	(433)	(1,256)
Profit after Tax (PAT)	976	2,660	2,084	(628)	(2,478)	2,508	(906)	(1,316)	(1,131)	(1,936)
Cash accruals	1,468	3,764	3,645	2	27	6,103	1,651	1,506	1,725	117
Equity Share Capital	756	1,256	1,556	1,556	1,631	1,631	1,631	1,631	1,631	1,631
Preference Share Capital	110	110	110	1,610	1,610	1,610	1,610	1,610	1,610	3,110
Share Application money pending allotment									1,000	0
Equity Share Warrant				120	60	0	0		0	0
Reserves & Surplus	3,032	7,569	13,679	12,441	10,638	12,608	11,702	10,386	9,255	7,319
Secured loan funds excluding cash credit limits/ *secured loan including repayable within 1 year* / Long tern borrowing including current maturity of long term debt*	2,738	9,161	10,946	34,704	39,311	38,459	32,305	39,308	33,169	23,983
Unsecured loan funds	5	3	423	763	5,459	44	5,617	239	11	9
Net block of fixed assets	7,530	16,665	28,220	56,206	58,655	55,544	52,531	50,032	46,999	44,044
Investment	33	34	33	22	22	22	27	24	24	24
Deferred tax liability	675	1,229	1,569	1,413	945	1,701	1,261	683	249	0
Deferred tax Assets										1,017
Current assets	4,307	6,089	6,022	17,261	22,911	12,820	18,300	14,058	26,967	19,837
Non Current Assets/Long term loans & advances & other non current assets*								1,208	1,231	1,125
Current Liabilities / current liabilities excluding short term borrowing & current maturity of loan term debts*	1,422	2,913	4,708	12,578	7,727	5,928	9,306	3,301	7,813	13,529
Non Current Liabilities/Other long term liabilities & long term provisions*								1,046	1,159	1,237
Current Liabilities including cash credit limit	4,554	3,460	6,111	20,972	21,995	12,361	16,732	10,419	27,137	28,758
Capital raising expenditure to the extent not written off			120	90	60	30	0	0	0	0

*regrouped /reclasiified as per schedule VI since 2010-11

Financial Icons

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13
OPERATING RATIOS										
Manufacturing & operating expenses/Total income	62.28%	58.49%	67.02%	80.89%	71.61%	52.16%	79.21%	72.06%	77.09%	79.77%
*Cost of material consumed/Total income**										
Excise duty / Total income	7.70%	5.58%	5.64%	5.43%	5.82%	5.79%	3.47%	3.91%	3.30%	3.78%
Staff expenses / Total income	4.82%	4.79%	5.02%	5.08%	6.62%	7.27%	5.02%	5.92%	4.60%	4.33%
Selling & administration expenses / Total income	3.05%	3.22%	3.19%	2.49%	2.26%	2.64%	2.10%	5.61%	3.40%	4.41%
Other expenses / Total income*										
PBIDT / Total income	17.34%	27.80%	19.00%	6.01%	13.61%	32.06%	10.15%	12.50%	11.61%	7.72%
PBIT / Total income	13.80%	24.52%	13.91%	1.78%	5.53%	23.67%	5.14%	7.04%	7.64%	4.15%
PBT / Total income	8.40%	20.98%	11.21%	-4.09%	-8.05%	7.99%	-2.09%	-2.95%	-1.89%	-3.43%
PAT / Total income	7.49%	15.84%	8.68%	-2.00%	-6.80%	6.38%	-1.41%	-2.20%	-1.37%	-2.08%

Balance Sheet Ratio

Debt Equity Ratio	0.72	1.04	0.71	2.21	2.82	2.43	2.16	2.88	2.65	1.99
(Secured loan excluding cash credit / share holder's funds)										
Inventory Turnover Ratio	4.20	4.14	8.23	2.45	1.68	5.95	4.04	4.94	3.20	5.37
(Turnover / closing stock of inventory)										
Fixed Assets Turnover Ratio	1.73	1.01	0.85	0.56	0.62	0.71	1.22	1.20	1.76	2.11
(Total income / net block of fixed assets)										
Fixed Assets Coverage Ratio (FACR)	2.75	1.82	2.58	1.62	1.49	1.44	1.60	1.26	1.41	1.83
(Net block of fixed assets/ Secured loan excluding cash credit)										

Per Share Data

Earnings per share (EPS) (₹)	12.13	23.17	13.90	(4.20)	(15.31)	14.20	(6.50)	(9.02)	(7.88)	(13.53)
Cash earnings per share (CEPS) (₹)	18.63	32.85	24.38	(0.22)	(0.63)	35.90	9.17	8.28	9.62	(0.95)
Dividend (₹ per Equity Share)	2.00	6.00	6.00	0.00	0.00	1.50	0.00	0.00	0.00	0.00
Dividend Payout %	20%	60%	60%	0%	0%	15%	0%	0%	0%	0%
Book Value (₹)	50.10	70.24	97.89	89.93	75.21	87.28	81.73	73.66	66.73	54.86

*regrouped /reclasiified as per schedule VI since 2010-11

VALUE-ADDED STATEMENT

₹ in lakhs

PARTICULARS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13
Corporate Output (Total Income)	13,029	16,790	24,011	31,450	36,431	39,297	64,051	59,861	82,752	93,082
Less: Manufacturing & Operating expenses/ *cost of material consumed**	8,114	9,820	16,091	25,440	26,089	20,499	50,735	43,134	63,790	74,247
Less:Exceptional Item/ deferred revenue expenditure	628	21	30	30	30	30	30	0	0	0
Less: Selling & Administrative expenses/ *Other Expenses**	398	541	767	784	822	1,038	1,346	3,359	2,811	4,101
Gross Value Added	3,889	6,408	7,123	5,196	9,490	17,730	11,940	13,368	16,151	14,734
Less: Depreciation	461	550	1,221	1,331	2,943	3,295	3,206	3,272	3,289	3,319
Net Value Added	3,428	5,858	5,902	3,865	6,547	14,435	8,734	10,096	12,862	11,415
Allocation of Net Value Added										
to personnel	627	804	1,206	1,597	2,412	2,858	3,218	3,543	3,805	4,030
to Exchequer (Excise)	1,003	937	1,355	1,708	2,121	2,274	2,221	2,342	2,735	3,521
to Exchequer (Direct Taxes)	87	309	266	72	14	360	249	0	0	0
to Mat Credit entitlement						(487)	(239)	128	0	0
to deferred tax	31	554	341	(731)	(469)	757	(441)	(578)	(433)	(1,256)
to Stake holders (Interest)	704	594	650	1,846	4,947	6,164	4,631	5,978	7,886	7,056
to Investors (Dividend)	230	875	1,080	36	1	598	0	0	0	0
to Company (Retained earnings)	746	1,785	1,004	(664)	(2,479)	1,910	(906)	(1,316)	(1,131)	(1,936)
	3,428	5,858	5,902	3,865	6,547	14,435	8,734	10,096	12,862	11,415

KEY STATISTICS

PARTICULARS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*	2011-12	2012-13
No of days crushed										
- DN	150	162	156	169	142	119	140	141	155	159
- DP			100	166	127	106	134	132	147	148
- DD					99	66	114	113	145	143
Sugar cane Crushed in Qtls.										
- DN	75,18,934	80,14,653	72,05,405	83,77,011	72,19,113	50,64,737	66,15,074	68,82,340	76,62,759	77,30,481
- DP			33,93,773	88,95,373	71,29,891	45,75,622	64,83,011	58,70,034	78,88,321	83,90,189
- DD					50,42,169	30,06,582	58,55,079	61,05,708	81,57,356	81,39,741
Recovery % - DN	10.39	10.48	10.10	10.58	10.64	10.31	10.31	10.30	10.16	10.32
Recovery % - DP			10.20	10.07	10.33	9.93	9.77	9.47	9.73	10.00
Recovery % - DD					10.27	8.61	8.77	8.55	9.09	9.15
Total losses % -DN	1.880	1.851	2.060	2.04	1.92	1.84	1.89	1.85	1.82	1.83
Total losses % -DP			2.305	2.21	1.97	1.97	1.96	1.93	1.76	1.81
Total losses % -DD					2.14	2.14	2.04	2.07	1.90	1.92
Sugar Cane Bagged in Qtls. - DN	7,80,739	8,40,153	7,27,362	8,86,127	7,68,075	5,22,037	6,83,165	7,10,349	7,78,198	7,97,890
Sugar Cane Bagged in Qtls. - DP			3,45,850	8,95,500	7,36,265	4,54,380	6,34,460	5,57,845	7,67,410	8,38,650
Sugar Cane Bagged in Qtls. - DD					5,17,759	2,58,461	5,14,082	5,22,085	7,41,195	7,44,505

*regrouped /reclasiified as per schedule VI since 2010-11

DWARIKESH SUGAR INDUSTRIES LIMITED

REGD. OFFICE: DWARIKESH NAGAR-246 762, DIST: BIJNOR, UTTAR PRADESH

PROXY FORM

I/We ____

of ____ being a Member / Members of

DWARIKESH SUGAR INDUSTRIES LIMITED hereby appoint ______________________________

________________________________ of ________________________________

or failing him ________________________ of ______________________________

or failing him ________________________ of ______________________________

as my/our proxy to attend and vote for me/us on my/our behalf at the TWENTIETH ANNUAL GENERAL MEETING of the Company to be held at 10.00 a.m. on Friday, 21st March, 2014 and at any adjournment thereof.

AS WITNESS my/our hand(s) this _______ day of ________2014

Revenue Stamp Re. 1/-

Signed by the said

Note:
The Proxy must be returned so as to reach the Registered Office of the Company at Dwarikesh Nagar - 246762, District: Bijnor, Uttar Pradesh not less than FORTY EIGHT HOURS before the time of holding the aforesaid Meeting.

DWARIKESH SUGAR INDUSTRIES LIMITED

REGD. OFFICE: DWARIKESH NAGAR-246 762, DIST: BIJNOR, UTTAR PRADESH

ATTENDANCE SLIP

Regd. Folio No. _____________

TWENTIETH ANNUAL GENERAL MEETING – FRIDAY 21ST MARCH, 2014

Name of the attending ______________________________

Member / Proxy (in BLOCK letters) ______________________________

Member's Folio No. ______________________________

No. of Shares held ______________________________

I/We hereby record my/our presence at the TWENTIETH ANNUAL GENERAL MEETING held on Friday, 21st March, 2014.

Member's / Proxy's Signature ______________________________

Milestones

Year	*Event*
1993	Incorporation of the Company in the name of Dwarka Sugar Limited.
1994	Change of name to Dwarikesh Sugar Industries Ltd.
1995	Setting up of 2500 TCD sugar plant Commencement of commercial production.
1996	Expansion of capacity to 3500 TCD Setting up of 6 MW Power Plant.
1997	Payment of maiden Dividend of 10%.
1999	Expansion of capacity to 4000 TCD.
2001	Expansion of capacity to 5000 TCD.
	Bought back 25.20 Lakh shares at Rs. 40 per share.
2002	Expansion of co-gen from 6 MW to 9MW.
	Expansion of capacity to 6500 TCD.
2003	Sold Power worth Rs. 183 lacs to UP State Grid.
2004	Successful Completion of IPO (23 Times Oversubscribed).
2004	Expansion of Co-gen power plant from 9 MW to 17 MW.
2005	Commissioned 30 KLPD distillery for manufacture of Industrial Alcohol.
2005	Successfully completed GDR issue of USD 12 million.
2006	Commencement of Dwarikesh Puram plant of 7500 TCD with 9 MW co-generation.
2007	Commencement of Dwarikesh Dham plant of 7500 TCD with 36 MW Co-generation and expanded the Co-generation capacity at Dwarikesh Puram from 9MW to 33 MW.
2008	Commencement of Co-generation for supply to state grid at Dwarikesh Puram and Dwarikesh Dham units.
2009	Recording of the highest recovery in U.P. at the DN plant (10.31 per cent), while recovery recorded of DP plant was amongst the top 5 in the State (9.93 per cent).
	Posting of 69 per cent growth in net sales a record high of Rs. 462 Crores. Profit After Tax touched ₹ 25 Crores, as against loss of ₹ 25 Crores in the previous year.
2010	Highest ever turnover breaching ₹ 500 crores mark.
2011	Registration with NLDC (National Load Dispatch Centre) of all the three units for generation of RECs.

Cautionary Statement

Book - Post

If undelivered, please return to:

Dwarikesh Sugar Industries Limited
511, Maker Chamber V,
221, Nariman Point,
Mumbai - 400 021.

Printed by - www.westernpress.in

FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1.	Name of the company	Dwarikesh sugar Industries Ltd.
2.	Annual financial statements for the year ended	30th September,2013
3.	Type of Audit observation	~~Un-qualified~~ / Matter of Emphasis (Pl refer Annexure I)
4.	Frequency of observation	~~Whether~~ appeared ~~first time....../ repetitive......./ since how long period~~ ....(Pl refer Annexure I)
5.	To be signed by- • CEO/Managing Director • CFO • Auditor of the company • Audit Committee Chairman	Pl refer signatures at the end of form A and Annexure I

G R Morarka
Chairman & Managing Director

Vijay S Banka
Whole Time Director & CFO

K L Garg
Audit Committee Chairman

For S S Kothari Mehta & Co.
Chartered Accountants

S. S. KOTHARI MEHTA & CO. NEW DELHI CHARTERED ACCOUNTANTS

Arun K Tulsian
Partner
Membership no.89907

Annexure I to Form A

Auditors remark	**Frequency of remarks**
Matter of emphasis (in italics) : Item no.xvii of the Annexure to the main report	Repetitive
the funds raised by the Company on short-term basis have been applied for long-term investment to the extent of 83,01,18,093/-.	Appeared in last few years since 2006-07

G R Morarka
Chairman & Managing Director

Vijay S Banka
Whole Time Director & CFO

K L Garg
Audit Committee Chairman

For S S Kothari Mehta & Co.
Chartered Accountants

Arun K Tulsian
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S. S. KOTHARI MEHTA & CO. ★ CHARTERED ACCOUNTANTS ★ NEW DELHI