

BOARD OF DIRECTORS

Mr. M.P.Purushothaman Chairman & Managing Director
Mr. Sheeju Purushothaman Joint Managing Director
Mr. K.Jayachandran Joint Managing Director
Ms. Nisha Purushothaman
Mr. M.K.Mohan
Mr. M.P.Mehrotra
Mr. T.S.Raghavan
Mr.Shankar Menon

VICE PRESIDENT (F&A)

Mr.G.V.Ramana

COMPANY SECRETARY

Mr.S.S.K.Swarup

AUDITOR

Mr. R.Rajagopalan,
Chartered Accountant
15, Station Road, West Mambalam,
Chennai- 600 033.

BANKERS

Indian Bank
Union Bank of India
Indian Overseas Bank
Bank of India
Punjab National Bank
Oriental Bank of Commerce
Andhra Bank

REGISTERED OFFICE

Ayyapareddipalem
Naidupet – 524 126
Nellore District, Andhra Pradesh.

FACTORIES

1. Ayyapareddipalem Village, Naidupet,
Nellore District, A.P.
2. Idaikkal Village, Ambasamudram,
Tirunelveli Dist., T.N.

ADMINISTRATIVE OFFICE

Empee Tower, No.59, Harris Road,
Pudupet, Chennai – 600 002.

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NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the 20th Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Monday, the 28th June, 2010 at 11.30 a.m. at the Registered Office of the Company at Ayyapareddipalem Village, Naidupet Mandal, Nellore District, Pin code-524 126, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To consider, approve and adopt the Profit & Loss Account for the year ended 31st March, 2010, the Balance Sheet as on that date, the report of the Board of Directors and the report of the Auditors.
2. To appoint a Director in place of Mr. T.S. Raghavan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M.K. Mohan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

INCREASE OF AUTHORISED SHARE CAPITAL BY CREATION OF CUMULATIVE REDEEMABLE PREFERENCE SHARES:

“RESOLVED that the Authorised Capital of the Company be and is hereby increased to Rs.193,00,00,000/- (Rupees One Hundred Ninety Three Crores) by creation of 1,48,00,000 nos of 8% Cumulative Redeemable Preference Shares of Rs.100/- each subject to the terms and conditions laid down in Section 80 of the Companies Act.

RESOLVED that the existing Clause V of the Memorandum of Association of the Company as to Share Capital be and is hereby deleted and in its place the following Clause V is substituted:

“The authorized share capital of the company is Rs.193,00,00,000/- (Rupees One Hundred Ninety Three Crores) consisting of 4,50,00,000 no's equity shares of Rs.10/-each and 1,48,00,000 no's of 8% cumulative redeemable preference shares of Rs.100/- each and from time to time, increase, reduce or modify the capital and to divide all or any of the shares in the capital of the Company, for the time being and to classify or reclassify such shares from shares of one class into shares of other class or classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by the Company in accordance with the Articles of association of the Company and to vary, modify or abrogate any such rights, privileges conditions or restrictions, in such manner and by such persons as may, for the time being, be permitted under the provisions, for the time being in force in that behalf.”

FURTHER RESOLVED that the existing Article 3 of the Articles of the Association of the Company be and is hereby deleted and in its place the following Article 3 is substituted.

“3. The Authorised Share Capital of the Company is Rs.193, 00,00,000/- (Rupees One Hundred Ninety Three Crores) consisting of 4,50,00,000 nos. of equity shares of Rs.10/-each and 1, 48,00,000 no's of 8% cumulative redeemable preference shares of Rs.100/- each with power to increase or reduce the capital.”

- 6 To consider and if thought fit to pass with or without modification the following Resolution as a Special resolution:

ISSUE OF 8% UNLISTED CUMULATIVE REDEEMABLE PREFERENCE SHARES:

RESOLVED that pursuant to section 81(1A) and other applicable provisions, if any of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to issue and allot 1,48,00,000 no's of 8% unlisted cumulative redeemable preference

shares of Rs.100/- each fully paid-up of the aggregate value of Rs.148 Crores on private placement with the Empee Distilleries limited in accordance with and subject to the provisions of Preferential issues given in SEBI (Disclosure and Investor Protection) Guidelines, 2000 and on such terms and conditions as the Board of Directors may deem fit and proper.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to take all steps that may be necessary in connection therewith including delegation of the powers given hereof to any of its Committee in accordance with section 292(1) proviso of the aforesaid Act read with the provisions of the Articles of Association of the Company.”

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

RE-APPOINTMENT OF JOINT MANAGING DIRECTOR:

“RESOLVED that in accordance with the provisions of Section 198, 269 and 309 read with schedule XIII to the companies act, 1956, the consent of the Company be and is hereby accorded to the re-appointment of Mr.K.Jayachandran as Joint Managing Director of the Company for a further period of three years with effect from 27/04/2010 within the following terms as to remuneration as set out hereafter and with further liberty to the Board of Directors from time to time to alter the said terms in such manner as may be agreed to between the Board of Directors and Mr.K.Jayachandran in the best interest of the company within the limitations in that behalf as contained in schedule XIII to the said Act., viz

Salary : Rs.3, 00,000/- per Month inclusive of all allowances and perquisites. In addition, contribution to Provident Fund and Gratuity Fund shall be made which shall not form part of the remuneration.

In the absence of inadequacy of profits at any time during the tenure of the appointment of the appointee, the Salary mentioned herein above will be paid to the appointee as minimum remuneration in terms of Schedule XIII of the Companies Act, 1956.”

By Order of the Board

For Empee Sugars and Chemicals Limited

Place : Chennai

S.S.K.SWARUP

Date : 29/05/2010

Company Secretary

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member. The proxy form duly completed and stamped must reach the registered office of the company not less than 48 hours before commencement of the Meeting.
2. The Registrar of members and share transfer books of the company will be closed from 21/06/2010 to 28/06/2010(Both days inclusive).
3. Members/proxies should bring the attendance slip duly filed along with copy of Annual report for attending the meeting.
4. Members are requested to intimate changes if any, in their address to the Registrar and share transfer Agents, M/s. Cameo Corporate Services Limited, “Subramanian Building”, V Floor, 1, Club House Road, Chennai-600 002.
5. The Company's equity shares are listed on the Bombay Stock Exchange Ltd and Madras Stock Exchange Ltd.
6. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the Meeting is annexed hereto.
7. The information/details pertaining to Mr.T.S.Raghavan, Mr.M.K.Mohan and Mr.K.Jayachandran are provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges as annexure.

ANNEXURE TO THE NOTICE:

Explanatory statement under Section 173(2) of the Companies Act, 1956

Item No's 5 & 6:

The members are aware that the Company is implementing its integrated sugar complex at Idakkal Village, Ambasamudram Taluk, Tirunelveli District, Tamilnadu at a project cost of Rs.515 Crores. To part finance the Project cost, the company proposes to make an issue of 1, 48, 00,000 of 8% cumulative redeemable preference shares of Rs.100/-each aggregating to Rs.148 Crores to the Empee Distilleries Limited to part finance the project cost. The said shares are redeemable after expiry of a period of 19 years from the date of allotment and will remain unlisted.

The Empee Distilleries Limited is willing to subscribe the proposed issue and desire to hold these shares without listing. The company also desires to issue these preference shares without listing the same with stock exchanges.

To accommodate the proposed issue of the said preference shares, the authorized share capital of the company is to be increased which requires the approval of the members by way of special resolution since it amounts to the alteration of the respective clauses in the Memorandum and Articles of Association of the Company.

Further the said issue requires the consent of the members by way of special resolution as per section 81(1A) of the companies act, 1956 to make a preferential allotment of the said shares to Empee Distilleries Limited.

Accordingly, the said resolutions are proposed for the approval of the members.

None of the Directors are interested in the resolutions except to the extent of their shareholdings in the company and in Empee Distilleries limited.

Item No 7:

Mr.K.Jayachandran has been appointed as the Joint Managing Director for a period of three

years effective from 28th April, 2007 whose terms expires on 27/04/2010 and offers himself for re-appointment. The company is also of the opinion to make use of his services and expertise and proposes to renew his appointment as mentioned in the resolution. The remuneration proposed to be paid to Mr.K.Jayachandran has been considered by the Remuneration Committee at its meeting held on 29th May, 2010 and the details of the remuneration as recommended by them are placed before the members for their consideration.

Accordingly, Special Resolution set out under Item 7 of the Notice is submitted to the members for their approval.

None of the Directors except Mr.K.Jayachandran is deemed to be concerned or interested in the resolution.

I. GENERAL INFORMATION:

1. Nature of Industry:
The Company is engaged in the business of manufacture of Sugars and Industrial Alcohol.
2. Date or expected date of commencement of Commercial production:
Not applicable as the Company is an existing Company.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:
Not applicable as the Company is an existing Company.
4. Financial Performance based on given indicators.

(Rs. in Lacs)

Particulars	Year ended 30-6-2007	Year ended 30-06-2008	Period ended 31-03-2009	Year ended 31-03-2010
Sales	5752.14	5962.22	4643.58	4582.22
PBID	612.31	888.41	921.49	876.60
Net Profit	87.57	129.66	95.48	92.64

5. Export performance: Nil.
6. Foreign investments or collaborations, if any. : Nil

II. ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING:

The brief resumes of the Directors seeking re-appointment and election are given below:

Mr. T.S.Raghavan (70)

Mr. T.S.Raghavan holds a Degree in Master of Arts from Madras University and is a certificate holder from Certified Associate from Indian Institute of Bankers (CAIIB). He started his professional career as an Officer in Indian Overseas Bank in the year 1964 and was an Executive Director of Vijaya Bank from January, 1996 to April, 1997; Chairman and Managing Director of Bank of Maharashtra during May 1997 to November 1998 and Chairman and Managing Director of Indian Bank from December, 1998 to 2000. He has wide experience in Finance & Banking sectors.

He holds the Directorship and Membership in Committees of other Companies as follows:

Directorship in other Companies	Membership in Committees
1. Empee Distilleries Limited	Audit Committee
2. Vishnu Fabrics Pvt Ltd	Nil
3. Tanfac Industries Ltd	Nil
4. Swajas Air Charters Ltd	Nil
5. Viswapriya Financial Services & Securities Ltd	Nil
6. Leather Crafts India Pvt Ltd	Nil
7. Giri Trading Agencies Pvt Ltd	Nil
8. Sri Chandrasekara Viswamaha Vidyalaya	Member

He is not holding any shares in the Company.

Mr.M.K.Mohan: (55)

He has joined our Company as an Independent Director. He has been engaged for over 30 years in the field of finance, transportation services, construction and import and export and the manufacture of bricks. He is a Trustee of the Vishakapattanam Port Trust, a former financial trustee of Pachaiaappa Trust, Former Member of Council, Corporation Chennai, former Member of the Water Board, Chennai, Executive Member of the Tirupathi Tirumala Devasthanam, Chennai and active member of Tamil Nadu Brick Manufacturers Association.

He holds the Directorship and Membership in Committees of other Companies as follows:

Directorship in other Companies	Membership in Committees
1. Five Star Business Credits Ltd	Nil
2. Kurunji Chit Funds Pvt Ltd	Nil
3. Emkay Holiday Inn Pvt Ltd	Nil
4. Empee Distilleries Ltd	Share Transfer Committee

He is not holding any shares in the Company.

Mr. K.Jayachandran: (65)

Mr. K Jayachandran joined the Company on 14.7.2006 as a Chief Executive. He was subsequently appointed as the Director in the Board and designated as the Joint Managing Director for a period of three years effective from 28th April 2007. He is a B.Sc., ANSI (Sugar Technology) and has over 39 years of rich experience in Sugar and related areas. He is experienced with the latest technologies and expertise in Sugar and related sectors and has implemented the Sugar Expansion Project and the Cogen Project without any major hurdles. He has served in many sugar companies with distinction and with his association the company is able to give a good performance.

He holds the Directorship of other Companies as follows:

Directorship in other Companies	Membership in Committees
Empee Power Company (India) Ltd	Nil

He is not holding any shares in the Company.

EMPEE SUGARS AND CHEMICALS LIMITED

III.OTHER INFORMATION:

S. NO.	DESCRIPTION	PARTICULARS
1.	Reason of loss or inadequate profits.	Substantial fall in the availability of Sugar Cane.
2.	Steps taken or proposed to be taken for improvement.	New and existing cane growers are encouraged to plant sugar cane. Loans are being arranged to the farmers through tie up with the Nationalized Banks. Further the price of sugar is not in the control of the Company, steps are being taken to achieve maximum profitability by increasing the production improving the recovery of the sugar and optimization of IAP Production and bring out new products in IAP division i.e. Ethanol and bottling of Carbon dioxide.
3.	Expected increase in productivity and profits in measurable terms	Company expects better Turnover and Profits during the year in view of expansion projects started commercial operations in sugar and co-gen.

By order of the Board
For **Empee Sugars and Chemicals Limited**

Place : Chennai
Date : 29/05/2010

Sd/-
S.S.K.SWARUP
Company Secretary

DIRECTORS' REPORT

To the Members,

Yours Directors take pleasure in presenting their report together with the audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs.in Lacs)

Particulars	2009-10 (12 months year ended 31.3.2010)	2008-09 (9 months period ended 31.3.2009)
Operating Profit before Interest and Depreciation	876.60	858.55
Other income	29.90	62.93
Less: Interest	494.10	393.87
Less: Depreciation	353.88	329.70
Profit before Tax	58.53	197.91
Provision for Taxation (MAT) including FBT	9.04	21.25
Deferred Tax Liability/(Asset)	(34.11)	81.18
Profit/(Loss) after Tax	92.64	95.48
Brought Forward Loss	656.39	575.81
Carry Forward Loss	617.05	656.39

Performance of the Year under Review:

Quantitative Particulars	2009-10 (12 months year ended 31.3.2010)	2008-09 (9 months period ended 31.3.2009)
Cane Crushed (MTS)	107772	188451
Recovery of Sugar From Cane (%)	7.17	8.90
Production of Sugar (Qtls) – Cane	78310	167810
Production of Sugar (Qtls) – Raw sugar	12675	-
Total Production of Sugar (Qtls)	90985	167810
Production of Spirits (Ltrs)	4388727	5175156
Sale of Sugar (Qtls) cane	129148	193430
Sale of Sugar (Qtls) raw sugar	-	-
Total Sale of Sugar (Qtls)	129148	193430
Sale of Spirits (Ltrs)	4727179	4064084

The operating profit before interest and Depreciation for the year is Rs.876.60 lacs which is 19.13% of sales as against Rs 858.55 lacs which is 18.49 % of Sales in the previous year. This increase of 0.64% in operating profit is mainly due to increase in the free sale price of sugar.

The year ending 31st March, 2010 have witnessed severe shortage of sugar cane availability worse than the previous period, accordingly the crushing of cane has come down drastically and the season came to an end in the first week of February, 2010 as against February end in the previous period. The shortage of sugar cane is mainly due to the conscious switchover by the farmer community to other competing crops that now fetch him a much higher realization. Further there is also shortage of efficient harvesting labour for cutting the sugar cane. Price parity being the bedrock of market economics, sugarcane price must match with and measure up to other competing crops to reignite farmers' interest in cane.

Dividend:

In view of the past accumulated losses and to source the expansion plans to achieve growth oriented stability in future financial performance the Directors are unable to recommend any Dividend for the year under review.

Subsidiary:

20 MW Multi fuel based cogen power plant at the factory site at Naidupet has commenced its commercial operations effective from 12th March, 2010 and started selling power to APSPDCL against the power purchase agreement executed by the subsidiary company.

Future Outlook:

The Company's prestigious greenfield integrated sugar complex at Idaikkal Village, Ambasamudram Taluk, Tirunelveli District, Tamilnadu consisting of 5000 TCD Sugar plant expandable to 8000 TCD, 50MW co-generation plant have started commercial operations and 100 KL/day Distillery plant is under progress.

The Company expects increase in sugar production on account of the steps taken by the company to increase the area of sugar cane cultivation in the allotted lands, continuous efforts to increase efficiency and productivity in existing operations, contribution expected from cogen power plant in view of increased power tariff from TNEB and also expected higher price from Power Trading Corporation. The company has entered into an agreement with TNEB to sell 25% of the excess power produced over and above our captive consumption and the balance 75% to any third parties. The company expects that on account of this developments barring unforeseen circumstances your Directors are confident that the company will generate good revenues and post better performance in the current financial year and years to come.

Directors:

Mr.T.S.Raghavan, Director and Mr.M.K.Mohan, are retiring by rotation at the ensuring annual general meeting and being eligible offers themselves for re-appointment.

The three years term of Mr.K.Jayachandran, Joint Managing Director has expired on 27th April, 2010 whose appointment was renewed by the Board for a further period of three years which will be subject to the approval of the members in the ensuing annual general meeting.

Auditors:

Mr.R.Rajagopalan, the Auditor of the Company has submitted his resignation to act as Auditor of the company from the financial year 2010-11.

The Board has identified M/s. K.S. AIYAR & Co., Chartered Accountants as Auditors of the Company for the year 2010-11. The company has received a certificate from the Auditors to the effect that their appointment, if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their appointment.

Fixed Deposits:

Your Company has not accepted any fixed deposits from the public during the year.

Employees:

The Particulars of employees drawing remuneration within the provision of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 is annexed to this Report. (Annexure.1)

Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) in the preparation of the profit and loss account for the year ended 31.3.2010 and the balance sheet as at that date ("Financial Statements") applicable accounting standards have been followed;
- b) appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit of the company for that year.
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- d) the financial statements have been prepared on a going concern basis.

EMPEE SUGARS AND CHEMICALS LIMITED

e) the financial statements have been audited by Mr.R.Rajagopalan, Statutory Auditor and his report is appended thereto.

Conservation of Energy, Technology absorption and Foreign Exchange earnings and outgo:

Information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 is annexed to this Report. (Annexure 2)

Corporate Governance:

The Management discussion and analysis and the compliance of recommendations on corporate governance are annexed to this report. (Annexure.3)

Cost Auditors:

M/s. Vivekanandan Unni & Associates, have been appointed as Cost Auditors for the sugar unit of the company for the financial year 2009-10.

Acknowledgement:

Your Directors thank for the continuous assistance and support extended by the Banks, cane growers, customers and government authorities and also to the shareholders for their forbearance and their faith in the management. Further, your Directors also place on record their deep sense of appreciation for the contributions made by employees at various levels to the growth and success of the Company.

For and on behalf of the Board of Directors

Sd/-
Chennai
29/05/2010

Sd/-
M.P.Purushothaman
Chairman & Managing Director

ANNEXURE 1 TO DIRECTORS' REPORT

Statement under Sub Section 2 (A) of Section 217 of the Companies Act, 1956

S. No.	Name of the Employee	Remuneration payable for the Year 2009-10 Rs.	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment
1	Mr.M.P.Purushothaman	47.04 Lakhs	Higher Secondary, 48 Years in Sugars, Hotel, Transport and Power	01/03/1990	73 Years	-
2	Mr.K.Jayachandran	36.66 Lakhs	B.Sc., ANSC-Sugar Technology	28/04/2007	64 Years	Chief Executive, Empee Sugars & Chemicals Limited
3	Mr.Sheeeju Purushothaman	39.20 Lakhs	B.A	01/04/2008	32 Years	-

ANNEXURE 2 TO THE DIRECTORS REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors report for the period ended 31st March, 2010.

A. CONSERVATION OF ENERGY

The Company has installed necessary energy conserving machinery as per the standard specification list prescribed by the Government of India for the factory of its size.

FORM A

	2009-10	2008-09
(A) POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased units(Kwh)	515474	414942
Total Amount (Rs.)	2135966	1480211
Rate / Unit (Rs.)	4.12	3.57
b) Cogen to Sugar (Kwh)	820798	-
Total Amount (Rs.)	2659385	-
Rate/Unit (Rs.)	3.24	-
c) Own generation		
(i) Through Diesel Generator Units(Kwh)	50147	79240
Units/(liter) of Diesel Oil	2.09	2.65
Cost / Unit (Rs.)	15.49	12.50
(ii) Through steam turbine (generated out of our own bagasse Consumption) units (Kwh)	-	3701492
2. Coal	811.40	1369.35
Cost / Ton (Rs.)	2850	4501.30
3. Furnace Oil	Nil	Nil
4. Others/Internal generation		
a) Fire wood (MTs)	462	343.40
Rate per Mt(Rs.)	1600	1499.57
b) Husk (MTs)	Nil	3545.24
Rate per Mt (Rs.)	Nil	1806.62

(B) CONSUMPTION PER QUINTAL OF SUGAR

Sugar Produced (Qtl)	78310	167810
Electricity (Kwh/Qtl)	17.06	2.47
Coal (M.T/Qtl)	Nil	Nil
Furnace Oil (K.L/Qtl)	Nil	Nil
Fire wood (M.T/Qtl)	0.003	0.002

(C) TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

Your Company has been carrying out research and development in the following specific areas:

- i) Selection of sugar cane seed materials and multiplication in three tier seed nursery programme.
- ii) Heat therapy to eradicate seed born diseases.
- iii) Pest control measures to protect cane from diseases & soil testing Laboratory.
- iv) Ratoon crop management helping increase yield and recovery.
- v) Biological control laboratory for sugarcane pest management.

With the above efforts a higher yield of disease free cane will be available to the company, resulting in a higher return to the company and the cane growers.

The expenditure incurred in research and development cannot be segregated because of its nature of expenses. Such expenses are clubbed under the head of expenses "Cane development expenses".

(D) FOREIGN EXCHANGE EARNINGS Nil
FOREIGN EXCHANGE OUTGO Rs. 347.83 Lacs

Sd/-
 On behalf of the Board
M.P. PURUSHOTHAMAN
 Place : Chennai. Chairman & Managing Director
 Date : 29/05/2010

ANNEXURE 3 TO THE DIRECTORS REPORT

Report on Corporate Governance in terms of Clause 49 of the Listing Agreement

1. Company’s philosophy on corporate governance

The company firmly believes that good corporate governance is the foundation of corporate excellence. A sound governance process consists of a combination of business practices which result in enhancement of shareholder value and enable the company to fulfill its obligations to customers, employees, financiers and to the society in general. The company aims to increase and sustain its corporate value through growth and innovation. Your Company has been observing the key principles of the code and is committed to take adequate measures towards achieving full compliance of the Corporate Governance code. The areas where the Company is observing the recommendation of SEBI code are given below:

2. Board of Directors

Board of Directors of the company consists of three executive Director and five non-executive directors. Four non-executive directors are independent and they have no pecuniary relationship with the Company in their capacity as Director. During the year 2009-10, the Board met Five times and the maximum gap between two meetings was three months. The above composition of the Board meets the recommendation of SEBI code of corporate governance.

Details of Board Meetings attended by Directors during 01/04/2009 to 31/03/2010:

Sl. No	Name	Designation	No of meetings attended	No. of other Directorship held
1.	Mr. M. P. Purushothaman	Promoter – Chairman & Managing Director	5	10
2.	Ms.Nisha Purushothaman	Promoter – Non Executive Director	3	7
3.	Mr.SheejuPurushothaman	Promoter- Executive Director	4	6

4.	Mr. M. K. Mohan	Non Executive Independent Director	3	2
5.	Mr. M. P. Mehrotra	Non Executive Independent Director	5	8
6.	Mr.K.Jayachandran	Executive Director	5	1
7.	Mr. T.S.Raghavan	Non Executive Independent Director	5	4
8.	Mr.Shankar Menon	Non Executive Independent Director	4	1

During the year 5 Board Meetings were held on 15-04-2009, 29-06-2009, 31-07-2009, 26-10-2009 and 31-01-2010.

3. Audit Committece

The Audit Committee of the Company comprises of Mr.M.P.Mehrotra, Chairman of the committee. Mr.M.P.Purushothaman, and Mr.T.S.Raghavan. Mr.M.P.Mehrotra is a senior practicing Chartered Accountant and Mr.T.S.Raghavan holder of Degree in Master of Arts from Madras University and is a certificate holder from Certified Associate from Indian Institute of Bankers (CAIIB). He started his professional career as an Officer in Indian Overseas Bank in the year 1964 and was an Executive Director of Vijaya Bank from January, 1996 to April, 1997: Chairman and Managing Director of Bank of Maharashtra during May 1997 to November 1998 and Chairman and Managing Director of Indian Bank from December, 1998 to 2000. Two out of three members comprising the committee i.e. Mr.M.P.Mehrotra and Mr.T.S.Raghavan are independent directors. All these directors possess knowledge of corporate finance, accounts and company law. The role and terms of reference of the audit committee cover the matters specified under Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. The company secretary acts as the secretary to the Committee. The chief executive officer, the statutory and Internal Auditors of the company attend the meetings by invitation. During the year Four audit committee meetings were held on 29-06-2009, 31-07-2009, 26-10-2009 and 31-01-2010.

Meeting and the attendance during the year

Sl. No.	Name of member	No. of meetings held	No of meetings Present
1.	Mr. M.P.Mehrotra	4	4
2.	Mr.M.P.Purushothaman	4	4
3.	Mr.T.S.Raghavan	4	4

4. Remuneration Committee

The Remuneration committee, comprising of Mr.M.P.Mehrotra, Mr.M.K.Mohan, and Mr.T.S.Raghavan has been constituted under the chairmanship of Mr.T.S.Raghavan, to determine the quantum and components of the remuneration to be paid to the whole time directors. No meeting of remuneration committee was held during the year under review since no revision of remuneration was proposed.

Details of the remuneration of executive directors and non-executive directors for the year ended 31st March, 2010 are as follows:

Executive Directors / Whole Time Directors

Name	Designation	Remuneration for the Year ended 31.3.2010
Mr. M. P. Purushothaman	Chairman & Managing Director	Rs.47.04 Lakhs
Mr. K. Jayachandran	Joint Managing Director	Rs.36.66 Lakhs
Mr. Sheeju Purushothaman	Joint Managing Director	Rs.39.20 Lakhs

Non-Executive Directors

Name of the Director	Sitting Fee Rs.
1. Ms.Nisha Purushothaman	30000
2. Mr. T.S.Raghavan	50000
3. Mr.M.K.Mohan	30000
4. Shankar Menon	40000
5. Mr.M.P.Mehrotra	50000

5. Share Transfer cum Shareholders' / Investors' Grievance Committee

The share transfer cum shareholders'/Investors' Grievance Committee consist of the following:

i) Mr. M. K.Mohan	Chairman of the Committee
ii) Ms.Nisha Purushothaman	Member
iii) Mr.T.S.Raghavan	Member

The Committee, inter alia, approves share transfers, transmissions and also requests for issue of duplicate certificates, split/consolidation of shares etc and oversees all matters connected with securities transfers and other processes and meetings are held frequently. The Committee also looks into redressal of shareholders' complaints related to share transfers, non receipt of balance sheets, non-receipt of dividend etc. The committee oversees the performance of the registrars and transfer agents and recommends overall improvement of the quality of investor services. During the year 2009-10, twelve complaints were received and were redressed to the satisfaction of the complaining investors. No investor complaint was pending as on 31.3.2010.

The Board has appointed Mr.S.S.K.Swarup, Company Secretary as the Compliance Officer, pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

6. General Body Meetings

The last three annual general meetings were held as under:

Year	Location	Date	Time
2008-09	Ayyapareddipalem Village Naidupet Mandal, Nellore District, A.P	30-09-2009	11.30 am
2007-08	-do-	06-12-2008	12.30 p.m.
2006-07	-do-	05.10.2007	12.30 p.m.

Details of directors who have attended the last three general meetings held by the Company:

Sl. No.	Name	Designation	Held on 30-09-2009	Held on 6-12-2008	Held on 05.10.2007
1	Mr.M.P.Purushothaman	Chairman & Managing Director	Attended	Attended	Attended
2	Mr.K.Jayachandran	Joint Managing Director	Attended	Attended	Attended
3	Mr.Sheeju Purushothaman	Joint Managing Director	Attended	Attended	Attended
4	Ms.Nisha Purushothaman	Director	-	-	-
5	Mr.M.K.Mohan	Director	-	-	-
6	Mr.M.P.Mehrotra	Director	-	-	Attended
7	Mr.T.S.Raghavan	Director	Attended	Attended	N.A
8	Mr.Shankar Menon	Director	Attended	N.A	N.A

7. Postal Ballot

During the year, no resolutions were passed by the Company through postal ballot.

8. Code of Conduct

In consonance with the requirements of the amended Clause 49 of the listing agreement, Board of Directors has laid down a code of conduct for the Board members and senior management of the Company. The said code of conduct has also been posted on the Website of the company, www.empeegroup.co.in. The directors and senior management are committed to strict adherence of the code and to conduct the business in an ethical and transparent manner.

9. Risk Management

The company has laid down procedures to inform board members about the risk assessment and minimization procedures. The Board periodically discusses the significant business risks identified by the management and the mitigation process being taken up.

10. Prevention of Insider Trading

The company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all directors/officers/designated employees. The

code ensures the prevention of dealing in company's shares by persons having access to unpublished price sensitive information.

11. Disclosures

The company does not have any related party transactions, which may have potential conflict with the interests of the company at large. During the last three years, there have been no penalties or strictures imposed on the Company by Stock Exchange, SEBI or any statutory authority on any matter related to capital markets.

12. Subsidiary Company

The minutes of the board meetings of the unlisted subsidiary company is placed before the Board of Directors of the Company for their review.

13. Compliance with corporate Governance Norms

The Company has complied with the mandatory requirements of the code of corporate governance as stipulated in clause 49 of the listing agreement with the stock exchanges. The certificate from statutory auditors is annexed to the Directors' Report.

14. Means of Communication

The quarterly financial results are normally published in the Business Standard in English and Andhra Jyothi in Telugu. The Company has posted the quarterly/annual results in the Company's Website www.empeegroup.co.in. The quarterly results are sent to Stock Exchanges on which the shares of the Company are listed in the prescribed format and time. The dedicated e-mail ID of investor.empeesugars@empeegroup.co.in was created by the company for immediate redressal of investor complaints/grievances.

15. Management Discussion and Analysis Report

Industry Scenario:

Sugar industry during 2009-10 has undergone lot of fluctuations in prices. The cane prices have gone up substantially when compared to the previous year

due to non-availability of sugar cane in the first half of the year. This has prompted the millers to import raw sugar. To meet the demand supply gap, the central government has also allowed import of white sugar. Though in the first half of the year the sugar sale price has gone up it has witnessed a fall in the price in the second half of the year on account of increased availability of both imported white sugar and availability of converted raw sugar. Sugar Prices have fallen by about 30% in the last three months and duty on imports would help check flooding of the market with imported sweetener. The fall in the prices of sugar has reduced the margins to the sugar producing companies forced to hold stocks till the market improves. The central government has also conceived an idea of imposing import duty to protect the domestic industry which is facing a price slide, which is pending for consideration after the current Parliament session.

The reports to the government that have come from various quarters of the country indicates increase in the cane cultivation when compared to the previous year on account of steep increase of cane prices by the sugar industry. Accordingly, the coming year 2010-2011 may witness steep increase in domestic production of sugar thereby result in import restrictions of both white and raw sugar and prices may also stabilize for the advantage of the industry and the consumers as well.

Government Measures

During the current scenario, there is likely action by the government to control import sugar by way levying import duties to afford protection to the sugar industry.

The Government brought in measures such as weekly quota for free sale, weekly reporting mechanism to monitor sugar dispatches and sale.

Opportunities and threats

The decrease in the production of sugar in the first half of the year consequent to the reduced cane availability in the country has resulted in increase of

sugar prices due to demand and supply factors. Sugar manufacturing companies are taking advantage of making effective utilization of by-products to manufacture value added products like power and alcohol which offer means and ways to limit the impact of price volatility due to sugar cycle and sustain the economic viability for the sugar industry.

The industry is still controlled by the regulators through levy obligation and release mechanism. Owing to the Government regulations, the companies are unable to take timely effective steps to meet the challenges being faced by the industry.

Segment wise performance

The segments for the purpose of reporting are Sugar and IAP. The sugar segment achieved a sales turnover of Rs.2997.28 lakhs while the IAP Rs.1614.85 lakhs..

The sugar division earned a profit before interest and taxes of Rs.313.37 lakhs as against Rs.239.26 lakhs earned by IAP division. The net profit ratio of sugar division has been slightly increased on account of increase in sugar prices whereas net profit ratio of IAP has come down when compared to sugar division during the year under review in view of reduction in ENA prices for three months. The operational performance of the segments is given in schedule 19 - Notes on Accounts.

Outlook

The sugar production for the season 2010-11 is expected to be 7.20 lac quintals produced out of sugar cane crushing and 1.58 lac MT out of raw sugar conversion when compared to the present year under review i.e. 0.78 lac Quintals out of cane crushing and 0.13 lac quintals out of raw sugar conversion. The second half of the current financial year 2010-11 is expected to see a increase in sugar production on account of likely increase in plantation. Therefore the overall physical parameters for the financial year 2010-11 are expected to be much more than that of the previous year. Though the anticipated increase in sugar production would see sugar price stable slowly

during the current year and the industry expects to see an improvement in its bottom line during the year 2010-11 on account of increase in turnover. On account of the expected increase in demand and the present trend in sugar prices, the sugar prices are likely to stabilise around Rs.27/- to Rs.30/- which will definitely lead to increase in the sugar margins.

The progress of the Company's prestigious greenfield integrated sugar complex at Idaikkal Village, Ambasamudram Taluk, Tirunelveli District, Tamilnadu consisting of 5000 TCD Sugar plant expandable to 8000 TCD, 50MW co-generation plant have started commercial operations and 100 KL/day Distillery plant is under progress.

The Company expects increase in sugar productions on account of the steps taken by the company to increase the area of sugar cane cultivation in the allotted lands, continuous efforts to increase efficiency and productivity in existing operations, contribution expected from cogen power plant in view of increased power tariff from TNEB and also expected higher price from Power Trading Corporation. The company has entered into an agreement with TNEB to sell 25% of the excess power produced over and above our captive consumption and the balance 75% to any third parties. The company expects that on account of this developments barring unforeseen circumstances your Directors are confident that the company will generate good revenues and post better performance in the current financial year and years to come.

Risks and concerns

Sugarcane being the sole raw material for the sugar industry, its availability depends upon good monsoon; Competition from other crops may affect the supply of sugar cane for crushing. In the present scenario of raising sugar prices, the mandatory payment of SMP and SAP fixed by the governments for sugarcane will affect the profitability of the companies. Fixation of sugarcane prices commensurate with the sugar price realizations will stabilize the industry. Molasses being strictly controlled by the State governments, hence

its usage according to market situations is severally restricted. The success of the ethanol blended petrol programme of the Central Government depends on its consistent policy and the support for the same from the State Governments.

Internal control systems and their adequacy

The Company has installed proper internal control systems for the various functional areas. The checks and control measures are effective and adequate.

Financial performance and operational performance

The details of financial performance and operational performance are mentioned in the Directors' Report.

Cautionary statement

Statements in this Report describing the Company's objectives, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

16. General Shareholders Information

Holding Company

M/s. Empee Distilleries Limited is the holding Company of your company and it holds 2,66,22,102 equity shares of the Company constituting 63.43% of the total paid up share capital of the Company. The information as per Section 212(4) have been duly furnished to the Board of Directors of the holding Company.

Other Group Companies

Disclosure as per Regulation 3(1) (e) of SEBI (Substantial Acquisition of shares and Takeovers) Regulations 1997:

The list of Companies falling within the Group Company as defined in the MRTP Act, 1969 is as follows:

EMPEE SUGARS AND CHEMICALS LIMITED

1.Empee Distilleries Ltd ;2.Empee International Hotels & Resorts Ltd; 3.South (India) Hotels Pvt. Ltd; 4. Empee Hotels Limited; 5.Apollo Alchobev Limited; 6.Empee Holdings Limited; 7.Aruna Exports Pvt Ltd.; 8.Aruna Constructions (India) Ltd.; 9.Empee Marine Products Limited; 10.Empee Leasing & Finance Ltd; 11. Empee Agro Farm Products Pvt Ltd; 12. Universal Spirits Limited; 13.Empee Construction Company Pvt Ltd; 14. Empee Power and Infrastructure Pvt Ltd; 15. EDL Properties Limited; 16.Empee Power Company (India) Limited; 17. Apollo Wind Energy Pvt. Limited; 18. Apollo Beers Pvt .Limited; 19.Shainvest Holdings Limited; 20. Apollo Distilleries Pvt. Limited.,21.Empee Hospitality Private limited..

Annual General Meeting

As indicated in the notice to the shareholders, the Annual General Meeting will be held on Monday, the 28th June, 2010 at 11.30 p.m. at the Registered Office and Factory at Ayyapareddipalem Village, Naidupet Mandal, Nellore District, Andhra Pradesh.

Distribution of Shareholding as on March 31, 2010:

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of share holding
Up to 500	25168	92.81	3622841	8.63
501 – 1000	1104	4.07	964296	2.30
1001 – 2000	400	1.48	644741	1.54
2001 – 3000	119	0.44	317745	0.76
3001 – 4000	59	0.22	219523	0.52
4001 – 5000	79	0.29	377122	0.89
5001 – 10000	95	0.35	749746	1.79
10001 and above	93	0.34	35076886	83.57
Total	27117	100.00	41972900	100.00

Book Closure

The Register of Members and share transfer books of the Company will remain closed from 21st June, 2010 to 28th June, 2010 (both days inclusive) for the purpose of Annual General Meeting.

Depositories

Company's equity shares are registered with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (I) Limited (CDSL) under the ISIN: INE928B01012.

If the shareholder wishes to dematerialize the shares and sends the Dematerialization Request Form (DRF) through his Depository Participant (DP), within 15 days, the RTA will confirm demat to the DP and the share(s) will be credited to the Shareholder's account with the DP.

Listing on Stock Exchanges :

- Madras Stock Exchange Ltd.
- Bombay Stock Exchange Ltd.

EMPEE SUGARS AND CHEMICALS LIMITED

Share Holding Pattern as on March 31, 2010

Category	Number of shareholders	No. of Shares held	% of Shareholding
Promoters	8	30375761	72.37
Other Bodies Corporate	203	2607576	6.21
NRI/OCB	28	161501	0.38
Public	26878	8828062	21.04
TOTAL	27117	41972900	100

Stock Market Data

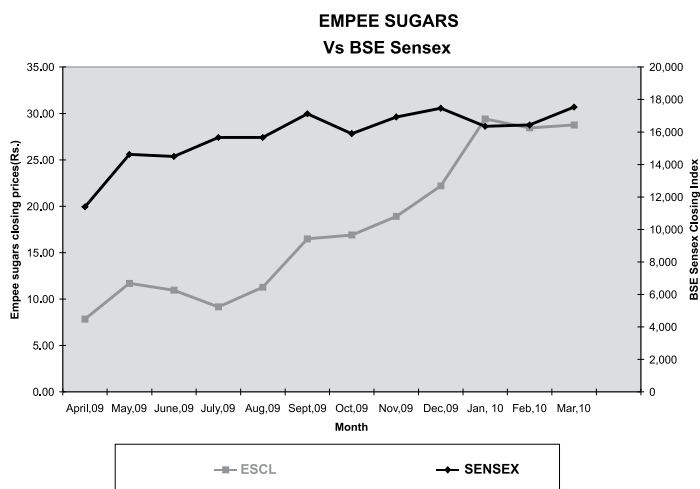
Bombay Stock Exchange Ltd (BSE);

Script Code: 500132 (Face value of Rs.10/-each)

Month	High Price (Rs.)	Low Price (Rs.)	Month's Volume (No. of shares)
April 2009	9.66	6.44	147664
May 2009	12.24	7.55	514270
June 2009	12.73	9.66	373865
July 2009	11.10	8.00	227415
Aug 2009	14.00	8.96	553977
Sep 2009	16.85	10.86	1217429
Oct 2009	18.40	14.55	2283193
Nov 2009	21.65	16.25	1808891
Dec 2009	22.90	17.40	2131846
Jan 2010	33.50	22.00	4653815
Feb 2010	31.20	24.55	4103925
Mar 2010	31.10	25.25	6875979

No shares have been traded in Madras Stock Exchange Ltd during the year.

Performance in comparison to broad based indices such as BSE Sensex, CRISIL Index etc.



Registrar and Transfer Agents

The Registrar & Transfer Agents (RTA) of the Company (both Physical and Demat) for the equity shares are M/s. Cameo Corporate Services Limited. The address of the RTA is M/s. Cameo Corporate Services Limited, "Subramanian Building", V Floor, 1, Club House Road, Chennai - 600 002.

Share Transfer System

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects, by the Committee which meets every week.

Dematerialisation of Shares

The Company has arrangements with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for demat facility. Nearly 93.16% of the total Equity Capital is held in dematerialized form as on 31st March 2010.

Investors' correspondence

M/s. Cameo Corporate Services Limited," Subramanian Building", V Floor, 1, Club House Road, Chennai-600 002; The Company Secretary, Empee Sugars and Chemicals Limited, Empee Tower, No.59, Harris Road, Pudupet, Chennai 600 002.

Plant Locations :

1. Ayyaparedipalem 2. Idaikkal Village

Naidupet-524126	Ambasamudram Taluk
Nellore Dist	Tirunelveli District
Andhra Pradesh	Tamilnadu

Chief Executive Officer and Chief Financial Officer Certificate

The Chief Executive Officer and Chief Financial Officer have submitted to the Board of Directors the certification as per clause 49(V) of the Listing Agreement.

Non-mandatory requirements

a) Non Executive Chairman:

The Company has an Executive Chairman and hence the requirements as to a non-executive Chairman under the Clause 49 are not required to be adopted by the Company.

b) Remuneration Committee:

Constitution of Remuneration Committee as per the Non-mandatory requirements.

c) Shareholders Rights:

The company is publishing its quarterly /half yearly/and Audited financial results in leading newspapers with wide distribution across the Country and regularly updates the same on its public domain website.

On behalf of the Board

Sd/-

Place : Chennai.

Date: 29/05/2010

M.P. PURUSHOTHAMAN

Chairman & Managing Director

AUDITORS CERTIFICATE ON COMPLIANCE WITH CORPORATE GOVERNANCE

To

The Members, Empee Sugars and Chemicals Limited

I have examined the compliance of conditions of corporate governance by Empee Sugars and Chemicals Limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

In my opinion and to the best of our information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievances is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/investor Grievance Committee.

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

Date : 29/05/2010
Place : Chennai.

Sd/-
R.RAJAGOPALAN
Chartered Accountant

DECLARATION ON CODE OF CONDUCT

The Members of
Empee Sugars and Chemicals Ltd
Ayyapareddipalem
Naidupet – 524 126
Nellore District,
Andhra Pradesh.

I confirm that the all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March 2010, as envisaged in Clause 49 of the Listing agreement with Stock Exchanges.

Place : Chennai.
Date : 29/05/2010

Sd/-
M.P. PURUSHOTHAMAN
Chairman & Managing Director

AUDITOR'S REPORT

The Members,

Empee Sugars and Chemicals Limited,

1. I have audited the attached Balance Sheet of M/s.EMPEE SUGARS AND CHEMICALS LIMITED as at 31st March, 2010 and the annexed Profit and Loss Account and the Cash Flow Statement for the year ended on that date, all of which I have signed under reference to this report. These financial statements are the responsibility of the management of the Company. My responsibility is to express an opinion on these financial statements based on the audit.

2. I have conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of section 227(4A) of 'The Companies Act, 1956' ((the 'Act') and on the basis of such checks as I considered appropriate and according to the information and explanations given to me, I set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, I report that: (a) I have obtained all the information and explanations which to the best of our knowledge and belief were

necessary for the purposes of my audit; (b) In my 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account; (d) In my opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Act; (e) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section(1) of section 274 of the Act; (f) In my opinion and to the best of my information and according to the explanations given to me, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement together with the Notes thereon and attached thereto, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010, ii) in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date, and iii) in the case of the Cash Flow Statement, of the Cash Flow for the year ended on that date.

Sd/-

R.RAJAGOPALAN

Chartered Accountant

Membership No.018422

15, Station Road,

West Mambalam, Chennai – 600 033.

The 29th day of May, 2010

**TO THE MEMBERS OF EMPEE SUGARS AND CHEMICALS LTD
ANNEXURE TO THE AUDITORS REPORT**

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to me, the Company has a programme of physically verifying all of its fixed assets once in a period of three years, and in accordance therewith, major portion of fixed assets were physically verified by the management during the period. In my opinion, the frequency of verification is reasonable having regard to the size of the Company and nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) During the period, the Company has not disposed of substantial part of fixed assets.
- ii) a) The inventories have been physically verified during the year by the management at reasonable intervals except stock lying with outside parties for which confirmation has been obtained.
- b) In my opinion and according to the information and explanations given to me, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) On the basis of my examination, I am of the opinion that the Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stocks and the book records.
- iii) The Company has granted unsecured loans and advances to companies, firms or other parties. These loans and advances are prima facie and not prejudicial to the interests of the Company.
- iv) On the basis of information and explanations given to me, I am of the opinion that the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business.
- v) Based on the audit procedure applied by me and according to information and explanations given to me, there is no contract entered into by the Company required to be entered in the Register of Contracts under Section 301 of the Act.
- vi) The Company has not accepted any deposit within the meaning of Section 58A or any other relevant provisions of the Act and the rules framed thereunder.
- (vii) In my opinion, the internal audit system of the Company is commensurate with the size of Company and nature of its business.
- (viii) I have broadly reviewed the books of account maintained by the Company in respect of products where pursuant to the rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Act and I am of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- ix) According to the records, the Company is regular in depositing statutory dues viz. Provident Fund, Income Tax, Sales Tax, Service Tax, Excise Duty, Cess, Fringe Benefit Tax and other statutory dues with appropriate authorities.

EMPEE SUGARS AND CHEMICALS LIMITED

- (x) The Company has accumulated losses and has not incurred any cash losses during the period covered by our audit and the company has also not incurred cash loss in the immediately preceding financial year.
- (xi) In my opinion and according to the information and explanations given to me, the Company has not defaulted in the repayment of dues to Banks.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Society are not applicable to this Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. However, the investments made by the Company in shares and other investments have been held by the Company in its own name.
- (xv) According to the records of the Company and according to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) On the basis of our examination and according to the information and explanation given to me, the company has availed term loan during the period covered by the audit.
- (xvii) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no funds raised on short term basis have been used for long term purposes.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued any secured debentures.
- (xx) The Company has not raised any money by public issue during the period covered by the audit report.
- (xxi) To the best of my knowledge and belief and according to the information and explanations given to me, no fraud on or by the Company has been noticed or reported during the period.

Sd/-

R.RAJAGOPALAN

Chartered Accountant
Membership No.018422
15, Station Road,
West Mambalam,
Chennai – 600 033.

The 29th day of May, 2010

EMPEE SUGARS AND CHEMICALS LIMITED

BALANCE SHEET AS AT 31.03.2010

	Schedule	As at 31.03.2010 Rs. In Lakhs	As at 31.03.2009 Rs. In Lakhs
Sources of Funds			
Share Holders Fund	1	4,197.01	4,197.01
8% Cumulative Redeemable Preference Share Application Money		12,427.00	7,562.00
Loan Funds			
Secured Loan	2	36,250.65	9,122.42
Unsecured Loan		2,655.00	2,655.00
Deferred Tax Liabilities	12	250.98	294.13
Total		55,780.64	23,830.56
Application of Funds			
Fixed Asset			
Gross Block	3	8,607.32	7,704.61
Less: Depreciation Reserve		3,499.16	3,145.28
		5,108.16	4,559.33
Add: Capital Work in Progress		30,221.07	2,253.02
Investments	4	2,327.67	2,327.67
Current Assets, Loans and advances			
(A) Current Assets			
Inventories	5	2,841.55	2,652.72
Sundry Debtors	6	271.55	166.73
Cash & Bank Balances	7	817.67	1,047.08
(B) Loans & Advances	8	10,753.46	9,025.36
		14,684.23	12,891.89
Less: Current Liabilities	9	3,464.16	1,598.81
		11,220.07	11,293.08
Miscellaneous Expenditure (To the extent not written off or adjusted)	10	1,500.00	1,500.00
Pre Operative Expenses		4,786.62	1,241.08
Profit & Loss Appropriation account	11	617.05	656.38
Total		55,780.64	23,830.56
Significant accounting policies and notes on financial statements	19		

As per report of even date annexed

For and on behalf of the Board

Sd/-

Sd/-

Sd/-

R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

M.P.PURUSHOTHAMAN
Managing Director

K.JAYACHANDRAN
Joint Managing Director

Place : Chennai
Date : 29.05.2010

Sd/-
S.S.K .Swarup
Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

	Schedule	Year ended 31.03.2010 Rs. In Lakhs	Period ended 31.03.2009 Rs. In Lakhs
INCOME			
Sales Income	13	4,768.00	4,914.86
Less: Excise Duty		120.97	217.23
Less: Sales Tax		64.80	54.05
Net Sales/Income from Operation		4,582.23	4,643.58
Other Income	14	29.90	62.93
Total		4,612.13	4,706.51
EXPENDITURE			
Manufacturing & Other Expenses	15	3,074.60	3,071.51
Employees Expenses	16	404.08	428.37
Administrative & Other Expenses	17	226.95	285.15
Total		3,705.63	3,785.03
Profit before Interest, Depreciation & Tax		906.50	921.48
Less: Interest on Bank Borrowings	18	494.09	393.87
Less: Depreciation	3	353.88	329.70
Profit before Tax		58.53	197.91
Provision for Taxation		9.04	20.38
Provision for Fringe Benefit Tax		-	0.87
Deferred Tax Liability/(Asset)-Current Year		(43.15)	81.18
Profit After Tax		92.64	95.48
Earnings per Equity Share (Basic/Diluted) Rs. (Face Value Rs.10/- per Share)		0.22	0.23

As per report of even date annexed

For and on behalf of the Board

Sd/-

Sd/-

Sd/-

R. RAJAGOPALAN

M.P.PURUSHOTHAMAN

K.JAYACHANDRAN

Chartered Accountant

Managing Director

Joint Managing Director

Membership No .018422

Sd/-

Place : Chennai

Date : 29.05.2010

S.S.K .Swarup
Company Secretary

SCHEDULES TO THE ACCOUNTS FOR THE YEAR ENDED 31.03.2010

	As at 31.03.2010 Rs. In Lakhs		As at 31.03.2009 Rs. In Lakhs	
SCHEDULE -1				
Share Capital				
Authorised Capital				
45000000 Equity Shares of Rs 10 each	4,500.00			4,500.00
Issued, subscribed and paid up	4,197.29		4,197.29	
Less: Call in arrears	0.28	4,197.01	0.28	4,197.01
 SCHEDULE -2				
Secured Loans				
OCC Loans from Banks				
Indian Bank-Nayudupet	1,398.23		651.07	
Union Bank of India	680.62		690.36	
Indian Bank-Ambasamudram	500.08	2,578.93	-	1,341.43
Term Loans for Working Capital (Nayudupet)				
Indian Bank	1,214.15		1,417.60	
Union Bank of India	1,013.92		1,145.37	
Bank of Maharashtra	186.13		216.18	
Federal Bank (WCDL)	166.40	2,580.60	187.19	2,966.34
Term Loans for Fixed Assets (Ambasamudram)				
Andhra Bank	5,015.92		1,484.00	
Bank of India	7,131.93		1,484.00	
Indian Overseas Bank	3,368.65		500.00	
Punjab National Bank	5,398.64		1,346.65	
Indian Bank	2,049.00		-	
Oriental Bank Of Commerce	5,273.34		-	
Union Bank of India	2,853.64	31,091.12	-	4,814.65
		36,250.65		9,122.42

**SCHEDULE -3
FIXED ASSETS**

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.2009	Additions during the year	Sales during the year	As at 31.03.2010	Up to 31.03.2009	For the year	Depreciation written off	Up to 31.03.2010	As at 31.03.10	As at 31.03.09
Land & Site	591.24	-	-	591.24	-	-	-	-	591.24	591.24
Buildings	1,009.03	-	-	1,009.03	352.38	33.70	-	386.08	622.95	656.65
Plant & Machinery	5,907.45	847.66	-	6,755.10	2,688.08	302.99	-	2,991.07	3,764.03	3,219.37
Furniture & Fittings	21.38	-	-	21.38	13.26	1.02	-	14.29	7.09	8.11
Vehicles	144.91	55.05	-	199.96	69.15	15.66	-	84.81	115.15	75.75
Computers	17.47	-	-	17.47	17.47	-	-	17.47	-	-
Office Equipments	13.14	-	-	13.14	4.95	0.51	-	5.46	7.68	8.19
Total	7,704.61	902.71	-	8,607.32	3,145.29	353.88	-	3,499.16	5,108.14	4,559.31
Previous year	7,494.18	210.43	-	7,704.61	2,815.59	329.70	-	3,145.29	4,559.31	4,678.59
CWIP-Nayudupet	642.45	269.98	* 847.66	64.77	-	-	-	-	64.77	642.45
CWIP-Ambasamudram	1,610.57	28,545.73	-	30,156.30	-	-	-	-	30,156.30	1,610.57
Total	2,253.02	28,815.71	-	30,221.07	-	-	-	-	30,221.07	2,253.02

* Capitalised during the year

EMPEE SUGARS AND CHEMICALS LIMITED

Rs. In Lakhs

SCHEDULE - 4

Investments - govt (Unquoted at cost)

6 Years NSC VIII Issue	0.13		0.13	
Investment on Shares (In Subsidiary Company)	2,327.54	2,327.67	2,327.54	2,327.67

SCHEDULE - 5

Inventories

(As per inventory taken, valued and certified by the Management)

(At Cost):

Stores	180.66		65.59	
(At estimated net realisable value):				
Sugar	924.24		1,376.36	
Spirit	439.40		603.15	
Molasses	155.40		596.82	
Raw Sugar	915.44		-	
Raw Sugar in Process	218.30		-	
Semi Finished Stock	8.11	2,841.55	10.80	2,652.72

SCHEDULE - 6

Sundry Debtors

Debts outstanding for a period

Exceeding six months	-		-	
Others	271.55	271.55	166.73	166.73

SCHEDULE - 7

Cash & Bank Balances

Cash	1.82		13.54	
Balance with banks in current account	219.34		902.23	
Fixed Deposit with banks (Margin for Guarantee)	596.51		128.58	
DDs/Cheques in hand	-	817.67	2.73	1,047.08

SCHEDULE - 8

Advances recoverable in cash or kind for value to be received

a. Unsecured but considered good

Loans & Advances

Advances to suppliers - Nayudupet	204.00		352.23	
Advances to suppliers - Ambasamudram	8,169.65		8,322.02	

EMPEE SUGARS AND CHEMICALS LIMITED

				Rs. In Lakhs
Other Advances	2,104.69		50.63	
Tax deducted at source	21.80		25.23	
Prepaid Expenses	13.04		11.55	
Deposits				
Deposits with Government Departments	61.76		55.24	
Other Deposits	178.52	10,753.46	208.46	9,025.36
SCHEDULE - 9				
Current Liabilities & Provisions				
Due to Suppliers	2,880.89		857.02	
Advances from Customers	-		0.49	
Other Liabilities	502.24		695.44	
Liability for expenses	81.03	3,464.16	45.86	1,598.81
SCHEDULE -10				
Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Discount on issue of shares		1,500.00		1,500.00
SCHEDULE - 11				
Profit and Loss Appropriation account				
Loss as per previous Balance Sheet		656.38		575.81
Add: Income Tax paid for earlier years	53.31		166.94	
Add : Fringe Benefit Tax Paid	-	53.31	9.11	176.05
Less: (Profit)/Loss during the year		(92.64)		(95.48)
Balance carried over to Balance Sheet		617.05		656.38
SCHEDULE - 12				
Deferred Tax Liabilities				
Depreciation		467.89		499.41
Deferred Tax Assets				
Provision for doubtful debts and advances	4.91		4.91	
Brought forward loss as per Income tax	212.00	216.91	200.37	205.28
Deferred Tax Liabilities (net)		250.98		294.13

EMPEE SUGARS AND CHEMICALS LIMITED

Rs. In Lakhs

SCHEDULE-13

Sales

Sugar	2,947.37		3,292.44	
Spirit	1,602.79		1,330.55	
CO2 Sales	11.70		12.41	
Organic manure	20.36	4,582.22	8.19	4,643.59

SCHEDULE-14

Other Income

Sundry Income	14.06		58.85	
Scrap sales	12.11		1.65	
Interest Receipts	3.73	29.90	2.43	62.93

SCHEDULE -15

Manufacturing & Other Expenses

Sugar Cane Consumed	2,217.74		2,493.13	
Purchase Tax	64.66		113.07	
Transport Charges(Molasses)	12.99		99.70	
Consumption of Molasses & Others	400.10		466.42	
Cane Development Council fund	3.80		4.34	
Subsidy on Cane	9.62		17.07	
Cane Development Expenses	5.17		1.68	
Consumption of Stores and Spares	164.76		196.49	
Power & Fuel	229.15		192.74	
Repairs & Maintenance-Buildings	0.78		11.94	
Repairs & Maintenance-Machinery	4.66		8.80	
Repairs & Maintenance-Others	6.44		5.89	
Freight Charges	28.50	3,148.36	8.92	3,620.19

(Increase)/Decrease of Stock

Closing Stock

Sugar	924.24		1,376.36	
Spirit	439.40		603.15	
Molasses	155.40		596.82	
Raw Sugar	915.44		-	
Raw Sugar in Process	218.30		-	
Semi Finished Products	8.11	2,660.89	10.80	2,587.13

EMPEE SUGARS AND CHEMICALS LIMITED

			Rs. In Lakhs
Less: Opening Stock			
Sugar	1,376.36		1,485.82
Spirit	603.15		244.10
Molasses	596.82		286.47
Semi Finished Products	10.80	2,587.13	22.06
Net (Increase)/Decrease in stock		(73.76)	(548.68)
Total Manufacturing and other expenses		3,074.60	3,071.51

SCHEDULE - 16

Employees Expenses

Salary & Allowance	356.79		386.11
Contribution to Provident Fund	22.02		21.73
Staff Welfare Expenses	7.78		5.24
Gratuity	7.86		5.62
Bonus	9.64	404.08	9.67
			428.37

SCHEDULE -17

Administrative Expenses

Printing & Stationery	1.16		1.11
Rates, Taxes	12.89		26.98
Insurance Premium	13.08		7.73
Postage, Telephone & Telegram	8.07		8.62
Conveyance & Travelling	1.50		30.40
Vehicle maintenace & Hire Charges	29.49		33.33
Advertisement	4.00		6.37
Rent	10.26		15.35
Auditor's Remuneration	0.67		0.67
Professional Charges/Legal Charges	20.03		66.53
Sitting Fee	2.00		1.60
Bank Charges	34.22		12.22
Miscellaneous Expenses	89.59	226.95	74.24
			285.15

SCHEDULE -18

Interest on Borrowings:

Interest on Term Loan	316.72		265.81
Interest on Working Capital	173.03		128.06
Interest on Others	4.34	494.09	-
			393.87

SCHEDULE - 19:**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS****I SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

Financial statements are prepared and presented under the historical cost convention and in accordance with the applicable accounting standards to the extent possible.

2. Revenue Recognition

Income from Operations is recognized in the Profit & Loss Account on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes.

- a. Sales income is accounted inclusive of excise duty and sales tax wherever applicable but net of trade discounts.
- b. Insurance claims are accounted as and when the claims are settled.
- c. Interest due from growers for seed supplied is accounted as and when cane is received from growers.
- d. Excise Duty payable on finished goods held in stock at the end of the accounting year (except Molasses stored in pit for which duty is paid as and when molasses are let into the pit) will be accounted for at the time of clearance of these goods. The accounting treatment will have no impact on profit/losses

3. Fixed Assets and Depreciation/Amortization

- 3.1. Fixed Assets:- These assets are stated at their original cost of acquisition (including expenditure for the acquisition and/or installation) less accumulated depreciation.
- 3.2. Depreciation on Fixed assets has been provided on straight-line method at rates prescribed under

Schedule XIV to the Companies Act, 1956 as amended by notification dated 15.12.93 issued hereunder and is provided in the accounts or shown as a note. Depreciation on addition to fixed assets during the year is reckoned on a pro rata basis with reference to the month in which the fixed assets are put to use or commissioned.

4 Impairment of Fixed Assets

Wherever events of changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognizes as impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's fixed assets are considered impaired as on the Balance Sheet date.

5 Capital Work in Progress

Capital work in progress is stated at cost and includes advance on account of Capital Equipment paid to the suppliers.

6. Foreign Currency Transaction

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transaction. Assets and liabilities expressed in foreign currencies (to the extent not covered against exchange fluctuations) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising there from has been included in Finance Charges as per the provision of Accounting Standard 16 and 11 issued by The Institute of Chartered Accountants of India.

7. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary Items having material impact on the financial affairs of the Company are disclosed.

8. Retirement and Other Benefits

- 8.1.** The company accounts gratuity liability accounted as and when gratuity is paid to the employees.
- 8.2.** Contribution to Provident Fund is made as per provisions of Employees Provident fund and Miscellaneous Provisions Act, 1952 and charges to Profit and Loss Account and disclosed separately.
- 8.3.** Liability for leave encashment is provided as and when the leave encashment is paid to the employees.

9. Income Tax

The Income Tax liability is provided in accordance with the provisions of the Income tax Act 1961.

Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

10. Segment Reporting

A. Business Segments:

Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company's business segments include Sugar and Industrial Alcohol Plant (IAP).

B. Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as given in notes, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Common revenue and expenses of segments are allocated amongst them

on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

b) Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, Share Capital, Loans, Investments, Miscellaneous Expenditure and Profit and Loss Appropriate Account. While most of the assets / liabilities can be directly attributed to the individual segments, the carrying amount of certain assets / liabilities pertaining to both segments are allocated to the segments on a reasonable basis.

11. Earning Per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard – 20 Earnings per Share, issued by the Institute of Chartered Accountants of India. Earnings per equity share have been computed by dividing net profit after tax attributable to equity share holders by the weighted average number of equity share outstanding during the year. Diluted earnings during the year adjusted for effects of all dilutive potential equity shares per equity share is computed using the weighted average number of equity share and dilutive potential equity shares outstanding during the year.

12. Miscellaneous Expenditure

Miscellaneous Expenditure represents discount on issue of shares made during the year 2000-2001.

II NOTES ON ACCOUNTS:

1. Earning per Share

Basic and Dilutive Earning per share

Particulars	Year ended	Period ended
	31 st March 2010	31 st March 2009

a. Net Profit/(Loss) after tax attributable to Equity shareholders(Rs.in Lakhs)	92.64	95.48
b. Weighted average number of Equity Shares Basic/Dilutive(Nos.)	41970127	41970127
c. Nominal value of equity per share (Rs)	10/-	10/-
d. Basic / Dilutive Earning per share (Rs.)	0.22	0.23

2. Segment wise details as required by AS 17 issued by the Chartered Accountants of India are as under:

Rs. In Lakhs

	Sugar	IAP	Un al-located	Total
1 Segment Revenue	2997.28	1614.85	----	4612.13
2 Segment Results	313.37	239.26	----	552.63
3 Segment Assets	5974.79	3041.61	10775.99	19792.39
4 Total Assets	5974.79	3041.61	10775.99	19792.39
5 Segment Liabilities	1255.08	287.09	1921.99	3464.16
6 Total Liabilities	1255.08	287.09	1921.99	3464.16
7 Capital Expenditure	64.77	----	30156.30	30221.07
8 Depreciation	229.19	124.68	----	353.88

3. Contingent Liabilities

- 3.1 Claims against the company not acknowledged as debts: Rs. 172.63 lakhs
- 3.2 Estimated amount of capital contracts remaining to be executed (Net of Advances) : Rs 4221.81 Lakhs.
- 3.3 Purchase tax: Rs 1175.69 Lakhs (including Interest) (Note – 10)
4. National Saving Certificates VIII issue of Rs.0.13 lakhs shown under investment are under lien to Sales Tax authorities & Agricultural Department towards security deposits.

5. Stock of Stores, Spares and packing materials have been physically verified at the year end and valued at cost on FIFO basis. The valuation of the stocks of sugar and spirit are valued at estimated net realizable value. Sugar, Organic Manure, Sugar and Molasses in Process are valued at estimated net realization value.
6. Balances with bank in fixed deposit include:
 - i) Rs. 18.52 lakhs under lien to banks for guarantees issued by them.
 - ii) Rs. 0.02 lakhs under lien to sales tax authorities towards security deposits.
7. In the absence of receipt of information regarding small scale industrial status from the parties, the details of names of small scale industrial undertaking to which the company owe any sum together with interest outstanding for more than 30 days could not be ascertained.
8. Balances in some of the parties accounted are subject to confirmation.
9. Depreciation amounting to Rs.438.12 lakhs related to the previous years from 1.10.1996 to 31.03.1999 has not been provided.
10. The Government of Andhra Pradesh by its Order dated 13.10.2003 through Abstract from Industries & Commerce (Sugar) Department has permitted the Company to pay the arrears of Purchase Tax amounting to Rs.532.57 lakhs (which includes a sum of Rs.10.40 lakhs as interest) in three equal annual installments along with interest @ 10.5% p.a. The company has sent the request letter to the concerned Government Departments to waive off the purchase tax and interest thereon. In the opinion of the management, the company will get the favourable reply from the Government and accordingly no liability has been provided in the books.
11. Provision for Minimum Alternate Tax of Rs 9.04 lacs is provided for Income Tax has been provided.

EMPEE SUGARS AND CHEMICALS LIMITED

12. Auditor's Remuneration:	Rs. Lakhs		Rs. In Lakhs	
	2009-10	2008-09	2009-10	2008-09
Audit Fees	0.40	0.40		
Tax audit fee	0.20	0.20		
Service Tax/Reimbursement of expenses	0.07	0.07		
Total	0.67	0.67		
13. Managerial Remuneration				
1. Managing Director				
Salary (Including Allowances and Perquisites)	42.00	31.50		
Contribution to Provident Fund	5.04	3.78		
Total	47.04	35.28		
2. Joint Managing Director				
Salary (Including Allowances and Perquisites)	35.00	25.88		
Contribution to Provident Fund	4.20	1.62		
Total	39.20	27.50		
3. Joint Managing Director				
Salary (Including Allowances and Perquisites)	34.50	22.50		
Contribution to Provident Fund	2.16	2.70		
Total	36.66	25.20		
Computation of net profit in accordance with Section 198 of the Companies Act, 1956				
Profit before taxation	58.53	197.91		
Add: Director's remuneration	122.90	87.98		
Net Profit for the year	181.43	285.89		
Commission				
5% of the Net Profit	9.07	14.29		
*(Including Commission)				
In case of inadequacy of the Profit for the payment of Managerial Remuneration, the part II of the Schedule XIII of the Companies Act, 1956 will apply. Accordingly, the Managerial Remuneration incurred is within the limit prescribed under Schedule XIII of the Companies Act, 1956.				
14. Additional Information pursuant to the provisions of paras 3, 4c and 4D of Part II of Schedule VI to the Companies Act, 1956.				
			Expenditure in foreign Currencies:	
			2009-10	2008-09
			347.83	239.15
Foreign Exchange Earnings:				
FOB Value of Export			-Nil-	Nil
15. Related Party Transactions:				
A. Holding Company:				
1. Empee Distilleries Limited. .				
B. Fully Owned Subsidiary:				
1. Empee Power Company (India) Limited				
C. Other Group Companies:				
1. Empee International Hotels & Resorts Ltd				
2. South (India) Hotels Pvt. Ltd				
3. Empee Hotels Ltd				
4. Apollo Alchobev Limited				
5. Empee Holding Limited.				
6. Aruna Exports Pvt Ltd				
7. Aruna Constructions (India) Ltd				
8. Empee Marine Products Limited				
9. Empee Leasing & Finance Ltd				
10. Empee Agro Farm Products Pvt Ltd				
11. Universal Spirits Limited				
12. Empee Construction Company Pvt Ltd				
13. Empee Power and Infrastructure Pvt Ltd				
14. EDL Properties Limited.				
15. Apollo Wind Energy Pvt Ltd.				
16. Apollo Beers Pvt Ltd				
17. Shainvest Holdings Ltd				
18. Apollo Distilleries Pvt Limited.				

EMPEE SUGARS AND CHEMICALS LIMITED

Transactions during the year

Rs. In Lakhs

Particulars	Subsidiary	Holding Company	Key Management Personnel	Relative of Key Management Personnel	Other Related Parties	Total
Remuneration	Nil	Nil	122.90	Nil	Nil	122.90
Receiving of Services	Nil	Nil	Nil	Nil	27.34	27.34
Finance (Including loans and equity contributions in cash or kind)	Nil	NIL	Nil	Nil	Nil	Nil
Interest Paid	Nil	Nil	Nil	Nil	Nil	Nil
Interest Received	Nil	Nil	Nil	Nil	Nil	Nil
Lease Rent paid	Nil	Nil	Nil	17.42	3.60	21.02

Outstanding:

Payable	Nil	Nil	Nil	Nil	6.19	6.19
Receivable	Nil	196.86	Nil	Nil	17.04	213.90

16. KEY MANAGEMENT PERSONNEL:

Name:	Designation	Remuneration paid (Rs.in Lakhs)
Mr. M.P. Purushothaman	Chairman and Managing Director	47.04 (35.28)
Mr. Sheeju Purushothaman	Joint Managing Director	39.20 (25.20)
Mr. K.Jayachandran	Joint Managing Director	36.66 (27.50)

17. The company has imported 44450 MTs of raw sugar resulting in an export obligation of 42330 MTs. The company has exported 10000 MTs of sugar against this obligation and balance is pending compliance.

EMPEE SUGARS AND CHEMICALS LIMITED

18. Information pursuant to the provision of part II of Schedule VI of the Companies Act, 1956.

A. Licensed and Installed Capacity:

S.No	Products	Licensed Capacity	Installed Capacity	Production		Unit
				2009-2010	2008-2009	
1.	Sugar	NA	2500 TCD	9099	16781	Mts
2.	Rectified Spirit/IS	30000 LPD	30000 LPD	391615	886860	Bls
3.	Extra Neutral Alcohol	30000 LPD	30000 LPD	3997112	4288296	Bls
4	Ethanol	30000 LPD	30000 LPD	Nil	Nil	Bls

B. Raw Materials Consumed

Product	Unit	2009-10		2008-09	
		Quantity	Value (Rs in Lakhs)	Quantity	Value (Rs in Lakhs)
Sugar Cane	Mts	107772	2282.41	188451	2606.20
Molasses	Mts	18471	----	20463	---

C. Particulars in respect of stock and sale of goods manufactured:

Value Rs. In Lakhs(Inclusive of Duty & Tax)

Product	Unit	Opening Balance		Closing Balance		Sales		Own Consumption
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Sugar	Mts	6897 (9459)	1376.36 (1485.82)	3081 (6897)	924.24 (1376.36)	12915 (19343)	3062.78 (3474.38)	NIL
Molasses	Mts	9182 (7831)	--- ---	2467 (9182)	----- -----	---- ----	---- ----	18471 (20463)
E.N.A/R.S/ I.S/Ethanol	Ltrs	1624848 (940212)	603.15 (244.10)	1187583 (1624848)	439.40 (603.15)	4727179 (4064084)	1671.58 (1392.52)	98813 (426436)

* Own consumption is not applicable for ENA and Ethanol

EMPEE SUGARS AND CHEMICALS LIMITED

19. Details of Subsidiary Companies as required to be disclosed as per the approval for exemption granted by the Government of India under Section 212 (8) of the Companies Act 1956.

Empee power Company (India) Limited

Rs. In Lakhs

Particulars	2009-10	2008-09
Share Capital	2327.54	2327.54
Reserves & Surplus	.....	.....
Total Liabilities	7778.36	7342.12
Total Assets	7778.36	7342.12
Total Income	130.51	.....
Profit /(Loss) before tax	(260.89)	.....
Provisions for tax	.....	.....
Profit /(Loss) after tax	(260.89)	.....
Proposed Dividend	.....	.....
Details of Investment (Other than Subsidiaries)	.....	.....

20. The previous year's figures have been regrouped/rearranged, wherever considered necessary.

As per report of even date annexed

For and on behalf of the Board

Sd/-

Sd/-

Sd/-

R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

M.P.PURUSHOTHAMAN
Managing Director

K.JAYACHANDRAN
Joint Managing Director

Place : Chennai
Date : 29.05.2010

Sd/-
S.S.K .Swarup
Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

CASH FLOW STATEMENT AS AT 31.03.2010

	As at 31.03.2010 Rs. in Lakhs	As at 31.03.2009 Rs. in Lakhs
A Cash Flow from Operating Activities		
Net Profit Before Tax	58.53	197.91
Adjustment for :		
Depreciation	353.88	329.70
Interest Expenses	494.10	393.87
Interest Received	(3.73)	(2.43)
Operating Profit before Working Capital Changes	902.77	919.05
Adjustment for :		
(Increase)/Decrease in stock	(188.83)	(475.89)
(Increase)/Decrease in Current Assets	(2,300.84)	(8,129.76)
Increase/(Decrease) in Current Liabilities	1,865.35	386.17
Interest Paid	(494.10)	(393.87)
Tax Paid	(9.04)	(21.25)
Sub Total	(1,127.47)	(8,634.60)
Net Cash(Used in)/ Generated from Operating Activities	(224.70)	(7,715.55)
B Cash Flow from Investing Activities		
Purchase of Fixed Assets incl. CWIP	(28,870.73)	757.54)
Prior Period Items	(53.31)	(176.06)
Pre Operative Expenses	(3,545.54)	(1,241.08)
(Increase)/Decrease in investments	-	(1,543.55)
Interest/Dividend Received	3.73	2.43
Net Cash (Used)/Generated in Investing Activities	(32,465.85)	(3,715.80)
C Cash Flow from Financing Activities		
8% Preference Share application Money	4,865.00	7,562.00
Net Increase in Borrowings		
Unsecured Loans	-	-
Receipt of Loans	27,513.97	4,987.65
Repayment of Loans	(385.74)	(247.74)
Net Cash (Used)/Generated in Financing Activities	(31,993.230)	(12,301.91)
Net Increase/(Decrease) in Cash & Cash Equivalents	(697.32)	870.56
Cash & Cash Equivalents as on 01.04.2009	918.50	47.94
Cash & Cash Equivalents as on 31.03.2010	221.16	918.50

As per report of even date annexed

For and on behalf of the Board

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-
M.P.PURUSHOTHAMAN
Managing Director

Sd/-
K.JAYACHANDRAN
Joint Managing Director

Place : Chennai
Date : 29.05.2010

Sd/-
S.S.K .Swarup
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As required under Part of Schedule VI to the Companies Act, 1956)

I. Registration details

Registration No.	9291	State code	01
Balance Sheet Date	31.03.2010		

II. Capital raised during the year (Rs. in thousands)

Public issue	Nil	Right issue	Nil
Bonus Issue	Nil	Private placement	Nil

III. Position of mobilisation and development of funds (Rs. in thousands)

Total Liabilities	5,578,064	Total Assets	5,578,064
Sources of funds:			
Paid-up capital	419,701	Reserves & surplus	-
8% Preference Share Application Money	1,242,700	Unsecured loans	265,500
Secured loans	3,625,065	Deferred tax liabilities	25,098

Application of funds:

Net fixed assets	4,011,585	Investments	232,767
Net current assets	1,122,007	Misc. expenditure	150,000
Accumulated losses	61,705		

IV. Performance of the company (Rs. in thousands)

Turnover	461,213	Total expenditure	455,360
Profit/(Loss) before tax	5,853	Profit /(Loss) after tax	9,264
Earning per share in Rs.	0.22	Dividend rate %	Nil

V. Generic names of three principal products/ services of company (as per monetary items)

Item code No (ITC code)	170111	Item code No (ITC code)	29.05
Product description	Cane sugar	Product description	Industrial alcohol

As per report of even date annexed

For and on behalf of the Board

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-
M.P.PURUSHOTHAMAN
Managing Director

Sd/-
K.JAYACHANDRAN
Joint Managing Director

Place : Chennai
Date : 29.05.2010

Sd/-
S.S.K .Swarup
Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

STATEMENT SHOWING HOLDING COMPANY'S INTEREST IN ITS SUBSIDIARY COMPANY PURSUANT TO THE PROVISIONS OF SEC. 212(3) OF THE COMPANIES ACT, 1956

1. Name of the Subsidiary	Empee Power Company (India) Limited
2. Financial Year of the Subsidiary	31 st March 2010
3. Shares of the subsidiary held by M/s.Empee Sugars and Chemicals Limited and extent of holdings as on 31 st March, 2010. a) Number & Face Value b) Extent of Holding	2,32,75,400 shares & Rs.10 each 100 %
4. The net aggregate amount of Profit/(Loss) of the subsidiary for the above financial year so far as it concerns the members of the holding company. a) Dealt within the accounts of Empee Sugars and Chemicals Ltd for the year ended 31 st March, 2010. b) Not dealt within the accounts of Empee Sugars and Chemicals Ltd for the year ended 31 st March, 2010.	Nil Nil
5. Net aggregate amount of Profit/(Loss) for the previous Financial year of the subsidiary since it became Subsidiary so far as they concerned members of Empee Sugars and Chemicals Ltd a) Dealt within the accounts of Empee Sugars and Chemicals Ltd for the year ended 31 st March, 2010. b) Not dealt within the accounts of Empee Sugars and Chemicals Ltd for the year ended 31 st March, 2009.	Not applicable Not applicable

As per report of even date annexed

For and on behalf of the Board

Sd/-

R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-

M.P.PURUSHOTHAMAN
Managing Director

Sd/-

K.JAYACHANDRAN
Joint Managing Director

Place : Chennai
Date : 29.05.2010

Sd/-

S.S.K .Swarup
Company Secretary

**STATEMENT SHOWING HOLDING COMPANY'S INTEREST IN ITS SUBSIDIARY COMPANY
PURSUANT TO THE PROVISIONS OF 212(5) OF THE COMPANIES ACT, 1956**

<p>The financial year or years of a subsidiary referred to in sub-section (2) do not coincide with the financial year of the holding company, a statement containing information on the following matters shall also be attached to the balance sheet of the holding company:</p> <p>(a) whether there has been any, and, if so, what change in the holding company's interest in the subsidiary between the end of the financial year or of the last of the financial years of the subsidiary and the end of the holding company's financial year;</p>	<p align="center">Nil</p>
<p>(b) details of any material changes which have occurred between the end of the financial year or of the last of the financial years of the subsidiary and the end of the holding company's financial year in respect of:</p> <p>(i) the subsidiary's fixed assets;</p> <p>(ii) its investments ;</p> <p>(iii) the moneys lent by it ;</p> <p>(iv) the moneys borrowed by it for any purpose other than that of meeting current liabilities.</p>	<p align="center">Nil</p>

As per report of even date annexed

For and on behalf of the Board

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-
M.P.PURUSHOTHAMAN
Managing Director

Sd/-
K.JAYACHANDRAN
Joint Managing Director

Place : Chennai
Date : 29.05.2010

Sd/-
S.S.K .Swarup
Company Secretary

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

BOARD OF DIRECTORS

Mr. Sheeju Purushothaman - Managing Director
Ms.Nisha Purushothaman
Mr. Shaji Purushothaman
Ms. Sheena Purushothaman - (upto 29.5.2010)
Mr. K.Jayachandran
Mr. K.Sridaran - Nominee Director
Mr.M.P.Purushothaman (Additional Director w.e.f. 29.5.2010)

AUDITOR

Mr. R.Rajagopalan,
Chartered Accountant
15, Station Road, West Mambalam,
Chennai- 600 033.

BANKERS

Indian Overseas Bank
Power Finance Corporation Limited

REGISTERED OFFICE

Empee Tower,
No.59, Harris Road,
Pudupet, Chennai – 600 002.

FACTORY

Ayyapareddipalem Village,
Naidupet Mandal
Nellore District
Andhra Pradesh.

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

DIRECTORS REPORT

To the members,

Your Directors present the 14th Annual Report together with the Audited Accounts for the period ended on 31st March 2010.

BUSINESS OPERATION:

The 20 MW Multi fuel based cogen power plant at Naidupet has commenced its operations and the Power was connected to Grid on 12th March 2010. To make the project lucrative and profitable, Company is trying with the Andhra Pradesh Government for third party sales.

DIRECTORS:

Mr.K.Jayachandran, Director retires by rotation and being eligible, offers himself for re-appointment.

During the year Mr.Sheeju Purushothaman has been appointed as Managing Director of the Company effective from 1.6.2009.

During the year Mr.K.Sridhar has been appointed by M/s. Power Finance Corporation Limited, New Delhi as Nominee Director effective from 15.10.2009.

Mr.M.P.Purushothaman has been appointed as Director of the Company effective from 29.5.2010.

Mrs.Sheena Adarsh, Director has resigned effective from 29th May 2010.

AUDITOR:

Mr. R.Rajagopalan, Chartered Accountant, the Auditor of the Company retires at the ensuing Annual General Meeting and is eligible for reappointment.

OTHER INFORMATIONS:

a) Particulars of Employees:

There are no employees whose remuneration falls within the provision of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

b) Information under Section 217(1)(e) of the Companies Act, 1956:

The information relating to Conservation of energy, Technology absorption is attached as per annexure.

Foreign exchange earning : Nil

Foreign Exchange outgo : Rs.700.88 Lakhs for import of machinery during the year.

c) Public Deposit:

The Company has not accepted any deposits during the year.

RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) in the preparation of the profit and loss account for the period ended 31.3.2009 and the balance sheet as at that date ("Financial Statements") applicable accounting standards have been followed;
- b) appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the period and of the profit of the company for that period.

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to ensure this, the company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such system of internal controls its inherent limitations should be recognized. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The audit committee meets at regular intervals to review the internal audit function.
- d) the financial statements have been prepared on a going concern basis.
- e) the financial statements have been audited by Mr.R.Rajagopalan, statutory auditor and his report is appended thereto.

Acknowledgement:

Your Directors thank for the continuous assistance and support extended by the Indian Overseas Bank, Power Finance Corporation Ltd and Government authorities. Further, your Directors also place on record their deep sense of appreciation for the contributions made by employees at various levels to the growth and success of the Company.

For and on behalf of the Board

Sd/-

Place : Chennai **SHEEJU PURUSHOTHAMAN**
Date : 29.05.2010 Managing Director

**ANNEXURE TO THE DIRECTORS REPORT
CONSERVATION OF ENERGY
FORM A**

	2009-10
(A) POWER AND FUEL CONSUMPTION	
1. Electricity	
a) Purchases Units(Kwh)	142,000
Total Amount(Rs)	585,040
Rate/Unit (Rs)	4.12
b) Own generation	
(i) Through Diesel generator Units(Kwh)	-
Units/ (Liter) of diesel oil	-
Cost/ unit(Rs)	-
(ii) Through steam turbine	
Units(Kwh)	3,778,360
2. Coal	4,172
Cost/ton(Rs)	3,200
3. Furnace Oil	NIL
4. Others/Internal generation	
a) Fire wood(Mts)	1,470
Rate/Mt (Rs)	1,600
B. CONSUMPTION PER KWH OF POWER GENERATED	
Power Generated(KWH)	3,778,360
Coal(Mts/KWH)	0.001
Fire wood(Mts/KWHI)	0.0004

For and on behalf of the Board

Sd/-

Place : Chennai **SHEEJU PURUSHOTHAMAN**
Date : 29.05.2010 Managing Director

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

REPORT OF THE AUDITORS TO THE MEMEBERS OF M/s. EMPEE POWER COMPANY (INDIA) LTD

1. I have audited the attached Balance Sheet of M/s. EMPEE POWER COMPANY (INDIA) LTD, Chennai as at 31st March, 2010 annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with the auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.
3. As required by the companies (Auditor's Report) Order, 2003, issued by the Central Government of India in term of Sub-Section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of books and records of the Company as I considered appropriate and according to the information and explanation given to me, I enclose in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
 - a) I have obtained all the information and explanations to which to the best of our knowledge and belief were necessary for the purpose of my audit.
 - b) In my opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
 - c) The Balance sheet dealt with by this report is in agreement with the books of account.
 - d) In my opinion the Balance sheet dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3c) of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31st March 2010 and taken on record by the board of directors, none of the Directors are disqualified as on 31st March 2010, from being appointed as a directors in terms of clause(g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - f) In my opinion and to the best of my information and according to the explanation given to me, the Balance Sheet, the Profit and Loss account and the Cash Flow Statement together with the Notes thereon and attached thereto, give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of the Balance sheet of the state of affairs of the Company as at 31st March 2010.
 - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date, and
 - iii) in the case of the Cash Flow Statement, of the Cash Flow for the year ended on that date.
4. Further to my comments in the Annexure referred to in paragraph 2 above I report that:
 - a) I have obtained all the information and explanations to which to the best of our knowledge and belief were necessary for the purpose of my audit.

Sd/-
R.RAJAGOPALAN
Chartered Accountant

Place : Chennai
Date : 29.5.2010

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

ANNEXURE TO THE AUDITOR'S REPORT OF M/s. EMPEE POWER COMPANY (INDIA) LTD

As required by the Manufacturing and other companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies act, 1956, I further report that:

1. The company has maintained the fixed assets register during the year under review.
2. The fixed assets of the Company has not been revalued during the year under review.
3. Item 3 to 6 of the order concerning physical verification of inventories, reconciliation of Discrepancies if any etc. concerning inventories, are done by the management adequately in relation to the size of the fixed assets.
4. There is adequate internal controls existing in the company in relation to the volume of sales.
5. There are no purchases and sales transactions of materials / services made in pursuance of contracts or agreements falling under Se. 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more.
6. The company has not accepted deposits from the public during the year under review.
7. The Central Government has not prescribed for maintenance of Cost records under Section 209 (1)(d) of the Companies Act, 1956 for any of the products manufactured by the Company.
8. There are no undisputed amounts of Income-tax/ Sales tax/ Customs Duty/ Excise Duty outstanding.
9. As per the information and explanations given, I find that no personal expenses have been charged to Revenue Account.
10. The company is not a sick Industrial Company within the meaning of Sec.3(1)(0) of the Sick Industrial Companies (Special Provisions) Act, 1985.
11. According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no funds raised on short term basis have been used for long term purposes.
12. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act except to the holding company.
13. The Company has not issued any secured debentures.
14. The Company has not raised any money by public issue during the period covered by the audit report.
15. To the best of my knowledge and belief and according to the information and explanations given to me, no fraud on or by the Company has been noticed or reported during the period.

Sd/-

R.RAJAGOPALAN
Chartered Accountant

Place : Chennai
Date : 29.5.2010

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

BALANCE SHEET AS AT 31.03.2010

	Schedule	As at 31.03.2010 Rs. In Lakhs	As at 31.03.2009 Rs. In Lakhs
Sources of Funds			
Share Holders Fund	1	2,327.54	2,327.54
Loan Funds			
Secured Loan	2	5,450.82	5,014.58
Total		<u>7778.36</u>	<u>7,342.12</u>
Application of Funds			
Fixed Asset			
Gross Block	3	9,412.17	-
Less: Depreciation		<u>118.96</u>	-
		9,293.21	-
Add: Capital Work in Progress		<u>-</u>	<u>4,758.49</u>
		9,293.21	4,758.49
Current Assets, Loans and advances			
(A) Current Assets			
Inventories	4	152.28	-
Sundry Debtors	5	93.65	-
Cash & Bank Balances	6	24.49	705.54
(B) Loans & Advances	7	<u>410.05</u>	<u>1,600.80</u>
		680.46	2,306.34
Less: Current Liabilities	8	<u>2,456.20</u>	<u>151.10</u>
		(1,775.74)	2,155.24
Pre Operative Expenses		-	428.39
Profit & Loss Appropriation account	9	<u>260.89</u>	-
Total		<u>7778.36</u>	<u>7,342.12</u>
Significant accounting polices and notes on financial statements	16		

As per report of even date annexed

For and on behalf of the Board

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-
SHEEJU PURUSHOTHAMAN
Managing Director

Sd/-
NISHA PURUSHOTHAMAN
Director

Place : Chennai
Date : 29.05.2010

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

	Schedule	Year ended 31.03.2010 Rs. In Lakhs	Period ended 31.03.2009 Rs. In Lakhs
INCOME			
Sales Income	10	127.72	
Net Sales/Income from Operation		127.72	-
Other Income	11	2.79	
Total		130.52	-
EXPENDITURE			
Manufacturing & Other Expenses	12	196.74	
Employees Expenses	13	7.65	
Administrative & Other Expenses	14	10.19	
Total		214.59	-
Profit / (Loss) before Interest, Depreciation & Tax		(84.07)	-
Less : Interest on Bank Borrowings	15	57.85	
Less : Depreciation	3	118.96	
Profit / (Loss) before Tax		(260.89)	-
Provision for Taxation		-	
Profit After Tax		(260.89)	-

As per report of even date annexed

For and on behalf of the Board

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-
SHEEJU PURUSHOTHAMAN
Managing Director

Sd/-
NISHA PURUSHOTHAMAN
Director

Place : Chennai
Date : 29.05.2010

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

SCHEDULES TO THE ACCOUNTS FOR THE YEAR ENDED 31.03.2010

	As at 31.03.2010 Rs. In Lakhs		As at 31.03.2009 Rs. In Lakhs
SCHEDULE -1			
Share Capital			
Authorised Capital			
24000000 Equity Shares of Rs 10 each	<u>2,400.00</u>		<u>2,400.00</u>
Issued, subscribed and paid up	2,327.54	2,327.54	
	<u>-</u>	<u>-</u>	2,327.54
	2,327.54		
SCHEDULE -2			
Secured Loans			
Indian Overseas Bank-Term Loan	1,486.85	1,418.94	
Power Finance Corporation-Term Loan	3,663.05	3,595.64	
Indian Overseas Bank-Working Capital	<u>300.92</u>	<u>-</u>	5,014.58
	5,450.82		
SCHEDULE - 4			
Inventories			
(As per inventory taken, valued and certified by the Management)			
(At Cost):			
Stores	<u>152.28</u>	152.28	-
			-
SCHEDULE - 5			
Sundry Debtors			
Debts outstanding for a period			
Exceeding six months	-	-	
Below six months-APTRANSCO	<u>93.65</u>	93.65	-
			-
SCHEDULE- 6			
Cash & Bank Balances			
Cash	-	-	
Balance with banks in current account	6.80	692.33	
Fixed Deposit with banks (Margin for Guarantee)	<u>17.69</u>	<u>13.21</u>	705.54
	24.49		

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

Particulars	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2009	Additions during the year	Sales during the year	As at 31.03.2010	Up to 31.03.2009	For the year	Depreciation written off	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land & Site	-	-	-	-	-	-	-	-	-	-
Buildings	-	792.39	-	792.39	-	6.73	-	6.73	785.66	-
Plant & Machinery	-	8,619.79	-	8,619.79	-	112.23	-	112.23	8,507.55	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-
Computers	-	-	-	-	-	-	-	-	-	-
Office Equipments	-	-	-	-	-	-	-	-	-	-
Total	-	9,412.17	-	9,412.17	-	118.96	-	118.96	9,293.20	-

**SCHEDULE -3
FIXED ASSETS**

Rs. In Lakhs

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

Rs. In Lakhs

SCHEDULE - 7

Advances recoverable in cash or kind for value to be received

a. Unsecured but considered good

Loans & Advances

Advances to Suppliers	374.28		1,519.76	
Other Advances	0.44		81.04	
Tax deducted at source	0.07		-	
Prepaid Expenses	1.51		-	
Deposits				
Deposits with APTRANSCO	33.75	410.05	-	1,600.80

SCHEDULE - 8

Current Liabilities & Provisions

Due to Project Suppliers	1,059.66		-	
Unsecured Loans	1,174.75	2234.41		
Due to Suppliers	70.41			
Other Liabilities	144.94		-	
Liability for expenses	6.44	221.79	-	-
		2456.20		

SCHEDULE - 9

Profit and Loss Appropriation account

Loss as per previous Balance Sheet		-		-
Add: Income Tax paid for earlier years	-		-	
Less: (Profit) / Loss during the year		260.89	-	
Balance carried over to Balance Sheet		260.89		-

SCHEDULE - 10

Sales

Sale of Power	127.72	127.72	-	-
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SCHEDULE - 11

Other Income

Scrap sales	2.42		-	
Interest Receipts	0.36	2.78	-	-

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

Rs. In Lakhs

SCHEDULE - 12

Manufacturing & Other Expenses

Consumption of Stores and Spares	1.65		-	
Power & Fuel	168.07		-	
Repairs & Maintenance-Buildings	2.10		-	
Repairs & Maintenance-Machinery	0.03		-	
Repairs & Maintenance-Others	1.03		-	
Freight Charges	23.86	196.74	-	-
		<hr/>		
Total Manufacturing and other expenses		196.74	-	-

SCHEDULE -13

Employees Expenses

Salary & Allowance	7.07		-	
Contribution to Provident Fund	0.58		-	
Staff Welfare Expenses	-		-	
Gratuity	-		-	
Bonus	-	7.65	-	-
		<hr/>		

SCHEDULE -14

Administrative Expenses

Insurance Premium	2.79		-	
Postage, Telephone & Telegram	0.03		-	
Vehicle maintenance & Hire Charges	0.08		-	
Auditor's Remuneration	0.10		-	
Professional Charges/Legal Charges	3.65		-	
Bank Charges	0.91		-	
Miscellaneous Expenses	2.63	10.19	-	-
		<hr/>		

SCHEDULE -15

Interest on Borrowings:

Interest on Term Loan	54.95		-	
Interest on Working Capital	2.90	57.85	-	-
		<hr/>		

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

NOTES FORMING PART OF ACCOUNTS AS ON 31.03.2010

1. ACCOUNTING POLICIES

The accounts are prepared under historical cost convention and materially complies the mandatory accounting standards issued by the Institute of Chartered Accounts of India.

The significant accounting policies followed by the company are stated below:

A. FIXED ASSETS

Expenditure which are of capital nature are capitalised at a cost, which comprises of purchase price, import duties, levies and any directly attributable cost of bringing the assets to its working conditions for the intended use. None of fixed assets have been revalued during the year under consideration.

B. DEPRECIATION

Depreciation is provided, from the date the assets installed and put to use at the rates and in the manner specified under schedule XIV of the Companies Act, 1956 as amended by notification dated 15.1.93 issued thereunder.

C. INVENTORY VALUATION

Inventories are stated at cost or net realisable value whichever is less and are based on physical verification conducted by the management.

D. FOREIGN EXCHANGE TRANSACTIONS

The company has not transacted any business in Foreign Exchange during the year.

E. PRIOR PERIOD OF EXPENSES

No prior expenses have been charged in the Profit and Loss Account.

F. REVENUE RECOGNITION

Revenue on sale of goods is recognised on acceptance of the transfer through receipts of goods and acceptance of the terms and conditions of sale.

As per report of even date annexed

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Place : Chennai
Date : 29.05.2010

G. GRATUITY

No provision is made for gratuity liability payable in future as the company decided to pay the same as and when arises.

H. INVESTMENTS

Investments are disclosed at cost. No provision is made for appreciation / diminution in value of investments.

NOTES OF THE PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

1. Previous years figures have been regrouped wherever necessary to facilitate easy comparison.
2. The company has closed its accounts as on 31.03.2010 and the Profit and Loss Account has been drawn up for the period commencing on 1.4.2009 and ending on 31.3.2010.
3. Managerial Remuneration:
 1. Mr. Sheeju Purushothaman, Managing Director of the company has drawn a salary of Rs.1,00,000/- per month since 1st June 2009.
 2. Contingent Liabilities: No provision has been made for contingent liabilities, since there is no contingent liability.
 3. There is no foreign exchange earning during the year, since there is no export sales.
 4. Some of the Balances under debtors, creditors and loans and advances are subject to confirmation.
 5. Provision for taxation has not been made since the working results of the company ended in a loss.
 6. No Provision for Dividend has been made during the year since the Board has decided not to declare any dividend, since the company has incurred loss.
 7. The company has not made any advance to the firms/proprietary concern in which the directors are interested.

For and on behalf of the Board

Sd/-
SHEEJU PURUSHOTHAMAN
Managing Director

Sd/-
NISHA PURUSHOTHAMAN
Director

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

CASH FLOW STATEMENT AS AT 31.03.2010

	As at 31.03.2010 Rs. in Lakhs
A Cash Flow from Operating Activities	
Net Profit/(Loss) Before Tax	(260.89)
Adjustment for :	
Depreciation	118.96
Interest Expenses	57.84
Interest Received	(0.36)
Operating Profit/(Loss) before Working Capital Changes	(84.44)
Adjustment for :	
(Increase)/Decrease in stock	(152.28)
(Increase)/Decrease in Current Assets	1,092.62
Increase/(Decrease) in Current Liabilities	70.69
Interest Paid	(57.84)
Sub Total	953.19
Net Cash(Used in)/ Generated from Operating Activities	868.75
B Cash Flow from Investing Activities	
Purchase of Fixed Assets incl. CWIP	(4,653.68)
Pre Operative Expenses	428.39
(Increase)/Decrease in investments	-
Interest/Dividend Received	0.36
Net Cash (Used)/Generated in Investing Activities	(4,224.93)
C Cash Flow from Financing Activities	
Net Increase in Borrowings	
Unsecured Loans	2,234.41
Receipt of Loans	436.24
Net Cash (Used)/Generated in Financing Activities	2,670.65
Net Increase/(Decrease) in Cash & Cash Equivalents	(685.53)
Cash & Cash Equivalents as on 01.04.2009	692.33
Cash & Cash Equivalents as on 31.03.2010	6.80

As per report of even date annexed

For and on behalf of the Board

Sd/-

Sd/-

Sd/-

R. RAJAGOPALAN

SHEEJU PURUSHOTHAMAN

NISHA PURUSHOTHAMAN

Chartered Accountant

Managing Director

Director

Membership No .018422

Place : Chennai

Date : 29.05.2010

EMPEE POWER COMPANY (INDIA) LIMITED (Subsidiary)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As required under Part of Schedule VI to the Companies Act, 1956)

I. Registration details

Registration No.	37198	State code	18
Balance Sheet Date	31.3.2010		

II. Capital Raised during the year (Rs. in thousands)

Public issue	Nil	Right issue	Nil
Bonus Issue	Nil	Private placement	Nil

III. Position of Mobilisation and Development of funds (Rs. in Thousands)

Total Liabilities	777,836	Total Assets	777836
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Sources of funds:

Paid-up Capital	232,754	Reserves & Surplus	-
Secured Loans	545,082	Unsecured Loans	

Application of funds:

Net Fixed Assets	929,321	Investments	NIL
Net Current Assets	(177,574)	Misc. Expenditure	NIL
Accumulated losses	26,089		

IV. Performance of the Company (Rs. in thousands)

Turnover	13,051	Total Expenditure	39,138
Profit/(Loss) Before tax	(26,089)	Profit /(Loss) after tax	(26,089)
Earning Per Share in Rs.	NIL	Divident Rate %	NIL

V. Generic Names of Three Principal Products/ Services of Company (as per monetary items)

Item Code No (ITC Code)	84118220
Product Description	Power exceeding 15000 KW but not exceeding 30000 KW

As per report of even date annexed

For and on behalf of the Board

Sd/-
R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

Sd/-
SHEEJU PURUSHOTHAMAN
Managing Director

Sd/-
NISHA PURUSHOTHAMAN
Director

Place : Chennai
Date : 29.05.2010

CONSOLIDATED AUDITOR'S REPORT

To the Board of Directors of M/s.Empee Sugars and Chemicals Limited on the Consolidated Financial Statements of Empee Sugars and Chemicals Limited and its Subsidiary.

I have audited the attached Consolidated Balance Sheet of M/s.Empee Sugars and Chemicals Limited and its subsidiary as at 31st March 2010, the Profit and Loss Account and the Cash Flow Statement for the period ended on that date, which I have signed under reference to this report. These Consolidated financial statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

I report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 and other Accounting Standards issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Empee Sugars and Chemicals Limited and its subsidiary where the audited financial statements have been considered and included in the consolidated financial statements.

On the basis of the information and explanation given to me and on consideration of the separate audit reports on individual audited financial statement of Empee Sugars and Chemicals Limited and its Subsidiary, I am of the opinion that the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- i. In the case of Consolidated Balance Sheet, of the state of affairs of the Company as at 31st March 2010.
- ii. In the case of Consolidated Profit and Loss Account of the loss for the year ended on that date; and
- iii. In the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Chennai
Date : 29.5.2010

Sd/-
R.RAJAGOPALAN
Chartered Accountant

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31.03.2010

	Schedule	As at 31.03.2010 Rs. In Lakhs	As at 31.03.2009 Rs. In Lakhs
Sources of Funds			
Share Holders Fund	1	4,197.01	4,197.01
8% Cumulative Redeemable Preference Share Application		12,427.00	7,562.00
Loan Funds			
Secured Loan	2	41,701.47	14,137.00
Unsecured Loan		2,655.00	2,655.00
Deferred Tax Liabilities	12	250.98	294.13
Total		<u>61,231.43</u>	<u>28,845.14</u>
Application of Funds			
Fixed Asset			
Gross Block	3	18,019.49	7,704.61
Less: Depreciation Reserve		<u>3,618.12</u>	<u>3,145.28</u>
		14,401.37	4,559.33
Add: Capital Work in Progress Investments	4	<u>30,221.07</u>	<u>7,011.53</u>
		44,622.44	11,570.86
		0.13	0.13
Current Assets, Loans and advances			
(A) Current Assets			
Inventories	5	2,993.83	2,652.72
Sundry Debtors	6	365.20	166.73
Cash & Bank Balances	7	842.16	1,752.61
(B) Loans & Advances	8	<u>9,988.76</u>	<u>10,626.15</u>
		14,189.94	15,198.21
Less: Current Liabilities	9	<u>4,745.61</u>	<u>1,749.91</u>
		9,444.32	13,448.30
Miscellaneous Expenditure (To the extent not written off or adjusted)	10	1,500.00	1,500.00
Pre Operative Expenses		4,786.62	1,669.47
Profit & Loss Appropriation account	11	<u>877.92</u>	<u>656.38</u>
Total		<u>61,231.43</u>	<u>28,845.14</u>
Significant accounting polices and notes on financial statements	19		

As per report of even date annexed

Sd/-

R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

For and on behalf of the Board

Sd/-

M.P.PURUSHOTHAMAN
Managing Director

Sd/-

K.JAYACHANDRAN
Joint Managing Director

Sd/-

S.S.K .Swarup
Company Secretary

Place : Chennai
Date : 29.05.2010

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

	Schedule	Year ended 31.03.2010 Rs. In Lakhs	Period ended 31.03.2009 Rs. In Lakhs
INCOME			
Sales Income	13	4,895.72	4,914.86
Less: Excise Duty		120.97	217.23
Less: Sales Tax		64.80	54.05
Net Sales/Income from Operation		4,709.95	4,643.58
Other Income	14	32.69	62.93
Total		4,742.64	4,706.51
EXPENDITURE			
Manufacturing & Other Expenses	15	3,271.35	3,071.51
Employees Expenses	16	411.72	428.37
Administrative & Other Expenses	17	237.14	285.15
Total		3,920.21	3,785.03
Profit before Interest, Depreciation & Tax		822.43	921.48
Less : Interest on Bank Borrowings	18	551.94	393.87
Less : Depreciation	3	472.84	329.70
Profit / (Loss) before Tax		(202.35)	197.91
Provision for Taxation		9.04	20.38
Provision for Fringe Benefit Tax		-	0.87
Deferred Tax Liability/ (Asset) - Current Year		(43.15)	81.18
Profit / (Loss) after Tax		(168.24)	95.48

As per report of even date annexed

Sd/-

R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

For and on behalf of the Board

Sd/-

M.P.PURUSHOTHAMAN
Managing Director

Sd/-

K.JAYACHANDRAN
Joint Managing Director

Sd/-

S.S.K .Swarup
Company Secretary

Place : Chennai
Date : 29.05.2010

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED SCHEDULES TO THE ACCOUNTS FOR THE YEAR ENDED 31.03.2010

	As at 31.03.2010 Rs. In Lakhs		As at 31.03.2009 Rs. In Lakhs	
SCHEDULE -1				
Share Capital				
Authorised Capital				
45000000 Equity Shares of Rs 10 each	4,500.00			4,500.00
Issued, subscribed and paid up	4,197.29		4,197.29	
Less: Call in arrears	0.28	4,197.01	0.28	4,197.01
SCHEDULE -2				
Secured Loans				
OCC Loans from Banks (Nayudupet)				
Indian Bank - Nayudupet	1,398.23		651.07	
Union Bank of India	680.61	2,078.85	690.36	1,341.43
OCC Loans from Banks (Ambasamudram)				
Indian Bank - Ambasamudram	500.08	500.08	-	-
OCC Loans from Banks (Empee Power)				
Inidan Overseas Bank	300.92	300.92	-	-
Term Loans for Working Capital (Nayudupet)				
Indian Bank	1,214.15		1,417.60	
Union Bank of India	1,013.92		1,145.37	
Bank of Maharashtra	186.13		216.18	
Federal Bank (WCDL)	166.40	2,580.60	187.19	2,966.34
Term Loans for Fixed Assets (Ambasamudram)				
Andhra Bank	5,015.92		1,484.00	
Bank of India	7,131.93		1,484.00	
Indian Overseas Bank	3,368.65		500.00	
Punjab National Bank	5,398.64		1,346.65	
Indian Bank	2,049.00		-	
Oriental Bank Of Commerce	5,273.34		-	
Union Bank of India	2,853.64	31,091.12	-	4,814.65
Term Loans for Fixed Assets(Empee Power)				
Power Finance Corporation	3,663.05		3,595.64	
Inidan Overseas Bank	1,486.85	5,149.90	1,418.94	5,014.58
		41,701.47		14,137.00

EMPEE SUGARS AND CHEMICALS LIMITED

SCHEDULE -3 FIXED ASSETS	Rs. In Lakhs											
	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
		As at 01.04.2009	Additions during the year	Sales during the year	As at 31.03.2010	Up to 31.03.2009	For the year	Depreciation written off	Up to 31.03.2010	As at 31.03.10	As at 31.03.09	
Land & Site	591.24	-	-	591.24	-	-	-	-	591.24	591.24		
Buildings	1,009.03	792.39	-	1,801.41	352.38	40.43	-	392.81	1,408.60	656.65		
Plant & Machinery	5,907.45	9,467.44	-	15,374.89	2,688.08	415.22	-	3,103.30	12,271.59	3,219.37		
Furniture & Fittings	21.38	-	-	21.38	13.26	1.02	-	14.29	7.09	8.11		
Vehicles	144.91	55.05	-	199.96	69.15	15.66	-	84.81	115.15	75.75		
Computers	17.47	-	-	17.47	17.47	-	-	17.47	-	-		
Office Equipments	13.14	-	-	13.14	4.95	0.51	-	5.46	7.68	8.19		
Total	7,704.61	10,314.88	-	18,019.49	3,145.29	472.84	-	3,618.12	14,401.35	4,559.31		
Previous year	7,494.18	210.43	-	7,704.61	2,815.59	329.70	-	3,145.29	4,559.31	4,678.59		
CWIP-Nayudupet	642.45	269.98	*847.66	64.77	-	-	-	-	64.77	642.45		
CWIP-Ambasamudram	1,610.58	28,545.73	-	30,156.31	-	-	-	-	30,156.31	1,610.58		
CWIP-Empee Power Company	4,758.50	4,653.67	*9,412.17	-	-	-	-	-	-	4,758.50		
Total	7,011.53	33,469.38	10,259.83	30,221.08	-	-	-	-	30,221.08	7,011.53		

* Capitalised during the year

EMPEE SUGARS AND CHEMICALS LIMITED

	Rs. In Lakhs			
SCHEDULE - 4				
Investments - govt (Unquoted at cost)				
6 Years NSC VIII Issue	0.13	0.13	0.13	0.13
SCHEDULE - 5				
Inventories				
(As per inventory taken, valued and certified by the Management)				
(At Cost):				
Stores	332.94		65.59	
(At estimated net realisable value):				
Sugar	924.24		1,376.36	
Spirit	439.40		603.15	
Molasses	155.40		596.82	
Raw Sugar	915.44		-	
Raw Sugar in Process	218.30		-	
Semi Finished Stock	8.11	2,993.83	10.80	2,652.72
SCHEDULE - 6				
Sundry Debtors				
Debts outstanding for a period				
Exceeding six months	-		-	
Others	365.20	365.20	166.73	166.73
SCHEDULE- 7				
Cash & Bank Balances				
Cash	1.82		13.54	
Balance with banks in current account	226.14		1,594.56	
Fixed Deposit with banks (Margin for Guarantee)	614.19		141.79	
DDs/Cheques in hand	-	842.16	2.73	1,752.62
SCHEDULE - 8				
Advances recoverable in cash or kind for value to be received				
a. Unsecured but considered good				
Loans & Advances				
Advances to suppliers - Nayudupet	204.00		352.23	
Advances to suppliers - Ambasamudram	6,994.89		8,322.02	
Advances to suppliers - Empee Power Company	374.28		1,600.80	
Other Advances	2,105.15		50.63	
Tax deducted at source	21.87		25.23	
Prepaid Expenses	14.55		11.55	

EMPEE SUGARS AND CHEMICALS LIMITED

				Rs. In Lakhs
Deposits				
Deposits with Government Departments	95.51		55.22	
Other Deposits	<u>178.52</u>	9,988.78	<u>208.47</u>	10,626.15
SCHEDULE - 9				
Current Liabilities & Provisions				
Due to Suppliers	2,951.30		1,008.13	
Due to Project Suppliers	1,059.66		-	
Advances from Customers	-		0.49	
Other Liabilities	647.17		695.44	
Liability for expenses	<u>87.47</u>	4,745.60	<u>45.85</u>	1,749.91
SCHEDULE -10				
Miscellaneous Expenditure (to the extent not written off or adjusted)				
Discount on issue of shares		1,500.00		1,500.00
SCHEDULE - 11				
Profit and Loss Appropriation account				
Loss as per previous Balance Sheet		656.38		762.33
Add: Income Tax paid for earlier years	53.31		166.94	
Add : Fringe Benefit Tax Paid	<u>-</u>	53.31	<u>9.11</u>	176.05
Less: (Profit)/Loss during the year		168.24		(95.49)
Less: Pre Operative Expenses		-		<u>186.52</u>
Balance carried over to Balance Sheet		<u>877.92</u>		<u>656.37</u>
SCHEDULE - 12				
Deferred Tax Liabilities				
Depreciation		467.89		499.41
Deferred Tax Assets				
Provision for doubtful debts and advances	4.91		4.91	
Brought forward loss as per Income tax	<u>212.00</u>	216.91	<u>200.37</u>	205.28
Deferred Tax Liabilities (net)		<u>250.98</u>		<u>294.13</u>
SCHEDULE - 13				
Sales				
Sugar	2,947.37		3,292.44	
Spirit	1,602.79		1,330.55	
CO2 Sales	11.70		12.41	
Power Sales	127.72		-	
Organic Manure	20.36	4,709.95	8.19	4,643.59

EMPEE SUGARS AND CHEMICALS LIMITED

Rs. In Lakhs

SCHEDULE - 14

Other Income

Sundry Income	14.06		58.85	
Scrap sales	14.54		1.65	
Interest Receipts	4.09	32.69	2.43	62.93

SCHEDULE -15

Manufacturing & Other Expenses

Sugar Cane Consumed	2,217.74		2,493.13	
Purchase Tax	64.66		113.07	
Transport Charges(Molasses)	12.99		99.70	
Consumption of Molasses & Others	400.10		466.42	
Cane Development Council fund	3.80		4.34	
Subsidy on Cane	9.62		17.07	
Cane Development Expenses	5.17		1.68	
Consumption of Stores and Spares	166.42		196.49	
Power & Fuel	421.08		192.74	
Repairs & Maintenance-Buildings	2.88		11.94	
Repairs & Maintenance-Machinery	5.69		8.80	
Repairs & Maintenance-Others	6.47		5.89	
Freight Charges	28.50	3,345.10	8.92	3,620.19

(Increase)/Decrease of Stock

Closing Stock

Sugar	924.24		1,376.36	
Spirit	439.40		603.15	
Molasses	155.40		596.82	
Raw Sugar	915.44		-	
Raw Sugar in Process	218.30		-	
Semi Finished Products	8.11	2,660.89	10.80	2,587.13

EMPEE SUGARS AND CHEMICALS LIMITED

		Rs. In Lakhs
Less: Opening Stock		
Sugar	1,376.36	1,485.82
Spirit	603.15	244.10
Molasses	596.82	286.47
Semi Finished Products	10.80	22.06
	2,587.13	2,038.45
Net (Increase)/Decrease in stock	(73.76)	(548.68)
Total Manufacturing and other expenses	3,271.35	3,071.51

SCHEDULE - 16

Employees Expenses

Salary & Allowance	363.90	386.11
Contribution to Provident Fund	22.59	21.73
Staff Welfare Expenses	7.73	5.24
Gratuity	7.86	5.62
Bonus	9.64	9.67
	411.72	428.37

SCHEDULE -17

Administrative Expenses

Printing & Stationery	1.16	1.11
Rates, Taxes	12.89	26.98
Insurance Premium	15.87	7.73
Postage, Telephone & Telegram	8.10	8.62
Conveyance & Travelling	2.08	30.40
Vehicle Maintenance & Hire Charges	29.57	33.33
Advertisement	4.00	6.37
Rent	10.26	15.35
Auditor's Remuneration	0.67	0.67
Professional Charges/Legal Charges	23.67	66.53
Sitting Fee	2.00	1.60
Bank Charges	35.12	12.22
Miscellaneous Expenses	91.75	74.24
	237.14	285.15

SCHEDULE - 18

Interest on Borrowings:

Interest on Term Loan	371.66	265.81
Interest on Working Capital	175.93	128.06
Interest on Others	4.35	-
	551.94	393.87

SCHEDULE - 19

NOTES FORMING PART OF ACCOUNTS

1. a) **Basis of preparation of Financial Statements**

Financial statements are prepared and presented under the historical cost convention on a going concern basis and in accordance with the applicable accounting standards to the extent possible.

b) **Principles of consolidation**

The consolidated financial statements relate to Empee Sugars and Chemicals Limited (the company) and its subsidiary company. The consolidated financial statements have been prepared on the following basis.

The financial statements of the company and its subsidiary have been prepared based on a line-by-line consolidation by adding together the book values like items of assets, liabilities, income and expenses as per the respective financial statements duly certified by the auditors of the respective companies. Inter group balances and transactions have been eliminated.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The presentation to the extent possible is in the same manner as the company's individual statements.

The subsidiary company considered in the consolidated financial statement is M/s Empee Power Company (India) Ltd the country of incorporation is India and the percentage of voting power held by the holding company held on 31st March 2010 - 100%.

The subsidiary Company has started its commercial operations on 12.03.2010. The profit & Loss Account prepared. All the expenses up

to the date of commercial operation are booked in Pre operative expenses and capitalized.

2. **Basis of Accounting & Revenue Recognition**

Financial statements are prepared and presented under the historical cost convention on a going concern basis, with revenue recognized and expenses accounted on accrual concept (including provisions and adjustments) and in accordance with the applicable accounting standards referred to in subsection 3C of section 211 of the Companies Act 1956.

Income from Operations is recognized in the Profit & Loss Account on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes.

- a. Sales income is accounted inclusive of excise duty and sales tax wherever applicable but net of trade discounts.
- b. Insurance claims are accounted as and when the claims are settled.
- c. Interest due from growers for seed supplied is accounted as and when cane is received from growers.
- d. Excise Duty payable on finished goods held in stock at the end of the accounting year (except Molasses stored in pit for which duty is paid as and when molasses are let into the pit) will be accounted for at the time of clearance of these goods. The accounting treatment will have no impact on profit/losses

3. **Fixed Assets and Depreciation/Amortization**

- 3.1. Fixed Assets:- These assets are stated at their original cost of acquisition (including expenditure for the acquisition and/or installation) less accumulated depreciation.
- 3.2. Depreciation on Fixed assets has been provided on straight-line method for Empee Sugar and written down value method for Empee Power

Company at rates prescribed under Schedule XIV to the Companies Act, 1956 as amended by notification dated 15.12.93 issued hereunder and is provided in the accounts or shown as a note. Depreciation on addition to fixed assets during the year is reckoned on a pro rata basis with reference to the month in which the fixed assets are put to use or commissioned.

4. Impairment of Fixed Assets

Wherever events of changes in circumstances indicate that the carrying value of fixed assets may be impaired, the Company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal thereof. If the assets are impaired, the Company recognizes as impairment loss as the difference between the carrying value and fair value less costs to sell. None of the Company's fixed assets are considered impaired as on the Balance Sheet date.

5 Capital Work in Progress

Capital work in progress is stated at cost and includes advance on account of Capital Equipment paid to the suppliers.

6. Foreign Currency Transaction

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transaction. Assets and liabilities expressed in foreign currencies (to the extent not covered against exchange fluctuations) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date and any loss or gain arising there from has been included in Finance

Charges as per the provision of Accounting Standard 16 and 11 issued by The Institute of Chartered Accountants of India.

7. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary Items having material impact on the financial affairs of the Company are disclosed.

8. Retirement and Other Benefits

8.1. The company accounts gratuity liability accounted as and when gratuity is paid to the employees.

8.2. Contribution to Provident Fund is made as per provisions of Employees Provident fund and Miscellaneous Provisions Act, 1952 and charges to Profit and Loss Account and disclosed separately.

8.3. Liability for leave encashment is provided as and when the leave encashment is paid to the employees.

9. Income Tax

The Income Tax liability is provided in accordance with the provisions of the Income tax Act 1961.

Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

10. Segment Reporting

A. Business Segments:

Based on the guiding principles given in Accounting Standard AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company's business segments include Sugar and Industrial Alcohol Plant (IAP).

B. Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as given in notes, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Common revenue and expenses of segments are allocated amongst them on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

b) Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, Share Capital, Loans, Investments, Miscellaneous Expenditure and Profit and Loss Appropriate Account. While most of the assets / liabilities can be directly attributed to the individual segments, the carrying amount of certain assets / liabilities pertaining to both segments are allocated to the segments on a reasonable basis.

11. Earning Per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard – 20 Earnings per Share, issued by the Institute of Chartered Accountants of India. Earnings per equity share have been computed by dividing net profit after tax attributable to equity share holders by the weighted average number of equity share outstanding during the year. Diluted earnings during the year adjusted for effects of all dilutive potential equity shares per equity share is computed using the weighted average number of equity share and dilutive potential equity shares outstanding during the year.

12. Miscellaneous Expenditure

Miscellaneous Expenditure represents discount on issue of shares made during the year 2000-2001.

13. Earning per Share

Particulars	Year ended	Period ended
	31 st March 2010	31 st March 2009
a. Net Profit/(Loss) after tax to attributable Equity shareholders (Rs.in Lakhs)	(168.24)	95.48
b. Weighted average number of Equity Shares Basic/Dilutive (Nos.)	41970127	41970127
c. Nominal value of equity per share (Rs)	10/-	10/-
d. Basic/Dilutive Earning per share (Rs.)	-	0.23

14. Segment wise details as required by AS 17 issued by the Chartered Accountants of India are as under:

	Rs. In Lakhs				
	Sugar	IAP	Power	Un allocated	Total
1 Segment Revenue	2997.28	1614.85	127.72	--	4739.85
2 Segment Results	313.27	239.26	(203.03)	---	349.60
3 Segment Assets	5974.79	3041.61	9973.67	15562.61	34552.68
4 Total Assets	5974.79	3041.61	9973.67	15562.61	34552.68
5 Segment Liabilities	1255.08	287.09	221.79	1921.99	3685.95
6 Total Liabilities	1255.08	287.09	221.79	1921.99	3685.95
7 Capital Expenditure	64.77	-	-	30156.30	30221.07
8 Depreciation	229.19	124.68	118.96	-	472.83

15. Contingent Liabilities

15.1 Claims against the company not acknowledged as debts: Rs.172.63 lakhs

15.2 Estimated amount of capital contracts remaining to be executed (Net of Advances): Rs 4221.81 Lakhs.

15.3 Purchase tax: Rs. 1175.69 Lakhs (including Interest) (Note – 22)

EMPEE SUGARS AND CHEMICALS LIMITED

16. National Saving Certificates VIII issue of Rs.0.13 lakhs shown under investment are under lien to Sales Tax authorities & Agricultural Department towards security deposits.
17. Stock of Stores, Spares and packing materials have been physically verified at the year end and valued at cost on FIFO basis. The valuation of the stocks of sugar and spirit are valued at estimated net realizable value. Sugar, Organic Manure, Sugar and Molasses in Process are valued at estimated net realization value.
- 18. Balances with bank in fixed deposit include:**
- i) Rs.18.52 Lakhs under lien to banks for guarantees issued by them.
 - ii) Rs.0.02 Lakhs under lien to sales tax authorities towards security deposits.
 - iii) Rs.10.00 Lakhs with Karur Vysya Bank is under lien to the said bank for Guarantee issued by them.
19. In the absence of receipt of information regarding small scale industrial status from the parties, the details of names of small scale industrial undertaking to which the company owe any sum together with interest outstanding for more than 30 days could not be ascertained.
20. Balances in some of the parties accounted are subject to confirmation.
21. Depreciation amounting to Rs.438.12 lakhs related to the previous years from 1.10.1996 to 31.03.1999 has not been provided.
22. The Government of Andhra Pradesh by its Order dated 13.10.2003 through Abstract from Industries & Commerce (Sugar) Department has permitted the Company to pay the arrears of Purchase Tax amounting to Rs.532.57 lakhs (which includes a sum of Rs.10.40 lakhs as interest) in three equal annual installments along with interest @ 10.5% p.a. The company has sent the request letter to the concerned Government Departments to waive off the purchase tax and interest thereon. In the opinion of the management, the company will

get the favourable reply from the Government and accordingly no liability has been provided in the books.

23. Provision for Minimum Alternate Tax of Rs 9.04 lakhs is provided for Income Tax has been provided.
24. Additional Information pursuant to the provisions of paras 3, 4c and 4D of Part II of Schedule VI to the Companies Act, 1956.

Rs. In Lakhs

Expenditure in foreign Currencies:

	2009-10	2008-09
CIF value of import of Machinery	363.97	940.03

Foreign Exchange Earnings:

FOB Value of Export	-Nil-	Nil
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25. Related Party Transactions:

A. Holding Company:

Empee Distilleries Limited.

B. Fully Owned Subsidiary:

Empee Power Company (India) Limited

C. Other Group Companies:

1. Empee International Hotels & Resorts Ltd
2. South (India) Hotels Pvt. Ltd
3. Empee Hotels Ltd
4. Apollo Alchobev Limited
5. Empee Holding Limited.
6. Aruna Exports Pvt Ltd
7. Aruna Constructions (India) Ltd
8. Empee Marine Products Limited
9. Empee Leasing & Finance Ltd
10. Empee Agro Farm Products Pvt Ltd
11. Universal Spirits Limited
12. Empee Construction Company Pvt Ltd
13. Empee Power and Infrastructure Pvt Ltd
14. EDL Properties Limited.
15. Apollo Wind Energy Pvt Ltd.
16. Apollo Beers Pvt Ltd
17. Shainvest Holdings Ltd
18. Apollo Distilleries Pvt Limited.

EMPEE SUGARS AND CHEMICALS LIMITED

Transactions during the year

Rs. In Lakhs

Particulars	Subsidiary	Holding Company	Key Management Personnel	Relative of Key Management Personnel	Other Related Parties	Total
Remuneration	Nil	Nil	122.90	Nil	Nil	122.90
Receiving of Services	Nil	Nil	Nil	Nil	27.34	27.34
Finance (Including loans and equity contributions in cash or kind)	Nil	NIL	Nil	Nil	Nil	Nil
Interest Paid	Nil	Nil	Nil	Nil	Nil	Nil
Interest Received	Nil	Nil	Nil	Nil	Nil	Nil
Lease Rent paid	Nil	Nil	Nil	17.42	3.60	21.02

Outstanding:

Payable	Nil	Nil	Nil	Nil	6.19	6.19
Receivable	Nil	196.86	Nil	Nil	17.04	213.90

26. Key Management Personnel:

Name:	Designation	Remuneration paid (Rs.in Lakhs)
Mr. M.P. Purushothaman	Chairman and Managing Director	47.04 (35.28)
Mr. Sheeju Purushothaman	Joint Managing Director	39.20 (25.20)
Mr. K.Jayachandran	Joint Managing Director	36.66 (27.50)

27. The company has imported 44450 MTs of raw sugar resulting in an export obligation of 42330 MTs. The company has exported 10000 MTs of sugar against this obligation and balance is pending compliance.

28. The previous year's figures have been regrouped/rearranged, wherever considered necessary.

As per report of even date annexed

Sd/-

R. RAJAGOPALAN
Chartered Accountant
Membership No .018422

For and on behalf of the Board

Sd/-

M.P.PURUSHOTHAMAN
Managing Director

Sd/-

K.JAYACHANDRAN
Joint Managing Director

Sd/-

S.S.K.Swarup
Company Secretary

Place : Chennai
Date : 29.05.2010

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED CASH FLOW STATEMENT AS AT 31.03.2010

	As at 31.03.10 Rs. in Lakhs	As at 31.03.09 Rs. in Lakhs
A Cash Flow from Operating Activities		
Net Profit Before Tax	(202.35)	197.91
Adjustment for :		
Depreciation	472.84	329.70
Interest Expenses	551.94	393.87
Interest Received	(4.09)	(2.43)
Operating Profit before Working Capital Changes	818.34	919.05
Adjustment for :		
(Increase)/Decrease in stock	(341.11)	(475.88)
(Increase)/Decrease in Current Assets	(33.48)	(8,271.34)
Increase/(Decrease) in Current Liabilities	1,936.04	(104.04)
Interest Paid	(551.94)	(393.87)
Tax Paid	(9.04)	(21.25)
Sub Total	1,000.48	(9,266.38)
Net Cash(Used in)/ Generated from Operating Activities	1,818.82	(8,347.33)
B Cash Flow from Investing Activities		
Purchase of Fixed Assets incl. CWIP	(33,524.42)	(5,376.05)
Prior Period Items	(53.31)	(1,845.53)
Pre Operative Expenses	(3,117.15)	186.52
(Increase)/Decrease in investments	-	-
Interest/Dividend Received	4.09	2.43
Net Cash (Used)/Generated in Investing Activities	(36,690.79)	(7,032.63)
C Cash Flow from Financing Activities		
8% Preference Share application Money	4,865.00	7,562.00
Net Increase in Borrowings		
Unsecured Loans	1,059.66	(10.00)
Receipt of Loans	27,959.96	9,486.33
Repayment of Loans	(395.49)	(247.74)
Net Cash (Used)/Generated in Financing Activities	33,489.13	16,790.59
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,382.84)	1,410.63
Cash & Cash Equivalents as on 01.04.2009	1,610.83	200.20
Cash & Cash Equivalents as on 31.03.2010	227.96	1,610.83

As per report of even date annexed

For and on behalf of the Board

Sd/-

Sd/-

Sd/-

R. RAJAGOPALAN

M.P.PURUSHOTHAMAN

K.JAYACHANDRAN

Chartered Accountant

Managing Director

Joint Managing Director

Membership No .018422

Sd/-

Place : Chennai

Date : 29.05.2010

S.S.K .Swarup

Company Secretary

