

Directors' Report

Dear Members,

Your Directors present herewith the 4th Annual Report on the business & operations of the Company alongwith the Audited Statement of Accounts for the financial year ended 31st March, 2018.

2. Financial Results

(₹ in lakhs)

Particulars	Year ended		Year ended	
	31st March, 2018		31st March, 2017	
Revenue from Operations (Gross)		2,36,844.35		1,97,643.20
Profit before Finance Costs, Tax, Depreciation and Amortization		27,298.40		43,026.39
Less: Depreciation & Amortization Expenses	4,446.35		4,593.60	
Finance Costs	11,427.95	15,874.30	13,777.53	18,371.13
Profit/(Loss) Before Tax		11,424.17		24,655.26
Less: Provision for Tax	2,607.78	2,607.78	4,323.00	4,323.00
Profit/(Loss) After Tax		8,816.39		20,332.26

3. Operating Performance

During the year under review your Company continued to registered top line growth inspite of depressed market sentiments in second half of the fiscal and a fall in sugar prices, prima-facie due to over production and aggressive sales. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussion & Analysis Report which is made an integral part of this Report and marked as **Annexure "A."**

4. Financial Performance 2017-18

The Company recorded Total Revenue of ₹ 2,37,256.87 lakhs (including other income aggregating to ₹ 412.52 lakhs) during the financial year ended 31st March, 2018. The Revenue from Operations (Gross) of the Company for the year 2017-18 stood at ₹ 2,36,844.35 lakhs. The Profit before Finance Costs, Tax, Depreciation and Amortisation for the year under review stood at ₹ 27,298.40 lakhs representing 11.50% of the total revenue.

There is no change in the nature of business of the Company. There were no significant or material orders passed by regulators, courts or tribunals impacting the Company's operation in future.

There were no material changes and commitments affecting the financial position of the Company which have occurred between

the end of the financial year i.e. 31st March 2018 and date of this report.

5. Dividend

Your Company had adopted a dividend distribution policy that balances the dual objectives of appropriately rewarding Members through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support long term growth of your Company. Consistent with this policy, your Board has recommended a dividend on 8.5 % Non-convertible Cumulative Redeemable Preference Shares for the financial year 2017-18 aggregating to ₹ 144.50 lakhs ; and dividend of Re 1/- on Equity Shares (10 %) for the financial year 2017-18 to the Members of your Company. The proposal is subject to the approval of the Members at the 4th Annual General Meeting (AGM) of your Company scheduled to be held on September 24, 2018. The dividend together with the dividend distribution tax will entail a cash outflow of ₹ 294.88 lakhs (previous year ₹ 3682.63 lakhs).

6. Public Deposits

The Company has not accepted any deposits from the public and as such there are no outstanding fixed deposits in terms of Companies (Acceptance of Deposit Rules) 2014.

7. Share Capital

The Authorized Share Capital of the Company which at the beginning of the year was ₹ 170,05,00,000/- (Rupees One hundred seventy crore and five lakhs) divided into 5,60,50,000 (Five crore sixty lakhs fifty thousand) Equity Shares of ₹ 10/- (Rupees ten) each; 5,00,00,000 (Five crore) Preference Shares of ₹ 10/- (Rupees ten) and 34,00,000 (Thirty-four lakhs) Preference Shares of ₹ 100/- (Rupees hundred) each and 3,00,00,000 (Three Crore) unclassified shares of ₹ 10/- (Rupees ten) each. During the year under review the Company altered its Authorised Share Capital by reclassifying 3,00,00,000 (Three Crore) unclassified shares of ₹ 10/- each into 3,00,00,000 (Three Crore) Preference Shares of ₹ 10/- each. The present Authorized Share Capital of the Company is ₹ 170,05,00,000/- (Rupees One hundred seventy crore and five lakhs) divided into 5,60,50,000 (Five crore sixty lakhs fifty thousand) Equity Shares of ₹ 10/- (Rupees ten) each; 8,00,00,000 (Eight crore) Preference Shares of ₹ 10/- (Rupees ten) each and 34,00,000 (Thirty-four lakhs) Preference Shares of ₹ 100/- (Rupees hundred) each.

8. Redemption of Preference Shares

During the year under review, your Company redeemed 17,00,000 12% Non-convertible Cumulative Redeemable Preference Shares of ₹ 100/- each (NCCRPS), to the Preference Shareholders along

with the accrued dividend on 17th November, 2017. Accordingly, the paid up share capital post redemption of 12% NCCRP stands at ₹ 58,70,92,100/-.

9. Subsidiary Companies

The Company does not have any subsidiary. However, the Company has formulated a policy for determining material subsidiaries in line with the requirement of SEBI (LODR) Regulations, 2015. The said Policy is being disclosed on the Company's website at <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Policy-for-Determining-Material-Subsidiaries.pdf>

10. Credit Rating

CARE Ratings Limited - a Credit Rating Agency, vide its letter dated 16 August 2017, has assigned the Credit Rating of the Company "A-" with respect to long-term bank facilities whereas short-term bank facilities rating was assigned at "A2+".

11. Human Resources

The Company continued to create a productive, learning and caring environment by implementing robust and comprehensive HR processes, fair and transparent performance evaluation and taking new initiatives to further align its Human Resource policies to meet the growing needs of its business.

12. Directors

The Board of Directors comprises of seven Non-Executive Directors having experience in varied fields and a Whole time Director. Out of seven Non-Executive Directors, five of them are Independent Directors and other two directors are Promoter Directors. Mrs Nandini Nopany is the Chairperson of the Company whereas Mr Chandra Shekhar Nopany is Co-Chairperson of the Company.

Mr. Chandra Shekhar Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment as Director of the Company.

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

Other information on the Director including required particulars of Director retiring by rotation is provided in the Notice convening the Annual General Meeting.

In pursuance of the provisions of the Companies Act, 2013 and according to Regulation 25(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Performance Evaluation Criteria has been laid down for effective evaluation of performance of the Board of Directors, the Committees thereof and individual Directors

including the Chairperson of the Company. After detailed discussion at Board level as well as taking input from each Director, Nomination and Remuneration Committee finalized the format / questionnaires containing various parameters to evaluate the performance of Board and its committee(s), Individual Directors and Chairperson of the Company. The performance evaluation parameters are based on their roles and responsibilities, contribution to the Company's goals, decision making process, flow of information and various other aspects. The evaluation of performance of the Board as a whole, Committees of the Board, Individual Directors and Chairman of the Company was carried out for the Financial Year 2017-18. Nomination and Remuneration Committee evaluated the performance of the individual Director.

The Independent Directors in their separate meeting held on 5th February, 2018 carried out the evaluation of the Board of Directors as a whole, Chairperson of the Company and Non-Independent Directors. The evaluation of Independent Directors was carried out without the presence of concerned Director.

The Chairman of Nomination and Remuneration Committee has submitted report of the respective evaluations to the Chairperson of the Company. Based on the questionnaires received from the Directors and considering the reports of Chairman of Nomination and Remuneration Committee, the Board evaluated its own performance and that of its committees and individual directors including independent directors.

13. Key Managerial Personnel

The Board of Directors of the Company at its meeting held on March 30, 2017 had appointed following persons as Key Managerial Personnel of the Company viz:

- a. Mr. Devendra Kumar Sharma, Whole time Director
- b. Mr. Dilip Patodia, Chief Financial Officer
- c. Mr. Anand Sharma, Company Secretary

During the year under review, there was no change in the Key Managerial Personnel.

All Directors, Key Managerial Personnel and Senior Management of the Company have confirmed compliance with the Code of Conduct & Ethics applicable to Directors & employees of the Company and a declaration to the said effect by the Whole-time Director is made part of Corporate Governance Report which forms part of this report. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013. The Code is available on the Company's website at <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-Code-of-Conduct.pdf>

14. Familiarisation Programme

Periodic presentations are made at the Board Meetings, on business, performance updates & business strategy of the Company.

15. Remuneration Policy

The Board has framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy as adopted by the Board of Directors is attached as **Annexure "E"** to this Report. The Committee has also framed criteria for performance evaluation of every Director and accordingly has carried out the performance evaluation.

16. Corporate Social Responsibility Policy

The Company continues to spend to support local initiatives to improve infrastructure as well as support in other corporate social responsibilities. The CSR Policy as approved by the Board is available on Company's website at <http://birla-sugar.com/Assets/Avadh/Avadh-Sugar-CSR-Policy.pdf>. The Annual Report on CSR activities is appended as **Annexure "J"**.

17. Meetings

A calendar of Meeting is prepared and circulated in advance to the Directors. The Board evaluates all the decisions on a collective consensus basis amongst the Directors. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. During the financial year ended 31st March 2018, 6 (six) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the financial year 2017-18 have been furnished in the Corporate Governance Report forming a part of this Annual Report.

18. Audit Committee

The Audit Committee was constituted on March 14, 2017 and the Committee now comprises of Mr. Anand Ashvin Dalal, Mr. Pradip Kumar Bishnoi, Mr. Kalpataru Tripathy and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee and the Chief Financial Officer is a permanent invitee to the meetings. During the year there were no instances where Board has not accepted the recommendation of Audit Committee.

The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

19. Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee was constituted on March 14, 2017 and now comprises of Mr Gaurav Swarup, Mr. Anand Ashvin Dalal, Mr Pradeep Kumar Bishnoi and Mr. Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

20. Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted on March 14, 2017 and now comprises of Mr. Sunil Kanoria, Mr Gaurav Swarup, Mr. Anand Ashvin Dalal and Mr Kalpataru Tripathy. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

21. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was constituted on March 14, 2017 and the Committee now comprises of Mrs Nandini Nopany, Mr. Pradip Kumar Bishnoi and Mr Devendra Kumar Sharma. The Company Secretary acts as the Secretary to the Committee. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

22. Finance & Corporate Affairs Committee

The Finance & Corporate Affairs Committee was constituted on March 14, 2017 and the Committee now comprises of Mrs Nandini Nopany, Mr Chandra Shekhar Nopany, Mr Gaurav Swarup and Mr Devendra Kumar Sharma. The details of the terms of reference, number and dates of meetings held, attendance of the Directors and remuneration paid to them are separately provided in the Corporate Governance Report.

23. Internal Complaints Committee

An Internal Complaints Committee was constituted by the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Act aims at protecting women's right to gender equality, life and liberty at workplace to encourage women participation at work. The Committee meets all the criteria including its composition mentioned in the Act and relevant Rules. No complaint has been received by the Committee during the year under review.

24. Loans, Guarantee and Investments

It is the Company's policy not to give any loans, directly or indirectly, to any person (other than to employees under contractual obligations) or to other body corporate or person. In compliance with Section 186 of the Companies Act, 2013, loans to employees bear applicable interest rates. During the year under review, the Company has not made any investment in securities of other body corporate. The details of Investments, Loans and Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

25. Related Party Contracts / Arrangements

There have been no materially-significant related party transactions made by the Company with the Promoters, the Directors or the Key Managerial Personnel which may be in conflict with the interests of the Company at large. The Policy on Related Party Transactions as approved by the Board can be accessed on the Company's website at <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Related-Party-Transaction-Policy-.pdf>

The details of related party transactions are set out in the notes to the financial statements.

26. Risk Management

In line with the new regulatory requirements, the Company has formally framed Risk Management Policy to identify and assess the key risk areas, monitor and report the compliance and effectiveness of the same. A Risk Management Committee, though not mandatory, has been constituted comprising of an Independent Director, Whole time Director, Chief Financial Officer and the Group President to oversee the risk management process in the Company with an objective to review the major risks which affect the Company from both the external and the internal environment perspective. Appropriate actions have been initiated to either mitigate, partially mitigate, transfer or accept the risk (if need be) and monitor the risks on a regular basis.

27. Internal Financial Controls

The Company has laid down internal financial controls, through a combination of Entity level controls, Process level controls and IT General controls inter-alia to ensure orderly and efficient conduct of business, including adherence to the Company's policies and procedures, accuracy and completeness of accounting records and timely preparation and reporting of reliable financial statements/information, safeguarding of assets, prevention and detection of frauds and errors. The evaluations of these internal financial controls were done through the internal audit process and were also reviewed by the Statutory Auditors. Based on their view of these reported evaluations, the directors confirm that, for the preparation of financial statements for the financial year ended March 31, 2018, the applicable Accounting Standards have been followed and the internal financial controls are generally found to be adequate and were operating effectively & that no significant deficiencies were noticed.

28. Whistle Blower / Vigil Mechanism

The Company has established a vigil mechanism and adopted whistle blower policy, pursuant to which whistle blowers can report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics

policy. The mechanism provides adequate safeguards against victimisation of persons who use this mechanism. The brief detail about this mechanism may be accessed on the Company's website at <http://www.birla-sugar.com/Assets/Avadh/Avadh-Sugar-Whistle-Blower-Policy.pdf>

29. Corporate Governance

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Management Discussion & Analysis Report, the Report on Corporate Governance and Declaration of Wholetime Director on Code of Conduct and a Certificate on compliance of conditions of Corporate Governance form integral part of this Report and are annexed to this Report as **Annexure "A", "B", "C" & "D"** respectively.

30. Research & Development

During the year under review the Company has undertaken Research & Development initiatives with an intention to improve the sugar recovery ratio and to educate the cane growers to cultivate improved variety of sugarcane and to otherwise increase the sucrose contents in their produce.

31. Auditors, Audit Qualifications & Board's Explanations

Statutory Auditors

At the 3rd Annual General Meeting (AGM) of your Company held on 31st July, 2017, Messrs B S R & Co. LLP, Chartered Accountants, having Firm Registration No. 101248W/W-100022, were appointed as Statutory Auditors of your Company to hold office for a term of 5 (five) years from the conclusion of the 3rd AGM (subject to ratification of such appointment by the Members at every AGM) till the conclusion of the 8th AGM of your Company. However, since the first proviso to Sec 139(1) has been omitted by the Companies Amendment Act, 2017 with effect from 7th May, 2018, the ratification of such appointment at every AGM is not required. Accordingly, Messrs B S R & Co. LLP, Chartered Accountants, shall continue as as Statutory Auditors of your Company till the conclusion of the 8th AGM of your Company.

The remarks/observations made by the Statutory Auditors in their report are self-explanatory and does not require any further clarifications/ explanation.

Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its Sugar activity is required to be audited. Your Directors have, on the recommendation of the Audit Committee, appointed Mr S N Mukherjee, Cost Accountant, as the Cost Auditor to audit the

cost accounts of the Company for the financial year 2018-19. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Board had appointed Messrs Vinod Kothari & Co., Practising Company Secretaries to conduct the Secretarial Audit of the Company for the financial year ended 31st March, 2018. The Secretarial Audit Report is annexed herewith as **Annexure "F"** and which is self-explanatory.

32. Investor Education and Protection Fund

The provisions pertaining to Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company are not applicable to your company.

33. Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT 9 is annexed herewith as **Annexure "G"**.

34. Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

The information on Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule, 8 of The Companies (Accounts) Rules, 2014, is annexed herewith as **Annexure "H"**

35. Particulars of Employees

The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, is attached as **Annexure "I"** and forms an integral part of this Report.

36. Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a. that in the preparation of the Annual Accounts statements for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- b. that such accounting policies as mentioned in Note 3 of the Notes to the Financial Statements have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively.
- f. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

37. CEO/CFO Certification

Mr. Devendra Kumar Sharma, the Whole time Director and Mr. Dilip Patodia, Chief Financial Officer have submitted certificates to the Board as contemplated under Regulation 17(8) of the SEBI (LODR) Regulations, 2015.

38. Acknowledgement

Your Directors take this opportunity of recording their appreciation of the shareholders, financial institutions, bankers, suppliers and cane growers for extending their support to the Company. Your Directors are also grateful to various ministries in the Central Government and State Governments of Uttar Pradesh, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors also recognise the valuable contribution made by the employees at all levels towards Company's progress.

For and on behalf of the Board
Chandra Shekhar Nopany
 Co-Chairperson

Kolkata
 Dated 14th May, 2018