ANNEXURE – VII
MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present its Management Discussion and Analysis Report as per Regulation 34(2)(e) of SEBI (Listing Obligations of Disclosure Requirement) Regulations, 2015.

A. INDUSTRY STRUCTURE & DEVELOPMENTS

Global Sugar Industry Scenario:

Global Sugar production in sugar season 2018-19 is 178.93 Million MT with a decrease of 8.00% as compared to sugar production of 194.50 Million MT in sugar season 2017-18.

Industry Facts:

- Sugar is one of the world's major agro-based industry and is also one of the most actively traded soft commodity on the exchanges.
- More than 80% of sugar produced is from sugarcane while balance is from sugar beet.
- Brazil & India are the largest sugar producers from Sugarcane & EU (European Union) and US are the major sugar producers from beet.
- Brazil, India, EU, Thailand, China and U.S are the top global producers of Sugar.
- India, EU, China, Brazil and U.S are the major sugar consuming countries.
- India is the 2nd largest producer of sugar in the world after Brazil. However, during 2018-19 India was the first position in sugar production of the world.
- India Share in World Sugar Production was approx 18 % in 2018-19.
- Brazil was largest exporter in sugar and India is at number 4.
- Major export destinations for India in 2018-19 were Sudan, Somalia, Kenya, UAE, Canada, Iran, African Countries and Myanmar. However, Sugar stock is expected to be in surplus globally, so for India, export will not be a viable option. However, government is taking various steps to increase the export.
- Indonesia is the largest importer in the world.
- Stocks are very higher at global level. India is having highest stock in the world over 17 Million MT and it is 32% of total stock of the world.
- Global imports are at lower side at 51.07 Million MT against 54.68 Million MT in 2017-18.
- Major dip in import in United States, Bangladesh, UAE, India and South Africa.
- Global export are also lower at 56.44 Million MT against 64.50 Million MT in 2017-18.
- Major Dip in the export of Brazil, EU, Pakistan Etc.

Production, Consumptions and End Stocks:

The Global Sugar industry production in 2018-19 is 178.93 Million MT with a decrease of 8.00% as compared to sugar production of 194.50 Million MT in sugar season 2017-18. However, in consumption there is an increase by 0.21% to 173.95 Millions MT in 2018-19 as compared to 173.58 Millions MT in 2017-18, resulting into inventory levels for the 2018-19 and 2017-18 at 53.85 Million MT and 53.46 Million MT respectively. There is a decrease in the closing stock to consumption ratio in 2018-19 at 30.73% as against 31.02% at the end of 2017-18.

World Sugar Balances (October to September)

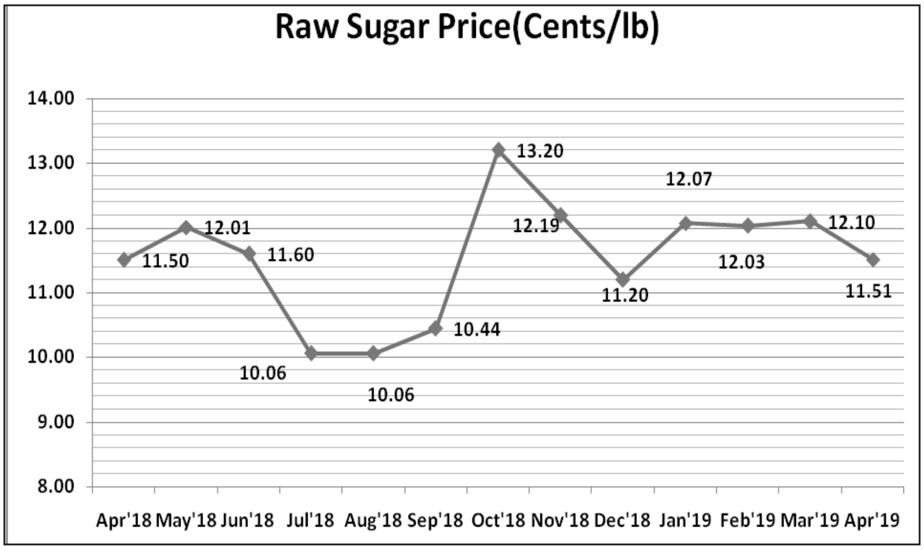
(In Million MT, Raw Value)

Particulars	2018-19 (Estimates)	2017-18	2016-17	Change in 2018-19 over 2017-18	
				(Million MT)	(%)
Production	178.93	194.50	173.98	(15.57)	(8.00%)
Consumption	173.95	173.58	170.77	0.37	0.21%
Surplus/(Deficit)	4.98	20.92	3.21	(15.94)	(76.19%)
Import demand	51.07	54.68	54.17	(3.61)	(6.60%)
Export availability	56.44	64.50	58.72	(8.06)	(12.50%)
End Stocks	53.46	53.85	42.75	(0.39)	(0.72%)
Stock/Consumption Ratio in %	30.73	31.02	25.03		

Source: United States department of agriculture (USDA)

- It is generally expected that weather across the world would be normal and rainfall should help good sugarcane and beet.
- Sugar surplus again expected next year and Brazil expected to divert approximately 62 percent of sugarcane crop to ethanol due to weak prices resulting from burdensome global supplies.
- India, Thailand etc. Production will be lower as compare to last year.
- Production of Brazil, EU & China will be higher as compare to last year.

The Global Sugar market continues to under price fluctuation. During the Financial year raw sugar price fluctuate up and down. In May 2018 raw sugar price was 12.01 cents/lb which come down at lowest level 10.06 cents/lb in August 2018 and then after increasing trend started till October 18 at the level of 13.2 cents/lb and in April 19 the raw sugar price further declined to 11.51 cents/lb.



Source: NASDAQ

The main reasons for decline in prices are:

- Global Sugar production was also high in sugar season 2018-19 specifically in India, EU & Thailand.
- Stock levels are still very high.
- It is expected to have higher sugar output in Sugar season 2019-20. In coming season also there are difference of Production and consumption over 4 Million. In view of this, price pressure will be there.

INDIAN PERSPECTIVE OF SUGAR INDUSTRY

- As compared to about 325.00 Lakh ton of Sugar Produced in sugar season 2017-18, the production is approx. 330.00 Lakh ton in sugar season 2018-19.
- The Sugar mill in U.P. produced more than 118 Lakh tons of sugar, followed by Maharastra at 107 Lakh tons & Karnataka at 43 Lakh tons.
- As compared to previous Sugar Season the production was lesser in UP by around 1.81%, in Karnataka the production was higher by 15.49% & in Maharashtra there is no major change in production.
- It is expected that in coming sugar season 2019-20, India's production is expected to decline 8.4 percent to 30.3 million tons due to lower area and yields.
- Due to high sugar output in India and higher carry over stocks, the price of sweetener is expected to depress.
- The Following chart depicts State Wise Sugar Production in Sugar Season 2018-19 (Upto June):

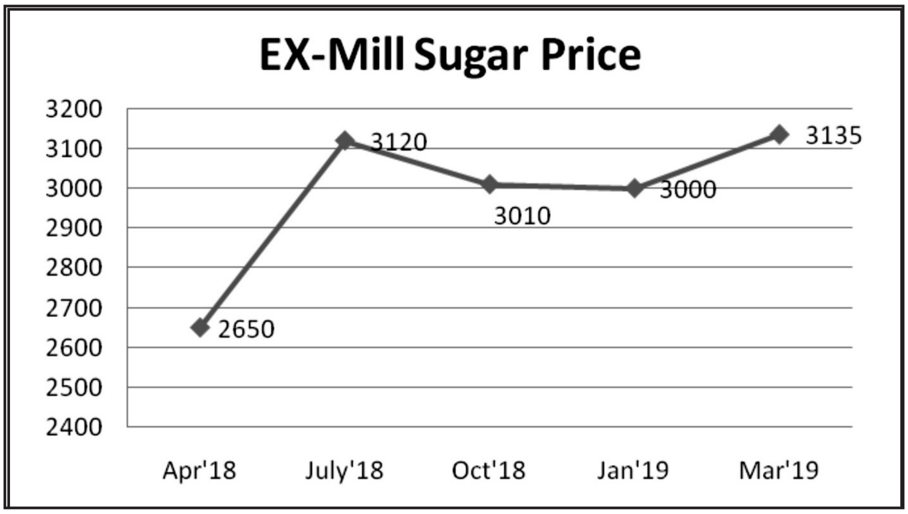
S. No	STATE	PRODUCTION (In Lakh Tons) 2018-19	PRODUCTION (In Lakh Tons) 2017-18
1	Uttar Pradesh	118.23	120.41
2	Maharashtra	107.19	107.22
3	Karnataka	43.25	36.55
4	Tamil Nadu	7.45	5.43

5	Gujarat	11.21	11.05
6	Andhra Pradesh + Telangana	7.65	7.31
7	Bihar	8.42	7.16
8	Punjab	7.80	8.24
9	Haryana	6.90	8.43
10	Madhya Pradesh+ Chattisgarh	5.48	5.50
11	Uttarakhand	3.97	4.19
12	Others*	2.45	3.51
	All India	**330.00**	**325.00**

Source: ISMA

Prices:

- The following chart explains price trend during the period from April 2018 to March 2019.



SOURCE : ISMA

Inventory Level:

A Snapshot of the inventory position movement in the last four years is tabulated below: (In Million MT)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19(E)
Opening stock (A)	8.30	9.10	7.70	4.00	10.68
Sugar Production (B)	28.10	25.10	20.30	32.50	33.00
Imports (c)	0.70	0.00	0.70	0.18	0.00
Total Availability (D=A+B+C)	37.10	34.20	28.70	36.68	43.68
Internal Consumption (E)	25.00	24.80	24.60	24.50	26.00
Exports (F)	3.00	1.70	0.10	0.50	3.00
Total off-take (G=E+F)	28.00	26.50	24.70	26.00	29.00
Closing Stock (D-G)	9.10	7.70	4.00	10.68	14.68
Stock as % of consumption	36%	31%	16.26%	43.59%	56.46%
Surplus (B-E)	3.5	0.3	-4.3	8.00	7.00

Source:ISMA

Trade:

Due to higher production and higher stocks, the prices were depressed in the market. The prices were lowest level at Rs. 26.50/- Kg in the month of May 2018. Due to reduction in price and higher stocks, cane dues were higher resulting which government has taken certain steps to keep the price stable.

- In order to prevent any unnecessary import of sugar and to stabilize the domestic price at a reasonable level, the Central Government has increased custom duty on import of sugar from 50% to 100% in February 2018.
- Due to higher production, stock position and low prices of sugar the Government of India has withdrawn the custom duty of 20% on export in March 2018.
- Export Quotas of 20 Lakh tonnes of all grades of sugar were fixed for sugar season 2017-18 so the extra sugar can be exported and 50 Lakh tonnes for 2018-19.
- Further, the Central government also imposed stock holding limits. Apart from above, minimum price @ Rs. 29/- kg of sugar have been fixed by the government and later on increased Rs. 31/- Kg fixed by the government during Feb. 2019, quota for sales fixed from June 2018 onwards & introduction of creation of buffer stock.
- Due to above steps, the sugar price remain stable from the month of June 2018 onwards.

Sugarcane Production and Pricing Policy:

The Government of India (GOI) supports research, development, training of farmers and transfer of new varieties and improved production technologies to growers in its endeavour to raise cane yields and sugar recovery rates. Following Cane Development activities which improve the productivity, yield & Sugar Recovery Percentage of Sugarcane, are undertaken:

a. Varietal Replacement with proven high recovery varieties.
b. Ratoon management.
c. Development of Agri Research Centres.
d. Integrated Pest Management Programme.
e. Soil testing facilities.
f. Encouraging use of Bio-fertiliser & Bio-pesticides.
g. Training facilities to the Farmers.
h. Introduction of Latest methods of farming and use of various mechanical equipments for cultivation.

The Indian Council of Agricultural Research (ICAR) conducts sugarcane research and development at the national level. State agricultural universities, regional research institutions, and state agricultural extension agencies support these efforts at the regional and state levels. The central and state governments also support sugarcane growers by ensuring finances and input supplies at affordable prices. To increase the area of cultivation and production in India, a centrally sponsored scheme called the Sustainable Development Fund of Sugarcane Based Cropping System Area under the Macro Management Mode of Agriculture is being implemented in various sugarcane growing states.

The GOI establishes a Fair and Remunerative Price system (FRP) for sugarcane on the basis of recommendations given by the Commission for Agricultural Costs and Prices (CACP) and after consulting state governments and associations of the sugar industry and cane growers.

Following factors are considered for fixation of FRP:

- Cost of Production of Sugarcane.
- Recovery of Sugar from Sugar cane
- Inter Crop Price parity.
- Price of Sugar Sold.
- Reasonable margins to Farmers.
- Realisation of By Product.
- Return to the growers from alternative crops and the general trend of prices of agricultural commodities;

Citing differences in cost of Production, productivity levels & also as a result of pressure from Farmer's Group, some states declare state specific sugarcane prices called State Advised Prices (SAP), usually higher than FRP.

Sugar Mills are required to pay the "State Advised Price (SAP)" to sugarcane farmers irrespective of the Market Price of Sugar. Softening Sugar Prices, coupled with apprehensions of large cane crop, discouraged the sugar mills to pay higher cane prices.

The Commission for Agricultural Costs and Prices (CACP) has recommended the government to keep the fair and remunerative price for sugarcane at Rs. 275 per quintal for the Sugar season 2018-19.

Given below is a chart depicting the difference in the State Advised Cane Price (SAP) during 2014-15 to 2018-19 in the major sugar producing states:

State	2015-16 (SAP)	2016-17 (SAP)	2017-18 (SAP)	2018-19 (SAP)	2018-19 FRP*
Bihar	255	280	300	300	275
Uttar Pradesh	280	305	315	315	275
Punjab	285	300	300	300	275
Haryana	305	315	325	325	275
Maharashtra	-	-	-	-	275
Karnataka	250	230	-	-	275
Andhra Pradesh	-	-	-	-	275
Tamil Nadu	285	285	-	-	275
Uttarakhand	280	307	316	317	275

Source: ASTA/ISMA

Note: -

1.* Fair and Remunerative Price (FRP) for sugar season 2018-19 declared at Rs. 275 per quintal linked to a basic recovery rate of 10%; providing a premium of Rs. 2.75 per quintal for every 0.1% increase in recovery above that level.

2. In Maharashtra, Andhra Pradesh, Tamil Nadu & Karnataka the SAP & FRP are same.

3. There is no change in SAP for U.P. for sugar season 2018-19.

Sugar Production and Marketing Policy:

Sugar Development Fund:

Before implementation of GST, the GOI levies a sugar cess of Rs. 1240 per ton of sugar produced by mills for the Sugarcane Development Fund (SDF), which is used to support research, extension, and technological improvement in the sugar sector. The SDF is also often used to support sugar buffer-stocks operations, provide a transport subsidy for sugar exports, and provide subsidised loans for the installation of power generation, ethanol production plants, pollution control equipments, Cane Development activities and interest benefit on the loans given to sugar mills equivalent to excise duty or Soft Loan. In March 2008, the GOI enacted the Sugar Development Fund (Amendment) Bill, 2008, that enables the government to include the use of the fund for debt restructuring and granting soft loans to sugar mills.

Ethanol Manufacture:

Brazil is one of the major Bio-ethanol (from sugarcane) producers and the exporter. USA is the major producer of ethanol from corn due to abundance production of corn in the country. Ethanol from sugar cane juice is not being produced in USA.

Global ethanol production was dominated by the United States and Brazil, which retained their top spots, other significant producers of ethanol included China and Canada.

In India ethanol is produced mainly from molasses which is a by-product during production of sugar from sugar cane. India is the fourth largest Ethanol producer after Brazil, the U.S and China.

Ethanol is produced by the fermentation of Molasses in India, a by-product of Sugar.

45 kg of Molasses is produced from 1 ton of Cane, from which about 10 litre of Ethanol can be obtained. If the sugarcane is directly & fully used in Ethanol manufacturing, the yield of Ethanol is 70 litres per ton.

1. The fresh Tender for procurement of ethanol during 2018-19 (Dec-Nov) floated by the OMCs on 10th Aug, 2018.
2. Out of 2687 million litres finalized by the OMCs, for which Letters of Intent (LOIs) have been issued by them, contracts for 2447 million litres have been executed till June, 2019 and 1319 million litres have been lifted by the OMCs till 24th June, 2019.
3. Out of the total supplied quantity, approx. 525 million litres have been supplied by Uttar Pradesh and rest by the States of Maharashtra, Karnataka, Bihar, Andhra Pradesh and Gujarat.
4. Total lifted quantity i.e. 54% of the contracted quantity & 49 % of finalised quantity.
5. First time Ethanol quantity of 508 Million Litres finalised from the production of B-Heavy Molasses/Juice.

Ethanol Blending Programme (EBP):

Ethanol Blended Petrol Programme was launched by the Government in 2003 on pilot basis which has been subsequently extended to the Notified 21 States and 4 Union-Territories to promote the use of alternative and environment friendly fuels. This intervention also seeks to reduce import dependence for energy requirements and give boost to agriculture sector.

Government has notified administered price of, ethanol since 2014. This decision has significantly improved the supply of ethanol during the past four years. The ethanol procured by Public Sector OMCs has increased from 38 crore litre in ethanol supply year 2013-14 to estimated 140 crore litre in 2017-18.

Consistent surplus of sugar production is depressing sugar price. Consequently, sugarcane farmer's dues have increased due to lower capability of sugar industry to pay the farmers. Government has taken many decisions for reduction of cane farmer's dues.

With a view to limit sugar production in the Country, Government has taken multiple steps including, allowing diversion of B heavy molasses / sugarcane juice for production of ethanol. As the ex-mill price of sugar has increased from the earlier estimated price, there is a need to revise price of B heavy molasses / partial sugarcane juice and 100% sugarcane juice for production of ethanol.

It is worth noting that as compared to ethanol derived from C heavy molasses route, diversion of B heavy molasses reduces the sugar by about 20% and increases ethanol availability by about 100%. On the other hand, diversion of sugarcane juice reduces sugar by 100% and increases ethanol availability by about 600%.

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi has given its approval to revise / fix the price of ethanol derived from B heavy molasses / partial sugarcane juice and fix a higher price for 100% sugarcane juice based ethanol for the sugar season 2018-19 during ethanol supply year from 1st December 2018 to 30th November 2019 as under:

- To fix the ex-mill price of ethanol derived out of B heavy molasses / partial sugarcane juice to Rs.52.43 per litre (from prevailing price of Rs.47.13 per litre).
- To fix the ex-mill price of ethanol derived from 100% sugarcane juice at Rs.59.13 per litre (from prevailing price of Rs.47.13 per litre) for those mills who will divert 100% sugarcane juice for production of ethanol thereby not producing any sugar.
- To fix the ex-mill price of ethanol derived from C heavy molasses fixed at Rs.43.46 per litre
- To fix the ex-mill price of ethanol derived from damaged food grains/other sources at Rs.47.13 per litre.
- Additionally, GST and transportation charges will also be payable. OMCs have been advised to fix realistic transportation charges so that long distance transportation of ethanol is not disincentivised.
- OMCs are advised to prioritise ethanol from 1) 100 % sugarcane juice, 2) B heavy molasses / partial sugarcanejuice, 3) C heavy molasses and 4) Damaged Food grains/other sources, in that order.

Impact:

- The decision will serve multiple purposes of reducing excess sugar in the country, increasing liquidity with the sugar mills for settling cane farmer's dues and making higher ethanol available for Ethanol Blended Petrol (EBP) Programme.
- All distilleries will be able to take benefit of the scheme and large numbers of them are expected to supply ethanol for the EBP programme. Remunerative price to ethanol suppliers will help in reduction of cane farmer's arrears, in the process contributing to minimizing difficulty of sugarcane farmers.
- Ethanol availability for EBP Programme is expected to increase significantly due to higher price being offered for procurement of ethanol from B heavy molasses / partial sugarcane juice and 100% sugarcane juice for first time.
- Increased ethanol blending in petrol has many benefits including reduction in import dependency, support to agricultural sector, more environmental friendly fuel, lesser pollution and additional income to farmers.

Key Government initiatives for Ethanol Manufacturing/Despatches

Central Government has taken action/initiative for Ethanol Blending programme which are as under:

a) The government has approved the national Policy on Bio Fuels, which expands the scope of raw material for ethanol production beyond sugar cane molasses, by B-Heavy molasses and sugar syrup, among other sugar containing crops.

b) Allowed Manufacturing of Ethanol from B Heavy Molasses. Also allowed Manufacturing of Ethanol from Sugar Cane Juice.

c) Ethanol from B heavy and Sugar Cane Juice will result in diversion of Sugar to Ethanol.

d) Implementation of E -10 and Emphasis on implementation of E-20 progressively.

e) Basic price of ethanol fixed at Rs. 43.46 per liter (ex mill) for supply period from 1st December 2018 to 30th November 2019, manufactured out of C heavy molasses.

f) Basic price of ethanol fixed at Rs. 52.43 Per liter (ex mill) for the same period for manufactured out of B heavy molasses.

g) Basic price of ethanol fixed at Rs. 59.13 Per litre (ex mill) for the same period for manufactured out of Sugar Cane Juice.

h) For augmentation of ethanol production capacity by setting up of new distilleries attached with their sugar mills including capacity expansion of existing distillery and for increasing ethanol production capacity by way of installation of incineration boilers or by adoption of any other method approved by CPCB for zero liquid discharge. Government will provide interest subvention @ 6% per annum or 50% of rate of interest charged by bank whichever is lower on the loan sanctioned & disbursed by banks for 5 years. This scheme further extended.

i) Reduction of GST rates on ethanol from 18 % to 5 %.

j) Bio enriched organic manure which being manufacture of mixing with press mud & effluent of Distillery are included in Fertilizer Control Order 1985. This move will be beneficial to Distillery & sugar mills for disposal of manure at good return.

k) The Central Government amend the Industrial Development Regulation Act (IDRA), 1951 in which the power of Central & State Government are clearly demarcated on Alcohol / Ethanol. This move will be beneficial as the most of the problems and hurdles are due to the control and levy of taxes & duties on Ethanol by State Governments. Central Government has already issued the letters to the State Government for the implementation the same.

l) To augment capacity through up-gradation of existing distilleries attached to sugar mills by installing inclination boilers and for setting up new distilleries in sugar mills, government will bear interest subvention of maximum Rs. 1332 crore over a period of Five years including moratorium period of one year.

m) The government has approved the national policy on Bio Fuels, which expands the scope of raw material for ethanol production beyond sugar cane molasses, by allowing use of biomass such as sugar containing like sugar cane, sugar beet, sweet sorghum etc. starch containing material such as corn, cassava, rotten potatoes, algae etc. and cellulosic materials such as bagasse, wood waste, agricultural and forestry residues or other renewable resources like industrial waste.

Government is undertaking to classify the industries under Bio-fuel policy as primary sector with additional facilities being drafted for the industry covered under Bio Fuel policy.

Key Government initiatives in Sugar Sector

By Central Government

a) For the sugar session 2018-19, the FRP has been declared by the Central Government at Rs. 275 per quintal.

b) Government of India has increased the import duty to 100% from 50% level to maintain the domestic prices.

c) Government of India has removed the custom duty on export of sugar.

d) MINIMUM INDICATIVE EXPORT QUOTAS (MIEQ)- In view of the inventory levels with the sugar industry and to facilitate achievement of financial liquidity, mill-wise Minimum Indicative Export Quotas (MIEQ) have been fixed for sugar season 2018-19. Export Quotas of 50 Lakh tonnes of all grades of sugar viz raw, plantation white as well as refined, have been prorated amongst sugar factories by taking into account their average production of sugar achieved by the sugar mills during last two operational sugar seasons and the current season. This will help in stabilizing the price of sugar.

e) Central government, with a view to offset the cost of cane and facilitate timely payment of cane price dues of farmers for season 2018-19, notifies the scheme for assistance to sugar mills @ Rs. 13.88/- per Qtl. relating to FRP subject to fulfilment of certain conditions.

f) Central Government with a view of offset the cost of transport of sugar for export for the quantity specified in MIEQ has notified as assistance up to Rs. 3000/- per ton depending on distance from sugar mills

g) Central Government with a view to facilitate payment of cane dues of the farmers for S S 2018-19 notify the scheme for extending soft loan to Sugar Mills equilent to 10.55% of their reported production in white Sugar 2017-18 at interest subvention 7%.

h) To help industry deal with crisis of low sugar realisation rates and help them clear their cane dues government have extended support by fixing minimum sugar sale price at Rs. 31/- kg from February 2019 onwards.

i) Creation of Buffer stock of 3 million tonnes of sugar to help industry deal with over production of sugar from 1st July 2018. Over production has led to a crash in prices leading to poor liquidity resulting arrears of cane dues. Carrying cost of the buffer stock will be reimbursed by the central government.

j) Quantity restriction imposed on sale of sugar from June 2018 onwards and same will be reviewed from time to time by the GOI.

By State Government for the season 2018-19 (U.P./Uttarakhand)

k) The Uttar Pradesh & Uttarakhand Government have announced a State Advised Price(SAP) for sugarcane at Rs. 315 per quintal and Rs 317 per quintal respectively for season 2018-19.

l) Government of U.P. notify the scheme for assistance to sugar mills @ Rs. 4.50/- per qtl. on cane for sugar season 2017-18 subject to fulfilment of certain conditions.

m) Government of U.P. notify the scheme for assistance to sugar mills to provide loan at subsidised rate of interest @ 5% for clearance of cane dues for the season 2016-17 & 2017-18.

n) Government of Uttarakhand also announced the same scheme in Line with U. P.

B. OPPORTUNITIES & THREATS

Opportunities:

- Utilization of downstream by-products.
- Huge potential for increasing the High yielding cane crop to increase the cane crushing & sugar recovery rate.
- Potential for new and upgrading Technology for improved utility consumption factors and utilization of by-products.
- Potential for downstream production of Ethanol.
- Utilisation of waste of the distilleries in a productive manner.
- Potential for New Technology for Saving in Energy.
- Introduction of National Bio Fuel Policy.

Threats:

- Vulnerability of sugar sector to inflation & unfavourable regulatory policies relating to fixation of higher cane prices.
- Weather conditions affecting yield and recovery.
- Deteriorating quality of soil due to overuse of fertilizer and pesticides.
- Fluctuations in selling price of finished product in domestic and global markets.

C. RISKS AND CONCERNS

Sugar industry being agro based is vulnerable to commodity cycles and is hence, fraught with several risks. Given below is a discussion on the risks as perceived by the management. The list is not exhaustive and meant for information purpose only for Investors who are requested to rely on their own judgement while assessing the risks associated with the Sugar Industry and your Company.

a) Raw material risk - Sugarcane is the principal raw material used for sugar production. Its availability, quality, growth and cost are affecting factors. These are in turn impacted by uncontrollable factors such as:-

- the area under sugarcane cultivation;
- availability of water;
- Adverse weather conditions and crop disease;

- Availability of better and higher yielding seeds;
- Shifting of farmers' preference to other crops;
- Diversion of sugarcane to other industries like Gur, khandsari etc.;
- Adequacy of harvesting and seasonal unskilled labour;
- Un-remunerative cane procurement price;
- High Local and State level taxes.
- Short crop cycle.
- Fragmented land holding – low yields at farm level.
- Mounting cane arrears.

Risk mitigation

This risk can be mitigated by steps taken by the company through its Cane Development Programme which has yielded results in terms of high yields and recoveries. Government programme of Improved Infrastructure for roads and communication; Provision of better quality and higher yielding seeds as well as fertilizers and pesticides; Prompt clearance of the cane dues of farmers and steps to improve their goodwill by adoption of social development measures such as establishing schools and dispensaries in the command areas etc.; Diversifying into multiple locations etc.

b) <u>Regulatory Risks –</u>

i. <u>Environmental Risks</u>

The Industry and Company is subject to environmental regulations and may be exposed to liability as a result of our handling of hazardous materials and potential costs for environmental compliance.

ii. <u>Government policy related Risks</u>

The Industry is regulated and your Company operates in a regulated environment. Central and State Government policies and factors such as:-

- State Advised Price (SAP) and Fair and Remunerative Price (FRP) for sugarcane;
- Control on sale of Molasses; affect the agricultural sector and related industries and in turn our operations and profitability.

Risk mitigation

The regulatory risks listed above are Government policy driven and beyond Company's control and cannot be alleviated unless the industry is completely decontrolled. Every effort is made to conform to regulatory requirements while judicial recourse is made when warranted. Various representations through the body of the industry like ISMA, UPSMA, and UPDA submitted to the government to come out with the solutions regarding above risks.

c) Sugar Price Risk-

Sugar prices in the Domestic and International markets depend primarily on the supply and demand situation. Global prices influence and affect the domestic prices directly and sale of Molasses controlled by the respective States. Fluctuations in demand and supply arise on account of the changes in the availability and price of sugarcane, variances in the production capacities of our competitors, availability of substitutes for the sugar products and international demand and supply position.

Risk mitigation

Your Company is unable to mitigate this risk since one does not have any control on the market forces and the regulatory prices. The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. Additionally, 15% to 30% of the total Global sugar production is traded on commodity exchanges which are speculative in nature and can adversely affect the global sugar prices and in turn the operations of your Company.

However, your Company is trying to reduce the impact of this risk by foraying into newer markets, entering the export market, more value addition by concentrating on downstream projects, increasing the quality and volume etc.

Branded Sugar

Uttam Sugar Mills Limited produces one of the finest quality sugars in India. The Sugar that we are currently packing is from our sugar plant situated at Libberheri, Roorkee. The quality/purity of sugar is one of the best in the country as we are packing the quality of sugar accepted by European Union Standard. From last three year onwards your company has entered into a very speciality products of Sugar in the aforesaid plant, these speciality product include Bura, Brown Sugar, Table Sugar, Sachets (Both in institutional and retail trade), icing sugar, superfine, pharma sugar, cube sugar, invert syrup etc and sugar in the different packaging i.e. 1Kg / 5Kg / 10Kg / 80gm.

We have also started the manufacturing of brown sugar at our Khaikheri Unit.

Our packaged sugar is already selling in J&K, Himachal Pradesh, Punjab, Haryana, Delhi, Uttarakhand, Uttar Pradesh, Gujarat, Chandigarh, Rajasthan, Bihar, Assam and Madhya Pradesh through our distributors in the respective areas. We have already covered Modern Retails like Big Bazaar, Kendriya Bhandar, Easy Day, Mother Dairy, Bikanerwala, Britannia, CCD, Rasna, Grofers, Amazon etc.

Uttam Sugar is a very quality centric company and the same will be reflected in our products to come. Our future plans are very ambitious and we want to push Packaged Sugar in Market very aggressively. We would like to inform you that very soon we will be introducing other products along with our existing products.

We have also increased our packaged sugar sale at Libberheri unit from 3% in 2011-12 to 25% in 2017-18 and 34 % in 2018-19 and efforts are being made to increase it further.

d) Cyclical Risk

The industry is dependent on monsoons for both production and price realisation. Moreover, switching to other crops by cane growers on account of better returns affect the Industry.

Risk mitigation

Your Company is unable to mitigate this risk since one does not have any control on the cyclical nature of the industry. However, Governmental initiatives to improve the irrigation by introducing various schemes as well as improvement in the distribution system by augmentation of the Canal Irrigation and tapping of the available surpluses of water are expected to mitigate this risk significantly.

e) Finance Risk

The Industry is dependent on the availability of timely working capital at competitive interest rates and Long Term Finance for capacity enhancements / economic size of mills as well as for the manufacture of by-products.

Risk mitigation

Your Company is facing severe financial constraints. However, it is approaching Banks for funding/finance.

D. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Broadly, the areas of operation have been classified as Procurement, Manufacture, Marketing and Finance, in the functioning of which, various checks and control systems have been incorporated as Standard Operating Procedures. Even though they are considered adequate to reasonable safeguard its interests, a continuous review is undertaken for further improvement since the management gives lot of emphasis on continuous up gradation of business processes and adherence to the designed system and processes.

Moreover, there is an adequate and effective internal audit system in place in your Company that employs periodic checks on the various systems and on-going process. The Audit Committee of the Board of Directors of your Company comprising of reputed professionals, regularly reviews the effectiveness of internal control system and suggests changes wherever necessary, to ensure due and proper compliance with applicable laws, accounting standards and regulatory guidelines presently in vogue.

E. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE (OPERATIONS)

The comparative operational figures of the Company are given below:

a) Figures for operational performance other than power export for last three Seasons.

(in lakh quintals)

	SEASON 2018-19					SEASON 2017-18					SEASON 2016-17				
	Libberheri	Barkatpur	Khaikheri	Shermau	**TOTAL**	Libberheri	Barkatpur	Khaikheri	Shermau	**TOTAL**	Libberheri	Barkatpur	Khaikheri	Shermau	**TOTAL**
CAPACITY (TCD)	6250	7000	4500	6000	**23750**	6250	7000	4500	6000	**23750**	6250	7000	4500	6000	**23750**
CANE CRUSHING	73.28	112.87	61.70	83.01	**330.86**	80.90	123.72	66.13	98.05	**368.80**	68.10	106.09	54.11	69.09	**297.39**
RECOVERY (%)	11.74	12.52	11.57	11.28	**11.86**	11.08	11.85	11.13	10.61	**11.22**	10.56	11.95	10.47	10.06	**10.92**
PRODUCTION															
SUGAR	8.60	14.13	7.14	9.37	**39.24**	8.96	14.66	7.36	10.40	**41.38**	7.19	12.67	5.67	6.95	**32.48**
MOLASSES	3.06	4.38	2.77	3.40	**13.61**	3.54	5.32	2.94	4.29	**16.08**	3.12	4.59	2.61	3.35	**13.67**
WORKING DAYS	162	176	173	170	–	176	202	180	196	–	168	181	170	156	–

b) Figures for Power Export for last three Financial Years

(In Lakh Kwh)

	F.Y. 2018-19 (12 Months)					F.Y. 2017-18 (12 Months)					F.Y. 2016-17 (9 Months)				
	Libberheri	Barkatpur	Khaikheri	Shermau	**TOTAL**	Libberheri	Barkatpur	Khaikheri	Shermau	**TOTAL**	Libberheri	Barkatpur	Khaikheri	Shermau	**TOTAL**
POWER EXPORT	264.15	501.52	263.66	413.70	**1443.03**	377.28	454.91	266.07	344.10	**1442.36**	255.71	457.55	206.33	291.51	**1211.10**

F. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

Industrial relations in your Company have remained cordial throughout the year under review. As a result of huge gap between the cane price and the selling price of sugar, there is a severe financial crisis in the sugar industry on the whole. This has resulted into cost reduction measures but that has not affected harmonious human development relations.

Your Company has overcome all this by upgrading the process and the systems that help harmonize culture of the varied manpower arising out of diverse sources and backgrounds. The organization values and human development as one of the cardinal principle in the growth of the Company. The organization has steadfastly stuck to its vision to enhance knowledge, skills and competencies of the human resources pool- helping them develop individually and collectively thereby improving productivity. To achieve all this, the Company is providing compensation by way of salary and wages which is at par with the prevailing standards in the industry. The Company is also in the midst of providing regular training to the employees for up-gradation of skills at various levels.

With these progressive steps, your Company has been able to maintain cordial relations with its employees even in this crucial time.

G. KEY FINANCIAL RATIOS

The Company has identified the following ratios as key financial ratios:

Sl. No.	Particulars	Method of Calculations	2018-19	2017-18	Explanation for Significant Changes
1	Debtors Turnover ratio (Times)	Revenue /Debtors	22.91	25.65	There is no significant change.
2	Inventory Turnover ratio (Times)	Revenue / Inventory	1.23	1.75	Sale of Sugar is regulated by Government of India wherein monthly release is defined, therefore it has reduced.
3	Interest Coverage ratio (Times)	EBIDTA / Finance Cost	2.25	1.60	Due to higher earnings before interest and taxes (EBIDTA), ratio has improved.

Sl. No.	Particulars	Method of Calculations	2018-19	2017-18	Explanation for Significant Changes
4	Current Ratio (Times)	Current Assets / Current Liabilities	0.94	0.85	Due to better liquidity of funds, ratio has improved.
5	Debt Equity Ratio (Times)	Long Term Debts / Shareholder's Equity	1.18	1.47	Due to profit earned, reserve and surplus increased and regular payment of Loans, ratio has improved.
6	Operating profit margin (%)	EBIT % / Revenue	14.88%	10.12%	Due to Higher sugar recovery and better Distillery division performance, ratio has improved.
7	Net Profit margin (%)	PAT % / Revenue	4.78%	1.34%	Due to Higher sugar recovery and better Distillery division performance, ratio has improved.
8	Return on Net worth (%)	PAT / Shareholder's Equity	24.82%	9.66%	Due to Higher sugar recovery and better Distillery division performance, ratio has improved.

CAUTIONARY / FUTURISTIC STATEMENTS

Statements in this report detailing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable laws and regulations and are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate and can be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements in future on the basis of subsequent developments, information or events. Investors, are, therefore, requested to make their own independent judgments before taking any investment decisions.

(Data and figures relating to industry and future expected developments in the industry have been taken from industry and industry-related publications and web-sites).