

Directors' Report

Dear Members,

Your Directors presents herewith the 84th Annual Report on the business & operations of the Company along with the Audited Statement of Accounts for the financial year ended 31st March, 2016.

FINANCIAL RESULTS AND APPROPRIATIONS

	Year ended		Year ended	
	31st March, 2016		31st March, 2015	
Revenue from Operations (Gross)	1,21,501.26		1,42,965.29	
Profit before Finance Costs, Tax, Depreciation and Amortisation	14,142.04		4,569.59	
Less: Depreciation & Amortisation Expenses	2,649.66		2,847.29	
Finance Costs	10,774.46	13,424.12	12,887.11	15734.40
Profit/(Loss) Before Tax	717.92		(11,164.81)	
Less: Provision for Tax:				
Deferred Tax Charge/(Credit)	94.81		(3,777.71)	
Profit/(Loss) After Tax	623.11		(7,387.10)	

₹ in lacs

2. OPERATING PERFORMANCE

In facade of dynamic market conditions wherein the first half being quite subdued in comparison to other half which witnessed upward trend in sugar pricing, your Company has delivered top line growth and performed ahead of underlying sugar season 2015-16, prima-facie due to supply of good quality of sugarcane culminating into higher recoveries and expedited 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"**.

3. FINANCIAL PERFORMANCE 2015-16

The Company had recorded Total Revenue of ₹ 1,16,799.64 lacs (including other income aggregating to ₹ 212.98 lacs) during the financial year ended 31st March, 2016. The Revenue from Operations (Gross) of the Company for the year 2015-16 stood at ₹ 1,21,501.26 lacs. The Profit before Finance Costs, Tax, Depreciation and Amortisation for the year under review stood at ₹ 14,142.04 lacs representing 12.11% of the total revenue. The increase in PBIDT of the Company during the period under review is mainly attributed to better sugar sales realisation.

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.

In view of continuing losses the Board does not propose to carry any amount to Reserves.

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 2016 and date of this report.

4. 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.

5. DIVIDEND

In view of the losses/accumulated losses the Board of Directors do not recommend any dividend for the year under review.

6. SHARE CAPITAL

During the year there were no changes in either the Equity Share capital of the Company or the Preference Share Capital of the Company, as the paid up Equity Share Capital as on 31st March 2016 stood at ₹ 2,604.43 lacs and whereas the paid up Preference Share Capital of the Company stood at ₹ 5,000.00 lacs. However, in terms of authorisation provided by the shareholders in their general meeting and subsequent to in - principle approval of both the Stock Exchanges, your Company had preferred an application for reduction of capital to the tune of ₹ 6,400/- only before the Hon'ble High Court at Allahabad, Lucknow Bench and the Hon'ble Court vide its order dated 28.05.2015 has allowed the said capital reduction.

7. SCHEME OF ARRANGEMENT

The Board of Directors at its meeting held on March 13, 2015 had consented to the Composite Scheme of Arrangement subject to approval of Shareholders, Lenders, Creditors, Hon'ble High Court, SEBI, CCI and other regulatory authorities, in order to rearrange its business activities, to achieve the Business alignment as per market dynamics and variant capital needs of each business, as well as ability to recognise the true value of assets in the books which have significantly appreciated over time and thereby improving the financial position and key ratios of the businesses. Both the Stock Exchange i.e. NSE and BSE, upon confirmation from SEBI, has issued their observation letters. The CCI has also given their consent to the Scheme. The Company as required has taken steps for approval of the same by filing the Scheme before the Hon'ble High Court at Allahabad. The matter is pending.

8. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement read with Regulation 34 of the SEBI (LODR) Regulations 2015 with effect from 01.12.2015 the Management Discussion & Analysis Report, the Report on Corporate Governance, Declaration of Whole-time Director on Code of Conduct and Auditors' 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" and "D"** respectively.

9. 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 one being Nominee Director. Mr. Chandra Shekhar Nopany had relinquished the office of Managing Director w.e.f. 30.06.2015. The Board has filled up the vacancy by appointing Mr. Chand Bihari Patodia as Whole-time Director of the Company and which was duly assented to by the shareholders of the Company at their Annual General Meeting held on 14.09.2015.

Mr. Chandra Shekhar Nopany will retire by rotation at the ensuing Annual General Meeting and being eligible has offers himself for re-appointment as Director of the Company. He is proposed to be re-appointed as Director and will be liable to retire by rotation.

The Independent Directors have confirmed and declared that they are not disqualified to act as an Independent Directors in compliance with the provisions of Section 149 of the Companies Act 2013 read with SEBI (LODR) Regulations, 2015 and the Board is also of the opinion that Independent Directors fulfil all the conditions specified in the Companies Act, 2013 read with SEBI (LODR) Regulations, 2015 to making them eligible to act as Independent Director.

Other information on the Directors including required particulars of Directors retiring by rotation is provided in the Report of Corporate Governance annexed to this Report as **Annexure "B"**.

10. KEY MANAGERIAL PERSONNEL

During the period under review Mr. Chandra Shekhar Nopany had relinquished his position as Managing Director and in compliance with Section 203 of the Companies Act 2013, Mr. Chand Bihari Patodia has been appointed as Whole-time Director of the Company and as such the following three persons were designated as Key Managerial Personnel of the Company viz:

- a. Mr. Chand Bihari Patodia, Whole-time Director
- b. Mr. Dilip Patodia, President and Chief Financial Officer
- c. Mr. Anand Sharma, Company Secretary

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. The Code is available on the Company's website at the weblink <http://birla-sugar.com/Assets/Oudh/Oudh-Sugar-Code-of-Conduct.pdf>. All Directors have confirmed compliance with the provisions of Section 164 of the Companies Act, 2013.

11. ANNUAL EVALUATION OF BOARD'S PERFORMANCE

In pursuance of the provisions of the Companies Act, 2013 and according to Regulation of 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 Chairman of the Board. Based on the criteria set by the Nomination and Remuneration Committee, the Board at its meeting critically adjudged the performance of the Independent Directors as well as has also carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report. Again, a meeting of the Independent Directors is required to be held to evaluate the performance of the Non-Independent Directors. Accordingly, a meeting of Independent Directors was held wherein the performance of the Non-Independent Directors, including the Chairman was evaluated.

12. FAMILIARISATION PROGRAMME

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

13. AUDIT COMMITTEE

The Audit Committee was constituted on 25.08.2000 and the Committee now comprises of Mr. Anand Ashvin Dalal, Mr. Nirad Kant Bagla, Mr. Yashwant Kumar Daga, Mr. Rohit Kumar Dhoot and Mr. Chand Bihari Patodia. 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.

14. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Investors Grievance Committee was constituted on 25.08.2000 and was renamed as Stakeholders' Relationship Committee w.e.f. 13.05.2014 to comply with the requirements of the Companies Act 2013 and the Listing regulations. The Committee now comprises of Mr. Nirad Kant Bagla, Mr. Yashwant Kumar Daga and Ms. Shashi 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.

15. NOMINATION AND REMUNERATION COMMITTEE

The Remuneration Committee was constituted on 02.09.2002 and was renamed as Nomination and Remuneration Committee w.e.f. 13.05.2014 to comply with the requirements of the Companies Act 2013 and the Listing regulations. The Committee now comprises of Mr. Rohit Kumar Dhoot, Mr. Anand Dalal and Mr. Nirad Kant Bagla. 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.

16. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee was constituted on 13.05.2014 and the Committee now comprises of Mr. Chandra Shekhar Nopany, Mr. Chand Bihari Patodia, and Mr. Yashwant Kumar Daga. 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.

17. 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. One complaint was received by the Committee during the year under review and the same has been disposed off completely.

18. HUMAN RESOURCES

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

19. REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee 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.

20. 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 disclosure requirement with respect to CSR spends are not applicable to the Company in view of inadequate profits/losses during the three immediately preceding financial years. The CSR Policy as approved by the Board is available on Company's website at the weblink <http://birla-sugar.com/Assets/Oudh/Oudh-Sugar-CSR-Policy.pdf>.

21. 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 2016, 7 (seven) Meetings of the Board of Directors of the Company were held. The details of the Board Meetings held during the F.Y. 2015-16 have been furnished in the Corporate Governance Report forming a part of this Annual Report.

The Independent Directors of the Company have had a separate meeting on 22nd March, 2016 to review the performance and evaluation of Non Independent Directors and Board as a whole, Chairperson and assess the quality, quantity and timeliness of flow of information from the Company management to the Directors.

22. 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 financial statements for the year ended March 31, 2016, 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 2.1 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, 2016 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.

23. AUDITORS, AUDIT QUALIFICATIONS AND BOARD'S EXPLANATIONS

Statutory Auditors

Messrs S R Batliboi & Co LLP, Chartered Accountants, hold office as Auditors of the Company till the conclusion of ensuing Annual General Meeting and being eligible, offered themselves for re-appointment. According to the certificate submitted to the Company by the said firm of Auditors the said re-appointment, if made by the Shareholders, will be well within the limits prescribed in Section 141 of the Companies Act, 2013.

The Board, on the recommendation of the Audit Committee, proposed that Messrs S R Batliboi & Co LLP, Chartered Accountants, be re-appointed as the Statutory Auditors of the Company for a period beginning the conclusion of the ensuing Annual General Meeting of the Company and ending on the conclusion of the Annual General Meeting to be held next thereafter.

The remarks/observations made by the Statutory Auditors in their report are self explanatory and does not require any further clarifications/ explanation. However, the Statutory Auditors have commented regarding carrying Deferred Tax Asset (DTA) (net) of ₹ 12,810.10 lacs (after reversal of ₹ 94.81 lacs during the year) up to March 31, 2016. The Company has not recognised any further DTA during the current financial year as a matter of prudence. Further, the Company has earned profits during the current year consequent to improved realisation and sugar yields. In view of above, the management is certain that the Company would be in a position to generate positive cash flows and profitability and is certain that there would be sufficient taxable income in future to claim the above tax credit.

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 Messrs D Radhakrishnan &

Co, Cost Accountants, as the Cost Auditors to audit the cost accounts of the Company for the financial year 2016-17. 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 Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company had appointed Messrs Vinod Kothari & Co., Practising Company Secretaries to undertake the Secretarial Audit of the Company for the financial year 2015-16. The Secretarial Audit Report is annexed herewith as "Annexure F" and which is self explanatory.

24. SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has following wholly owned subsidiaries, one step down subsidiary and one joint venture company as per detail given below:

- i. Hargaon Investment & Trading Company Limited
- ii. Champaran Marketing Company Limited
- iii. OSM Investment & Trading Company Limited
- iv. Hargaon Properties Limited - step down subsidiary
- v. Palash Securities Limited
- vi. Allahabad Canning Limited
- vii. Vaishali Sugar & Energy Limited
- viii. Avadh Sugar & Energy Limited-A Joint Venture Company

The Annual Accounts of the subsidiary companies will be made available for inspection by any shareholder at the Registered Office of the Company and would also be available on the Company's website at the weblink www.birla-sugar.com. Furthermore, a hard copy of the detailed accounts of the subsidiaries would be furnished to any shareholder on demand at any point of time.

The Company has also formulated a policy for determining material subsidiaries in line with the requirement of Listing Agreement. The said Policy is being disclosed on the Company's website at the weblink http://www.birla-sugar.com/Assets/Oudh/Oudh_-_Policy_on_Determining_Material_Subsidiaries.pdf.

25. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS) viz. AS 21, AS 23 and AS 27 issued by the Institute of Chartered Accountants of India form part of this Annual Report.

The salient features of the financial statement of its subsidiaries are also provided in a separate statement being "Annexure G" and made part of this Report.

26. 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.

27. INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of Information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on the date of the last Annual General Meeting held on 14th September, 2015 on the website of the Company www.birla-sugar.com, as also on the website of the Ministry of Corporate Affairs www.mca.gov.in.

28. INTERNAL FINANCIAL CONTROLS

The Company has laid down internal financial control's, 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 the review of these reported evaluations, the Directors confirm that, for the preparation of financial accounts for the financial year ended March 31, 2016, 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.

29. RISK MANAGEMENT

In line with the new regulatory requirements, the Company has formally framed a 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 has already been in place to oversee the risk management process in the Company. The committee has reviewed the major risks which effect 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.

30. 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 the weblink <http://birla-sugar.com/Assets/Oudh/Oudh-Sugar-Whistle-Blower-Policy.pdf>.

31. 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 Standalone Financial Statements.

32. RELATED PARTY CONTRACTS / ARRANGEMENTS

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

Accordingly, no transaction are being reported in Form AOC-2 in terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014. However, the Directors draw attention of the members to Note 33 to the standalone financial statement which sets out related party disclosures

All Related Party Transactions are placed before the Audit Committee as also the Board for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The Company has developed a Related Party Transactions Policy for purpose of identification and monitoring of such transactions.

33. CONSERVATION OF ENERGY, 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"**.

34. 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 a separate **"Annexure I"** and forms an integral part of this Report.

35. EXTRACT OF ANNUAL RETURN

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

36. CEO/CFO CERTIFICATION

Mr. Chand Bihari Patodia, the Whole-time Director and Mr. Dilip Patodia, President (Finance) & Chief Financial Officer have submitted certificates to the Board as contemplated under Reg 17(8) of the SEBI (LODR) Regulations, 2015.

37. 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 and Bihar, 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

Kolkata
Dated 13th May 2016

Chandra Shekhar Nopany
Chairman