

BOARD OF DIRECTORS	Mr. M.P.Purushothaman Mr. Sheeju Purushothaman Ms. Nisha Purushothaman Mr. M.K.Mohan Mr. M.P.Mehrotra Mr. T.S.Raghavan Mr.Shankar Menon	Chairman & Managing Director Joint Managing Director
GENERAL MANAGER (F&A) & COMPANY SECRETARY	Mr. S.S.K.Swarup	
AUDITORS	M/s.K.S.Aiyar & Co. Chartered Accountants 54/2, Paulwells Road St. Thomas Mount Chennai- 600 016.	
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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EMPEE SUGARS AND CHEMICALS LIMITED

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the 21st Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Wednesday, the 28th December, 2011 at 11.00 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 30th September, 2011, the Balance Sheet as on that date, the report of the Board of Directors and the report of the Auditors thereon.
2. To appoint a Director in place of Mr. Shankar Menon, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr.M.P.Mehrotra, who retires by rotation and being eligible, offers himself for re-appointment.
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(s) 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.Sheeju Purushothaman, as Joint Managing Director of the Company for further period of three years with effect from 1st April, 2011 to 31st March, 2014 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.Sheeju Purushothaman in the best interest of the company within the limitations in that behalf as contained in schedule XIII to the said Act., viz

- a. Basic Salary – ₹.3,00,000/- per month. The quantum of annual increase will be decided by the Remuneration Committee.
- b. Perquisites –
 1. Free use of furnished accommodation owned or leased by the Company with amenities including Water, Gas, Electricity and Furnishings.
 2. Medical Reimbursement for self and family including premium payable for medical insurance in accordance with the rules of the Company.
 3. Leave Travel Concession for self and family once in a year in accordance with the rules of the Company.
 4. Fees of clubs subject to a maximum of two clubs. This will not include admission fee and life membership fee.
 5. Personal Accident Insurance as per the rules of the Company.
 6. Contribution to PF and Payment of Gratuity as per the rules of the Company, which shall not be included for computation of the ceiling on the remuneration payable.
 7. Encashment of leave at the end of the tenure.
 8. Provision of Car with driver and telephone at residence, for Company's business.

In the absence or inadequacy of profits at any time during the tenure of the appointment of the appointee, the Basic Salary 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
Date : 30.11.2011**

**S.S.K.Swarup
Company Secretary**

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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 21st December 2011 to 28th December 2011 (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.Shankar Menon and Mr.M.P.Mehrotra and Mr.Sheeju Purushothaman 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:

Mr.Sheeju Purushothaman has been appointed as the Joint Managing Director for a period of three

years effective from 1st April, 2008 whose terms expired on 31st March. 2011 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.Sheeju Purushothaman has been considered by the Remuneration Committee at its meeting held on 12th February, 2011 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 5 of the Notice is submitted to the members for their approval.

None of the Directors except Mr.Sheeju Purushothaman, Mr.M.P.Purushothaman, and Ms.Nisha Purushothaman are 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, Industrial Alcohol and generation of power.
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. (` . in Lacs)

Particulars	Year ended 30-06-2008	Period ended 31-03-2009	Year ended 31-03-2010	Year ended 30-09-2011
Sales	5962.22	4643.58	4582.22	40226.52
PBID	888.41	921.49	906.50	7266.42
Net Profit/(Loss)	129.66	95.48	92.64	(3854.70)

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5. Export performance : ₹.9958.03 Lacs
 6. Foreign investments : Nil
 or collaborations, if any.

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.Shankar Menon (70)

Mr.Shankar Menon holds a degree, B.Sc. from Madras University, M.B.A from Indiana University USA, Masters degree in Hotel & Restaurant Administration from Cornell University and Hilton School of Hotel Management at University of

Mr.M.P.Mehrotra: (71)

Mr.M.P.Mehrotra is a Senior Practicing Chartered Accountant joined the Company as an Independent Director. He is on the Board of various companies and it is in the interest of the Company to continue to avail the services of Mr.M.P.Mehrotra.

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

Houston. He had over 35 years of experience in national and international Hotels. The Board of Directors recommends his appointment as an independent Director to make use of his valuable services to the Company.

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

Names of the Companies /Firms	Nature of interest
1. Empee Hotels Limited	Director
2. South India Hotel & Restaurant Association	Executive Committee member
3. Indian Green Grid Group Ltd	Director

Names of the Companies/Firms	Nature of interest
1. Maxim Infracon Pvt Ltd	Director
2. VLS Finance Ltd	Director & Member -Audit Comm.
3. VLS Capital Ltd	Director
4. South Asian Enterprises Ltd	Director
5. Gaurav Overseas Exports Pvt Ltd	Director
6. Dhampur Sugar Mills Ltd	Director & Chairman – Audit Comm. Director & Chairman – Remu. Comm.
7. Empee Distilleries Ltd	Director & Chairman – Audit Comm.
8. World Resorts Ltd	Director
9. India Securities Ltd	Director & Chairman – Audit Comm.
10. Delton Cables Ltd	Director
11. Bay Datacom Solutions Pvt Ltd	Director
12. TSM Polymers Pvt Ltd	Director
13. Jaybharat Textiles and Real Estate Ltd	Director & Chairman – Audit Comm.
14. Eskay K'n'IT (India) Ltd	Director & Chairman – Audit Comm.
15. Krishna Knitwear Technology Ltd	Director & Member – Audit Comm.
16. Asahi Fibres Ltd	Director & Chairman – Audit Comm.
17. KSL and Industries Ltd	Director & Member – Audit Comm.
18. Krishna Lifestyle Technologies Ltd	Director & Member – Audit Comm.
19. Mehrotra & Mehrotra, Chartered Accts.	Director

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Mr. Sheeju Purushothaman (34)

Mr. Sheeju Purushothaman is a Bachelor of Arts and having around a Decade of Experience in areas of Marketing and Administration in Sugar Industry.

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

Directorship in other Companies	Membership in Committees
1. Empee International Hotels & Resorts Limited	Nil
2. Empee Holdings Limited	Nil
3. Empee Power Company (India) Limited	Nil
4. Empee Marine Products Limited	Nil
5. Aruna Constructions (India) Limited	Nil
6. Empee Agro farm Products Pvt.Limited	Nil
7. Appollo Alchobev Limited	Nil
8. Apollo Wind Energy Pvt.Limited	Nil
9. Apollo Beers Pvt Limited	Nil
10.Empee Construction Co.Pvt. Limited	Nil
11. Empee Hotels Limited	Nil

He holds 30,000 Equity Shares in the Company. He is related to Mr.M.P.Purushothaman, Chairman & Managing Director and Ms.Nisha Purushothaman, Director.

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 and generation of power.
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

Chennai
30.11.2011

S.S.K.Swarup
Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

DIRECTORS' REPORT

To the Members,

Yours Directors take pleasure in presenting their report together with the audited accounts for the year ended 30th September, 2011 (18 months).

FINANCIAL RESULTS (Rs. in Lacs)

Particulars	2010-11 (Year ended 30.9.2011) (18 months)	2009-10 (Year ended 31.3.2010) (12 months)
Operating Profit before Interest and Depreciation	6,593.53	876.60
Other income	672.89	29.90
Less: Interest	9,491.99	494.10
Less: Depreciation	3,445.72	353.88
Profit / (Loss) before Tax	(5,671.29)	58.53
Provision for Taxation (MAT)	-	9.04
Deferred Tax Liability/(Asset)	(1,816.59)	(34.11)
Profit/(Loss) after Tax	(3,854.70)	92.64
Brought Forward Profit/(Loss)	(617.05)	(656.39)
Carry Forward Profit/(Loss)	(5,337.21)*	617.05

* includes interim dividend (₹ .244.72 lacs including dividend distribution tax thereon) and prior period expenses of (₹ .620.74 lacs).

Performance of the year under review:

Quantitative Particulars	2010-11 (Year ended 30.9.2011) (18 months)	2009-10 (Year ended 30.9.2010) (12 months)
Cane Crushed (MTS)	433106	107772
Recovery of Sugar from Cane (%)	9.50	7.17
Production of Sugar (Qtls) – Cane	411450	78310
Production of Sugar (Qtls)– Raw sugar	396434	12675
Total Production of Sugar (Qtls)	807884	90985
Production of Sprits (Ltrs)	12209094	4388727
Sale of Sugar (Qtls) – Cane	252943	129148
Sale of Sugar (Qtls) - Raw sugar	396434	-
Total Sale of Sugar (Qtls)	649377	129148
Sale of Spirits (Ltrs)	13399856	4727179

The operating profit before interest and Depreciation for the year is ₹ .6591.68 lacs as against ₹ .876.60 lacs in the previous year. During the year the company's Integrated Sugar complex at Ambasamudram, Tirunelveli District, Tamilnadu in which Sugar plant and Co-gen started commercial operations. The quantum of jump in turnover from ₹ .4768 lacs to ₹ .40677.96 lacs is mainly on account of raw-sugar conversion, Govt pricing policy on sugar exports, power sales to Tamilnadu Electricity Board and Power Trading Corporation Ltd.

The year ending 30th September, 2011 has witnessed severe shortage of sugar cane availability. The sugar cane availability around the new sugar mill in Ambasamudram was drastically hit due to failure of the monsoon and drought conditions were prevailing and the company could not achieve the expected quantity of crushing. No production during April 2011 to September 2011 and the increase in the rate of interest by around 6% on the loans availed from the banks by the company had a blow on the performance of the company which resulted in a net loss of ₹ .5671.29 lacs after depreciation and interest.

The company made an application to Corporate Debt Restructuring (CDR) for rescheduling repayment of term loans and interest which has been admitted on 1st July 2011 and approved by the Corporate Debt Restructuring Empowered Group (CDREG) lead by Bank of India as monitoring institution on 29th November 2011. The letter of approval (LOA) is expected in due course of time.

Dividend:

In view of the losses incurred by the company during the year under review, the directors are unable to recommend any dividend.

Qualifications in Auditors Report:

Dividend:

The company has declared and paid an interim dividend of 5% on the equity capital of ₹ .4197.29 Lacs amounting to ₹ .209.86 Lacs calculated on available

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profits of ₹.1499.41 Lacs (unaudited) as on 30.9.2010 for the 6 months period. The cumulative net profit /(loss) reported by the company for quarters ending 31st December 2010, 31st March 2011 and 30th June 2011 are ₹.2643.68 Lacs, ₹.623.76 Lacs and ₹.(2356.85) Lacs. The profit made for the year 2010-11 (12 months) ending is sufficient to justify the payment of interim dividend which was remaining after making provision for depreciation for the full year of 12 months and unabsorbed depreciation for the earlier years. Consequent to the losses of ₹.(2356.85) Lacs and ₹.(874.09) Lacs incurred by the company during 5th and 6th quarters of the extended financial year ending 30th September 2011 (18 months) the available profits and reserves were eroded and the 18 months cumulative results ended with net loss of ₹.(3854.70) Lacs. In this regard the company proposes to seek exemption from the Company Law Board.

Share Application money pending allotment:

The shareholders have approved issue of 0% Convertible Preference Shares of ₹.10/- each at a premium of ₹.140/- each aggregating to ₹.150 Crores on preferential basis to M/s.Empee Distilleries Limited (EDL) through postal ballot on 23-08-2010. EDL has already brought in ₹.137.95 crores as share application money which has already been utilized in the project. The Company is exploring alternatives to make allotment of shares at the earliest taking into account the current share prices and market movements.

The qualifications made by the Auditors in their report are self explanatory and do not have any impact on the current profits /losses of the company.

Subsidiary:

During the year the 20 MW (Licensed) cogen power plant at Naidupet has incurred a Loss of ₹.758.10 Lacs. The loss incurred by the company is mainly on account of low power tariff and increase in the

interest rates by around 6% on the loans availed by the company. The consolidated accounts of the Company include the accounts of 100% Subsidiary, (M/s.Empee Power Company (India) limited) which can be made available to the members upon request.

Future Outlook:

The Company's 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 around 4.5 lacs tons of cane will be crushed in Naidupet unit and around 2 lacs tons of cane in Ambasamudram unit during the sugar season 2011-12. The Company expects increase in sugar productions on account of the aggressive 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 these 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. Shankar Menon, and Mr. M.P.Mehrotra, Directors are retiring by rotation at the ensuring annual general meeting and being eligible offer themselves for re-appointment. Mr. K.Jayachandran, Joint Managing Director has resigned on 14th June 2011.

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Auditors:

M/s. K.S.Aiyar & Co., Statutory Auditors of the Company will retire at the conclusion of the ensuring annual general meeting and being eligible offer themselves for re-appointment. The company has received a certificate from the Auditor to the effect that their re-appointment if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-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 30.9.2011 (18 months) and the balance sheet as at that date ("Financial Statements") all 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/(Loss) 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.

e) The financial statements have been audited by M/s.K.S.Aiyar & Co., Statutory Auditors and their 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 units and

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Co-gen Unit of the company for the financial year 2010-11.

Extension of Financial Year:

The present financial year of the company commencing from 1st April 2010 to 31st March 2011 has been extended to 18 months and there by ended on 30th September 2011 (18 months) with the approval of Registrar of Companies, Andhra Pradesh in view of the company submitting a Corporate Debt Restructuring (CDR) Package admitted on 1st July 2011. CDR package has been approved by Corporate Debt Restructuring Empowered Group (CDREG) and the Bank of India has been appointed as the Monitoring Institution on 29-11-2011 and the letter of Approval (LOA) is expected in due course of time.

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.

Chennai
30.11.2011

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	Designation	Remuneration payable for the year 2010-11 Lacs	Qualification & Experience	Date of commencement of Employment	Age	Last Employment
1	Mr.M.P.Purushothaman	Chairman & Managing Director	75.96	Higher Secondary. 48 years in Sugars, Hotel, Transport and Power	01/03/1990	75 Years	-
2	Mr.K.Jayachandran	Joint Managing Director	39.89	B.Sc., ANSC- Sugar Technology	28/04/2007	64 Years	Chief Executive, Empee Sugars & Chemicals Limited
3	Mr.Sheeku Purushothaman	Joint Managing Director	65.38	B.A	01/04/2008	34 Years	-

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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 year ended 30th September, 2011.

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

	2010-11 (18 months) (Naidupet Unit)	2009-10 (12 months)
(A) POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased units(Kwh)	5,06,922	5,15,474
Total Amount (Rs.)	54,22,571	21,35,966
Rate / Unit (Rs.)	10.70	4.12
b) Cogen to Sugar (Kwh)	1,12,00,580	8,20,798
Total Amount (Rs.)	3,73,44,544	26,59,385
Rate/Unit (Rs.)	3.33	3.24
b) Own generation		
(i) Through Diesel Generator		
Units (Kwh)		50,147
Units/(liter) of Diesel Oil		2.09
Cost / Unit (Rs.)		15.49
(ii) Through steam turbine (generated out of our own bagasse Consumption) units (Kwh)	N.A.	-
2. Coal		811
Cost / Ton (Rs.)		2,850
3. Furnace Oil		Nil
4. Others/Internal generation		
a) Fire wood (MTs)	N.A.	462
Rate per Mt(Rs.)		1,600
b) Husk (MTs)		Nil
Rate per Mt (Rs.)		Nil

(B) CONSUMPTION PER QUINTAL OF SUGAR

Sugar Produced (Qtl)	3,62,456	78,310
Electricity (Kwh/Qtl)	32.30	17.06
Coal (M.T/Qtl)	Nil	Nil
Furnace Oil (K.L/Qtl)	Nil	Nil
Fire wood (M.T/Qtl)	Nil	0.00

(A) POWER AND FUEL CONSUMPTION

	2010-11 (18 months) (Ambasamudram Unit)*
1. Electricity	
a) Purchased units(Kwh)	9,11,850
Total Amount (Rs.)	98,47,672
Rate / Unit (Rs.)	10.80
b) Cogen to Sugar (Kwh)	89,19,808
Total Amount (Rs.)	4,00,58,858
Rate/Unit (Rs.)	4.49
b) Own generation	
(i) Through Diesel Generator Units (Kwh)	
Units/(liter) of Diesel Oil	3,06,755
Cost / Unit (Rs.)	2.72
(ii) Through steam turbine (generated out of our own bagasse Consumption) units (Kwh)	N.A.
2. Coal	3,69,520.97
Cost / Ton (Rs.)	4,212.00
3. Furnace Oil	
4. Others/Internal generation	
a) Fire wood (MTs)	471.66
Rate per Mt(Rs.)	2,510.00
b) Husk (MTs)	NA
Rate per Mt (Rs.)	NA
(B) CONSUMPTION PER QUINTAL OF SUGAR	
Sugar Produced (Qtl)	4,45,474
Electricity (Kwh/Qtl)	22.76
Coal (M.T/Qtl)	Nil
Furnace Oil (K.L/Qtl)	Nil
Fire wood (M.T/Qtl)	Nil

* Previous year's figures not applicable.

(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

Rs.1000241141/- (US\$ 22148374.40)

FOREIGN EXCHANGE OUTGO

Rs. 496153350/- (US\$ 10965000.00)

On behalf of the Board

Place: Chennai. M.P. PURUSHOTHAMAN
Date: 30.11.2011 Chairman & Managing Director

**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 Directors 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 2010-11 (18 months), the Board met seven 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

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Details of Board Meetings attended by Directors during 01/04/2010 to 30/09/2011:

Sl. No	Name	Designation	No. of meetings attended	No. of other Directorship held	No. of other Board Committees in which membership held
1	Mr.M.P.Purushothaman	Promoter – Chairman & Managing Director	6	19	5
2	Ms.Nisha Purushothaman	Promoter – Non Executive Director	7	9	7
3	Mr.Sheeju Purushothaman	Promoter- Executive Director	7	10	1
4	Mr. M. K. Mohan	Non Executive Independent Director	6	1	1
5	Mr. M. P. Mehrotra	Non Executive Independent Director	6	19	12
6	Mr.K.Jayachandran	Executive Director (upto 30.5.2011)	6	-	-
7	Mr. T.S.Raghavan	Non Executive Independent Director	7	10	5
8	Mr.Shankar Menon	Non Executive Independent Director	7	3	1

During the year (18 months), Board Meetings were held on 29-05-2010, 10-07-2010, 06-08-2010, 09-11-2010, 12-02-2011, 14-5-2011 and 11-8-2011

3. Audit Committee

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 (18 months) six audit committee meetings were held on 29-05-2010, 06-08-2010, 09-11-2010, 12-02-2011, 14-5-2011 and 11-8-2011.

Meeting and the attendance during the year

Sl.No.	Name of member	No. of meeting held	No of meetings present
1	Mr. M.P.Mehrotra	6	6
2	Mr.M.P.Purushothaman	6	5
3	Mr.T.S.Raghavan	6	6

EMPEE SUGARS AND CHEMICALS LIMITED

4. Remuneration Committee

The Remuneration committee, comprising of Mr.M.P.Mehortra, 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. Three meetings of remuneration committee were held on 29-05-2010, 09-11-2010 and on 12-02-2011 during the year under review.

Sl.No.	Name of member	No. of meeting held	No of meetings present
1	Mr.T.S.Raghavan	3	3
2	Mr.M.P.Mehrotra	3	3
3	Mr.M.K.Mohan	3	2

Details of the remuneration of executive directors and non-executive directors for the year ended 30th September, 2011 (18 months) are as follows:

Executive Directors / Whole Time Directors

Name	Designation	Remuneration for the Year ended 30.9.2011 (18 months)
Mr. M. P. Purushothaman	Chairman & Managing Director	₹ .75.96 Lacs
Mr. K. Jayachandran (up to 30.5.2011)	Joint Managing Director	₹ .39.89 Lacs
Mr. Sheeju Purushothaman	Joint Managing Director	₹ .65.38 Lacs

Non-Executive Directors

Name of the Director	Sitting Fee
1. Ms.Nisha Purushothaman	70,000
2. Mr. T.S.Raghavan	1,30,000
3. Mr.M.K.Mohan	60,000
4. Shankar Menon	70,000
5. Mr.M.P.Mehrotra	1,30,000

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

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

Name of the Director	Designation
1. Mr.M.K.Mohan	Chairman of the Committee
2. Ms.Nisha Purushothaman	Member
3. 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 2010-11, thirty one complaints were received and were redressed to the satisfaction of the complaining investors. No investor complaint was pending as on 30.9.2011.

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
2009-10	Ayyapareddipalem Village Naidupet Mandal, Nellore District, A.P	28-06-2010	11.30 a.m
2008-09	-do-	30-09-2009	11.30 a.m
2007-08	-do-	06-12-2008	12.30 p.m.

EMPEE SUGARS AND CHEMICALS LIMITED

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

Sl . No.	Name	Designation	Held on 30-09-2010	Held on 30-09-2009	Held on 06-12-2008
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	-	-	-
7	Mr.T.S.Raghavan	Director	Attended	Attended	Attended
8	Mr.Shankar Menon	Director	Attended	Attended	N.A

7. Postal Ballot

During the year (18 months), the company have passed i) Special Resolution with requisite majority for Alteration of Articles to enable the company to issue cumulative convertible preference shares of Rs.10/- each, ii) Special Resolution with requisite majority pursuant to section 81(1A) authorizing the company to issue 1 Crore nos of 0% Convertible Preference Shares of s.10/- each at a premium of Rs.140/- each aggregating to Rs.150 Crores on preferential basis to M/s.Empee Distilleries Limited and iii). An Ordinary resolution with requisite majority pursuant to section 293(1)(d) of the Companies Act, 1956, to enable the Board of Directors of the Company to borrow up to Rs.1500/- Crores through postal ballot.

8. Extra-Ordinary General Meeting:

During the year the company convened an Extra-Ordinary General Meeting wherein the company has passed the Special Resolutions, namely i). Increase of Authorized Share Capital, ii) Alteration of Articles to make provision for issue of Securities, iii). Approval to raise funds through GDR Issue, IV). Re-appointment of Mr.M.P.Purushothaman as Chairman & Managing Director for a period of 5 years. The said resolutions were passed with requisite majority.

9. 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.

10. 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.

11. 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.

EMPEE SUGARS AND CHEMICALS LIMITED

12. Disclosures

- (i) There were no materially significant related party transactions, which may have potential conflict with the interests of the company at large.
- (ii) 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.
- (iii) The company does not have a whistle blow policy. However no personnel have been denied access to the audit committee.

13. 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.

14. Compliance with corporate Governance Norms

The Company has complied with the mandatory requirements of the code of corporate governance as stipulated in clause 49 and 54 of the listing agreement with the stock exchanges. The certificate from statutory auditors is annexed to the Directors' Report.

15. 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 code of conduct, financial reports, Annual reports, agreement with media, Corporate Governance, shareholding pattern and contact details 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.

16. Dematerialization of Shares:

Dematerialization is the process by which physical share certificates of an investor are converted to an

equivalent number of securities in electronic form and credited into the investor's account maintained with his/her depository participant (DP).

Those shareholders who are holding shares in physical form are advised to convert their holdings into demat form.

The following are the benefits of Dematerialization:

1. Immediate transfer of securities.
2. No stamp duty on transfer of securities.
3. Elimination of risks associated with physical certificates such as bad delivery, fake securities etc.
4. Reduction in paperwork involved in transfer of securities.
5. Nomination facility.
6. Reduction in transaction cost.
7. Change in address recorded with Depository Participant (DP) gets registered electronically with all companies in which the investor holds securities eliminating the need to correspond with each of them separately.
8. Transmission of securities is done by DP eliminating correspondence with Companies.
9. Convenient method of consolidation of folios/ accounts.
10. Holding investments in equity, debt instruments and Government securities in a single account.
11. Automatic credit into demat account, of shares, arising out of split/consolidation/merger etc.

17. 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 Wednesday, the 28th December, 2011 at 11.00 a.m at the Registered Office and Factory at Ayyapareddipalem Village, Naidupet Mandal, Nellore District, Andhra Pradesh.

Distribution of Shareholding as on 30th September 2011

No. of equity shares held	No. of Shareholders	% of shareholders	No. of shares held	% of share holding
Up to 500	23,280	93.83	32,28,732	7.69
501 – 1000	855	3.45	7,25,197	1.73
1001 – 2000	310	1.25	4,89,129	1.17
2001 – 3000	101	0.41	2,62,219	0.62
3001 – 4000	43	0.17	1,54,081	0.37
4001 – 5000	52	0.21	2,46,935	0.59
5001 – 10000	71	0.29	5,21,340	1.24
10001 and above	97	0.39	3,63,45,267	86.59
Total	24,809	100	4,19,72,900	100

Shareholding Pattern as on 30th September, 2011

Category	Number of shareholders	No. of Shares held	% of Shareholding
Promoters	8	2,88,82,613	68.81
Other Bodies Corporate	220	25,80,077	6.15
FII	1	5,30,282	1.26
NRI	46	44,287	0.11
Public	24,533	99,35,641	23.67
TOTAL	24,809	4,19,72,900	100

Book Closure

The Register of Members and share transfer books of the Company will remain closed from 21st December 2011 to 28th December 2011 (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

- a) Madras Stock Exchange Ltd.
- b) Bombay Stock Exchange Ltd.

EMPEE SUGARS AND CHEMICALS LIMITED

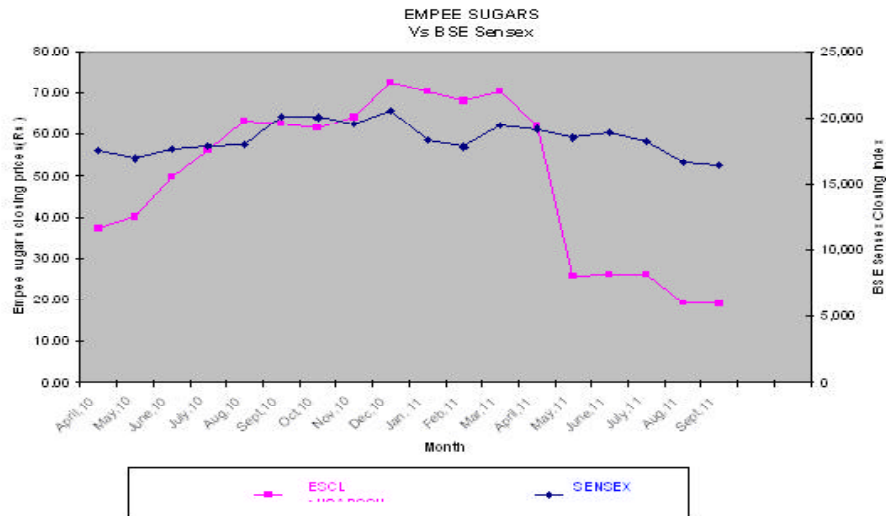
Stock Market Data

Bombay Stock Exchange Ltd (BSE); Scrip Code: 500132
(Face value of Rs.10/-each)

Month	High Price (Rs.)	Low Price (Rs.)	Month's Volume (No. of shares)
Apr-10	40.85	28.9	35,07,58,646
May-10	40.10	33.9	8,33,96,402
Jun-10	50.20	38.65	15,25,23,247
Jul-10	62.45	48	35,18,77,313
Aug-10	68.50	53.2	25,93,33,241
Sep-10	73.80	59.25	12,08,63,098
Oct-10	67.85	57.45	24,56,89,382
Nov-10	83.90	52.85	26,43,03,206
Dec-10	74.10	59.2	20,06,19,472
Jan-11	77.40	67	26,11,59,730
Feb-11	75.50	66.5	32,88,21,272
Mar-11	71.80	62.25	43,58,82,424
Apr-11	79.40	61.5	63,54,671
May-11	63.00	24.6	23,68,380
Jun-11	27.70	22.15	2,97,824
Jul-11	28.20	24.75	6,78,911
Aug-11	26.00	17.8	1,16,219
Sep-11	23.45	17.4	1,28,749

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



EMPEE SUGARS AND CHEMICALS LIMITED

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 93.75% of the total Equity Capital is held in dematerialized form as on 30th September 2011.

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:

Location-1

Ayyapareddipalem
Naidupet-524126
Nellore Dist.
Andhra Pradesh

Location-2

Idaikkal Village
Ambasamudram Taluk
Tirunelveli District
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 is 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.

Place:Chennai.
Date: 30.11.2011

On behalf of the Board
M.P. PURUSHOTHAMAN
Chairman & Managing
Director

Management Discussion and Analysis Report
(Annexure 3 to the Directors' Report)

Industry Scenario & Development:

The Sugar Industry is one of the world's major agro-based industries. Around 75% of the global sugar production comes from the top 10 producers, of which the top three (Brazil, India and the European Union) contribute 40% of the total.

World Sugar Production for 2010-11 is down, consumption is up & prices have recently started showing upward movement due to South Brazil crop which produces two-third of the total Global raw sugar requirement, is entirely rain-fed and a record rainfall in Australia. Surplus production earlier estimated is down from a forecast 7.20 million tons to around 3 million tons world sugar production for the 2010-11 marketing year is estimated at 161.90 million tons (153.40 million tons in 2009-10) while the demand/consumption is pegged at 158.2 million tons in 2010-11 (154.09 million tons in 2009-10).

World market sugar prices reached a 30 year high in November 2010 and 2011 will be the third year that global production/consumption has been in deficit.

In India, sugar industry is the second largest industry after textiles. The country is the second largest sugar producer in the world (accounting 13% of the world's sugar production). The sub-tropical region (Uttar Pradesh & Maharashtra) contributes almost 60% of India's total sugar production, while the balance comes from the tropical region, mainly from Tamilnadu, Karnataka and Andhra Pradesh.

As per Indian Sugar Mills Association (ISMA), India's output for 2010-11 season is likely to touch 25 million tons as against 18.92 million tons in the previous season. The total expected sugar production of 25 million tons as against 18.92 million tons in the previous season. The total expected sugar production of 25 million tons in India includes 9.40 million tons from Maharashtra, 5.85 million tons from Uttar Pradesh, 3.60 million tons, from Karnataka, 1.60 million tons from Tamilnadu and 1.30 million tons from Gujarat.

With India's Sugar demand likely seen at around 22 million tons and with production at 25 million tons, extra sugar of around 3 million tons (not including the 2010-11 carryover stocks at around 4.98 million tons) is likely. As globally there is a thin surplus left out, India will continue to dominate in the global sugar industry. Domestic sugar price hovered around Rs.26,000/- per ton level throughout major part of the year 2010-11.

Government Measures

During the year, Government of India took important measures such as allowing re-export of previously imported raw sugar, increase in levy price, allowing OGL exports etc. We look forward for more such facilitation measures.

Risks and Concerns:

Your company continues to review and manage the risks emanating from such a dynamic environment. The management of the company reviews and monitors risks at periodic intervals. The major risks faced by the industry include sugarcane availability, price realization and Regulatory control by Government, financial liquidity, amongst others.

Sugarcane availability:

Sugarcane is the main raw material in sugar mills. Factors like adverse climatic conditions, scarcity of harvest labour, lower sugarcane realizations or cane payment arrears to growers, availability of attractive competitive/alternate crops will have a direct impact on cane availability and affect our business.

Risk mitigation:

The company has mitigated this risk by adopting the following measures:

- Continuous yield monitoring and improvement activities to obtain a better quality cane leading to a better recovery which includes subsidies on good quality seeds, fertilizers and manure, among others.
- Promoting drip irrigation.
- Careful monitoring of cane planting and harvesting schedule.
- Introduction of mechanical harvesters.
- Timely cane payment to farmers and maintaining good relationship with them.

EMPEE SUGARS AND CHEMICALS LIMITED

Sugar price realization risk:

Being cyclical in nature, sugar price remains volatile and realizations get adversely affected during a downturn. Coupled with this, higher cane price affects profitability.

Risk mitigation:

To survive the adverse cyclical nature of the sugar business, the company has adopted an integrated business model in Ambasamudram unit and engaged in the Co-generation of power.

Regulatory risk:

The sugar industry is closely regulated by both central and state governments by way of reservation of cane area, fixing sugarcane price, monthly release order mechanism for sugar trade, levy obligation at a lower price etc.

Risk response:

The company in close association with ISMA and SISMA is in the process of developing a common strategy to place appropriate policies and reduce governmental influence in the sugar sector and help decontrol the sugar industry.

Financial liquidity risk:

Procurement of funds to meet working capital requirements and the payment of the interest and principal with respect to loans availed. The other associated risk is soaring interest rates.

Risk response:

As the company has a good relationship with the Banks, the Company constantly strives to work on different financing options at economical and better cost of debt.

Segment wise performance

The segments for the purpose of reporting are Sugar, IAP and Power. The sugar segment achieved a sales turnover of ₹.19880.57 Lacs while the IAP ₹. 3130.60 Lacs and Power ₹.17217.35 Lacs.

The sugar division earned a profit before interest and taxes of ₹.1715.18 Lacs, IAP division ₹.511.39 Lacs and Power ₹.1594.13 Lacs. Consequent to the losses of ₹.(2356.85) Lacs and ₹.(874.09) Lacs incurred by the company during 5th and 6th quarters

of the extended financial year ending 30th September 2011 (18 months) the available profits and reserves were eroded and the 18 months cumulative results ended with net loss of ₹.(3854.70) Lacs. The sugar unit in Ambasamudram could not do well due to failure of monsoon and the sugar cane crop was failed.

Internal control systems and their adequacy:

The company has a well-established internal control system in the form of well-documented policies, authorization guidelines commensurate with the level of responsibility and standard operating procedures, to ensure proper functioning of operations. Moreover, your company appointed independent internal auditors to periodically review and make continuous assessments of the adequacy and effectiveness of the internal control and systems.

The Board, Audit Committee and the Management review the findings and recommendations of the Internal Auditors and take corrective action, wherever necessary.

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. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

EMPEE SUGARS AND CHEMICALS LIMITED

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Empee Sugars & Chemicals Limited

We have examined the compliance of conditions of corporate governance by Empee Sugars & Chemicals Limited, for the 18 months period ended on 30th September 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India, with the relevant records and documents maintained by the company and furnished to us and the report on corporate governance as approved by the board of directors.

The Compliance of Conditions of Corporate governance is the responsibility of the management. Our Examination was limited to 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 statement of the company.

Based on the aforesaid examination and according to the information and explanation given to us, we certify that the company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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.

For K.S.AIYAR & CO.
Chartered Accountants
Firm's Registration No: 100186W
(S. Kalyanaraman)
Partner
(M No: 200565)

Place: Chennai
Date: 30.11.2011

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 30th September 2011 (18 months), as envisaged in Clause 49 of the Listing agreement with Stock Exchanges.

Place: Chennai.
Date: 30.11.2011

M.P. Purushothaman
Chairman & Managing Director

EMPEE SUGARS AND CHEMICALS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF EMPEE SUGARS AND CHEMICALS LIMITED, NAIDUPET

- | | | |
|---|------|--|
| 1. We have audited the attached Balance Sheet of M/s. EMPEE SUGARS AND CHEMICALS LIMITED , as on 30th September 2011 and also the Profit & Loss Account and cash flow statement for 18 months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. | i) | We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit; |
| 2. We have conducted audit in accordance with auditing standards generally accepted in India. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion. | ii) | In our opinion, the Company has kept proper books of account as required by law, so far, as it appear from our examination of such books; |
| 3. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) Order, 2004 issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956; we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. | iii) | The Financial Statements dealt with by this Report are in agreement with the books of account; |
| 4. Further to our comments in the annexure referred to in paragraph III above, we report that: | iv) | In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this Report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; |
| | v) | On the basis of the written representations received from the directors as on 30th September 2011 , and taken on record by the Board, we report that none of the directors is disqualified as on 30th September 2011 , from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; |
| | vi) | The company has declared and paid an interim dividend of Rs.209.86 lakhs (5% of the paid up capital) based on the profits made till 30th Sept 2010. However, the company has made net loss during the period of 18 months ending 30th Sept 2011 which resulted in declaration of dividend out of capital which is in violation of the Section 205 of the Companies' Act 1956. |

EMPEE SUGARS AND CHEMICALS LIMITED

vii Attention of the members are hereby drawn to point 9 of schedule 19 (Notes forming part of financial statements), relating to utilisation of share application money pending allotment.

Subject to the qualifications mentioned in para (vi) & (vii) above in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) In the case of Balance Sheet, of the state of affairs of the Company as on **30th September 2011**;
- (b) In the case of the Profit and Loss account, of the **Loss** for the period ended on that date.
- (c) In the case of the Cash flow statement of the cash flows for the period ended on that date

**For M/s. K. S. Aiyar & Co.,
Chartered Accountants
(Firm Regn.no.100186W)**

**Place: Chennai
Date: 30.11.2011**

**S. Kalyanaraman
(Partner)
M. No. 200565**

ANNEXURE TO AUDITOR'S REPORT

(Refer to in para (iii) of our report of even date)

I. In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of all fixed assets.

(b) Physical verification of fixed assets was carried out by the management during the year as per its program of verification which, in our opinion is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the company and such disposals have, in our opinion not affected the going concern status of the company.

(II) In respect of its inventories:

(a) As explained to us, the inventory has been physically verified by the Management at reasonable intervals. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) According to the information and explanations given to us, in our opinion, the Company has maintained proper records of inventory and no discrepancies noticed on physical verification between the physical stocks and the book records.

(III) According to the information and explanations given to us with regard to loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, we report as follows:

(a) The company has taken unsecured loan from its holding company which is covered under section 301 register of the companies act. The maximum amount involved at any time during the period is Rs.2655 lacs and the period end balance of the unsecured loan is Nil

(b) The company has not granted any loans to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.

(c) Since there are no loans granted by the company, the comment on sub clause (c) is not applicable.

(d) The above said loan in clause (a) is repayable on demand. Hence the comment on sub clause (d) is not applicable.

(IV) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to its sale of goods and services. Further on the basis of our examination of the books and records of the Company, and according to the information and

EMPEE SUGARS AND CHEMICALS LIMITED

explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the above said internal control system.

(V) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a).The particulars of contracts or arrangements referred to Section 301 that needs to be entered into the register, maintained under the said section have been so entered.

(b) Where the transactions made in pursuance of contracts entered in the register maintained under section 301 of the Companies Act, 1956, and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the relevant market prices at the relevant time.

(VI) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits attracting the provisions of section 58 A and 58 AA of the Companies Act, 1956 or any other relevant provisions of the Act. The guidelines issued with regard to the acceptance of deposits are not applicable to the Company.

(VII) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(VIII) To the best of our knowledge, and according to the information and explanations given to us, the books of accounts 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 Companies Act, 1956. However, we have not carried out detailed examination of the same.

(IX) In respect of statutory dues:

(a) According to the records of the Company and the information and explanations given to us, the Company is generally regular in depositing the undisputed statutory dues including provident fund, income-tax deducted at source, excise duty, cess, service tax, custom duty and any other statutory dues.

(b). There is a disputed liability in regard to Statutory dues as detailed below

Nature of Dues	Period to which the dues belongs	Forum where dispute is pending	₹. in Lacs
Andra Pradesh Purchase Tax	1994 – 2001	Assistant Cane Commissioner	1248.76

EMPEE SUGARS AND CHEMICALS LIMITED

(X) **The Company has incurred ₹. 5337.21 lacs of accumulated losses which exceeds fifty one percentage of its net worth of the company as at 30.09.2011. The company has incurred cash loss of ₹. 408.97 lakhs during the period. However there was no cash loss during the previous financial year.**

(XI) **In our opinion and according to the information and explanations given to us, the Company has paid its dues to the banks/financial institutions up to the date of submission of CDR (corporate debt restructure) proposal (1.7.2010). The company consequently has not paid the dues pending approval of CDR package after the said date.**

(XII) In our opinion and according to our examination of records of the Company, no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

(XIII) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society and therefore the provisions of sub-clause (xiii) are not applicable to the Company.

(XIV) The Company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of sub-clause (xiv) are not applicable to the Company.

(XV) The company has given corporate guarantee for loan taken from bank and financial institution by its wholly owned subsidiary company. According to the information and explanation given to us, the terms and conditions of the guarantee given are not prejudicial to the interest of the company.

(XVI) Based on our audit and according to the information given to us, the term loans availed by the company have been applied for the purposes for which the loans were obtained.

(XVII) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, no funds were raised on short-term basis have been used for long-term investment.

(XVIII) The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

(XIX) During the year the Company has not raised any money through issue of debentures.

(XX) During the year the Company has not raised any money through public issue.

(XXI) According to the information and explanations given to us, based upon the audit procedures performed and representations made by the management we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Date: 30.11.2011
Place: Chennai

For K.S. Aiyar & Co
Chartered Accountants
(Regn No 100186 W)
S.Kalyana Raman
Partner
Membership No. 200565

EMPEE SUGARS AND CHEMICALS LIMITED

BALANCE SHEET AS AT 30.09.2011			
	Schedule	As at 30.09.2011 ₹. In Lacs	As at 31.03.2010 ₹. In Lacs
Sources of Funds			
Share Holders Fund	1	4,197.29	4,197.01
0% Convertible Preference share Application Money		13,794.50	12,427.00
Loan Funds			
Secured Loan	2	49,819.86	36,250.65
Unsecured Loan	3	1,750.39	2,655.00
Deferred Tax Liabilities	12	-	250.98
Total		<u>69,562.04</u>	<u>55,780.64</u>
Application of Funds			
Fixed Asset			
Gross Block	4	45,155.98	8,607.32
Less: Depreciation Reserve		5,905.96	3,499.16
		39,250.03	5,108.16
Add: Capital Work in Progress		574.28	39,824.31
		30,221.07	35,329.23
Investments	5	2,327.54	2,327.67
Deferred Tax Asset	12	1,565.61	-
Current Assets, Loans and advances			
(A) Current Assets			
Inventories	6	11,736.09	2,841.55
Sundry Debtors	7	6,704.13	271.55
Cash & Bank Balances	8	66.78	221.16
(B) Loans & Advances	9	6,399.57	11,349.97
		24,906.58	14,684.23
Less: Current Liabilities	10	5,749.21	3,464.16
		19,157.37	11,220.07
Miscellaneous Expenditure (To the extent not written off or adjusted)	11	1,350.00	1,500.00
Pre Operative Expenses		-	4,786.62
Profit & Loss Appropriation account		5,337.21	617.05
Total		<u>69,562.04</u>	<u>55,780.64</u>
Significant accounting polices and notes on financial statements	19		
As per our report of even date annexed		For and on behalf of the Board	
K.S.Aiyar & Co		M.P.Purushothaman	Sheeju Purushothaman
Chartered Accountants		Managing Director	Joint Managing Director
(Firm Regn.no.100186W)			
(S.Kalyanaraman)		S.S.K.Swarup	
Partner(M.No.200565)		G.M.(F&A) & Company Secretary	
Place:Chennai			
Date: 30.11.2011			

EMPEE SUGARS AND CHEMICALS LIMITED

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30.09.2011 (18 Months)			
	Schedule	Year ended 30.09.2011 ` . In Lakhs (18 months)	Year ended 31.03.2010 ` . In Lakhs (12 months)
INCOME			
Sales Income - Domesitic		30,719.93	4,768.00
Less: Excise Duty & taxes		451.44	185.77
		30,268.49	4,582.23
Sales Income - Exports		9,958.03	-
Net Sales/Income from Operation	13	40,226.52	4,582.23
Other Income	14	672.89	29.90
Total		40,899.41	4,612.13
EXPENDITURE			
Manufacturing & Other Expenses	15	29,686.33	3,074.60
Employees Expenses	16	1,814.97	404.08
Administrative & Other Expenses	17	2,131.68	226.95
Total		33,632.98	3,705.63
Profit before Interest, Depreciation & Tax		7,266.42	906.50
Less: Interest on Bank Borrowings	18	9,491.99	494.09
Less: Depreciation	4	3,007.60	353.88
Less: Depreciation relating to earlier years		438.12	-
Profit / (Loss) before Tax		(5,671.29)	58.53
Provision for Taxation		-	9.04
Deferred Tax Liability/(Asset)-Current Year		(1,816.59)	(43.15)
Profit / (Loss) After Tax		(3,854.70)	92.64
Loss as per previous Balance Sheet		(617.05)	(656.38)
Less: Interim Dividend including DDT	244.72		-
Less: Prior Period Expenses	620.74	(865.46)	(53.31) 53.31
Balance carried over to Balance Sheet		(5,337.21)	(617.05)
Earnings per Equity Share (Basic/Diluted) Rs. (Face Value Rs.10/- per Share)		(9.18)	0.22

As per our report of even date annexed

K.S.Aiyar & Co
Chartered Accountants
(Firm Regn.no.100186W)
(S.Kalyanaraman)
Partner
(M.No.200565)
Place: Chennai
Date: 30.11.2011

For and on behalf of the Board
M.P.Purushothaman Sheeju Purushothaman
Managing Director Joint Managing Director

S.S.K.Swarup
G.M.(F&A) & Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

SCHEDULES TO THE ACCOUNTS FOR THE YEAR ENDED 30.09.2011

	As at 30.09.2011 ₹. in Lacs (18 months)		As at 31.03.2010 ₹. in Lacs (12 months)	
Schedule -1				
Share Capital				
Authorised Capital				
70000000 Equity Shares of Rs 10 each	7,000.00		4,500.00	
(P.Y 45000000 Equity Shares of Rs.10 each)				
10000000 Preference Shares of Rs 10 each	<u>1,000.00</u>	8,000.00	-	4,500.00
Issued,subscribed and paid up	4,197.29		4,197.29	
Less: Call in arrears	-	4,197.29	0.28	4,197.01
Schedule -2				
Secured Loans				
SDF Loan				
		4,753.68		0.00
OCC Limits from Banks-Nayudupet				
Indian Bank-Nayudupet	1,299.00		1,398.23	
Union Bank of India	<u>1,388.27</u>	2,687.27	<u>680.62</u>	2,078.85
OCC Limits from Banks-Ambasamudram				
Andhra Bank	3,746.33		-	
Bank of India	2,329.82		-	
Indian Bank	703.43		500.08	
Indian Overseas Bank	1,107.90		-	
Oriental Bank of Commerce	2,558.98		-	
Punjab National Bank	2,195.49		-	
Union Bank of India	<u>772.58</u>	13,414.52	-	500.08
LC				
Bank of India	434.53			
Punjab National Bank	<u>935.82</u>	1,370.35		
Working Capital Term Loan-Nayudupet				
Indian Bank	875.81		1,214.15	
Union Bank of India	673.25		1,013.92	
Bank of Maharashtra	156.08		186.13	
Federal Bank (WCDL)	<u>134.41</u>	1,839.55	<u>166.40</u>	2,580.60
Term Loans for Fixed Asset (Ambasamudram Project)				
Andhra Bank	4,135.92		5,015.92	
Bank of India	6,239.93		7,131.93	
Indian Overseas Bank	2,587.52		3,368.65	
Punjab National Bank	4,309.58		5,398.64	
Indian Bank	1,800.00		2,049.00	
Oriental Bank Of Commerce	4,291.77		5,273.34	
Union Bank of India	<u>2,389.78</u>	<u>25,754.50</u>	<u>2,853.64</u>	<u>31,091.12</u>
		<u>49,819.86</u>		<u>36,250.65</u>
Schedule - 3				
Unsecured Loan				
Loan from NBFCs	1750.39		-	
Others (From Empee Distilleries limited)	-		2,655.00	
		1750.39		2,655.00

SCHEDULE -4

FIXED ASSETS

₹. in Lacs

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK			
	As at 01.04.2010	Additions during the year	Sales during the year	As at 30.09.2011	Upto 01.04.2010	For the year	Prior period Depreciation	Depreciation on deletions	Upto 30.09.2011	As at 30.09.2011	As at 31.03.2010
Land & Site	591.24	3.89	-	595.12	-	-	-	-	-	595.12	591.24
Buildings	1,009.03	4,730.89	-	5,739.92	386.08	274.40	67.54	-	728.02	5,011.90	622.95
Plant & Machinery	6,755.10	32,441.56	1,272.03	37,924.63	2,991.07	2,621.10	356.89	1,034.23	4,934.83	32,989.80	3,764.03
Furniture & Fittings	21.38	11.03	-	32.41	14.29	2.17	2.20	-	18.65	13.76	7.10
Vehicles	199.96	614.17	5.00	809.12	84.81	103.05	5.51	4.69	188.67	620.45	115.15
Computer	17.47	12.01	-	29.48	17.46	5.39	5.36	-	28.22	1.27	0.01
Office Equipments	13.14	12.16	-	25.30	5.46	1.49	0.63	-	7.57	17.73	7.68
Total	8,607.32	37,825.70	1,277.03	45,155.98	3,499.16	3,007.60	438.12	1,038.92	5,905.96	39,250.03	5,108.16
Previous year	7,704.61	902.71	-	8,607.32	3,145.29	353.88	-	-	3,499.17	5,108.16	4,559.31

EMPEE SUGARS AND CHEMICALS LIMITED

Schedule - 5	₹. In Lakhs			
Investments-govt(Unquoted at cost)				
6 Years NSC VIII Issue	-		0.13	
Investment on Shares				
Unquoted investment				
EMPEE Power (I) Limited (23275394 shares of Rs.10 each)	<u>2,327.54</u>	2,327.54	<u>2,327.54</u>	2,327.67
 Schedule - 6				
Inventories				
(As per inventory taken, valued and certified by the management)				
(At Cost or NRV whichever is lower):				
Stores & Spares, Chemicals	1,012.46		180.66	
Sugar Cane	-		-	
Steam Coal & Fire wood	2,159.62		-	
Sugar	5,483.68		924.24	
Spirit	285.00		439.40	
Molasses	2,211.11		155.40	
Raw Sugar			915.44	
Raw Sugar in Process	-		218.30	
Semi Finished Stock	<u>584.21</u>	11,736.09	<u>8.11</u>	2,841.55
 Schedule - 7				
Sundry Debtors				
Debts outstanding for a period				
Exceeding six months	2,250.36		-	
Others	<u>4,453.77</u>	6,704.13	<u>271.55</u>	271.55
 Schedule- 8				
Cash & Bank Balances				
Cash	3.00		1.82	
Balance with banks in current accounts	<u>63.78</u>	66.78	<u>219.34</u>	221.16
 Schedule - 9				
Advances recoverable in cash or kind for value to be received				
a. Unsecured but considered good				
Loans & Advances				
Advances to suppliers	-		8,373.65	
Other Advances	5,504.44		2,104.69	
Tax deducted at source & Advance Income Tax	302.72		21.80	
Prepaid Expenses	25.59		13.04	
Deposits				
Deposits with Government Departments	61.83		61.76	
Fixed Deposit with banks (Margin for Guarantee)	336.56		596.51	
Other Deposits	<u>168.43</u>	6,399.57	<u>178.52</u>	11,349.97

EMPEE SUGARS AND CHEMICALS LIMITED

				₹. In Lakhs
Schedule - 10				
Current Liabilities & Provisions				
Due to Suppliers	3,064.72		2,880.89	
Advances from Customers	444.81		-	
Other Liabilities	599.88		502.24	
Liability for expense	<u>1,639.81</u>	5,749.21	<u>81.03</u>	3,464.16
Schedule -11				
Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Discount on issue of shares		1,350.00		1,500.00
Schedule-12				
Deferred Tax				
Depreciation		7,131.09		467.89
Provision for doubtful debts and advances	4.91		4.91	
Brought forward loss as per Income tax	<u>8,691.79</u>	<u>8,696.70</u>	<u>212.00</u>	<u>216.91</u>
Deferred Tax Liabilities/(Assets) (net)		<u>(1,565.61)</u>		<u>250.98</u>
Schedule-13				
Sales				
Sugar	19,286.24		2,947.37	
Raw Sugar	2,567.31			
Spirit	1,144.06		1,602.79	
Molasses			-	
Power	17,215.35		-	
CO2 Sales			11.70	
Organic Manure	<u>13.57</u>	40,226.52	<u>20.36</u>	4,582.22
Schedule-14				
Other Income				
Sundry Income	471.51		14.06	
Scrap sales	139.54		12.11	
Interest Receipts	<u>61.84</u>	672.89	<u>3.73</u>	29.90
Schedule -15				
Manufacturing & Other Expenses				
Sugar Cane Consumed	10,269.25		2,217.74	
Purchase Tax	90.03		64.66	
Transport Charges(Molasses)	96.51		12.99	
Consumption of Molasses & Others	1,549.17		400.10	
Raw Sugar Consumed	9,176.26		-	
Steam Coal Consumed	15,111.42		-	

EMPEE SUGARS AND CHEMICALS LIMITED

				In Lakhs
Cane Development Council fund	18.50		3.80	
Subsidy on Cane	159.79		9.62	
Cane Development Expenses	85.05		5.17	
Consumption of Stores and Spares	1,110.43		164.76	
Other Manufacturing Expenses	166.25			
Power & Fuel	444.20		229.15	
Repairs & Maintenance-Buildings	61.43		0.78	
Repairs & Maintenance-Machinery	14.61		4.66	
Repairs & Maintenance-Others	94.07		6.44	
Freight Charges	<u>133.91</u>	38,580.87	<u>28.50</u>	3,148.37
(Increase)/Decrease of Stock				
Closing Stock				
Sugar	5,483.68		924.24	
Spirit	285.00		439.40	
Molasses	2,211.11		155.40	
Steam Coal & Fire wood	2,159.62		-	
Stores & Spares,Chemicals	1,012.46		-	
Raw Sugar	-		915.44	
Raw Sugar in Process	-		218.30	
Semi Finished Products	<u>584.21</u>	11,736.09	<u>8.11</u>	2,660.89
Less: Opening Stock				
Sugar	924.24		1,376.36	
Spirit	439.40		603.15	
Molasses	155.40		596.82	
Stores & Spares,Chemicals	180.66			
Raw Sugar	915.44		-	
Raw Sugar in Process	218.30		-	
Semi Finished Products	<u>8.11</u>	2,841.55	<u>10.80</u>	2,587.13
Net (Increase)/Decrease in stock		<u>(8,894.54)</u>		<u>(73.76)</u>
Total Manufacturing and other expenses		<u>29,686.33</u>		<u>3,074.61</u>
Schedule-16				
Employees Expenses				
Salary & Allowance	1,527.16		356.79	
Contribution to Provident Fund	42.90		22.02	
Staff Welfare Expenses	31.85		7.78	
Gratuity and Leave Encashment	182.18		7.86	
Bonus	30.88	1,814.97	9.64	404.09
Schedule -17				
Administrative Expenses				
Printing & Stationery	22.08		1.16	
Rates,Taxes	75.17		12.89	

EMPEE SUGARS AND CHEMICALS LIMITED

				₹. In Lakhs
Insurance Premium	61.69		13.08	
Postage, Telephone & Telegram	40.60		8.07	
Conveyance & Travelling	83.49		1.50	
Vehicle Maintenance & Hire Charges	150.82		29.49	
Advertisement	15.69		4.00	
Rent	67.92		10.26	
Auditor's Remuneration	3.75		0.67	
Professional Charges/Legal Charges	165.58		20.03	
Sitting Fee	4.65		2.00	
Bank Charges	142.78		34.22	
Miscellaneous Expenses	<u>1,297.45</u>	2,131.68	<u>89.59</u>	226.96
Schedule -18				
Interest on Borrowings:				
Interest on Term Loan	6,537.22		316.72	
Interest on Working Capital	2,429.38		173.03	
LC Charges	281.88		-	
Interest on Others	<u>243.51</u>	9,491.99	<u>4.34</u>	494.09

EMPEE SUGARS AND CHEMICALS LIMITED

SCHEDULE – 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements have been prepared under historical cost convention and following the accrual method of accounting in accordance with the applicable mandatory accounting standards notified by the companies (Accounting Standards) Rules, 2006 and the relevant provisions of Companies Act, 1956. The accounting is on the basis of going concern concept.

2. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

3. Revenue Recognition

All income and expenditure are accounted for on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes.

Sales Income is accounted exclusive of excise duty and sales tax wherever applicable and net of trade discounts.

Insurance claims are accounted as and when the claims are settled

Interest due from growers for seed supplied is accounted as and when cane is received from growers.

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.

Other Income – a) Interest Income is accounted at applicable coupon rates on respective investments, on time basis. b) Dividend income is accounted as and when received.

4. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation /amortization. Direct costs are capitalized until fixed assets are ready for use. These costs include freight, installation costs, duties and taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use.

Capital Work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Capital work-in progress is stated at cost.

5. Depreciation/Amortization

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.

Depreciation is calculated on a pro-rata basis for assets purchased / sold during the year with reference to the month in which the fixed assets are put to use or commissioned. Individual assets costing less than Rs. 5000 are depreciated in full in the year of acquisition.

EMPEE SUGARS AND CHEMICALS LIMITED

6. Impairment of Fixed Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

7. Cash flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

8. Investments

Long term investments are stated at cost less provision for diminution in value other than temporary if any, in the opinion of the management. Short term investments are valued at cost or fair value whichever is lower

9. Inventories

Inventories are stated as under:

- a. **Finished Goods:** At cost or net realizable value whichever is lower.
- b. **Work-in-Progress:** At all direct costs and applicable production overheads to bring the goods to the present location and condition.
- c. **Raw materials, Stores & Spares:** At landed cost on first-in –Fist- Out basis.

10. 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 provisions of Accounting Standards 16 and 11(Revised) issued by The Institute of Chartered Accountants of India.

11. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary items having material impact on the financial affairs of the Company are disclosed, wherever applicable. There is no material deviation in the accounting policies during the current year.

12. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted by the balance Sheet date.

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Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

Tax on distributable profits payable by the company in accordance with the provisions of Income-tax Act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by the ICAI.

13. Borrowing Costs

Borrowing costs that are attributable to acquisition or construction of qualifying assets are included as part of the cost of such assets

Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

14. Provisions

The company recognizes provision when there is a present obligation of the enterprise arising from past events, settlement of which is expected to result in

an outflow from the enterprise of resources embodying economic benefits which can be measured only by using a substantial degree of estimation.

Provision for contractual obligation has been provided for in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognized nor disclosed in the financial statements.

15. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20. Basic earnings per equity share have been computed dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares 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 shares and dilutive potential equity shares outstanding during the year. For Basic and diluted earnings before extra-ordinary items, the amount of extra-ordinary items and tax thereon are excluded for computation.

16. Retirement and Other Benefits

Contribution to Provident Fund is made as per the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and charged

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to Profit and Loss Account and disclosed separately.

Gratuity and Leave encashment has been provided as per Actuarial Valuation.

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.

17. Segment Reporting

A. Business Segments:

Based on the guiding principles given in Accounting Standard – 17 'Segment Reporting', the Company's business segments include Sugar, IAP and Power.

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. Joint 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 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, reserves, loans investments, miscellaneous expenditure and profit and loss appropriation account. While most of

- c. Inter segment sales between operating segments are accounted at market price. These transactions are eliminated in consolidation.

18. Miscellaneous Expenditure

Miscellaneous expenditure is written off over the period of Ten years on straight line method.

II. NOTES ON ACCOUNTS

1. The Company has closed the accounting year on 30.09.2011 for the 18 months period from 01.04.2010 to 30.09.2011. The company has received approval from Registrar of Companies vide letter dated 25.08.2011 for the extension of the financial year up to 18 months period.
2. SECURED LOANS:
 - a. Working capital facility from Indian Bank, Ethiraj Salai Branch, Chennai for ₹.1350.00 lacs. (Balance as on 30.09.2011 ₹.1299.00 Lacs) Secured by Paripassu charge on hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on fixed assets of the Naidupet Unit of the company with other members of the consortium and personal guarantee of Three Directors.
 - b. Working capital facility from Union Bank of, IF Branch, Chennai for ₹.1350.00 lacs (Balance as on 30.09.2011 ₹.1388.27 lacs). Secured by Paripassu charge on

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- hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on fixed assets of the Naidupet Unit of the company with other members of the consortium and personal guarantee of Three Directors.
- c. Working Capital Term Loan facility for Indian Bank, Ethiraj Salai Branch for ` .775.00 lacs (Balance as on 30.09.2011 ` .875.81 Lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
- d. Working Capital Term Loan facility for Union Bank of India, IF Branch for ` .775 lacs (Balance as on 30.09.2011 ` .673.25 lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
- e. Working Capital Term Loan facility for Bank of Maharashtra, Mount Road Branch for ` .228.30 lacs (Balance as on 30.09.2011 ` .156.08 Lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
- f. Working Capital Term Loan facility for Federal Bank, Mount Road Branch for ` .242.13 lacs (balance as on 30.09.2011 ` .134.41 lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium
- and personal guarantee of Three directors
- g. Term Loan facility from Andhra Bank, Mount Road Branch, Chennai for ` .4770.00 lacs (balance as on 30.09.2011 ` .4135.92 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- h. Term Loan facility from Indian Bank, Ethiraj Salai Branch, Chennai for ` .1920.00 lacs (balance as on 30.09.2011 ` .1800.00 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- i. Term Loan facility from Union Bank of India, IF Branch, Chennai for ` .2860 (lacs) (balance as on 30.09.2011 ` .2389.78 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.

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- j. Term Loan facility from Indian Overseas Bank, Cathedral Branch, and Chennai for ₹.2860.00 lacs (balance as on 30.09.2011 ₹.2587.52 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- k. Term Loan facility from Bank of India, Chennai Corporate Banking Branch, and Chennai for ₹.7150.00 lacs (balance as on 30.09.2011 ₹.6239.93 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- l. Term Loan facility from Punjab National Bank, Large Corporate Branch, Chennai for ₹.4770.00 lacs (balance as on 30.09.2011 ₹.4309.58 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- m. Term Loan facility from Oriental Bank of Commerce, Dr. Radhakrishnan Salai Branch, and Chennai for ₹.4770.00 lacs (balance as on 30.09.2011 ₹.4291.77 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- n. Working Capital facility from Andhra Bank, Mount Road Branch, Chennai for ₹.2227.00 lacs (balance as on 30.09.2011 ₹.3746.33 lacs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- o. Working Capital facility from Indian Bank, Ethiraj Salai Branch, Chennai for ₹.870.00 lacs (balance as on 30.09.2011 ₹.703.43 lacs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- p. Working Capital facility from Indian Overseas Bank, Cathedral Branch, Chennai for ₹.1300.00 lacs (balance as on 30.09.2011 ₹.1107.90 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram

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- unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- q. Working Capital facility from Bank of India, Chennai Corporate Banking Branch, Chennai for ` .2700.00 lakhs (balance as on 30.09.2011 ` .2329.82 lacs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- r. Working Capital facility from Punjab National Bank, Large Corporate Branch, Chennai for ` .2613.00 lakhs (balance as on 30.09.2011 ` .2195.49 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- s. Working Capital facility from Oriental Bank of Commerce, Dr. Radhakrishnan Salai Branch, Chennai for ` .2200.00 (balance as on 30.09.2011 ` .2558.98 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- t. Working Capital facility from Union Bank of India, IF Branch, and Chennai for ` .900.00 lakhs (balance as on 30.09.2011 ` .772.58 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- u. Sugar Development fund from government of India, Ministry of Consumer affairs, New Delhi for ` .3997 Lacs. (balance as on 30.9.2011 is ` .3847.47 Lacs) is secured by first paripassu charge by way of a hypothecation of all moveable assets (except book debts) including moveable machinery, machinery spares, tools and accessories both present and future pertaining to bagassee based cogeneration power plant at Idaikkal village, Ambasamudram Taluk, Tirunelveli Dist Tamilnadu.
- v. Sugar Development fund from government of India, Ministry of Consumer affairs, New Delhi for ` .1812 Lacs. (balance as on 30.9.2011 is ` .906.20 Lacs) is secured by first paripassu charge by way of a hypothecation of all moveable assets (except book debts) including moveable machinery, machinery spares, tools and accessories both present and future pertaining to bagassee based cogeneration power plant at Idaikkal village, Ambasamudram Taluk, Tirunelveli Dist Tamilnadu.

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3. Contingent Liabilities, Guarantees & Capital commitments

A. Contingent Liabilities

Particulars	₹. in Lacs 30.09.2011	₹. in Lacs 31.03.2010
a) Claims against the company not acknowledged as debts	Nil	172.63
b) Disputed Purchase Tax	729.59**	1175.69*

*includes principal and interest

**includes only interest

B. Guarantees

Particulars	₹. in Lacs 30.09.2011	₹. in Lacs 31.03.2010
Indian Bank, Chennai	20.5	-
Andhra Bank, Mount Road, Chennai	2.03	-

C. Capital Commitments

Particulars	₹. in Lacs 30.09.2011	₹. in Lacs 31.03.2010
a) Estimated amount of capital contracts remaining to be executed is	943.07	4,221.81

4. Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 (Revised) "Employees Benefits" prescribed by the Companies (Accounting Standards) Rules, 2006.

a) Defined Contribution Plans: Amount of ₹. 262.59 Lacs (previous year ₹. 35.98) pertaining to employers' contribution to provident fund, gratuity provision and leave encashment provision is recognized as an expense

b) The disclosures for gratuity cost is given below:

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- (i) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Present value of obligation at the	-	164.32
2 Interest cost	-	6.64
3 Current service cost	-	17.65
4 Benefits paid	-	3.07
5 Actuarial (gain) / loss on obligation	164.32	-53.75
6 Present value of obligation at the end of year	164.32	131.81

- (ii) The changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Fair value of plan assets at the beginning of the year	-	-
2 Expected return on plan assets	-	-
3 Contributions	-	11.92
4 Benefits paid	-	-3.07
5 Actuarial gain / (loss) on plan assets	-	-0.48
6 Fair value of plan assets at the end of year	-	8.37

- (iii) Actuarial gain / loss recognized as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Actuarial gain / (loss) for the year – obligation	-164.32	53.75
2 Actuarial gain / (loss) for the year – plan assets	-	-0.48
3 Total gain / (loss) for the year	-164.32	53.27
4 Actuarial gain / (loss) recognized in the year	-164.32	53.27
5 Unrecognized actuarial gains (losses) at the end of year	-	-

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(iv) The amounts recognized in Balance Sheet are as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Present value of obligation as at the end of the year	-164.32	-131.81
2 Fair value of plan assets as at the	-	8.37
3 Funded / (unfunded) status	-164.32	-123.43
4 Excess of actual over estimated	-	-
5 Net assets / (liability) recognized in balance sheet	-164.32	-123.43

(v) The amounts recognized in Profit and Loss Account are as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Current service cost	-	17.65
2 Past service cost	-	-
3 Interest cost	-	6.64
4 Expected return on plan assets	-	-
5 Net actuarial (gain)/loss recognized in the year	164.32	-53.27
6 Expenses recognized in the statement of profit and losses*	164.32	-28.97

(vi) Principal actuarial assumptions at the balance sheet date are as follows:

A. Economic Assumptions

The principal assumptions are the discount rate and salary growth rate. The discount rate is generally based upon the market yield available on the Government bonds at the accounting date with a term that matches that of the liabilities and salary growth rate takes account of inflation, seniority, promotion and other relevant factors on long term basis.

Particulars	As at 30 September 2011	As of 31st March 2011
1. Discount rate	8.50%	8.25%
2. Salary growth rate	6%	6%

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B. Demographic Assumption

1. Retirement Age	60 Years	
2. Mortality table	LIC (1994-96) duly modified	
3. Withdrawal Rates	Ages	Withdrawal Rate (%)
	Up to 30 Years	1%
	Up to 44 Years	1%
	Above 44 Years	1%

(vii) General description of defined benefits plan:

Gratuity Plan (Defined benefit plan)

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary (includes dearness allowance) last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death whichever is earlier. The benefit vests after five years of continuous service.

5. Sundry Creditors and Debtors balances are subject to confirmation by the parties concerned
6. All the investments held by the company are long term in nature
7. Miscellaneous expenditure includes ` .150 Lacs written off during the period pertaining to discount on issue of shares made during the year 2000-2001 (being one tenth of the total amount of ` .1500 Lacs).
8. The company has declared and paid an interim dividend of (5% on the equity capital of equity capital of ` .4197.29 Lacs) ` .209.86 Lacs calculated on available profits of ` .1499.41 Lacs (unaudited) as on 30.9.2010. The profit made for the year 2010-11 (12 months) is sufficient to justify the payment of interim dividend after making a provision for depreciation for 12 months and unabsorbed depreciation for the earlier years. The company has incurred substantial losses during the 5th and 6th quarters of the extended financial year ending 30th September 2011 (18 months) which has eroded the available profits and reserves.
9. The company has received share application money (towards 0% convertible preference shares) to the tune of ` .137.95 Crores from its holding company (M/s Empee Distilleries Limited) and the same is pending allotment as on the balance sheet date. The company has fully utilized the application money for meeting the capital cost at Ambasamudram project. The company is exploring ways and means to make allotment of shares at the earliest taking into account the current market prices and market movements.
10. The Government of Andhra Pradesh by its order from Industries & Commerce (Sugar) Department has permitted the Company to pay the arrears of Purchase Tax amounting to ` .1248.76 Lakhs (which includes a sum of ` .729.58 lakhs as interest) in three equal annual installments along

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with interest @10.5% p.a. During the year ended 30.9.2011, the company has provided a sum of ₹. 519.18 Lacs being the principal portion of the aforesaid tax in the books of accounts. The Company has sent the request letter to the concerned Government Departments to waive off the interest portion of ₹. 729.58 Lacs. In the opinion of the management, the company will get the favorable reply from the Government and accordingly no liability has been provided in the books.

11. Depreciation amounting to ₹.438.12 Lakhs related to the previous years from 01.10.1996 to 31.03.1999 has been provided during the period and shown separately in the fixed assets schedule.

12. Quantitative information

A. Licensed and Installed Capacity:

S.No	Products	Licensed Capacity	Installed Capacity	Production		Unit
				2010-2011	2009-2010	
1	Sugar	NA	7400 TCD	80,793	9,099	Mts
2	Rectified Spirit/IS	30000 LPD	30000 LPD	24,24,641	3,91,615	Bls
3	Extra Neutral Alcohol	30000 LPD	30000 LPD	89,93,351	39,97,112	Bls
4	Ethanol	30000 LPD	30000 LPD	14,72,863	Nil	Bls
5	Power	50 MW	50MW	40,62,19,640	—	Nos

B. Raw Materials Consumed

Product	Unit	2010-11		2009-10	
		Quantity	Value ₹. in Lacs	Quantity	Value ₹. in Lacs
Sugar Cane	Mts	4,33,106	10,265	1,07,772	2,282
Molasses	Mts	1,16,879	1,549	18,471	—
Raw Sugar	Mts	42,892	9,176	—	—

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

Value Rs.in Lakhs (Inclusive of duty & tax)

Consumption		Opening Balance		Closing Balance		Sales		Own
Product	Unit	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Sugar	Mts	3,081	924.2	18,935	6,084.4	64,939	19,286.2	NIL
		(6,897)	(1,376.4)	(3,081)	(924.2)	(12,915)	(3,062.8)	
Molasses	Mts	2,467	-	52,120.0	-	2,048.0	-	1,16,879.0
		(9,182)	-	(2,467)	-	-	-	(18,471)
E.N.A /R.S/	Ltrs	11,87,583.0	439.4	6,78,582.0	2,084.8	30,92,092	1,144.1	1,03,07,764
I.S/Ethanol		(16,24,848)	(603.2)	(11,87,583)	(439.4)	(47,27,179)	(1,671.6)	(98,813)
Bagasse	Mts	---	---	---	---	---	---	2,60,898
Power	Nos	---	---	---	---	35,60,59,350		

* Own consumption is not applicable for ENA and Ethanol

13. Deferred Taxes

The composition of deferred tax assets and liabilities as follows:

a) Deferred tax assets	As at 30 September 2011 ` in Lacs	As at 31 March 2010 ` in Lacs
Opening Deferred Tax Assets	NIL	NIL
Provision for doubtful debts & advances	4.91	4.91
Brought forward loss as per IT Act	8,691.79	212.00

b) Deferred tax liability	As at 30 September 2011 ` in Lacs	As at 31 March 2010 ` in Lacs
Opening Deferred Tax Liabilities	250.98	294.13
Depreciation	7,131.09	467.89
Net deferred tax Liability/(Assets)	-1,565.61	250.98

14. CIF Value of Imports

Details of Import	As at 30 September 2011 ` in Lacs	As at 31 March 2010 ` in Lacs
Raw materials –Raw Sugar	4,961.53	Nil
Capital Goods	Nil	347.83
Consumable spares	Nil	Nil

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15. Earnings in Foreign Exchange

Earnings	As at 30 September 2011 ` in Lacs	As at 31 March 2010 ` in Lacs
Export of goods calculated on FOB basis	9,958.03	Nil

16. Expenditure in Foreign Currency

Expenditure	As at 30 September 2011 ` in Lacs	As at 31 March 2010 ` in Lacs
Profession and consultation	Nil	Nil
Interest	Nil	Nil
CIF Value of import of Machinery	Nil	347.83

17. MANAGERIAL REMUNERATION

Chairman & Managing Director

Particulars	As at 30 September 2011 ` in Lacs (for 18 months)	As at 31 March 2010 ` in Lacs (for 12 months)
Salary	63.00	42.00
Company's contribution to Provident Fund	7.56	5.04
Other Perquisite	5.40	-
Total	75.96	47.04

Joint Managing Director

Particulars	As at 30 September 2011 ` in Lacs (for 18 months)	As at 31 March 2010 ` in Lacs (for 12 months)
Salary	54.00	35.00
Company's contribution to Provident Fund	6.48	4.20
Other Perquisite	4.90	-
Total	65.38	39.20

Joint Managing Director

Particulars	As at 30 September 2011 ` in Lacs (for 18 months)	As at 31 March 2010 ` in Lacs (for 12 months)
Salary	37.37	34.50
Company's contribution to Provident Fund	2.52	2.16
Other Perquisite	-	-
Total	39.89	36.66

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Computation of Net Profit under section 198/349 of the Companies Act, 1956

Particulars	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Profit before taxation	-5,671.29	58.53
Add: Depreciation as per books	3,445.72	353.88
Directors Remuneration	180.23	122.90
Directors sitting fees	4.65	2.00
Loss on sale of Assets	41.80	-
Less: Depreciation u/s 350	3,445.72	353.88
Profit on sale of assets	0.09	-
TOTAL	-5,444.70	183.43
Remuneration @ 5% of the above	-	9.07

In case of inadequacy of the Profit for the payment of Managerial Remuneration, 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. The computation of effective capital as envisaged under explanation 1 of section II of part II of Schedule XIII to Companies Act 1956 is as given below:

Particulars	As at 31 March 2010 ₹. in Lacs	
Share Capital	4,197.01	
Term Loans	36,250.65	
Unsecured Loans	2,655.00	
Total (A)		43,102.66
Less:		
Miscellaneous Expenditure (not written off)	1,500.00	
Dr balance in P&L A/c	617.05	
Investments	2,327.67	
Total (B)		4,444.72
Effective Capital [(A)-(B)]		38,657.94

18. There are no transactions entered into with Micro, small and Medium Enterprises (MSME) during the year or in the earlier year. Accordingly, no amount is due to Micro, Small and Medium Enterprises in respect of sundry creditors. Further, no interest has been paid or is accrued and payable to MSME under the circumstances either in this year or the earlier year.

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19. Segment wise details

Particulars	Sugar	IAP	Power	Unallocated	Total
Segment Revenue					
Sales	19,880.57	3,130.60	17,215.35	-	40,226.52
Other Income	642.63	6.00	24.26	-	672.89
Total Revenue	20,523.20	3,136.59	17,239.61	-	40,899.40
					-
Segment Result					
Operating Profit	3,600.43	705.54	2,960.45	-	7,266.42
Interest Expenses	6,333.73	405.98	2,752.28	-	9,491.99
Depreciation	1,885.25	194.14	1,366.33	-	3,445.72
Net Profit before tax	-4,618.55	105.41	-1,158.16	-	-5,671.30
Other Information					
Segment Assets	24,503.71	2,687.64	29,583.94	11,848.76	68,624.05
Segment Liabilities	37,378.18	1,397.27	18,544.01	-	57,319.46
					-
Depreciation	1,885.25	194.14	1,366.33	-	3,445.72
Capital expenditure					-

20. Related party transactions

Related parties where control exists

Name of the party	Nature of Relationship	% of holding
Empee Distilleries Limited	Controlling company	63.43%
Empee Power Company (India) Limited	Subsidiary Company	100%

Other related parties

Name of the party

Empee Holdings Limited
 Empee International Hotels & Resorts Limited
 South (India) Hotels Pvt Ltd
 Apollo Distilleries Ltd
 Apollo Alchobev Limited
 Aruna Exports Pvt Ltd
 Empee Hotels Limited
 Aruna Constructions (India) Limited
 Empee Agro Farm Products Pvt Ltd
 Empee Marine Products Limited
 Apollo Wind Energy Pvt Limited
 Apollo Beers Pvt Ltd
 Empee Leasing & Finance Limited
 Empee Heritage Inn Pvt Limited
 Empee Airways Ltd

Nature of Relationship

Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control
 Companies under common control

EMPEE SUGARS AND CHEMICALS LIMITED

Universal Spirits Ltd	Companies under common control
Empee Construction Company Pvt Ltd	Companies under common control
Empee Power & Infrastructure Pvt Ltd	Companies under common control
Empee Packaging Industries	Companies under common control
Aruna Constructions	Companies under common control

Key Management Personnel

Name of the KMP	Position	% of Shares held
Mr.M.P.Purushothaman	Chairman & Managing Director	2.95
Mr. Sheeju Purushothaman	Joint Managing Director	0.07

Transactions with Related parties *

₹. in Lacs

Particulars	Subsidiary	Key Management Personnel	Relatives of Key Management Personnel	Other related parties	For the year ended 30.09.11
Remuneration	Nil (-)	141.34 (122.90)	Nil Nil	Nil Nil	141.34 (122.90)
Receiving of Services	Nil Nil	Nil Nil	Nil Nil	180.85 (27.34)	180.85 (27.34)
Finance (Including loans and equity contributions in cash or kind)	1,536.20 (685.22)	Nil Nil	Nil Nil	Nil Nil	1,536.20 (685.22)
Interest Paid	Nil	Nil	Nil	Nil	Nil
Interest Received	Nil	Nil	Nil	Nil	Nil
Sale of assets	Nil (-)	Nil (-)	Nil (-)	Nil (-)	Nil Nil
Sale of investments	Nil (-)	Nil (-)	Nil (-)	Nil (-)	Nil Nil
Purchase of goods	Nil (-)	Nil (-)	Nil (-)	Nil (-)	Nil Nil
Rent paid	Nil (-)	NIL NIL	Nil (17.42)	24.67 (3.60)	24.67 (21.02)
Dividend Paid	Nil	6.33	0.71	137.42	144.46
Balance outstanding	3,299.64	NIL	NIL	2,135.68	5,435.32

* Amount in bracket indicate previous year figures

EMPEE SUGARS AND CHEMICALS LIMITED

21. Quantum of Excise Duty included in closing stock of finished goods is Rs. 308.10 Lacs.

22. Payment to auditors (excluding service tax)

Particulars	As at 30 September 2011	As at 31 March 2010
	₹. in Lacs	₹. in Lacs
Statutory audit fee	2.25	0.67
For Certification and other works	1.50	-
Total	3.75	0.67

23. Details of Subsidiary Companies

Particulars	Empee Power Company (India) Ltd	
	2010-11	2009-10
Year		
Share Capital	2,327.54	2,327.54
Reserves & Surplus	-	-
Total Liabilities	7,359.61	7,778.36
Total Assets	7,359.61	7,778.36
Total Income	3,177.67	130.51
Profit/(loss) before tax	-1,135.18	-260.88
Provisions for tax	-	-
Deferred Tax asset	377.08	-
Profit after tax	-758.10	-260.88
Proposed Dividend	-	-
Details of investments	-	-

24. EARNINGS PER SHARE (before and after extraordinary items)

Particulars	As at 30 September 2011	As at 31 March 2010
	₹. in Lacs	₹. in Lacs
Net profit after tax as per Profit and Loss Account (A)	-3,854.70	92.64
Profit attributable to equity shareholders (B)	-3,854.70	92.64
Number of equity shares outstanding at the beginning of the period (C)	4,19,70,129	4,19,70,129
Weighted average number of equity shares outstanding (D)	4,19,70,129	4,19,70,129
Nominal value of equity shares (E)	10.00	10.00
Basic earnings per share (Rs.) (B)/(D) (F)	-9.18	0.22
Weighted average number of potential equity shares (G)	4,19,70,129	4,19,70,129
Diluted earnings per share (Rs.) (A)/(G)	-9.18	0.22

EMPEE SUGARS AND CHEMICALS LIMITED

25. Previous year's figures are not comparable with current period ended 30.9.2011 as the former is 12 months and the latter is 18 months. However previous year figures have been regrouped or reclassified wherever necessary to confirm with the current period's classification.

As per our report of even date annexed

For KS Aiyar & Co.
Chartered Accountants
Firm's Membership No.100186W

For and on behalf of the Board

(S.Kalyanaraman)
Partner
M. No. 200565

M.P.Purushothaman
Managing Director

Sheeju Puroshothaman
Joint Managing Director

Place: Chennai, India
Dated: 30.11.2011

S.S.K Swarup
GM (F&A) & Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER 2011

	₹. in Lacs As at 30.09.2011 (18 months)	₹. in Lacs As at 31.03.2010 (12 months)
A Cash Flow from Operating Activities:		
Net Profit before tax & extra ordinary items	(5,671.29)	58.53
Adjustment for:		
Depreciation	3,445.72	353.88
Dividend Income	-	-
Interest Income	(61.84)	(3.73)
Interest Paid	9,491.99	494.10
Loss on sale of fixed assets	40.45	-
Investments written off	0.13	-
Preliminary Expenses written off	150.00	-
Operating Profit before Working Capital changes	7,395.17	902.78
(Increase)/Decrease in stock	(8,894.54)	(188.83)
(Increase)/Decrease in Current Assets	(1,482.18)	(2,300.84)
Increase / (Decrease) in Current Liabilities	2,285.05	1,865.35
Cash generated from operations	(696.51)	278.46
Tax paid	-	(9.04)
cash used in operating activities (before prior period items)	(696.51)	269.42
Prior period items	(620.74)	(53.31)
Net cash used in operating activities	(1,317.25)	216.11
B Cash Flow from Investing activities:		
Purchase of Fixed Assets (incl.CWIP)	(3,392.29)	(28,870.77)
Sale of Fixed Assets	197.66	-
Prior Period Items	-	-
Pre Operative Expenses	-	(3,545.54)
Divident Income	-	-
Interest Income	61.84	3.73
Net Cash from Investing activities	(3,132.79)	(32,412.58)
C Cash Flow from Financing activities:		
Increase in Working Capital Loan	14,152.16	1,237.50
Increase/(Decrease) in Term loan	(582.94)	25,890.73
Increase in Unsecured Loan	(904.61)	-
Interest paid	(9,491.99)	(494.10)
Increase in equity	0.28	-
Share application money received	1,367.50	4,865.00
Dividend paid	(209.86)	-
Dividend distribution tax paid	(34.86)	-
Net cash used in Financing activities	4,295.67	31,499.13

EMPEE SUGARS AND CHEMICALS LIMITED

Increase in Cash and Cash equivalents	(154.38)	(697.34)
Cash and Cash equivalents at the beginning of the year	221.16	918.50
Cash and Cash equivalents at the end of the year	66.78	221.16

As per our report of even date annexed

For and on behalf of the Board

K.S.Aiyar & Co
Chartered Accountants
(Firm Regn.no.100186W)

M.P.Purushothaman
Managing Director

Sheeju Purushothaman
Joint Managing Director

(S.Kalyanaraman)
Partner(M.No.200565)

S.S.K.Swarup
G.M.(F&A) &
Company Secretary

Place:Chennai
Date: 30.11.2011

EMPEE SUGARS AND CHEMICALS LIMITED

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	30.9.2011		

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	6,956,203.94	Total Assets	6,956,203.94
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Sources of funds:

Paid-up capital	419,729.00	Reserves & surplus	-
Share Application Money	1,379,450.00	Unsecured loans	175,038.64
Secured loans		4,981,986.30	
Deferred tax liabilities	-		

Application of funds:

Net fixed assets	3,982,430.87	Investments	232,754.00
Net current assets	1,915,736.81	Misc. expenditure	135,000.00
Accumulated losses	533,721.26	Deferred tax Assets	156,561.00

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

Turnover	40,899,407	Total expenditure	4,657,070
Profit/(Loss) before tax	(567,129)	Profit /(Loss) after tax	(3,855)
Earning per share in Rs.	(9.18)	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
Item code No (ITC code)	84101320		
Product description	Power exceeding 30000KW but not exceeding 80000KW		

As per our report of even date annexed
For K.S.Aiyar & Co
Chartered Accountants
Firm's Regn No: 100186W

For and on behalf of the Board
M.P.Purushothaman
Chairman & Managing Director

S.Kalyanaraman
Partner

Sheeju Purushothaman
Joint Managing Director

S.S.K .Swarup
G.M (F&A) and Company
Secretary

Membership No. 200565
Place: Chennai
Date : 30.11.2011

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	30 th September 2011 (18 months)
3. Shares of the subsidiary held by M/s.Empee Sugars and Chemicals Limited and extent of holdings as on 30th September 2011. 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 30 th September 2011 b) Not dealt within the accounts of Empee Sugars and Chemicals Ltd for the year ended 30th September 2011.	(758.10) Lacs 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 30th September 2011. b) Not dealt within the accounts of Empee Sugars and Chemicals Ltd for the year ended 31 st March, 2010.	(758.10) Lacs Nil

As per our report of even date annexed

For K.S.Aiyar & Co
Chartered Accountants
Firm's Regn No: 100186W

S.Kalyanaraman
Partner

Place: Chennai
Date : 30.11.2011

For and on behalf of the Board

M.P.Purushothaman
Chairman & Managing Director

Sheeju Purushothaman
Joint Managing Director

S.S.K .Swarup
G.M (F&A) and Company
Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

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">Not Applicable</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">Not Applicable</p>

As per our report of even date annexed

For K.S.Aiyar & Co
Chartered Accountants
Firm's Regn No: 100186W

S.Kalyanaraman
Partner
M.No.200565
Place: Chennai
Date : 30.11.2011

For and on behalf of the Board

M.P.Purushothaman
Chairman & Managing Director

Sheeju Purushothaman
Joint Managing Director

S.S.K .Swarup
G.M (F&A) and Company
Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

AUDITORS' REPORT TO CONSOLIDATED FINANCIAL STATEMENTS

**TO THE BOARD OF DIRECTORS, EMPEE SUGARS AND CHEMICALS LIMITED FOR THE PERIOD
ENDED 30TH SEPTEMBER 2011**

1. We have audited the attached Consolidated Balance Sheet of **M/s. EMPEE SUGARS AND CHEMICALS LIMITED and its subsidiary** as on **30th September 2011** and also the Consolidated Profit & Loss Account and Consolidated cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary M/s Empee Power Company (I) Ltd whose financial statements reflects total assets (net) of Rs.7359.61 lacs as on 30th September 2011, total revenue of Rs.3166.11 lacs and net cash flow from operating activities amounting to Rs.2404.57 lacs. These financial statements and other financial information have been audited by other auditor, whose report has been furnished to us, and our opinion is based solely on the reports of the other auditors.
4. We report that the consolidated financial statement have been prepared by the company in accordance with the requirement of the Accounting Standard (AS) 21, consolidated financial statement.
5. Based on our audit of the parent company in respect of which we have given a qualified opinion, on the consideration of the reports of the other auditor on separate financial statements, on other financial information of the subsidiary and to the best of our information and according to the explanations given to us, the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of Consolidated Balance Sheet, of the state of affairs of the Company as on **30th September 2011**;
 - (b) In the case of the Consolidated Profit and Loss account, of the **Loss** for the period ended on that date.
 - (c) In the case of the Consolidated Cash flow statement of the cash flows for the period ended on that date

For M/s. K. S. Aiyar & Co.,
Chartered Accountants
(Firm Regn.no.100186W)

S. Kalyanaraman
(Partner)
M. No. 200565

Place: Chennai
Date: 30.11.2011

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 30.09.2011			
	Schedule	As at 30.09.2011 ₹. in Lacs	As at 31.03.2010 ₹. in Lacs
Sources of Funds			
Share Holders Fund	1	4,197.29	4,197.01
0% Convertible		13,794.50	12,427.00
Preference Share application money			
Loan Funds			
Secured Loan	2	54,851.92	41,701.47
Unsecured Loan	3	1,750.39	2,655.00
Deferred Tax Liabilities	12	-	250.98
Total		74,594.10	61,231.46
Application of Funds			
Fixed Asset			
Gross Block	4	54,520.26	18,019.49
Less: Depreciation Reserve		<u>6,592.34</u>	<u>3,618.12</u>
		47,927.93	14,401.37
Add: Capital Work in Progress		<u>574.28</u>	<u>30,221.07</u>
Investments	5	-	0.13
Deferred Tax Asset	12	1,942.69	-
Current Assets,			
Loans and advances			
(A) Current Assets			
Inventories	6	12,203.38	2,993.83
Sundry Debtors	7	7,204.55	365.20
Cash & Bank Balances	8	67.88	227.96
(B) Loans & Advances	9	3,163.45	10,602.96
		<u>22,639.27</u>	<u>14,189.95</u>
Less: Current Liabilities	10	6,196.26	4,745.60
		16,443.01	9,444.35
Miscellaneous Expenditure	11	1,350.00	1,500.00
(To the extent not written off or adjusted)			
Pre Operative Expenses		-	4,786.62
Profit & Loss Appropriation account		<u>6,356.19</u>	<u>877.92</u>
Total		74,594.10	61,231.46

Significant accounting policies and notes on financial statements 19

As per our report of even date annexed

For and on behalf of the Board

K.S.Aiyar & Co

M.P.Purushothaman

Sheeju Purushothaman

Chartered Accountants

Managing Director

Joint Managing Director

(Firm Regn.no.100186W)

(S.Kalyanaraman)

S.S.K.Swarup

Partner(M.No.200565)

G.M.(F&A) & Company Secretary

Place:Chennai

Date: 30.11.2011

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30.09.2011 (18 Months)			
	Schedule	Year ended 30.09.2011 ` in Lacs	Year ended 31.03.2010 ` in Lacs
INCOME			
		(18 months)	(12 months)
Sales Income - Domesitc		33,886.04	4,895.72
Less: Excise Duty & taxes		451.44	185.77
		33,434.60	4,709.95
Sales Income - Exports		9,958.03	-
Net Sales/Income from Operation	13	43,392.63	4,709.95
Other Income	14	684.45	32.69
Total		44,077.08	4,742.64
EXPENDITURE			
Manufacturing & Other Expenses	15	32,159.57	3,271.35
Employees Expenses	16	1,969.90	411.72
Administrative & Other Expenses	17	2,192.67	237.14
Total		36,322.14	3,920.21
Profit before Interest, Depreciation & Tax		7,754.93	822.43
Less: Interest on Bank Borrowings	18	10,548.26	551.94
Less: Depreciation	4	3,657.65	472.84
Less: Depreciation relating to earlier years		438.12	-
Add: Depreciation written off during the year		82.63	-
Profit / (Loss) before Tax		(6,806.47)	(202.35)
Provision for Taxation		-	9.04
Deferred Tax Liability/(Asset)-Current Year		(2,193.67)	(43.15)
Profit / (Loss) after Tax		(4,612.80)	(168.24)
Loss as per previous Balance Sheet		(877.93)	(656.38)
Less: Interim Dividend including DDT	244.72		-
Less: Prior Period Expenses	620.74	(865.46)	(53.31)
Balance carried over to Balance Sheet		(6,356.19)	(877.93)
Earnings per Equity Share (Basic/Diluted) Rs. (Face Value Rs.10/- per Share)		(10.99)	(0.40)
As per our report of even date annexed			
		For and on behalf of the Board	
K.S.Aiyar & Co		M.P.Purushothaman	Sheeju Purushothaman
Chartered Accountants		Managing Director	Joint Managing Director
(Firm Regn.no.100186W)			
(S.Kalyanaraman)		S.S.K.Swarup	
Partner(M.No.200565)		G.M.(F&A) & Company Secretary	
Place:Chennai			
Date: 30.11.2011			

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED SCHEDULES TO THE ACCOUNTS FOR THE PERIOD ENDED 30.09.2011				
	As at 30.09.2011 in Lacs (18 Months)		As at 31.03.2010 in Lacs (12 Months)	
Schedule -1				
Share Capital				
Authorised Capital				
70000000 Equity Shares of Rs 10 each	7,000.00		4,500.00	
(P.Y 45000000 Equity Shares of Rs 10 each)				
10000000 Preference Shares of Rs 10 each	<u>1,000.00</u>	8,000.00		-
Issued,subscribed and paid up	4,197.29		4,197.29	
Less: Call in arrears	<u>-</u>	4,197.29	<u>0.28</u>	4,197.01
Schedule -2				
Secured Loans				
SDF Loan				
		4,753.68		0.00
OCC Limits from Banks-Nayudupet				
Indian Bank-Nayudupet	1,299.00		1,398.23	
Union Bank of India	<u>1,388.27</u>	2,687.27	<u>680.62</u>	2,078.85
OCC Limits from Banks-Ambasamudram				
Andhra Bank	3,746.33		-	
Bank of India	2,329.82		-	
Indian Bank	703.43		500.08	
Indian Overseas Bank	1,107.90		-	
Oriental Bank of Commerce	2,558.98		-	
Punjab National Bank	2,195.49		-	
Union Bank of India	<u>772.58</u>	13,414.52	<u>-</u>	500.08
LC				
Bank of India	434.53			
Punjab National Bank	<u>935.82</u>	1,370.35		
Working Capital Term Loan-Nayudupet				
Indian Bank	875.81		1,214.15	
Union Bank of India	673.25		1,013.92	
Bank of Maharashtra	156.08		186.13	
Federal Bank (WCDL)	<u>134.41</u>	1,839.55	<u>166.40</u>	2,580.60
OCC Limits from Banks-Empee Power				
Indian Overseas Bank		478.71		300.92
Term Loans for Fixed Assets (Ambasamudram Project)				
Andhra Bank	4,135.92		5,015.92	
Bank of India	6,239.93		7,131.93	
Indian Overseas Bank	2,587.52		3,368.65	
Punjab National Bank	4,309.58		5,398.64	
Indian Bank	1,800.00		2,049.00	
Oriental Bank Of Commerce	4,291.77		5,273.34	
Union Bank of India	<u>2,389.78</u>	25,754.50	<u>2,853.64</u>	31,091.12
Term Loans for Fixed Assets (Empee Power)				
Power Finance Corporation		3,334.50		3,663.05
Indian Overseas Bank		<u>1,218.85</u>		<u>1,486.85</u>
		<u>54,851.92</u>		<u>41,701.47</u>

EMPEE SUGARS AND CHEMICALS LIMITED

				₹. in Lacs
Schedule - 3				
Unsecured Loan				
Loan from NBFCs	1750.39		-	
Others (From Empee Distilleries limited)	-		2,655.00	
	<u>1750.39</u>	1750.39	<u>2,655.00</u>	2,655.00
Schedule - 5				
Investments-govt(Unquoted at cost)				
6 Years NSC VIII Issue	-		0.13	
Schedule - 6				
Inventories				
(As per inventory taken, valued and certified by the management)				
(At Cost or NRV whichever is lower):				
Stores & Spares, Chemicals	1,186.19		332.94	
Sugar Cane	-		-	
Steam Coal & Fire wood	<u>2,453.18</u>		<u>-</u>	
Sugar	5,483.68		924.24	
Spirit	285.00		439.40	
Molasses	2,211.11		155.40	
Raw Sugar	-		915.44	
Raw Sugar in Process	-		218.30	
Semi Finished Stock	<u>584.21</u>	12,203.38	<u>8.11</u>	2,993.83
Schedule - 7				
Sundry Debtors				
Debts outstanding for a period				
Exceeding six months	2,250.36		-	
Others	<u>4,954.18</u>	7,204.54	<u>365.20</u>	365.20
Schedule- 8				
Cash & Bank Balances				
Cash	3.00		1.82	
Balance with banks in current accounts	<u>64.88</u>	67.88	<u>226.14</u>	227.96
Schedule - 9				
Advances recoverable in cash or kind for value to be received				
a. Unsecured but considered good				
Loans & Advances				
Advances to suppliers	-		7,573.17	
Other Advances	2,205.13		2,105.15	
Tax deducted at source & Advance Income Tax	302.85		21.87	
Prepaid Expenses	40.21		14.55	
Deposits				
Deposits with Government Departments	61.83		95.51	
Fixed Deposit with banks (Margin for Guarantee)	351.25		614.19	
Other Deposits	<u>202.18</u>	3,163.45	<u>178.52</u>	10,602.96

**Consolidated
SCHEDULE-4**

₹. in Lacs

FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK			
	As at 01.04.2010	Additions during the year	Sales during the year	As at 30.09.2011	Upto 01.04.2010	For the year	Prior period Depreciation	Depreciation on deletion	Upto 30.09.2011	As at 30.09.2011	As at 31.03.2010
Land & Site	591.24	3.89	-	595.12	-	-	-	-	-	595.12	591.24
Buildings	1,009.03	4,730.89	-	6,532.31	392.81	314.10	67.54	4.52	769.92	5,762.38	622.95
Plant & Machinery	15,374.89	32,457.06	1,335.75	46,496.20	3,103.30	3,231.43	356.89	1,112.34	5,579.29	40,916.91	3,764.03
Furniture & Fittings	21.38	11.01	-	32.39	14.29	2.17	2.20	-	18.65	13.76	7.10
Vehicles	199.96	614.17	5.00	809.12	84.81	103.05	5.51	4.69	188.67	620.45	115.15
Computer	17.47	12.01	-	29.48	17.46	5.39	5.36	-	28.22	1.27	0.01
Office Equipments	13.14	12.49	-	25.63	5.46	1.51	0.63	-	7.59	18.04	7.68
Total	18,019.50	37,841.52	1,340.75	54,520.26	3,618.12	3,657.65	438.12	1,121.55	6,592.34	47,927.93	5,108.16
Previous year	7,704.61	10,314.88	-	18,019.49	3,145.29	472.84	-	-	3,618.12	14,401.35	4,559.31

EMPEE SUGARS AND CHEMICALS LIMITED

				₹. in Lacs
Schedule - 10				
Current Liabilities & Provisions				
Due to Suppliers	3,242.00		4,010.96	
Advances from Customers	444.81		-	
Other Liabilities	848.80		647.17	
Liability for expense	<u>1,660.66</u>	6,196.26	<u>87.47</u>	4,745.60
Schedule -11				
Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Discount on issue of shares		1,350.00		1,500.00
Schedule-12				
Deferred Tax				
Depreciation		8,420.46		467.89
Provision for doubtful debts and advances	4.91	-	4.91	
Brought forward loss as per Income tax	<u>10,358.24</u>	<u>10,363.15</u>	<u>212.00</u>	<u>216.91</u>
Deferred Tax Liabilities/(Assets) (net)		<u>(1,942.69)</u>		<u>250.98</u>
Schedule-13				
Sales				
Sugar	19,286.24		2,947.37	
Raw Sugar	2,567.31			
Spirit	1,144.06		1,602.79	
Molasses	-		-	
Power	20,277.44		127.72	
CO2 Sales	-		11.71	
Steam	104.02		-	
Organic Manure	<u>13.57</u>	<u>43,392.63</u>	<u>20.36</u>	<u>4,709.95</u>
Schedule-14				
Other Income				
Sundry Income	471.51		14.06	
Scrap sales	141.32		14.54	
Interest Receipts	<u>71.62</u>	684.45	<u>4.09</u>	32.69

EMPEE SUGARS AND CHEMICALS LIMITED

Schedule -15	₹. in Lacs		
Manufacturing & Other Expenses			
Sugar Cane Consumed	10,269.25		2,217.74
Purchase Tax	90.03		64.66
Transport Charges(Molasses)	96.51		12.99
Consumption of Molasses & Others	1,549.17		400.10
Raw Sugar Consumed	9,176.26		-
Steam Coal Consumed	17,293.90		-
Cane Development Council fund	18.50		3.80
Subsidy on Cane	159.79		9.61
Cane Development Expenses	85.05		5.17
Consumption of Stores and Spares	1,200.08		166.42
Other Manufacturing Expenses	166.25		-
Power & Fuel	620.56		421.08
Repairs & Maintenance-Buildings	63.91		2.88
Repairs & Maintenance-Machinery	20.20		5.69
Repairs & Maintenance-Others	107.16		6.46
Freight Charges	<u>137.50</u>	41,054.11	<u>28.50</u> 3,345.10
(Increase)/Decrease of Stock			
Closing Stock			
Sugar	5,483.68		924.24
Spirit	285.00		439.40
Molasses	2,211.11		155.40
Steam Coal & Fire wood	2,159.62		-
Stores & Spares,Chemicals	1,012.46		-
Raw Sugar	-		915.44
Raw Sugar in Process	-		218.30
Semi Finished Products	<u>584.21</u>	11,736.09	<u>8.11</u> 2,660.89
Less: Opening Stock			
Sugar	924.24		1,376.36
Spirit	439.40		603.15
Molasses	155.40		596.82
Stores & Spares,Chemicals	180.66		-
Raw Sugar	915.44		-
Raw Sugar in Process	218.30		-
Semi Finished Products	<u>8.11</u>	2,841.55	<u>10.80</u> 2,587.13
Net (Increase)/Decrease in stock		<u>(8,894.54)</u>	<u>(73.76)</u>
Total Manufacturing and other expenses		<u>32,159.57</u>	<u>3,271.34</u>
Schedule-16			
Employees Expenses			
Salary & Allowance	1,662.94		363.90
Contribution to Provident Fund	49.34		22.59

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				in Lacs
Staff Welfare Expenses	32.70		7.73	
Gratuity and Leave Encashment	192.42		7.86	
Bonus	<u>32.50</u>	1,969.90	<u>9.64</u>	411.72
Schedule -17				
Administrative Expenses				
Printing & Stationery	22.08		1.16	
Rates, Taxes	75.17		12.89	
Insurance Premium	71.49		15.87	
Postage, Telephone & Telegram	40.85		8.10	
Conveyance & Travelling	83.49		2.08	
Vehicle Maintenance & Hire Charges	155.20		29.57	
Advertisement	15.69		4.00	
Rent	67.92		10.26	
Auditor's Remuneration	3.90		0.67	
Professional Charges/Legal Charges	174.46		23.67	
Sitting Fee	4.65		2.00	
Bank Charges	143.75		35.12	
Miscellaneous Expenses	<u>1,334.01</u>	2,192.67	<u>91.75</u>	237.14
Schedule -18				
Interest on Borrowings:				
Interest on Term Loan	7,504.98		371.66	
Interest on Working Capital	2,517.89		175.93	
LC Charges	281.88		-	
Interest on Others	<u>243.51</u>	10,548.26	<u>4.35</u>	551.94

SCHEDULE - 20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

(A) Basis of preparation of accounts

The consolidated financial statements have been prepared on the basis of going concern, under the historic cost convention, to comply in all material respects with applicable accounting principles in India, the Accounting Standards notified under section 211(3C) of the Companies Act 1956 ("the Act") and the relevant provisions of the Act.

The consolidated financial statements include accounts of EMPEE Sugars and Chemicals Limited, ("the company") and its wholly owned subsidiary EMPEE Power (I) Limited all together referred to as ('the Group').

(B) Principles of consolidation

The consolidated financial statements relate to EMPEE Sugars and Chemicals Limited ('the Company') and its wholly owned subsidiary EMPEE Power (I) Limited ('the Subsidiary'). 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 of like items of assets, liabilities, income and expenses as per the respective financial statements duly certified by the auditors of the respective companies.

Intra group balances and intra group Transactions and the unrealised profits on stocks arising out of intra-group transactions have been eliminated.

All Intercompany transactions, balances and unrealised surplus and deficits on transactions between Group companies are eliminated. Consistency in adoption of accounting policies among all group companies is ensured to the extent practicable and in the case of certain subsidiaries the impact of which is not quantifiable.

Since the subsidiary is wholly owned there is no minority interest arising on account of consolidation.

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The financial statements have been prepared under historical cost convention and following the accrual method of accounting in accordance with the applicable mandatory accounting standards notified by the companies (Accounting Standards) Rules, 2006 and the relevant provisions of Companies Act, 1956. The accounting is on the basis of going concern concept.

2. Use of Estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and the estimates are recognized in the year in which the results are known / materialized.

3. Revenue Recognition

All income and expenditure are accounted for on accrual basis as stated herein except in respect of such items as are specifically mentioned hereunder and in the notes.

Sales Income is accounted exclusive of excise duty and sales tax wherever applicable and net of trade discounts.

Insurance claims are accounted as and when the claims are settled

Interest due from growers for seed supplied is accounted as and when cane is received from growers.

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.

Other Income – a) Interest Income is accounted at applicable coupon rates on respective investments, on time basis. b) Dividend income is accounted as and when received.

4. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation /amortization. Direct costs are capitalized until fixed assets are ready for use. These costs include freight, installation costs, duties and taxes and other directly attributable costs incurred to bring the assets to their working condition for intended use.

Capital Work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Capital work-in progress is stated at cost.

5. Depreciation/Amortization

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.

Depreciation is calculated on a pro-rata basis for assets purchased / sold during the year with reference to the month in which the fixed assets are put to use or commissioned. Individual assets costing less than Rs. 5000 are depreciated in full in the year of acquisition.

6. Impairment of Fixed Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable

amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

7. Cash flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

8. Investments

Long term investments are stated at cost less provision for diminution in value other than temporary if any, in the opinion of the management. Short term investments are valued at cost or fair value whichever is lower

9. Inventories

Inventories are stated as under:

- a. **Finished Goods:** At cost or net realizable value whichever is lower.
- b. **Work-in-Progress:** At all direct costs and applicable production overheads to bring the goods to the present location and condition.
- c. **Raw materials, Stores & Spares:** At landed cost on first-in –Fist- Out basis.

10. 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 provisions of Accounting Standards 16 and 11(Revised) issued by The Institute of Chartered Accountants of India.

11. Prior Period and Extra Ordinary Items

Prior Period and Extra Ordinary items having material impact on the financial affairs of the Company are disclosed, wherever applicable. There is no material deviation in the accounting policies during the current year.

12. Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted by the balance Sheet date.

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realized.

Current tax and deferred tax assets and liabilities are offset to the extent o which the Company has a legally enforceable right to set off and

they relate to taxes on income levied by the same governing taxation laws.

Tax on distributable profits payable by the company in accordance with the provisions of Income-tax Act, 1961 is disclosed in accordance with the guidance note on Accounting for Corporate Dividend Tax issued by the ICAI.

13. Borrowing Costs

Borrowing costs that are attributable to acquisition or construction of qualifying assets are included as part of the cost of such assets

Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

14. Provisions

The company recognizes provision when there is a present obligation of the enterprise arising from past events, settlement of which is expected to result in a outflow from the enterprise of resources embodying economic benefits which can be measured only by using a substantial degree of estimation.

Provision for contractual obligation has been provided for in accounts based on management's assessment of the probable outcome with reference to the available information supplemented by experience of similar transactions.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognized nor disclosed in the financial statements.

15. Earnings per Share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard-20. Basic earnings per equity share have been computed dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares 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 shares and dilutive potential equity shares outstanding during the year. For Basic and diluted earnings before extra-ordinary items, the amount of extra-ordinary items and tax thereon are excluded for computation.

16. Retirement and Other Benefits

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

Gratuity and Leave encashment has been provided as per Actuarial Valuation.

17. Segment Reporting

A. Business Segments:

Based on the guiding principles given in Accounting Standard – 17 'Segment Reporting', the Company's business segments include Sugar, IAP and Power.

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. Joint 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 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, reserves, loans investments, miscellaneous expenditure and profit and loss appropriation 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.
- c. Inter segment sales between operating segments are accounted at market price. These transactions are eliminated in consolidation.

18. Miscellaneous Expenditure

Miscellaneous expenditure (if any) is written off over the period of Ten years on straight line method.

EMPEE SUGARS AND CHEMICALS LIMITED

II. NOTES ON ACCOUNTS

1. The Company has closed its accounting year on 30.09.2011 for the 18 months period from 01.04.2010 to 30.09.2011. The company has received approval from Registrar of Companies vide letter dated 25.08.2011 for the extension of the financial year up to 18 months period. Similarly the subsidiary has closed the accounting year on 30.9.2011 obtaining the letter of extension dated 18.8.2011.
2. SECURED LOANS:
 - a. Working capital facility from Indian Bank, Ethiraj Salai Branch, Chennai for ` .1350.00 lacs. (Balance as on 30.09.2011 ` .1299.00 Lacs) Secured by Paripassu charge on hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on fixed assets of the Naidupet Unit of the company with other members of the consortium and personal guarantee of Three Directors.
 - b. Working capital facility from Union Bank of, IF Branch, Chennai for ` .1350.00 lacs (Balance as on 30.09.2011 ` .1388.27 lacs). Secured by Paripassu charge on hypothecation of raw materials, stores and consumables, work-in-process, finished goods and sales receivables (not older than 90 days) and by second charge on fixed assets of the Naidupet Unit of the company with other members of the consortium and personal guarantee of Three Directors.
 - c. Working Capital Term Loan facility for Indian Bank, Ethiraj Salai Branch for ` .775.00 lacs(Balance as on 30.09.2011 ` .875.81 Lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
 - d. Working Capital Term Loan facility for Union Bank of India, IF Branch for ` .775 lacs(Balance as on 30.09.2011 ` .673.25 lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
 - e. Working Capital Term Loan facility for Bank of Maharashtra, Mount Road Branch for ` .228.30 lacs(Balance as on 30.09.2011 ` .156.08 Lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
 - f. Working Capital Term Loan facility for Federal Bank, Mount Road Branch for ` .242.13 lacs (balance as on 30.09.2011 ` .134.41 lacs), secured by Paripassu charge on the fixed assets of the Naidupet unit of the company with other members of the consortium and personal guarantee of Three directors
 - g. Term Loan facility from Andhra Bank, Mount Road Branch, Chennai for ` .4770.00 lacs (balance as on 30.09.2011 ` .4135.92 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
 - h. Term Loan facility from Indian Bank, Ethiraj Salai Branch, Chennai for ` .1920.00 lacs (balance as on 30.09.2011 ` .1800.00 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.

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- i. Term Loan facility from Union Bank of India, IF Branch, Chennai for ₹.2860 (lacs) (balance as on 30.09.2011 ₹.2389.78 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- j. Term Loan facility from Indian Overseas Bank, Cathedral Branch, and Chennai for ₹.2860.00 lacs (balance as on 30.09.2011 ₹.2587.52 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- k. Term Loan facility from Bank of India, Chennai Corporate Banking Branch, and Chennai for ₹.7150.00 lacs (balance as on 30.09.2011 ₹.6239.93 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- l. Term Loan facility from Punjab National Bank, Large Corporate Branch, Chennai for ₹.4770.00 lacs (balance as on 30.09.2011 ₹.4309.58 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- m. Term Loan facility from Oriental Bank of Commerce, Dr. Radhakrishnan Salai Branch, and Chennai for ₹.4770.00 lacs (balance as on 30.09.2011 ₹.4291.77 lacs) is secured by Paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- n. Working Capital facility from Andhra Bank, Mount Road Branch, Chennai for ₹.2227.00 lakhs (balance as on 30.09.2011 ₹.3746.33 lacs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- o. Working Capital facility from Indian Bank, Ethiraj Salai Branch, Chennai for ₹.870.00 lacs (balance as on 30.09.2011 ₹.703.43 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- p. Working Capital facility from Indian Overseas Bank, Cathedral Branch, Chennai for ₹.1300.00 lakhs (balance as on 30.09.2011 ₹.1107.90 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.

EMPEE SUGARS AND CHEMICALS LIMITED

- q. Working Capital facility from Bank of India, Chennai Corporate Banking Branch, Chennai for ` .2700.00 lakhs (balance as on 30.09.2011 ` .2329.82 lacs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- r. Working Capital facility from Punjab National Bank, Large Corporate Branch, Chennai for ` .2613.00 lakhs (balance as on 30.09.2011 ` .2195.49 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- s. Working Capital facility from Oriental Bank of Commerce, Dr. Radhakrishnan Salai Branch, Chennai for ` .2200.00 (balance as on 30.09.2011 ` .2558.98 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of the consortium and personal guarantee of the Three Directors.
- t. Working Capital facility from Union Bank of India, IF Branch, and Chennai for ` .900.00 lakhs (balance as on 30.09.2011 ` .772.58 lakhs) is secured by Paripassu charge on the current assets of the Ambasamudram unit of the company with other members of the consortium. Second paripassu charge on the fixed assets of the Ambasamudram unit of the company with other members of
- the consortium and personal guarantee of the Three Directors.
- u. Sugar Development fund from government of India, Ministry of Consumer affairs, New Delhi for ` .3997 Lacs. (balance as on 30.9.2011 is ` .3847.47 Lacs) is secured by first paripassu charge by way of a hypothecation of all moveable assets (except book debts) including moveable machinery, machinery spares, tools and accessories both present and future pertaining to bagassee based cogeneration power plant at Idaikkal village, Ambasamudram Taluk, Tirunelveli Dist Tamilnadu.
- v. Sugar Development fund from government of India, Ministry of Consumer affairs, New Delhi for ` .1812 Lacs. (balance as on 30.9.2011 is ` .906.20 Lacs) is secured by first paripassu charge by way of a hypothecation of all moveable assets (except book debts) including moveable machinery, machinery spares, tools and accessories both present and future pertaining to bagassee based cogeneration power plant at Idaikkal village, Ambasamudram Taluk, Tirunelveli Dist Tamilnadu.
- w. Term Loan facility from Indian Overseas Bank , Chennai for ` .1500.00 lacs(balance as on 30.09.2011 ` .1218.85lacs) and from Power Finance Corporation , New Delhi for ` .3800.00 Lacs (balance as on 30.09.2011 ` .3334.50 lacs) is secured by first paripassu charge on the fixed assets of the company and second paripassu charge on the current assets of the company
- x. Working Capital facility from Indian Overseas Bank ,Chennai for ` .610.00 lacs (balance as on 30.09.2011 ` .478.71 lacs) is secured by first paripassu charge on the current assets of the company and second paripassu charge on the fixed assets of the company

EMPEE SUGARS AND CHEMICALS LIMITED

3. Contingent Liabilities, Guarantees & Capital commitments

A. Contingent Liabilities

Particulars	₹. in Lacs 30.09.2011	₹. in Lacs 31.03.2010
a) Claims against the company not acknowledged as debts	Nil	172.63
b) Disputed Purchase Tax	729.59**	1175.69*

*includes principal and interest

**includes only interest

B. Guarantees

Particulars	₹. in Lacs 30.09.2011	₹. in Lacs 31.03.2010
Indian Bank, Chennai	20.50	-
Andhra Bank, Mount Road, Chennai	2.03	-

C. Capital Commitments

Particulars	₹. in Lacs 30.09.2011	₹. in Lacs 31.03.2010
a) Estimated amount of capital contracts remaining to be executed is	943.07	4,221.81

4. Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 (Revised) “Employees Benefits” prescribed by the Companies (Accounting Standards) Rules, 2006.

a) Defined Contribution Plans: Amount of ₹. 284.35 Lacs (previous year ₹. 36.56) pertaining to employers’ contribution to provident fund, gratuity provision and leave encashment provision is recognized as an expense

b) The disclosures for gratuity cost is given below:

(i) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

EMPEE SUGARS AND CHEMICALS LIMITED

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Present value of obligation at the beginning of the year	-	174.56
2 Interest cost	-	7.06
3 Current service cost	-	18.02
4 Benefits paid	-	3.07
5 Actuarial (gain) / loss on obligation	174.56	-52.74
6 Present value of obligation at the end of year	174.56	143.83

(ii) The changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Fair value of plan assets at the beginning of the year	-	-
2 Expected return on plan assets	-	-
3 Contributions	-	13.08
4 Benefits paid	-	-3.07
5 Actuarial gain / (loss) on plan assets	-	-0.50
6 Fair value of plan assets at the end of year	-	9.52

(iii) Actuarial gain / loss recognized as follows:

Particulars	As at 31st March 2011 ₹. in Lacs	April 2011 to September 2011 ₹. in Lacs
1 Actuarial gain / (loss) for the year – obligation	-174.56	54.76
2 Actuarial gain / (loss) for the year – plan assets	-	-0.50
3 Total gain / (loss) for the year	-174.56	54.26
4 Actuarial gain / (loss) recognized in the year	-174.56	54.26
5 Unrecognized actuarial gains (losses) at the end of year	-	-

EMPEE SUGARS AND CHEMICALS LIMITED

(iv) The amounts recognized in Balance Sheet are as follows:

Particulars	As at 31st March 2011 ` in Lacs	April 2011 to September 2011 ` in Lacs
1 Present value of obligation as at the end of the year	-174.56	-143.83
2 Fair value of plan assets as at the end of the year	-	9.52
3 Funded / (unfunded) status	-174.56	-134.31
4 Excess of actual over estimated	-	-
5 Net assets / (liability) recognized in balance sheet	-174.56	-134.31

(v) The amounts recognized in Profit and Loss Account are as follows:

Particulars	As at 31st March 2011 ` in Lacs	April 2011 to September 2011 ` in Lacs
1 Current service cost	-	18.02
2 Past service cost	-	-
3 Interest cost	-	7.06
4 Expected return on plan assets	-	-
5 Net actuarial (gain)/loss recognized in the year	174.56	-52.25
6 Expenses recognized in the statement of profit and losses*	174.56	-27.17

(vi) Principal actuarial assumptions at the balance sheet date are as follows:

A. Economic Assumptions

The principal assumptions are the discount rate and salary growth rate. The discount rate is generally based upon the market yield available on the Government bonds at the accounting date with a term that matches that of the liabilities and salary growth rate takes account of inflation, seniority, promotion and other relevant factors on long term basis.

Particulars	As at 30 March 2011	As at 30 September 2011
1. Discount rate	8.25%	8.50%
2. Salary growth rate	6%	6%

B. Demographic Assumption

1. Retirement Age	60 Years	
2. Mortality table	LIC (1994-96) duly modified	
3. Withdrawal Rates	Ages	Withdrawal Rate (%)
	Up to 30 Years	1%
	Up to 44 Years	1%
	Above 44 Years	1%

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(vii) General description of defined benefits plan:

Gratuity Plan (Defined benefit plan)

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary (includes dearness allowance) last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death whichever is earlier. The benefit vests after five years of continuous service.

5. Sundry Creditors and Debtors balances are subject to confirmation by the parties concerned
6. All the investments held by the company are long term in nature
7. Miscellaneous expenditure includes ` .150 Lacs written off during the period pertaining to discount on issue of shares made during the year 2000-2001 (being one tenth of the total amount of ` .1500 Lacs).
8. The company has declared and paid an interim dividend of (5% on the equity capital of equity capital of ` .4197.29 Lacs) ` .209.86 Lacs calculated on available profits of ` .1499.41 Lacs (unaudited) as on 30.9.2010. The profit made for the year 2010-11 (12 months) is sufficient to justify the payment of interim dividend after making a provision for depreciation for 12 months and unabsorbed depreciation for the earlier years. The company has incurred substantial losses during the 5th and 6th quarters of the extended financial year ending 30th September 2011 (18 months) has eroded the available profits and reserves.
9. The company has received preference share application money (towards 0% convertible preference shares) to the tune of ` .137.95 Crores from its holding company (M/s Empee Distilleries Limited) and the same is pending allotment as on the balance sheet date. The company has fully utilized the application money for meeting the capital cost at Ambasamudram project. The company is exploring alternatives to make allotment of shares at the earliest taking into account the current market prices and market movements.
10. The Government of Andhra Pradesh by its order from Industries & Commerce (Sugar) Department has permitted the Company to pay the arrears of Purchase Tax amounting to ` .1248.76 Lacs (which includes a sum of ` .729.58 Lacs as interest) in three equal annual installments along with interest @10.5% p.a. During the year ended 30.9.2011, the company has provided a sum of ` . 519.18 Lacs being the principal portion of the aforesaid tax in the books of accounts. The Company has sent the request letter to the concerned Government Departments to waive off the interest portion of ` .729.58 Lacs. In the opinion of the management, the company will get the favorable reply from the Government and accordingly no liability has been provided in the books.
11. Depreciation amounting to ` .438.12 Lacs related to the previous years from 01.10.1996 to 31.03.1999 has been provided during the period and shown separately in the fixed assets schedule.

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12. Quantitative information

A. Licensed and Installed Capacity:

S.No	Products	Licensed Capacity	Installed Capacity	Production		Unit
				2010-2011	2009-2010	
1	Sugar	NA	7400 TCD	80,793	9,099	Mts
2	Rectified Spirit/IS	30000 LPD	30000 LPD	24,24,641	3,91,615	Bls
3	Extra Neutral Alcohol	30000 LPD	30000 LPD	89,93,351	39,97,112	Bls
4	Ethanol	30000 LPD	30000 LPD	14,72,863	Nil	Bls
5	Power	20 MW	20 MW	8,68,04,944	—	Nos
6	Power	50 MW	50MW	40,62,19,640	—	Nos

B. Raw Materials Consumed

Product	Unit	2010-11		2009-10	
		Quantity	Value	Quantity	Value
Sugar Cane	Mts	4,33,106	10,265.38	1,07,772	2,282.41
Molasses	Mts	1,16,879	1,549.17	18,471	—
Raw Sugar	Mts	42,892	9,176.26	—	—

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
		Quantity	Value	Quantity	Value	Quantity	Value	
Sugar	Mts	3,081.00	924.24	18,935.00	6,084.41	64,939.00	19,286.24	NIL
		-6,897.00	-1,376.36	-3,081.00	-924.24	-12,915.00	-3,062.78	
Molasses	Mts	2,467.00	-	52,120.00	-	2,048.00	-	1,16,879.00
		-9,182.00	-	-2,467.00	-	-	-	-18,471.00
E.N.A /R.S/ I.S/	Ltrs	11,87,583.00	439.40	6,78,582.00	2,084.81	30,92,092.00	1,144.06	1,03,07,764.00
Ethanol		-16,24,848.00	-603.15	-11,87,583.00	-439.40	-47,27,179	-1,671.58	-98,813.00
Bagasse	Mts	—	—	—	—	—	—	2,60,898.00
Power	Nos	—	—	—	—	42,13,25,350	—	7,16,99,234.00

* Own consumption is not applicable for ENA and Ethanol

EMPEE SUGARS AND CHEMICALS LIMITED

13. Deferred Taxes

The composition of deferred tax assets and liabilities as follows:

a) Deferred tax assets	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Opening Deferred Tax Assets	NIL	NIL
Provision for doubtful debts & advances	4.91	4.91
Brought forward loss as per IT Act	8,691.79	212.00

b) Deferred tax liability	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Opening Deferred Tax Liabilities	250.98	294.13
Depreciation	7,131.09	467.89
Net deferred tax Liability/(Assets)	-1,565.61	250.98

14. CIF Value of Imports

Details of Import	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Raw materials –Raw Sugar	4,961.53	
Capital Goods	Nil	347.83
Consumable spares	Nil	

15. Earnings in Foreign Exchange

Earnings	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Export of goods calculated on FOB basis	9,958.03	

16. Expenditure in Foreign Currency

Expenditure	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Profession and consultation	Nil	Nil
Interest	Nil	Nil
CIF Value of import of Machinery	Nil	347.83

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17. MANAGERIAL REMUNERATION

Chairman & Managing Director

Particulars	As at 30 September 2011 ₹. in Lacs (18 months)	As at 31 March 2010 ₹. in Lacs (12 months)
Salary	63.00	42.00
Company's contribution to Provident Fund	7.56	5.04
Other Perquisite	5.40	-
Total	75.96	47.04

Joint Managing Director

Particulars	As at 30 September 2011 ₹. in Lacs (18 months)	As at 31 March 2010 ₹. in Lacs (12 months)
Salary	54.00	35.00
Company's contribution to Provident Fund	6.48	4.20
Other Perquisite	4.90	-
Total	65.38	39.20

Joint Managing Director

Particulars	As at 30 September 2011 ₹. in Lacs (18 months)	As at 31 March 2010 ₹. in Lacs (12 months)
Salary	37.37	34.50
Company's contribution to Provident Fund	2.52	2.16
Other Perquisite	-	-
Total	39.89	36.66

Computation of Net Profit under section 198/349 of the Companies Act, 1956

Particulars	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Profit before taxation	-5,671.29	58.53
Add: Depreciation as per books	3,445.72	353.88
Directors Remuneration	180.23	122.90
Directors sitting fees	4.65	2.00
Loss on sale of Assets	41.80	-
Less: Depreciation u/s 350	3,445.72	353.88
Profit on sale of assets	0.09	-
TOTAL	-5,444.70	183.43
Remuneration @ 5% of the above	-	9.07

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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. The computation of effective capital as envisaged under explanation 1 of section II of part II of Schedule XIII to Companies Act 1956 is as given below:

Particulars	As at 31 March 2010	
	₹. in Lacs	
Share Capital	4,197.01	
Term Loans	36,250.65	
Unsecured Loans	2,655.00	
Total (A)		43,102.66
Less:		
Miscellaneous Expenditure (not written off)	1,500.00	
Dr balance in P&L A/c	617.05	
Investments	2,327.67	
Total (B)		4,444.72
Effective Capital [(A)-(B)]		38,657.94

18. There are no transactions entered into with Micro, small and Medium Enterprises (MSME) during the year or in the earlier year. Accordingly, no amount is due to Micro, Small and Medium Enterprises in respect of sundry creditors. Further, no interest has been paid or is accrued and payable to MSME under the circumstances either in this year or the earlier year.

19. Segment wise details

Particulars	Sugar	IAP	Power	Unallocated	Total
Segment Revenue					
Sales	19,880.57	3,130.60	20,381.46	-	43,392.63
Other Income	642.63	6.00	35.82	-	684.45
Total Revenue	20,523.20	3,136.59	20,417.28	-	44,077.07
Segment Result					
Operating Profit	3,600.43	705.54	3,448.96	-	7,754.93
Interest Expenses	6,333.73	405.98	3,808.55	-	10,548.26
Depreciation	1,885.25	194.14	1,933.75	-	4,013.14
Net Profit before tax	-4,618.55	105.41	-2,293.34	-	-6,806.48
Other Information					
Segment Assets	24,503.71	2,687.64	39,294.17	9,898.30	76,383.82
Segment Liabilities	37,378.18	1,397.27	27,322.76	-	66,098.21
Depreciation	1,885.25	194.14	1,933.75	-	4,013.14
Capital expenditure					-

EMPEE SUGARS AND CHEMICALS LIMITED

20. Related party transactions

Related parties where control exists

Name of the party	Nature of Relationship	% of holding
Empee Distilleries Limited	Controlling company	63.43%
Empee Power Company (India) Limited	Subsidiary Company	100%

Other related parties with whom transactions have taken place during the year.

Name of the party	Nature of Relationship
Empee Holdings Limited	Companies under common control
Empee International Hotels & Resorts Limited	Companies under common control
South (India) Hotels Pvt Ltd	Companies under common control
Apollo Distilleries Ltd	Companies under common control
Apollo Alchobev Limited	Companies under common control
Aruna Exports Pvt Ltd	Companies under common control
Empee Hotels Limited	Companies under common control
Aruna Constructions (India) Limited	Companies under common control
Empee Agro Farm Products Pvt Ltd	Companies under common control
Empee Marine Products Limited	Companies under common control
Apollo Wind Energy Pvt Limited	Companies under common control
Apollo Beers Pvt Ltd	Companies under common control
Empee Leasing & Finance Limited	Companies under common control
Empee Heritage Inn Pvt Limited	Companies under common control
Empee Airways Ltd	Companies under common control
Universal Spirits Ltd	Companies under common control
Empee Construction Company Pvt Ltd	Companies under common control
Empee Power & Infrastructure Pvt Ltd	Companies under common control
Empee Packaging Industries	Companies under common control
Aruna Constructions	Companies under common control

Key Management Personnel

Name of the KMP	Position	% of Shares held
Mr.M.P.Purushothaman	Chairman & Managing Director	2.95
Mr. Sheeju Purushothaman	Joint Managing Director	0.07

EMPEE SUGARS AND CHEMICALS LIMITED

Transactions with Related parties *				₹. in Lacs
Particulars	Key Management Personnel	Relatives of Key Management Personnel	Other related parties	For the year ended 30.09.11
Remuneration	141.34	Nil	Nil	141.34
	-122.90	Nil	Nil	-122.90
Receiving of Services	Nil	Nil	180.85	180.85
	Nil	Nil	-27.34	-27.34
Finance (Including loans and equity contributions in cash or kind)	Nil (Nil)	Nil (Nil)	Nil (Nil)	1,536.20 -685.22
Interest Paid	Nil	Nil	Nil	Nil
Interest Received	Nil	Nil	Nil	Nil
Sale of assets	Nil	Nil	Nil	Nil
	(-)	(-)	(-)	
Sale of investments	Nil	Nil	Nil	Nil
	(-)	(-)	(-)	
Purchase of goods	Nil	Nil	Nil	Nil
	(-)	(-)	(-)	
Rent paid	NIL	Nil	24.67	24.67
	(NIL)	-17.42	-3.60	-21.02
Dividend Paid	6.33	0.71	137.42	144.46
Balance Outstanding	NIL	NIL	2,135.68	2,135.68

* Amount in bracket indicate previous year figures

21. Quantum of Excise Duty included in closing stock of finished goods is Rs. 308.10 Lacs.

22. Payment to auditors (excluding service tax)

Particulars	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Statutory audit fee	2.40	0.77
For Certification and other works	1.50	-
Total	3.90	0.77

EMPEE SUGARS AND CHEMICALS LIMITED**23. EARNINGS PER SHARE (before and after extraordinary items)**

Particulars	As at 30 September 2011 ₹. in Lacs	As at 31 March 2010 ₹. in Lacs
Net profit after tax as per Profit and Loss Account (A)	-4,612.80	-168.24
Profit attributable to equity shareholders (B)	-4,612.80	-168.24
Number of equity shares outstanding at the beginning of the period (C)	4,19,70,129	4,19,70,129
Weighted average number of equity shares outstanding (D)	4,19,70,129	4,19,70,129
Nominal value of equity shares (E)	10.00	10.00
Basic earnings per share (Rs.) (B)/(D) (F)	-10.99	-0.40
Weighted average number of potential equity shares (G)	4,19,70,129	4,19,70,129
Diluted earnings per share (Rs.) (A)/(G)	-10.99	-0.40

24. Previous year's figures are not comparable with current period ended 30.9.2011 as the former is 12 months and the latter is 18 months. However previous year figures have been regrouped or reclassified wherever necessary to be in conformity with the current period's classification.

As per our report of even date annexed

For KS Aiyar & Co.
Chartered Accountants
Firm's Membership No.100186W

For and on behalf of the Board

(S.Kalyanaraman)
Partner
M. No. 200565

M.P.Purushothaman
Managing Director

Sheeju Puroshothaman
Joint Managing Director

Place: Chennai, India
Dated: 30.11.2011

S.S.K Swarup
GM (F&A) & Company Secretary

EMPEE SUGARS AND CHEMICALS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH SEPTEMBER 2011		
	₹. in Lacs As at 30.09.2011 (18 months)	₹. in Lacs As at 31.03.2010 (12 months)
A Cash Flow from Operating Activities:		
Net Profit before tax & extra ordinary items	(6,806.47)	(202.35)
Adjustment for:		
Depreciation	4,095.77	472.84
Dividend Income	-	-
Interest Income	(71.62)	(4.09)
Interest Paid	10,548.26	551.94
Investments written off	0.13	-
Preliminary Expenses written off	150.00	-
Operating Profit before Working Capital changes	7,916.08	818.34
(Increase)/Decrease in stock	(9,209.55)	(341.11)
(Increase)/Decrease in Current Assets	600.16	(33.48)
Increase / (Decrease) in Current Liabilities	1,450.66	1,936.04
Cash generated from operations	757.34	2,379.79
Tax paid	-	(9.04)
cash used in operating activities (before prior period items)	757.34	2,370.75
Prior period items	(620.74)	(53.31)
Net cash used in operating activities	136.60	2,317.44
B Cash Flow from Investing activities:		
Purchase of Fixed Assets (incl.CWIP)	(3,408.11)	(33,524.42)
Sale of Fixed Assets	219.20	-
Sale / (Purchase) of Investment	-	-
Pre Operative Expenses	-	(3,117.15)
Divident Income	-	-
Interest Income	71.62	4.09
Net Cash from Investing activities	(3,117.29)	(36,637.48)
C Cash Flow from Financing activities:		
Increase in Working Capital Loan	14,329.95	-
Increase/(Decrease) in Term loan	(1,179.49)	27,564.45
Increase in Unsecured Loan	(904.64)	1,059.66
Interest paid	(10,548.26)	(551.94)
Increase in equity	0.28	-
Share application money received	1,367.50	4,865.00
Dividend paid	(209.86)	-
Dividend distribution tax paid	(34.86)	-
Net cash used in Financing activities	2,820.61	32,937.17

EMPEE SUGARS AND CHEMICALS LIMITED

Increase in Cash and Cash equivalents	(160.08)	(1,382.87)
Cash and Cash equivalents at the beginning of the year	227.96	1,610.83
Cash and Cash equivalents at the end of the year	67.88	227.96

As per our report of even date annexed

For and on behalf of the Board

K.S.Aiyar & Co
Chartered Accountants
(Firm Regn.no.100186W)

M.P.Purushothaman
Managing Director

Sheeju Purushothaman
Joint Managing Director

(S.Kalyanaraman)
Partner(M.No.200565)

S.S.K.Swarup
G.M.(F&A) &
Company Secretary

Place:Chennai
Date: 30.11.2011