

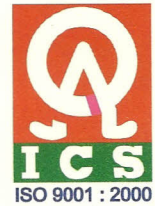


K. M. Sugar Mills Ltd.

Corporate Office and Works : Motinagar, Faizabad-224 201

Phone : 05278-254059/254173 Fax : 05278-254031

E-mail : director@kmsugar.com/admin@kmsugar.com



NOTICE TO SHAREHOLDERS

Notice is hereby given that the Extra – Ordinary General Meeting of M/s. K. M. Sugar Mills Ltd. will be held at its office at Moti Nagar, MASODHA, FAIZABAD-224201 (U.P.) on Monday 23rd day of December, 2013 at 11:00 AM to transact the following business /(s) :

SPECIAL BUSINESSES:

1. To Consider and if through fit , to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of the Section 198, 269, 309, 310, 311 read with the Schedule XIII of the Companies Act 1956 and other applicable provisions ,if any, (including any statutory modification or re-enactment thereof, for the time being in force) and further to special resolution passed by shareholders of the Company in 39th Annual General Meeting of the Company held on 19.03.2012, the consent, authority & approval of the shareholders of the Company, be and is hereby accorded for payment of remuneration to Shri L K Jhunjhunwala, Whole time Director, designated as Chairman of the Company, w.e.f. 01.04.2013 within limits set out in section 198, 309 of the Companies Act, 1956 and as may be decided by the Board from time to time. “

“RESOLVED FURTHER that the Board of Directors of the Company be and hereby authorized to do, perform and execute all such acts, deeds and things and to settle all question arising out of incidental thereto, and to give such directions as may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution.”

2. To Consider and if through fit , to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of the Section 198, 269, 309, 310, 311 read with the Schedule XIII of the Companies Act 1956 and other applicable provisions ,if any, (including any statutory modification or re-enactment thereof, for the time being in force) and further to special resolution passed by shareholders of the Company in 39th Annual General Meeting of the Company held on 19.03.2012, the consent, authority & approval of the shareholders of the Company, be and is hereby accorded for payment of remuneration to Shri Aditya Jhunjhunwala, Managing Director, of the Company, w.e.f. 01.04.2013 within limits set out in section 198, 309 of the Companies Act, 1956 and as may be decided by the Board from time to time.”

“RESOLVED FURTHER that the Board of Directors of the Company be and hereby authorized to do, perform and execute all such acts, deeds and things and to settle all question arising out of _____

incidental thereto, and to give such directions as may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

3. To Consider and if through fit , to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Section 198, 269, 309, 310, 311 read with the Schedule XIII of the Companies Act 1956 and other applicable provisions ,if any, (including any statutory modification or re-enactment thereof, for the time being in force) and further to special resolution passed by shareholders of the Company in 39th Annual General Meeting of the Company held on 19.03.2012, the consent, authority & approval of the shareholders of the Company, be and is hereby accorded for payment of remuneration to Shri Sanjay Jhunjhunwala, Jt. Managing Director, of the Company, w.e.f. 01.04.2013 within limits set out in section 198, 309 of the Companies Act, 1956 and as may be decided by the Board from time to time.

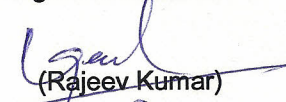
"RESOLVED FURTHER that the Board of Directors of the Company be and hereby authorized to do, perform and execute all such acts, deeds and things and to settle all question arising out of incidental thereto, and to give such directions as may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

4. To Consider and if through fit , to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Section 198, 269, 309, 310, 311 read with the Schedule XIII of the Companies Act 1956 and other applicable provisions ,if any, (including any statutory modification or re-enactment thereof, for the time being in force) and further to special resolution passed by shareholders of the Company in 39th Annual General Meeting of the Company held on 19.03.2012, the consent, authority & approval of the shareholders of the Company, be and is hereby accorded for payment of remuneration to Shri S. C. Agrawal, Whole Time Director, designated as Executive Director of the Company, w.e.f. 01.04.2013 within limits set out in section 198, 309 of the Companies Act, 1956 and as may be decided by the Board from time to time.

"RESOLVED FURTHER that the Board of Directors of the Company be and hereby authorized to do, perform and execute all such acts, deeds and things and to settle all question arising out of incidental thereto, and to give such directions as may be necessary or arise in regard to or in connection with any such matter as it may, in its absolute discretion, deem fit to give effect to this resolution."

By Order of the Board
For K.M. Sugar Mills Limited


(Rajeev Kumar)

Company Secretary

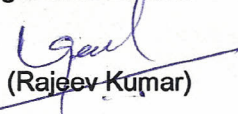
Place: Lucknow

Date: 28th November, 2013

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of himself. The Proxy need not to be a member of the Company. The proxy form duly completed must reach at the above venue / office of the meeting not less than 48 hours before the commencement of the meeting.
2. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business specified under item nos.1 to 4 of the Notice is annexed hereto.
3. The members are requested to notify immediately any change in their addresses to the RTA – M/s. Link Intime (India) Pvt. Ltd./ Company .
4. The Members are requested to bring their copies of the said notice to the meeting.
5. As per Clause 49 of the Listing Agreement with Stock Exchange /(s), the brief resume, functional expertise of the Directors for seeking payment of remuneration is annexed.
6. The members, who require any information about the above matter to be explained in the meeting, are requested to intimate to the Company about their intended query/(ies) at least seven days in advance of the meeting.

By Order of the Board
For K.M. Sugar Mills Limited


(Rajeev Kumar)

Company Secretary

Place: Lucknow

Date: 28th November, 2013

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item nos. 1 to 4

Mr. L.K. Jhunjhunwala, Mr. Aditya Jhunjhunwala, Mr. Sanjay Jhunjhunwala and Mr. S.C. Agrawal were re-appointed as the Chairman, Managing Director, Joint Managing Director and Executive Director (Whole-Time Director) of the Company by the Members in the 39th Annual General Meeting of the Company held on 19th March, 2012 for a period of three (3) years subject to the approval of the Central Government for the payment of remuneration. Since the Company was having losses/inadequate profits the payment of managerial remuneration was possible only with compliance of Schedule XIII. The Company was complying with all the terms and conditions prescribed under Schedule XIII (Part II, section 2(1)(B) of the Companies Act, 1956 with reference to the payment of remuneration to the managerial personnel, except the condition regarding default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of 30 days in the preceding financial year before the date of appointment of such managerial personnel in terms Schedule XIII (Part II, section 2(1)(b)(ii). Therefore the

approval of the Central Government was required to make payment of remuneration to the Managerial Personnel. For want of No Objection Certificate from Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution (as there was a default in repayment of their loan and interest thereat) Central Government approval for payment of managerial remuneration as per schedule XIII could not be obtained.

The Company has not been paying remuneration to aforesaid managerial personnel's since 1st April, 2012 as it was running in to losses and could not get the approval of the Central Government for making payment of remuneration to them.

Now, the financial results of the Company, for the year ended at 31st March, 2013 and also at 30th September, 2013, have been showing profit and the Company has come out of the purview of the terms and conditions of Schedule XIII of the Companies Act, 1956 and can pay overall managerial remuneration upto the limit of 10% of the profit. Hence, the Company can now pay remuneration to the aforesaid managerial personnel's by passing a special resolution.

The Board of Directors of the Company in their meeting held on 28th November, 2013, on the recommendation of Remuneration Committee, noted the hardship being faced by aforesaid managerial personnel's_ and considering the developments and subject to the approval of the shareholders, approved the payment of the remuneration w.e.f. 01.04.2013 to them within limits set out in section 198 & 309 of the Companies Act, 1956. It is also proposed to authorize the Board to change the remuneration of aforesaid managerial personnel's from time to time with in the statutory limits set out by the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force).

The resolution is recommended to the members for their approval as a Special Resolution.

Memorandum of Interest:-

None of the Directors except Shri L.K. Jhunjhunwala, Shri Aditya Jhunjhunwala, Shri Sanjay Jhunjhunwala is interested in Resolution no. 1, 2, and 3, being Father and Sons.

None of the Directors except Shri S.C. Agrawal, is interested in Resolution no. 4.

1. GENERAL INFORMATION ABOUT THE COMPANY :

M/s. K.M. Sugar Mills Limited is 79 years old company and commenced its operation as a partnership firm in 1942 . Later on it was converted into a Private Limited Company, w.e.f. 17-12-1971. The Company is one of India's leading producer of high quality sugar, alcohol, bio-fuel, bio-

power and operates as one of the largest integrated sugar complex in India . The Company has licensed and installed capacity :-

a- Sugar – 6500 TCD, b- Distillery – 50KL-per day , c- Power Generation-25MW

The Company does not have any joint venture / collaboration with any foreign country.

2. INFORMATION ABOUT WHOLE TIME WORKING DIRECTORS:-

Name	Shri L.K. Jhunjhunwala	Shri Aditya Jhunjhunwala	Shri Sanjay Jhunjhunwala	Shri S.C. Agrawal
Designation	Chairman-cum-Director	Managing Director	Joint Managing Director	Executive Director
Date of Birth	24-08-1942	27-01-1970	07-06-1975	14-12-1960
Date of appointment	24-12-2002	24-12-2002	24-12-2002	28-09-2001
Nos. of shares held	5602600	3704200	3494600	NII
Qualification	B.A.	B.Com.	B.Com., MBA from UK	B.Sc..(NSI)
Experience	44 years	19 years	15 years	35 years

3. REMUNERATION APPROVED IN 39TH AGM HELD ON 19-03-2012 :-

Name	Shri L.K. Jhunjhunwala	Shri Aditya Jhunjhunwala	Shri Sanjay Jhunjhunwala	Shri S.C. Agrawal
Basic Salary	Rs. 1,75,000/-	Rs. 1,00,000/-	Rs. 1,00,000/-	Rs. 1,00,000/-
House	Free Furnished House	Free Furnished House	Free Furnished House	Free Furnished House, but the cost of furniture shall not exceed Rs.50,000/-.
Medical Reiumb.	Actual- India/ Abroad	Actual- India/ Abroad	Actual- India/ Abroad	One month salary in a year or three months salary in a block of 3 years
Leave Travel Concession	Travelling, lodging, Boarding, convy., others- self &	Travelling, lodging, Boarding, convy., others- self &	Travelling, lodging, Boarding, convy., others- self &	Once in two years for self & family as per Company's rules

	family- in India or Abroad	family -in India or Abroad	family- in India or Abroad	
Conveyance	Two Chauffeur driven cars for self and family	Two Chauffeur driven cars for self and family	Two Chauffeur driven cars for self and family	Cars with driver for self and family
Club Fees	Membership of club in India, Abroad- admission and lifetime	Membership of club in India, Abroad- admission and lifetime	Membership of club in India, Abroad- admission and lifetime	
Co.'s cont. to PF	As per company's rules subject to 12% of salary	As per company's rules subject to 12% of salary	As per company's rules subject to 12% of salary	As per company's rules subject to 12% of salary
Co.'s cont. Pension	As per company's rules together with PF and to such amount not taxable under I.Tax	As per company's rules together with PF and to such amount not taxable under I.Tax	As per company's rules together with PF and to such amount not taxable under I.Tax	As per company's rules together with PF and to such amount not taxable under I.Tax
Gratuity	As per company's rules but not exceed ½ month salary on each completed years	As per company's rules but not exceed ½ month salary on each completed years	As per company's rules but not exceed ½ month salary on each completed years	As per company's rules but not exceed ½ month salary on each completed years
Encashment of leave	At the end of tenure will not be included in computation of the ceiling of perquisites	At the end of tenure will not be included in computation of the ceiling of perquisites	At the end of tenure will not be included in computation of the ceiling of perquisites	At the end of tenure will not be included in computation of the ceiling of perquisites
Leave	Encashment of one full month pay for every 11months of	Encashment of one full month pay for every 11months of	Encashment of one full month pay for every 11months of	Encashment of one full month pay for every 11months of

	salary	salary	salary	salary
Travelling	Co.'s car / reimbursement of travelling / other exp.	Co.'s car / reimbursement of travelling / other exp.	Co.'s car / reimbursement of travelling / other exp.	Co.'s car / reimbursement of travelling / other exp.
Telephone	Payment of telephone (with STD) at residence / mobile cell phone bills shall not reckoned as perquisites	Payment of telephone (with STD) at residence / mobile cell phone bills shall not reckoned as perquisites	Payment of telephone (with STD) at residence / mobile cell phone bills shall not reckoned as perquisites	Payment of telephone (with STD) at residence / mobile cell phone bills shall not reckoned as perquisites
Other perks	As applicable to other senior management. In case , the company does not have profit or profit are inadequate, he will be entitled such perks as per limit specified above as well as Schedule-XIII	As applicable to other senior management. In case , the company does not have profit or profit are inadequate, he will be entitled such perks as per limit specified above as well as Schedule-XIII	As applicable to other senior management. In case , the company does not have profit or profit are inadequate, he will be entitled such perks as per limit specified above as well as Schedule-XIII	As applicable to other senior management. In case , the company does not have profit or profit are inadequate, he will be entitled such perks as per limit specified above as well as Schedule-XIII

4. Past Remuneration

(Rs. In lacs)

Financial Year	Total Remuneration			
	Mr. L.K. Jhunjunwal	Mr. Aidtya Jhunjunwala	Mr. Sanjay Jhunjunwala	Mr. S.C. Agarwal
2011-12	Nil	Nil	Nil	Nil
2010-11	21.84	15.85	13.44	8.95
2009-10	21.00	13.48	13.48	8.55

5. Remuneration Proposed :- Item nos. 5,6,7 and 8, of the 39th Annual General Meeting of the Company held on 19-03-2012, the remuneration proposed to pay the remuneration of Rs.1,75,000/-, Rs.1,00,000/-, Rs.1,00,000/- and Rs.1,00,000/- each to Mr. L.K. Jhunjunwala, Mr. Aditya Jhunjunwala, Mr. Sanjay

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Jhunjhunwala and Mr. S.C. Agrawal respectively (the ceiling limit is of Rs.2,50,000/- per month) by way of salary, dearness allowance, perquisites and any other allowances in case of loss or inadequacy of profit in any financial year for a period not exceeding 3 (Three) years w.e.f. March 1 ,2012 as may decided by the Board of Directors of the Company. In view of profits for the year ended at 31st March, 2013 and also at 30th September, 2013, the aforesaid managerial personnel's are proposed to be paid remuneration within statutory limit prescribed under section 198 and section 309 of the Companies Act, 1956 as may be decided by the Board from time to time.

'6. Comparative Remuneration Profile with respect to Industry, size of the Company, profile of the position and person :- In order to take the consideration of the size of the Company, the profile of Mr. L.K. Jhunjhunwala , Mr. Aditya Jhunjhunwala, Mr. Sanjay Jhunjhunwala and Mr. S.C. Agrawal, the responsibilities shouldered by them, the aforesaid remuneration package is lower than the remuneration package paid to Managerial Position in other listed Companies in the Sugar Industry.

'7.- Pecuniary relationship directly or indirectly with the Company or relationship with Managerial personnel if any – Besides the remuneration proposed, the aforesaid Directors has the following interest in the Company :-

Name of the Directors	Shares held in the Company
Mr. L.K. Jhunjhunwala	56,02,600 (6.09%)
Mr. Aditya Jhunjhunwal	37,04,200 (4. 03%)
Mr. Sanjay Jhunjhunwal	24,94,600 (2.71%)
Mr. S.C. Agarwal	NIL

OTHER INFORMATION :-

1.REASONS OF LOSS OR INADEQUATE PROFITS

The Company witnessed a sharp decline in earnings on account of sudden fall in the market valuation of sugar inventories, which resulted fall in earnings and profitability. Though, the average sugar realization during the year ended on September,2012 was at Rs.2,946/- as compared to Rs. 2,767/- per quintal during the preceding year, however, sugar unit of the Company has paid considerable higher sugar cane price in the sugar season 2011-12. It was paid an average price of Rs. 240/- per quintal in line with trends in the U.P. Sugar Industry leading to higher cost of production. The domestic sugar prices, however, have declined after March, 2012, on account of higher sugar production and also in anticipation of larger crop in 2011-12. Sugar exports were continued to be under check by the Central Government in anticipation of lesser crop during this year. The negative margin in alcohol segment due to excess capacity have also affected the profitability of the Company. With the efforts of the management the Company has made turn around and started making profits from year ended at 31st March, 2013. Financial results for the year ended at 30th September 2013 also shows the positive figures.

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2. STEPS TAKEN OR PROPOSED TO BE TAKEN FOR IMPROVEMENT :-

The Company has adopted a business strategy to diversify its revenue base to reduce its dependence on income from sugar and is accordingly focusing on power co-generation capacities as a part of its growth plan. In order to insulate it from the vagaries of the market volatility, it has entered into trading of sugar in the Country as well as outside the Country to meet the specific need of consumers.

The increase in domestic and global demand particularly in India/ Asian/ African countries will improve the price situation. The Company is carrying out major cane development initiatives which will result in benefit in the form of higher cane yield and improved sugar recoveries. This way, the Company is confident to turn around ahead of industry in next 2 years.

The Company has also worked out a turnaround plan and identified the areas of intervention and actions required to be taken to ensure the long term viability of the Company. It had restructured its accounts through Corporate Debt Restructuring (CDR).

3. Expected Increase in productivity and profits in measurable terms :-

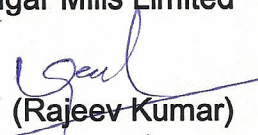
Correction strategy adopted by the Company has already started giving positive results. The company will continue trading both for domestic as well as exports purposes, based upon the market conditions, cost of production and expected realizations. In order to minimize the effect of negative margins and resultant losses, the Company has repositioned itself as an exporter of sugar as well as the by-products.

Cane development assistance has been obtained from banks and sugar development funds. The benefits of these initiatives will be available in medium term. Accordingly, the Company is focusing on generation of power and steam for its captive consumption to reduce the cost of production as well as for sale to generate more revenue to the Company. It is also developing all the capabilities of manufacturing, materials, marketing etc. under alcohol segment.

With the above measures, the Company is confident to continue and grow positive margins in future.

The payment of the remuneration w.e.f. 01.04.2013 to them shall be within limits set out in section 198 & 309 of the Companies Act, 1956. It is also proposed to authorize the Board to change the remuneration of aforesaid managerial personnel's from time to time within the statutory limits set out by the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force).

By Order of the Board
For K.M. Sugar Mills Limited


(Rajeev Kumar)

Company Secretary

Place: Lucknow

Date: 28th November, 2013