

NOTICE

Notice is hereby given that the Twenty Six Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at 120, Hoodi Apartments, Cunningham Road, Bangalore -560 001 on Friday the 12th November, 2021 at 11.00 A.M to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt
 - i. The Audited Standalone Financial Statements of the Company for the year ended 31st March, 2021 and the Report of the Directors' and Auditors' thereon.
 - ii. The Audited Consolidated Financial Statements of the Company for the year ended 31st March, 2021 and the Report of Auditors' thereon.
2. To appoint a Director in place of Mr. R. Sekar (DIN-00097891) who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ramesh Doddanavar (DIN-00251809) who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. C.R. Sorgavi(DIN-00177150) who retires by rotation and being eligible, offers himself for re-appointment.
5. To ratify the appointment of Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions contained in Section 139 and other applicable provisions if any of the Companies Act, 2013 the re-appointment of M/s. K. Arunkumar & Associates, Chartered Accountants (Firm Regn. No.016215S) as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.3.00 Lakh plus applicable GST and reimbursement of actual out of pocket expenses, be and is hereby ratified and approved.

SPECIAL BUSINESS:**To increase in Borrowing powers from Rs.500 Crores to Rs.750 Crores**

6.1 To Consider, and if thought fit, to pass with or without modification, the following resolution, as a special Resolution.

“RESOLVED THAT pursuant to the previous of sections 180 (1) (C) and other applicable provisions , if any, of the Companies Act, 2013 including any statutory modifications or re-enactments thereof for the time being in force the rules notified there under, the consent of the company be and here by accorded to the Board of Directors of the company to borrow any sum or sums of money for and on behalf of the company from time to time for the purpose of the company notwithstanding that the money to be borrowed together with moneys already borrowed by the company (apart from the temporary loans obtained from the Company’s bankers in the ordinary course of business) will or may exceed aggregate of the paid up capital of the company, its free reserves and share premium , which have not been set apart for any specific purpose and the total amount upto which money may be borrowed shall not exceed Rs.750 Crore (Rupees Seven Hundred Fifty Crores Only) over and above the Paid up capital free reserves and share premium, on account of the principle”.

6.2 Creation of Security on the assets of the Company in favour of the lenders:

“RESOLVED THAT pursuant to the provisions of Sections 180 (I) (a) and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications or re-enactment thereof, for the time being in force), the rules notified there under, consent of the Shareholders be and is hereby accorded to the Board of Directors of the Company to create mortgages, charges and hypothecations as may be necessary so as to provide security for the sums borrowed on such terms and conditions and in such form and manner and with such ranking as to priority, as the Board in its absolute discretion thinks fit, on such assets of the Company, both present and future, as may be agreed in between the Company and the Lenders so as to secure the borrowings by the Company, together with interest costs, charges, expenses and all other monies payable by the Company to the concerned lenders, under the respective arrangements entered into / to be entered by the Company and/or Board and the securities to be created by the Company for tis borrowings as aforesaid may

rank with the security already created in the forms of mortgages, Charges and hypothecations or to be created in future by the Company as may be agreed between the Board and concerned parties, up to Rs.750 Crores (Rupees Seven Hundred Fifty Crores only).”

7.To make investments, give loans, guarantees and provide securities under section 186 of the Companies Act, 2013

RESOLVED THAT pursuant to the provisions of section 186 and all other applicable provisions, if any, of the Companies Act, 2013 and Companies (Meeting of Board and its Powers) Rules, 2014, (including any statutory modification or re-enactment thereof, for the time being in force), consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (Hereinafter referred to as “Board” which term shall include any committee constituted by the Board or any person(s) authorised by the Board to exercise the power conferred on the Board by this resolution) to make loans or investments, in one or more tranches by subscription, purchase or otherwise in any body/bodies corporate in India in any kind of securities, or by providing of guarantee or security in connection with a loan made by any other person to any body / body corporate in India in excess of limit prescribed in section 186 of Companies Act, 2013 but subject to a maximum limit of Rs.300 Crore (Rupees Three Hundred Crore Only).

RESOLVED FURTHER THAT the Board be and is hereby authorised to negotiate and finalise the terms and conditions of the said investments, loans, guarantees and provision of security on behalf of the Company as it may deem fit in the interest of the Company, to take all such actions and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and such investments, loans, guarantees and provisions of security and generally to do all such acts, deeds and things that may be necessary , proper, expedient or incidental for the purpose of giving effect to this resolution.

- 8 To Consider and if thought fit, to pass, with or without modification(s), the following Resolution, as an Ordinary Resolution:

To ratify the remuneration of Cost Auditors for the financial year ending 31st March, 2022 and in this regard, pass the following Resolution as an Ordinary Resolution:

Re-appointment of Cost Auditor of the Company for the financial year 2021-22

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration of Rs. 1,10,000/- as set out in the Statement annexed to the Notice convening this Meeting for the appointment of Mr. P. Kumaraswamy, Cost Accountant (Membership No. 001291) as the Cost Auditors to conduct the audit of cost records of the Company for the financial year ending March 31, 2022, be and is hereby ratified.”

By order of the Board

For GEM SUGARS LIMITED


R. SEKAR

MANAGING DIRECTOR

Place: Bangalore

Date: 23rd September, 2021

DIN: 00097891

NOTES:

1. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote on a poll instead of himself / herself and a proxy so appointed need not be a member of the company. Proxies in order to be effective must be received at the Company's Registered Office not later than 48 hours before the commencement of the meeting.
3. All documents including Memorandum & Articles of Association will be available for inspection all working days between 11.00 a.m and 2.00 p.m at the Registered Office of the Company.
4. Members are hereby requested to avail the services for dematerialization of their shares held in physical form with M/s. Integrated Registry Management Services Private Limited, the Company's Registrars and Share Transfer Agents (R&T).

The address of RTA is as under:

Integrated Registry Management Services Private Limited,

No.30, Ramana Residency,

4th Cross, Sampige Road,

Malleswaram,

Bangalore – 560 003,

Tel: 080 2346 0815.

E-mail: giri@integratedindia.in

Website: www.integratedindia.in

5. Profile of the Directors eligible for re-appointment retiring by rotation:

Mr. R. Sekar, has over three decades of experience in establishing and modernizing sugar plant, creating environment friendly and safe methods in operating and maintenance of power plants. He is a member of ISMA Committee and represents the South Indian Sugar Mills Association, Karnataka. He is an Executive Member of All India Granites & Stones Association.

Dr. Ramesh Doddanavar is an expert in Cardiology and in the business of Sugar Manufacture., Wind Mill, and Mining etc.

Mr. C.R.Sorgavi is a graduate in agriculture and is a promoter member of Nandi Co-operative Sugar Mill Ltd., Karnataka.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 6.1

In terms of provisions of Section 180 (1) (c), Section 293 (1) (d) and other applicable provisions of the Companies Act, 2013, the approval of the Shareholders by way of a special resolution is required for the Company to borrow money (apart from the temporary borrowings from the Company's bankers in the ordinary course of business) beyond the aggregate value of its paid up capital, free reserves and Security Premium and to create mortgage, charge and hypothecation on the assets of the Company, towards security for the said borrowings.

By considering the expansion of Sugar and Distillery Expansion from 60 KLPD to 120 KLPD, the Board of Directors at its meeting held on 23rd September 2021 decided to increase the existing borrowing limit of Rs.500 Crores (Rupees Five Hundred Crores) to Rs.750 Crores (Rupees Seven Hundred Fifty Crore only)

The Board of Directors recommends the Resolutions as set out in Item No 6.1 for the approval of the Shareholders as Special Resolution.

None of the Directors and key managerial personnel or their relatives is in any way concerned or interested in the above Resolutions set out in Item No 6.1 of the Notice.

Item No. 6.2

The consent was given by the Board of directors at their meeting held on 23rd September, 2021 the company can give loan, guarantee, or security in connection with a loan made by any other person to anybody / body corporate in India in excess of limit prescribed in section 186 of Companies Act, 2013 but

subject to a maximum limit of Rs.300 Crore (Rupees Three Hundred Crore Only).

The Board of Directors recommends the Resolutions as set out in Item No 6.2 for the approval of the Shareholders as Special Resolution.

None of the Directors and key managerial personnel or their relatives is in any way concerned or interested in the above Resolutions set out in Item No 6.2 of the Notice.

Item No. 7

As per the provisions of section 186 of the Companies Act, 2013, the Board of Directors of a Company could give any loan, guarantee or provide security in connection with a loan to any person or body corporate to the extent of sixty percent of paid up share capital, free reserves and securities premium or one hundred per cent of its free reserves and securities premium amount whichever is more and for giving any loan or providing guarantee and security in excess of limit specified above, the approval of the members of the company in General Meeting by way of Special resolution has to be obtained.

And for the purpose of giving any loan and making investment purpose of the company, the Company may give loan and providing guarantee and security to any person and make investment by acquiring securities by way of purchase or subscription or otherwise from time to time. So, it is proposed the limit of give any loan or guarantee or providing security to body corporate or any other person and to invest funds upto Rs.300.00 Crore and recommend passing of this resolution by way of a Special resolution.

The Board of Directors recommends the Resolutions as set out in Item No 7 for the approval of the Shareholders as Special Resolution.

None of the Directors and key managerial personnel or their relatives is in any way concerned or interested in the above Resolutions set out in Item No 7 of the Notice.

Item No. 8

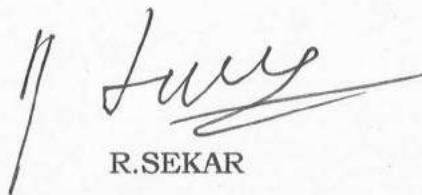
The Board of Directors on the recommendation of the Audit Committee has approved the re-appointment of Mr. P. Kumaraswamy, Cost Accountant as Cost Auditor to conduct audit of cost records of the Company for the financial year ending 31st March, 2022 and fixed the annual remuneration at Rs.1,10,000/- (Rupees Lakh and Ten Thousand Only) plus Service Tax with the reimbursement of actual out of pocket expenses.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014 the remuneration payable to the Cost Auditor has to be approved and ratified by the members of the Company. Accordingly, the consent of the members is sought for passing an ordinary resolution as set out at Item No.6 of the notice for the re-appointment and payment of remuneration to the Cost Auditor for the financial year ending 31st March, 2022.

None of the Directors and Key Managerial Personnel or their relatives is in any way concerned or interested in the above resolution set out in Item no 8 of the Notice.

By order of the Board

For GEM SUGARS LIMITED


R.SEKAR

MANAGING DIRECTOR

DIN: 00097891

Place: Bangalore

Date: 23-09-2021

DIRECTOR'S REPORT

Dear Members,

The Board of Directors is pleased to present the **Twenty Sixth** Annual Report of your Company with the audited financial statements for the year ended 31st March 2021.

1. Financial Results

Particulars	(Rs. in lakh)	
	Year ended 31 st March 2021	Year ended 31 st March 2020
Revenue	28,450.74	32,981.13
Profit before financial expenses, depreciation and Exceptional items	4,230.37	3,584.56
Financial expenses	2,501.21	1,926.16
Depreciation	1,063.46	1,055.70
Exceptional items	-	-
Profit before provision for tax	665.70	602.70
Provision for taxation:		
Current	111.60	100.62
Deferred Tax	-	-
Net profit	554.10	502.08
Profit brought forward from the previous year	4,819.18	4,324.42
Less: Dividend Distribution Tax 18-19	-	7.32
Profit available for appropriation	5,373.28	4,819.18
Transfer to General Reserve	-	-
Proposed Dividend on equity shares	-	-
Dividend Tax	-	-
Retained in the Profit & Loss Account	5,373.28	4,819.18
Earning per share (EPS)	1.23	1.12

2. Impact of Global Crisis – NCOVID -19

The COVID-19 pandemic is a defining global crisis that has transformed the way we think live and work. The spread of the virus disrupted the global economy and consumer sentiment and the World Health Organization declared the virus in March 2020. The Central Government of India implemented a national lockdown in late March 2020, which covered the comprehensive closure of offices factories and public places.

The operations of the Company were not interrupted and were carried out in the normal course in accordance with the directives issued by the Ministry of Home Affairs, Government of India (GOI). Since the Company is engaged in manufacturing of Sugar, Generation of Power and production of Industrial Alcohol (including Ethanol) falling under the category of essential commodities.

The Company also concentrated on production of Sanitizers in order to cope up with the demand occurred due to medical crisis.

The Company ensured the safety of its employees and is complying with all the norms related to social distancing, thermal scanning wearing of facemask proper sanitization and hygiene at all its factory premises.

3. Dividend

Your Directors have not recommended any dividend for the accounting year 2020-21.

As required under Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001 the Company has transferred its unpaid 21,000 shares to IEPF on 7th December, 2020.

4. Reserves

During the year, the Company has not transferred any amount to General Reserve Account.

5. Product-wise performance

Sugar

During the year, the Company has crushed a quantity of 5,77,758 tons of sugarcane (as against 5,23,051 tons in the previous sugar season) and manufactured 52,003 tons of sugar and 18050.10 tons of C molasses & 15,688 Tons of B heavy molasses and 17279 tons of Syrup (as against 51,619 tons of sugar and 21,466.19 tons of C molasses & 14,499 tons of B heavy Molasses & Nil Syrup in the previous season).

The average sugar recovery for the season was 10.81% as against 10.86% during last season. The company has sold 46,241.20 tons of sugar and exported 12,537 tons of white sugar during the year under review as against 59,679.10 tons of sugar and exported 13,580 tons of white sugar during the last year. During the period under review, C-molasses was stored for production of ENA and B-Heavy molasses and Syrup was utilized for production of ethanol, to be supplied to OMC'S, as per the allotment.

The average sale realization on sale of sugar was at Rs. 31,758 per ton (including export) during the period under review as against Rs. 31,463/- per ton during the previous year.

Your company has promoted a number of scientific agricultural practices like, sub-surface drip irrigation system, tissue culture, wider space plantation, etc. which have helped in improving the overall performance of the company. The company has also taken necessary pest control measures to prevent Root grub, which earlier affected the growth of sugarcane crop.

Sugar Export

The company has entered into an agreement with M/s. Sucden India Private Limited, for export of 12,537 tons of sugar an average price at Rs. 26,665/ ton on Ex-factory, to fulfill the obligation under Maximum Indicative Export Quota Scheme of the Government India. Considering the Government subsidy @ Rs.6,000 per MT, the average realization is Rs. 32,712.10 Per MT. Accordingly, we have dispatched 12,537 MT as against contracted quantity. This has been improved revenue of the company to effect sugar cane payment to farmers in time. During the last year M/s. Sucden India Private Limited, for export of 13,580 tons of white sugar an average price at Rs. 21,668/ ton on Ex-factory, to fulfill the obligation under Maximum Indicative Export Quota Scheme of the Government India. Considering the Government subsidy, the average realization is Rs. 32,116/- Per MT.

Power

During the year, the total power generation was to the extent of 51 million units as against 53 million units in the previous year. Export of power through PCKL (Power Company of Karnataka Limited) was to the extent of 29.40 million units with a total value of Rs. 1399.62 lakh as against 31.85 million units at a total value of Rs. 1,449.18 lakh in the previous year. The average sale realization on power for the year works out to Rs. 4.76 kwh compared to Rs. 4.55/kwh in the previous year. The Company entered in to a Power Purchase Agreement with Electricity Supply Companies (ESCOMs) for a period of 5 years, till the financial year 2020-2021 with a pricing of Rs.4.35/kwh with 5% escalation every year. We are presuming the matter with ESCOMs through SISMA.

Alcohol

The operational performance of the Distillery plant for the period from 1st April 2020 to 31st March 2021 is as under:

Products	As on 31.03.2021	As on 31.03.2020
Duration of operation	257 Days	259 Days
Extra Neutral Alcohol production (in lakh litres)	47.71	89.63
Rectified Spirit – In lakh litres	-	-
Impure Spirit in lakh litres	-	0.30
Ethanol in lakh litres from B Heavy Molasses	28.55	38.13
Ethanol in lakh litres from Syrup	52.23	-
Ethanol in lakh litres form C Molasses	9.44	17.57
Total in lakh litres	137.93	145.64
Consumption of Syrup in tons	17,177.86	-
Consumption of molasses in tons	28,930.303	51,195.31
Alcohol yield per ton of Syrup	304.05 Litre	-
Alcohol yield per ton of molasses	296.24 Litre	284.48 litre

The company sold 51.30 lakh litre of Extra Neutral alcohol with an average sale realization of Rs. 50.94 per litre, as against 92.65 lakh litre of with an average sale realization of Rs.55.77 per litre, during the corresponding period of last year.

The company sold 52.23 lakh liters of Ethanol from Syrup to OMC's with an average sale realization of Rs. 62.65 per litre, as against nil, during the corresponding period of last year.

The company sold 27.45 lakh liters of Ethanol from B heavy molasses to OMC's with an average sale realization of Rs. 56.03 per liter, as against 37.95 lakh liters of with an average sale realization of Rs.54.11 per litre, during the corresponding period of last year.

The company sold 14.86 lakh liters of Ethanol from C molasses to OMC's with an average sale realization of Rs. 43.75 per litre, as against 17.46 lakh liters of with an average sale realization of Rs.43.46 per litre, during the corresponding period of last year.

Government Policy on Ethanol

The Government of India permitted sugar mills to produce ethanol directly from sugarcane juice and B Heavy Molasses, the recovery rate in case of such sugar mills shall be determined considering every 600 litre of ethanol so produced as equivalent to 1 ton of production of sugar as per the notification dated 26.07.2018.

During the last year 2020, the Cabinet Committee on Economic Affairs, chaired by honorable Prime Minister has given its approval for fixing higher ethanol price derived from different raw materials under the EBP programme for the current sugar season 2020-21 for supply of ethanol during 1st December 2020 to 30th November 2021 as under:

- i) The price of ethanol from C heavy molasses route be increased from Rs.43.75 per liter to Rs.45.69 per liter.
- ii) The price of ethanol from B heavy molasses route be increased from Rs.54.27 per liter to Rs.57.61 per liter.
- iii) The price of ethanol from sugarcane juice/sugar/sugar syrup route be increased from Rs.59.48 per liter to Rs.62.65 per liter.
- iv) Accordingly, GST and transportation charges will also be payable. Oil Marketing Companies have been advised to fix realistic transportation charges so that long distance transportation of ethanol is not disincentivised.
- v) OMCs are advised to continue according priority of ethanol from 1) Sugarcane juice/sugar/sugar syrup, 2) B heavy molasses, 3) damaged food grains/other sources, in that order.

The revised price is applicable for the current sugar season 2020-21 during the ethanol supply year from December 1, 2020 to November 30, 2021. This price hike will benefit the distilleries and boost the Ethanol-petrol blending programme.

The Oil Marketing Companies invited tenders from distillery units for supply of a total quantity of 429 crore liters of Denatured Anhydrous Ethanol manufactured from sugarcane juice/sugar/sugar syrup, B-Heavy Molasses and C-Heavy Molasses, at OMC locations during the period 01.12.2020 to 30.11.2021, under the Ethanol blended petrol programme of Government of India.

The Company also participated in the tender process of the Oil Marketing Companies (OMCs) and has been allotted a quantity of 52.41 lakh liters of ethanol produced from Sugar cane syrup, 52.00 lakh liters of ethanol produced from B Heavy Molasses and 6.00 lakh liters from C-molasses and the total value of the supply works out to Rs.65.54 crore for the supply during the period December 2020 to November 2021. The company has already completed supply of 52.23 Lakh litre ethanol from sugar cane syrup and 8.08 Lakh litre ethanol B Heavy Molasses had been supplied as per schedule of OMC's.

The distillery segment profit is increasingly seen as potential solution to the cyclicity and volatility of earnings of sugar companies in the medium-term on account of short supply situation, coupled with the government's focus to incentivize ethanol production.

Performance of the Company

During the year ended on 31st March 2021 the total income was Rs. 28,450.74 lakh as against Rs. 32,981.13 Lakh in the previous year. The profit before interest, depreciation and exceptional items was to the extent of Rs. 4,230.37 lakh as against Rs. 3,584.56 lakh in the last year. After adjusting interest, depreciation and exceptional items the operations resulted in a profit before tax of Rs. 665.70 lakh as against Rs. 602.70 lakh in the previous year.

6. Review of business operations and future prospects

Prospects for the next Financial Year 2021-22

The company has registered a total area of 23,611 acres for sugar cane cultivation for the planting season 2020-21, out of which 12,267 acres under planting and 11,344 acres under ratoon to ensure availability of 7.50 lakh tons of sugarcane for crushing during the ensuing season 2021-2022. The Operational estimates for the year 2021-2022 as follows:

a) Sugarcane crushing	: 7.50 lakh tons
b) Average sugar recovery	: 11%
(Before diversion of cane juice/ B heavy molasses to Ethanol)	
c) Average sugar recovery	: 10%
(After diversion of cane juice/ B heavy molasses to Ethanol)	
d) Sugar production	: 65,000 tons
e) B Heavy Molasses production	: 42,000 tons
f) C Molasses production	: Nil
g) Production of Syrup	: 25,000 tons
h) Power Generation	: 64 million units
i) Power export	: 35 million units
j) Ethanol Production	: 20 Million Litre

New Projects

Programme for Capacity Expansion of Sugar Plant to 10000 TCD Co-generation to 52.5 MW and 120 KLPD Ethanol Plant by 60KLPD from existing capacity

The company has obtained approval from Karnataka Udyog Mitra, Government of Karnataka, for undertaking capacity expansion of sugar plant to 10,000 TCD and co-generation plant to 52.5 MW. The cane survey report for assessing the availability of cane for expansion programme has been prepared by M/s. Sai Agri Consultancy Service Private Limited. Further, the Techno Economic Viability study of the proposed expansion program also carried out by M/s. MITCON

Consultancy and Engineering Services Limited and the report also submitted. As per this study report the proposed integrated project is found to be technically feasible and financially viable. The company proposes to implement the project in a phased manner.

In the first phase, the company proposes to expand the capacity of our 60 KLPD Distillery cum Ethanol Plant to 120 KLPD in order to utilize sugarcane syrup, B heavy molasses to produce ethanol as per the Government of India (GOI) revised policy under Petroleum Blending Program (PBP).

The company has received the amended IEM duly approved by Government of India for Expansion of its Distillery-cum-ethanol Plant from existing capacity of 60 KLPD to 120 KLPD.

Further, the company appointed the M/s Samrakshan, Bangalore as consultant for providing Technical and Allied services for obtaining Environmental clearance from Ministry of Forest and climate change from Government of India for distillery expansion from 60 KLPD to 120 KLPD. The company has been received the Environment clearance from MOEF, (Ministry of Environment, Forest & Climate Change), Government of India.

The Government of India has announced interest subvention by the banks to the sugar mills under "Scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity. Under this scheme interest subvention @ 6% per annum or 50% of rate of interest charged by banks/National Co-operative Development Corporation (NCDC)/ Indian Renewable Energy Development Agency Limited (IREDA), whichever is lower, on the loans to be extended by banks/NCDC/IREDA, shall be borne by the Central\Government for five years. This scheme would greatly benefit the company in implementation of the proposed capacity expansion of its distillery-cum-ethanol plant.

Accordingly, under this scheme the Government of India has now granted interest subvention to the company for a maximum loan amount of Rs.68.12 crore for capacity expansion of the existing ethanol plant from 60 KLPD to 120 KLPD.

Sugar plant expansion 6500 TCD to 8000/8500 TCD and Distillery Cum Ethanol Plant 60KLPD to 80/90 KLPD.

We are presently crushing about 6500 to 7000 Mt of cane per day in the last few years, and all the nearby sugar plants had expanded their crushing capacity to almost double the same and few new plants were also started their operation as well as two old plants were also revived and put in to crushing operation in this crushing season. By this development, the operation days of the crushing period had dropped from 4-5 months to less than 3 months.

In this connection, we have also planned to expand the cane crushing capacity from the present level to 8000/9000 TCD using the available process steam (Boiler capacity remains same) of 120 TPH @ 8.5-9.0kg/cm² exhaust pressure. This expansion involves mainly in the Cane handling, by adding one more Auxiliary cane carrier having cantilever type Cane unloaders, one feeder table and cane preparation by the addition of one no of Head-on cutter with Drives. The existing cane unloader in the main cane carrier will be upgraded to handle cane bundle having 15 MT capacity.

In the Milling section, in order to prevent the foreign materials finding way along with cane, we are introducing one no. of Electro Magnet and also adding one no. of Grooved Roller pressure feeder (GRPF) with complete Drive assembly having Variable Frequency Drive (VFD) etc., in the 1st Mill to increase the cane Feeding rate to the Milling plant. We have engaged consultant M/s. Engineering Consultancy services and Trading Association (ECSTA), Ghaziabad, for designing the layout and providing the required details Engineering and Mill setting etc., to improve the performance and achieve the crushing capacity. The estimated cost will be about Rs. 1,000 lakhs.

In the Process house, we are diverting the Syrup for Ethanol production from the last body of the Evaporator. Hence, in order to handle higher crushing using the present Steam availability, the addition Evaporator Vessels are required. We are also planning the same along with some Steam saving Devices in the Process side.

The company has also started the activities for expanding the existing capacity of Distillery Cum Ethanol Plant 60 KLPD to 80/90 KLPD considering the above expansion on sugar plant also to have more effective utilization of cane juice and B Molasses

7. Material changes and commitment if any affecting the financial position of the Company occurred between the ends of the financial year to which this financial statements relate and the date of the report.

No material changes and commitments affecting the financial position of the Company occurred in between the financial year to which this financial statement relates to the date of this report.

8. Conservation of energy, technology absorption, foreign exchange earnings and outgo:

The information relating to the conservation of energy, technology absorption and foreign exchange earnings and outgo as required to be furnished under the provisions of Section 134 (3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished in Annexure-I and is attached to this report.

9 Statement concerning development and implementation of Risk Management policy of the company

The Company has a Risk Management Policy including risk assessment and minimization procedures. The Risk Management Committee has been assigned with the functions of monitoring and reviewing the risk management plans of the Company. In the opinion of the Board no element of risk that may threaten the existence of the company has been identified.

10 Details of policy developed and implemented by the Company on its Corporate Social Responsibility (CSR).

The CSR policy of the company and the details about the measures taken by the Company on CSR activities during the financial year as required under Companies (Corporate Social Responsibility Policy) Rules 2014, have been disclosed in Annexure II. The CSR Meeting was held on 29th March, 2021.

As per the amendment in subsection 9 of Section 135 of the Companies Act, 2013 the requirement of constitution of CSR committee is no longer required since the amount spent on CSR does not exceed of Rs.50 Lakhs and henceforth the Company winding up the CSR Committee during the year FY 2021-2022. The Board of Directors shall perform the functions of CSR Committee.

As per the Companies Act 2013, the Company opened a Specifically Designed **“Unspent Corporate Social Responsibility Account”** with State Bank of India. The company has been transferred an amount of Rs. 20 Lakh as against the ongoing projects.

11 Particulars of loans, guarantees or investments made under Section 186 of the Companies Act 2013.

The company did not give any loan or guarantee or provide any security or make any investment under Section 186 of the Companies Act, 2013 during the year.

12 Particulars of contracts or arrangements made with the related parties

As regards related party transactions, there are no transactions which are not on arm's length basis and material in nature, the requirement of disclosure of such related party transactions in Form AOC-2 does not arise.

13 Explanations or comments on qualifications, reservations or adverse remarks or disclaimers made by the statutory auditors and the practicing company Secretary in their reports.

There were no qualifications, reservations or adverse remarks made by the Statutory Auditors and the practicing Company Secretary in their reports.

As required under Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001 the Company has transferred 21,000 shares to IEPF on 5th February, 2021 relating to unpaid dividend.

14 Company's policy relating to Directors and Key Managerial Personnel appointment, payment of remuneration and discharge of duties

Nomination and Remuneration Policy:

Pursuant to Section 178 of the Companies Act, 2013, the Board has constituted Nomination and Remuneration Committee and adopted new terms of reference.

The terms of reference for the Nomination and remuneration Committee includes:

- a) To identify persons who are qualified to become Senior Management (Senior Management of the Company means employees of the Company who are Divisional Heads and Corporate Functional Heads)
- b) To recommend to the Board on Remuneration payable to the Directors and Key Managerial Personnel pursuant to Section 203 of the Companies Act, 2013:

Remuneration Policy

The remuneration policy is directed towards rewarding performance based on the review of achievements. It is aimed at attracting and retaining talents in all the fields. The remuneration structure shall be determined after taking into consideration of qualification and experience in the respective field

15 Significant and Material Orders

There were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

16 Annual Return

According to the provisions of Section 92 (3) of the Companies Act, 2013 the extracts of Annual Return of Company in form MGT-9 is available on the Company's website viz. and URL -----

17 Number of Board Meetings and Committee of Directors conducted during the year under review

- a) During the financial year 2020-21, three Board Meetings were held on 23rd September 2020, 28th December 2020 and 30th March 2021.

Sl. No.	Date of Board Meeting	No of Director As on the Date of Meeting	Number Of Director Attended
1	23 rd September 2020	12	12
2	28 th December 2020	12	12
3	30 th March 2021	12	9

- b) During the financial year 2020-21, five Committee of Directors Meetings were held on 1st June 2020, 11th June 2020, 24th June 2020, 25th July 2020, and 29th August 2020.

18 Directors' Responsibility Statement:

In accordance with the provisions of Section 134(5) of the Companies Act 2013, the Board hereby submits its responsibility statement: -

- a) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) the directors had selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the financial year ended as on 31st March 2021 and the Profit of the Company for that year;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual account on a going concern basis;

- e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively, and
- f) the directors devised proper system to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

19. Remuneration to the Directors/Key managerial Personnel/employees

The information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, in respect of company director/key managerial personnel.

Name	Age in Yrs as on 31.03.21	Designation /Nature of Duties	Remuneration received Rs in Lakhs	Previous Employment	Date of commencement of employment	Nature of Appointment	Qualification and Experience
Mr. R Veeramani	79 Yrs	Executive Chairman	Rs.132.00	Chairman of Gem Group of companies	01.10.2016	Liabile to Retire by rotation	B.Sc., B.L./55 years

Note:

1. The nature of employment is contractual.
2. Mr. R.Veeramani is related to Mr.S.R.Asaithambi, Director and Mr. R. Sekar, Managing Director.
3. Remuneration comprises of salary, allowances and monetary value of perquisites.
4. Further, no director/key personnel of the company is covered by Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014.

20. Subsidiaries, joint ventures and associate companies

M/s.Banashankari Sugars Private Limited, a 100% subsidiary of your company could not implement the proposed sugar project at Raichur within the time schedule stipulated in the IEM by the Government of India due to unforeseen circumstances like devastating floods at Raichur during September/October 2009 and consequently the exorbitant escalation in land cost in Raichur. The Government of India has invoked the Bank Guarantee furnished by the company for Rupees one crore as per clause 6(d) of the Sugarcane (Control) (Amendment) Order, 2006 on

account of IEM remains unimplemented within the time specified under clause 6 (c) of the said order. Summary of the financial results relating to the subsidiary company is attached in Form no. AOC-1 forming part of the Annual Report.

21. Deposits

The Company has neither accepted nor renewed any deposits during the year under review.

22. Directors

Mr. R. Sekar, Mr. Ramesh Doddanavar and Mr. C.R. Sorgvai, Directors retire by rotation at the ensuing Annual General Meeting. All the Directors being eligible have offered themselves for reappointment.

23. Meeting of Independent Directors:

The Company has received declaration from the following two Independent Directors as under in accordance with the provisions of Section 149(6) of Companies Act 2013.

Mr. V. Balasubramanian

Mr. P.K. Rajamanickam

The Company has also received confirmation from the above Independent Directors that they have not incurred disqualification under section 164(2) of the Companies Act 2013 in any of the Companies in the previous financial year and that they are at present stand free from any disqualification from being a Director. The Independent Directors have also confirmed their compliance with the Code for Independent Directors as prescribed in Schedule IV to the Companies Act 2013 and also the Code of Conduct and Business Ethics for Board Members and Senior Management of the Company.

24. Statutory Auditors

Pursuant to the provisions contained in Section 139 of the Companies Act, 2013, M/s.K.Arun Kumar & Associates, Chartered Accountants (Firm Registration No.016215S), was re-appointed as Statutory Auditors of the Company in the Annual General Meeting held appointed as Statutory Auditors of the company to hold the office for a period of 5 years until the conclusion of the Annual General Meeting to be held in the year 2022 subject to the ratification by the members at the every Annual General Meeting.

Hence, the Board recommends this ratification in the forthcoming Annual General meeting.

The Auditor's Report to the members on Accounts of the company for the year ended 31st March, 2021 does not contain any qualification:

As required under Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001 the Company has transferred its unpaid 21,000 shares to IEPF on 7th December, 2020 relating to unpaid dividend.

25. Secretarial Auditors

The Board had re-appointed M/s. JKS & Co., Company Secretaries to carry out Secretarial Audit under the provisions of Section 204 (1) of the Companies Act, 2013 for the Accounting year ended 31st March 2021 with a remuneration of Rs.1,20,000/- plus applicable tax and reimbursement of out of pocket expenses.

The Secretarial Audit Report to the members on Accounts of the company for the year ended 31st March, 2021 does not contain any qualification, reservation or adverse remarks made by the secretarial Auditors.

As required under Investors Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001 the Company has transferred 21,000 shares to IEPF on 7th December, 2020 relating to unpaid dividend.

26. Cost Auditors

As per the requirement of the Central Government and pursuant to section 148 of the Companies Act 2013, read with the Companies (Cost records and Audit) Rules, 2014, as amended from time to time, the company's cost records are subject to cost audit.

The Board of Directors on the recommendation of the Audit Committee has re-appointed Mr. P.Kumaraswamy Cost Auditor, Bangalore, as the Cost Auditor to audit the cost accounting records maintained by the company for the financial year 2020-21 on a remuneration of Rs.1,10,000/- plus applicable tax and reimbursement of out of pocket expenses. As required under companies act 2013, resolution seeking members ratification as approved by the Board for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting.

The Cost Audit Report for the financial year 2019-20 was filed with the Ministry of Corporate Affairs.

27. Disclosure of Composition of Audit Committee

In compliance with Section 292-A of the Companies Act, 2013 there is an Audit Committee with Mr.R.Sekar, Mr.P.K.Rajamanickam and Mr.V.Balasubramanian as its members. The Audit Committee met twice during the year on 23.09.2020 and 28.12.2020. The attendance details of the director are as follows.

Sl. No.	Date of Audit Committee Meeting	No of Directors As on Date of Meeting	Number of Directors Attended
1	23 rd September 2020	3	3
2	28 th December 2020	3	3

28. Vigil mechanism

Vigil Mechanism Policy has been established by the Company for directors and employees to report instances of unethical behavior, actual or suspected, fraud or violation of Company's code of conduct or ethics policy, and genuine concerns pursuant to the provisions of section 177(9) & (10) of the Companies Act 2013.

The Vigil Mechanism policy of the Company is posted on the company's website on [www.gemsugars.com/documents/vigil Mechanism Whistle Blower Policy](http://www.gemsugars.com/documents/vigil_mechanism_whistle_blower_policy)

29. Shares

a) Buy Back Securities

The Company has not bought back any of its securities during the year under review.

b) Sweat Equity

The Company has not issued any Sweat Equity Shares during the year under review.

c) Bonus Shares

No Bonus Shares were issued during the year under review.

d) Employees Stock Option Plan:

The Company has not provided any stock option scheme to the employees.

30. Human Resources and Development

Besides the strategic thrust, systems and processes, for a Company that had embarked on the steps to building resilience in its business and deliveries value, human resource is a key foundation. It is the commitment of the people that has always played an important role in growth trajectory of the Company and this continue to be an important driver in building for the future.

The HR function continued to be focus on strengthening the people practices and in creating an amicable work environment conducive to productivity. The HR policies are detailed to the overall strategic thrust that believes in enabling growth for all employees by providing a platform that channelizes their skills and fosters their creativity.

In terms of employee relation, the year ended 31st March 2021 continued to be one of the industrial and employee harmony and peace.

31. Disclosure Under Sexual Harassment of Women At Workplace (Prevention, Prohibition And Redressal) Act 2013

The company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act 2013. An Internal Complaints Committee (ICC) has been set up at every work place to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary, trainees) are covered under this policy.

No sexual harassment complaint has been received during the financial year 2020-2021.

32. Internal Financial Control

The company has adequate Internal Financial Controls with proper checks and balances to ensure that transactions are properly authorized, recorded and reported apart from safeguarding its assets. These systems are reviewed and improved on a regular basis.

33. Board Evaluation

The Board has carried out the annual performance evaluation of its own performance, the Directors individually (excluding the director being evaluated) as well as the evaluation of the working of its Committees. A structured questionnaire was prepared after taking in to consideration various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, effectiveness in developing Corporate governance structure to fulfill its responsibilities, execution and performance of specific duties etc. A separate exercise was carried out to evaluate the performance of Individual Directors including the Chairman of the Board who were evaluated on parameters such as level of engagement and contribution independence of judgment meeting risk management and competition challenges compliance and due diligence financial control safeguarding the interest of the Company.

34. Receipt of Inter Corporate Deposit.

The Board had been approved to avail the loan facility as a Inter Corporate deposit from the Group company i.e M/s Imperial Granites Pvt Ltd upto Rs.15.00 Crore with 8% rate of Interest. The amount will be utilized for the capacity expansion project.

35. Increasing of Authorized Capital/ Loan limit.

The Board had been approved to the provisions of Sections 61,64 and other applicable provisions of the Companies Act, 2013 and the rules framed there under, subject to the approval of the shareholders at the general meeting, the Authorised Share Capital of the company, be increased from existing Rs. 45,00,00,000/- (Rupees Forty-five Crores) divided into 4,50,00,000 Equity Shares of Rs. 10 each, to Rs. 60,00,00,000/- (Rupees Sixty Crores) divided into 6,00,00,000 Equity Shares of Rs.10 each, by creation of additional 1,50,00,000 (One Crore Fifty Lakhs) Equity Shares of Rs. 10 each, ranking paripassu in all respects with the existing Equity Shares of the company.”

36. Credit Rating

M/s. Brickwork Ratings India Private Limited has assigned the external credit rating of the company to “BWR BBB-” for Long Term bank facilities and “BWR A3+” for short term bank facilities for the current year. Measured through industry yardstick these ratings are considered to be having moderate degree of safety.

37. Acknowledgment

The Board of Directors place on record its appreciation of the support, assistance and co-operation received from the Government of India, Government of Karnataka, various Government agencies, Financial Institution and Bankers, namely, Indian Overseas Bank, State Bank of India, Bank of India, Punjab National Bank, Indian Bank, UCO Bank and Karnataka State Co-operative Apex Bank Limited as well as Indian Sugar Mills Association (ISMA) and South Indian Sugar Mills Association (Karnataka)

The Board of Directors also wishes to place on record its appreciation for the shareholders and sugarcane growers, without whose help and support it could not have achieved the progress that has been made so far. With our encouragement and their initiative, we hope for improved sugarcane availability in the ensuing years.

The Board further wishes to record their sincere appreciation for the significant contributions made by employees at all levels for their competence, dedication and contribution towards the growth of the Company.

For and on behalf of the Board of Directors

x 

R. Veeramani
Executive Chairman

Place: Bangalore

Date: Date: 23rd September, 2021.

Management Discussion and Analysis Report

The company has sugar mill at Kundargi Village in Bagalkot District, Karnataka State with a sugarcane crushing capacity of 6500 TCD with 22.5 MW co-generation and 60 KLPD distillery-cum-ethanol plant with 2.1 MW Power generation.

Global sugar scenario

As per the report of USDA, the global sugar production in 2020-21 is estimated at 179.85 million tons, 2.0 million tons down from a previous forecast of 180.85 million tons and the global sugar surplus is expected to be 8.05 million tons in the 2020-21 season, as against the deficit of previous season to 5.38 million tons.

World Sugar Balance

	Million tons						
Season	2021-22E	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Production	185.53	179.85	166.20	178.92	185.208	167.853	166.50
Consumption	174.40	171.80	171.58	173.95	174.696	171.523	169.09
Surplus/deficit	11.13	8.05	-5.38	4.97	10.512	-3.670	-4.84
Import demand	53.63	53.98	50.71	51.06	56.910	60.093	59.12
Export availability	65.95	64.28	54.12	56.44	61.157	60.796	59.34
End stocks	43.97	45.84	44.43	50.90	91.779	85.514	82.35
Stock consumption Ratio in %	25.21	26.68	25.89	29.26	52.54	49.86	48.70

Source : USDA

Indian sugar Scenario

ISMA estimated production of sugar at 30.5 Million Tons during 2020-21, higher than last seasons 2019-20. The surplus of 3.5 Million tons was mainly due to good monsoon rains in Maharashtra and Karnataka, which contributed for higher sugar production in these two States.

If more sugarcane is moved towards ethanol production in Brazil and India sugar production shall drop and sugar prices can go up in the global market as well as drop in the consumption ratio of end stock.

According to ISMA's preliminary estimates of sugarcane acreage and sugarcane availability for 2020-21 SS, the total sugar production could have been around 32.0 Million tons, but since about 1.5 Million tons of sugar and sugarcane juice would be diverted towards ethanol production, the expected sugar production in the country is 30.5 Million tons. That is still about 4.5 Million tons in excess to the overall sugar consumption requirement of the country.

Domestic sugar balance

In million tons

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 E
Opening Stock	7.4	9.0	7.7	3.8	10.7	14.5	10.74
Production	28.3	25.1	20.3	32.4	33.1	27.4	30.50
Internal consumption	25.6	24.8	24.5	25.3	25.5	25.3	26.0
Exports	1.1	1.6	-	0.4	3.8	5.9	7.0
Imports	-	-	0.4	0.2	-	-	-
Closing stock	9.0	7.7	3.8	10.7	14.5	10.7	8.24
Stock as % of offtake	35.4%	31.0%	15.8%	42.2%	57.2%	42.5%	31.69%

(E) Estimates - (P) Projection

Source: ISMA

Outlook for 2021-22:

Global production is forecast up 6 million tons to 186 million as higher production in the EU, India, and Thailand will more than offset the decline in Brazil. Consumption forecast is to rise to a new record due to growth in markets such as China and India. Exports are forecast up as the increase from Thailand along with strong exports from India will more than offset lower exports from Brazil. Stocks are forecast lower as stocks in Thailand are drawn down in favor of higher exports.

India production is forecast to grow 3 percent to 34.7 million tons, assuming favorable weather. Consumption is forecast at a record with the expectation that the economy recovers from the pandemic with the marketing year that begins in October. Imports and exports are forecast unchanged, but stocks are up almost 8 percent due to higher beginning stocks and higher production.

The country is facing Covid-19 pandemic situation for two successive years. It has led to lockdowns, and economic activities have come to a grinding halt. But contrary to the general trend, sugar sales have remained in the positive zone. In fact for three back to back months (March 2021, April 2021 and May 2021), domestic sugar industry sold sugar fully the monthly sugar sale quota allocated by the Government, despite State-wise lockdowns imposed by various States Governments.

The industry is hopeful that the season will end with a total sugar consumption of 260 lakh tons, as against 253 lakh tons in the last year.

2020-21 has been a good season for the domestic sugar industry, mainly for two reasons sugar exports and ethanol blending programme. Even though Government announced sugar export programme almost two months into the new season, but mills wasted no time and export contracts were signed almost immediately after the export announcement. As per market reports, sugar mills have signed export contracts for 58 lakh tons so far, as against 60 lakh tons of total export target fixed by the Government under MAEQ in the current season. Around 45.74 lakh tons of physical exports have already taken place upto May 2021 (this includes around 4.5 lakh tons of sugar under MAEQ 2019-20, which was exported between October-December 2020), and another 5-6 lakh tons is in the pipe-line to be exported in June 2021. It can be safely assumed that sugar mills will be able to fulfil the sugar export quota fixed by the Government, and might export more sugar than the MAEQ export quota allocated by the Government.

Brazil is the number one sugar producing country in the world, and Thailand is fifth in the world, in sugar production, but they are the top two sugar exporting nations. Both these countries are reporting a drop in sugar production due to various reasons, resulting in deficit in total sugar availability globally. This has tipped the scale in favour of sugar exports from India, and due to buoyant sugar prices in the international market, domestic mills can export sugar under Open General License (OGL) too.

The industry is benefitting from the ethanol blending programme, which is getting special attention from the Government of India and has become a personal dream of the Hon'ble Prime Minister to promote ethanol as the 'Swadeshi' fuel of India to be used as automobile fuel over imported fuel, for its multiple benefits to the environment and economy.

After being in the formative stage for almost 2 decades, the country for the first time achieved 5% ethanol blending in 2019-20 ESY (Ethanol Supply Year). For the purpose, the sugar mills converted around 8 lakh tons of sugar to produce ethanol in the last season.

In ESY 2020-21 (December to November), which is underway, the sugar industry has committed to divert around 20 lakh tons of sugar towards ethanol production. As on first week of June, the country has achieved 7.70% of overall ethanol blending. The mills are confident that it will be able to achieve the intended ethanol blending target of 8.5% by season end. This would be an achievement for the sugar industry to fulfill the intended ethanol blending target, and will be a confidence booster for the Government that the country would be able to achieve 10% ethanol blending by 2022 and 20% ethanol blending in 2025, as envisaged by the Hon'ble Prime Minister in the Ethanol roadmap, released on 5th June 2021.

There were several ethanol supply issues faced by the sugar mills, especially in the initial months of the current supply season, which required urgent attention from the Government and OMCs. The sugar industry has expressed the concerns it faced in ethanol supplies and proposed several suggestions to the Government to smoothen up ethanol supplies in current season and also in subsequent seasons, when there would be more ethanol supplies, and therefore OMCs would need to improve their tankage and other infrastructure to match ethanol supplies.

The current season began with an opening balance of 107 lakh tons of sugar. With an expected sugar production of 305 lakh tons, the total availability of sugar is expected to be at 412 lakh tons. The expected sugar consumption is 260 lakh tons and sugar export is pegged at 70 lakh tons. This means that the total opening balance of sugar stocks for 2021-22 shall be 82.4 lakh tonnes.

ISMA estimates sugar production in 2021-22 at around 310 lakh tons of sugar. This will be similar to the current year's sugar production.

The above estimate is made assuming normal rainfall and other optimum conditions during the remaining period. However, after considering rainfall in July – September, 2021, water situation in reservoirs, other related aspects and second set of satellite images in September/ October 2021 across India, ISMA will release its 1st advance estimates for 2021-22 season in October 2021. By that time, the crop will be more mature and there will be more clarity on the rainfall and water availability, as also the ethanol supply bids from cane juice and B-molasses.

2021-22 SS opening would be around 82.4 lakh tons. This would be around 25 lakh tons lower than the OB of 2020-21 SS, but this is still higher than the comfort zone of sugar mills. The opening balance for 2021-22 appears to be more than enough to meet country's 2.5 months sugar consumption requirement, which is generally the acceptable normative stock requirement, to ensure carry-forward sugar stocks meet first two to three month's supply demand of the new season, before new sugar gets supplied into the market

As Government has advanced ethanol blending target of 10% to 2022 and 20% by 2025, the demand for ethanol is almost double than what is being produced currently. Sugar mills would need to convert more sugar for the purpose of ethanol blending. The Government is targeting for converting almost 30-35 lakh tons of sugar for ethanol production in 2022 and 60 lakh tons of sugar in 2025. This is a gainful situation for the sugar industry, as more ethanol diversion will reduce surplus sugar stocks and also generate more cash flow for the industry, which will be required to pay cane farmers on time, clear pending cane arrears and also meet other expenses including loan repayment to banks

Government Policies:

Sugarcane production and pricing policy

The Government of India supports research, development, training of farmers, transfer of new varieties, and improved production technologies (seed, implements, pest management) to sugarcane growers as to raise yields and recovery rates. The Indian Council of Agricultural Research conducts sugarcane research and development at the national level. State agricultural universities, regional research institutions, and state agricultural extension agencies support these efforts at the regional and state levels. These research institutions introduced a number early maturing, high yielding varieties which in turn immensely helped the cane growers to obtain higher sugar recovery which enable the sugar industry to recover from the distress financial situations and as a result the profitability of both sugarcane farmers and sugar mill will improve.

To increase the area of cultivation and production in the country, the Government of India has implemented the “Sustainable Development Fund of Sugarcane Based Cropping System Area under Macro Management Mode of Agriculture programme in various sugarcane growing states. Additionally, under the Rashtriya Krishi Vikas Yojana (National Development Programme), state governments have the flexibility to choose priorities for crop development projects, including sugarcane.

The Government of India fixes Fair and Remunerative price (FRP) for sugarcane on recommendations from the Commission for Agricultural Costs and prices, consultations with state governments, and sugar industry and cane growers’ associations. Sugar mills are required to pay in some of the states, the “State advised price” (SAP) over and above the FRP, to sugarcane farmers irrespective of market prices of sugar.

Sugarcane was priced as per the provisions of the sugarcane (Control Order) 1966 until 2009, wherein a statutory minimum price (SMP) was set every year. This was replaced by the fair and remunerative pricing (FRP). Under both the regimes, however, the support price offered to cane farmers only moved up.

To liquidate surplus sugar from the country and to stabilize domestic price, the Government of India has announced various incentives for export of 6 million MT of sugar during the sugar year 2020-21. Mill wise allocation has been made through MAEQ (Maximum Admissible Export Quantity). The scheme is well accepted by the industry and with the prevailing market conditions, the targeted export will be achieved within the stipulated time frame.

Notifications by the Government of India the on sugar trade during 2020-21:

- i) The Ministry of Consumer Affairs, Food & Public Distribution, vide notification F.No.2-1/(2021) dated 16th July, 2021, revised allocation of sugar factory-wise Maximum Admissible Export Quotas (MAEQ).
- ii) The Government of India earlier allowed export of 60 lakh tons of all grades of sugar viz raw, plantation white as well as refined for the sugar season 2020-21, in order to clear surplus stocks and improve cash flow to millers for making payment to sugarcane farmers. As per the above notification the Maximum Admissible Export Quota for the Company was at 12537 tons
- iii) Reserve Bank of India (RBI) has announced various COVID-19 related Credit Schemes-ECLGS dated Nov.26,2020 Sugar industry is also eligible for following:

Emergency Credit Line Guarantee Scheme (ECLGS):

To provide 100% guarantee coverage for the GECL assistance (pre-approved under ECLGS 1.0) up to 20% of loan outstanding as on 29th February, 2020 to eligible borrowers, in the form of additional working capital term loan facility (under both ECLGS 1.0 and 2.0) and/or non-fund based facility (only under ECLGS 2.0) in case of banks and Financial Institutions, and additional term loan facility (under ECLGS 1.0 and ECLGS 2.0), in case of NBFCs, from all Member Lending Institutions (MLIs) to eligible Business Enterprises / Micro, Small and Medium Enterprise (MSME) borrowers, including interested PMMY borrowers, in view of COVID-19 crisis, as a special Scheme

- iv) The Central Government with a view to increase production of ethanol and its supply under Ethanol Blended with Petrol (EBP) Program, especially in the surplus season and thereby to improve the liquidity position of the sugar mills enabling them to clear cane price arrears of the farmers notified the scheme namely "scheme for extending financial assistance to sugar mills for enhancement and augmentation of ethanol production capacity" vide notification No. S.O. 3523(E), dated 09.07.2018, which was subsequently amended vide notifications No. S.O. 3952(E), No. S.O. 5219(E) and No. S.O.47 (E) dated 09.08.2018, 11.10.2018 and 04.01.2019 respectively;

Further notification dated 8th March,2019, assistant under the scheme for Interest subvention @ 6% per annum or 50% of rate of interest charged by banks/National Cooperative Development Corporation (NCDC)/Indian Renewable Energy Development Agency Limited (IREDA), whichever is lower, on the loans to be extended by banks.

Cane price for 2020-21

Government of India, hiked the fair and remunerative price (FRP) for sugarcane by 3.63% to Rs.2,850/- per ton linked with average recovery of 10% for the sugar season 2020-21 as against Rs.2,750 per ton for the season 2019-20. The FRP works out to Rs.3,106.50 per ton for the sugar season 2020-21.

Government Policy on Ethanol

To give a thrust to the ethanol blending program, the Government of India permitted sugar mills to produce ethanol directly from sugarcane juice and B Heavy Molasses, the recovery rate in case of such sugar mills shall be determined considering every 600 litres of ethanol so produced as equivalent to 1 ton of production of sugar as per the notification dated 26.07.2018. The Cabinet Committee on Economic Affairs has approved the revised price of ethanol to be procured for blending with petrol under the EBP.

For the Marking year 2020-21, the Cabinet Committee on Economic Affairs, chaired by honorable Prime Minister has given its approval for fixing higher ethanol price derived from different raw materials under the EBP programme for the forthcoming sugar season 2020-21 for supply of ethanol during December 2020 to 30th November 2021 as under:

- i) The price of ethanol from C molasses route be increased from Rs.43.75 per liter to Rs.45.69 per liter.
- ii) The price of ethanol from B heavy molasses route be increased from Rs.54.27 per liter to Rs.57.61 per liter.
- iii) The price of ethanol from sugarcane juice/sugar/sugar syrup route be increased from Rs.59.48 per liter to Rs.62.65 per liter.

Opportunities and Threats:

Sugar industry being agro based and vulnerable to commodity cycles is fraught with several risks. It has to source sugarcane from its command area where growth and availability would depend on monsoon and water storage in rivers/reservoirs. Efficient operation of the sugar plant depends upon the availability of adequate cane. Sugar industry is a cyclical industry with one business cycle of ~3-5 years in which there is a supply glut followed by the slump in prices leading to contraction in production. Further, profitability of sugar mills will remain vulnerable to the agro-climatic risks related to sugar industry.

The Central Government's push to produce more ethanol, by granting subsidies to build more ethanol plants and by increasing procurement prices of ethanol produced from B-Heavy molasses and 100% sugar cane juice, started to reflect in reduction of the sugar production. In the long run, India will have the option of balancing both sugar and ethanol production based on the market requirement. The Govt. Policies like MSP and monthly sugar release mechanism would help in stabilisation of the sugar price.

Vagaries in the monsoon pattern will have impact on the availability of sugar cane which is the major raw material. Any further increase in Fair and Remunerative Price, for the sugarcane, for the sugar season 2021-22 will have impact on the financials of the company if the Minimum Selling Price of sugar is not proportionately raised with the cost of sugar production.

Risks and Concerns:

Industry Risk

Sugar industry being agro based and vulnerable to commodity cycle is fraught with several risks. It has to source sugarcane from its command area where growth and availability would depend on monsoon and water storage in rivers/reservoirs.

Whenever there is surplus sugar production in the country the selling price falls below cost of production. Most of the times when India produces surplus sugar, the Global sugar production also becomes surplus. Hence, exports also become unviable.

Risk mitigation

The Company has adopted a “Risk Management Policy” which is reviewed on a periodic basis in order to recognize and reduce exposure to risks wherever possible. The Company’s risk management policies are based on the philosophy of achieving substantial growth while mitigating and managing risks involved. Few of the risks associated with our business are enumerated below:

- Fluctuation in demand and price for finished products, namely sugar, power and Extra Neutral Alcohol/Ethanol.
- Fluctuations in the price and availability of key raw material, including sugarcane, energy prices.
- Marginal Cost of Fund Based Lending rates (MCLR) by banks along with Company’s credit rating.
- Increase in transportation costs.
- Strikes or work stoppages.
- Changes in government policies affecting sugar industry.
- Accidents, natural disasters and outbreak of disease.

a) Raw Material Risk

Cane is the basic raw material for sugar industry and the efficient operation of the Sugar plant depends upon the availability of adequate cane. Sugar industry being cyclical in nature is affected by the vagaries of the monsoon.

To mitigate the above raw material related risks, your Company has taken extensive field work in co-ordination with the farmers to sustain the yield under the drought conditions. Your Company has also in co-ordination with the Sugar Breeding Institute, Coimbatore and S.Nijalingappa Sugar Institute, Belagavi, encouraged poly bag planting, drip irrigation and high recovery sugarcane varieties for better water management and improved sugar recovery.

b) Risks & Mitigation**Industry Risk**

Sugar Industry being agro based and vulnerable to commodity cycles is fraught with several risks. It has to source sugarcane from its command area where growth and availability would depend on monsoon and water storage in rivers/reservoirs.

Risk mitigation

Increasing ethanol production capacity to absorb surplus sugar available in the market for stabilisation of sugar price in the long run. Development of alternate usage of sugar and positive and proactive policies by the Government are the key drivers. The monthly sugar release mechanism and minimum selling price for sugar introduced by the Central Government helps in stabilisation of sugar price.

To mitigate the product related risks, the Company has been taking efforts to make its operation as an integrated one comprising of Sugar, Power and Ethanol from sugarcane juice/syrup, B-Molasses as well as ENA.

The Company has built excellent relationship over the years with the local farming community. It is financially fit and well positioned to meet the challenges.

c) Forex Risk

Import and Export of Raw Sugar/White Sugar and funding of project for manufacture of sugar/co-generation involves foreign exchange component. Any wide fluctuation in the value of Rupee against US Dollar may impact the profitability of the Company. The Company is closely monitoring the movement to take appropriate measures.

d) Financing Risk

The Sugar Industry being capital intensive in nature requires huge capital investment, having high debt component, Further, the interest rates are also higher. The Sugar Industry being seasonal in nature, what is produced during 4-5 months is sold over 10-12 months. These results in the Company holding considerable inventory incurring interest cost on working capital borrowing, besides other carrying costs such as godown maintenance, insurance, etc.

e) Regulatory Risks

Though sugar has been decontrolled, still the cane area allocation and cane price is controlled by Governments. Sugar cane prices fixed by Central and State Governments are higher and are independent of sugar realization. Alcohol is also subject to inter-state movement control.

Financial Performance:

Please refer disclosures in the Director's Report and the financial statements. As the Company's products viz. Sugar, Power and Alcohol are subject to various government controls, the profitability is affected. The main raw material cost, i.e sugarcane, is subject to price announced by Central and State Governments and the sugar realization is still lower than the cost of production.

Human Resources:

Human resources are the most important resources in an organization and need to be used efficiently, because success, stability and growth of an organization depend on its ability in acquiring, utilizing and developing the human resources for the benefit of the organization. During the year, the industrial relations have continued to be cordial, conducive, and mutually productive.

There are 184 employees in your Company. The Company is consistently improving the various facilities extended to the employees.

Details of Adequacy of Internal Financial Controls

The Company's internal control system is aimed at proper utilization and safeguarding of company's resources and promoting operational efficiency. The internal audit process reviews the in-system checks, covering significant operational areas regularly.

The Company's Audit Committee is responsible for reviewing the Report submitted by the Internal Auditors. Suggestions for improvements are considered and the Audit Committee follows up on the implementation of corrective actions. The Audit Committee also invites the Statutory and Internal Auditors for regular meetings to ascertain their views on the adequacy of internal control systems and keeps the Board of Directors informed of its observations from time to time.

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ANNEXURE -1 to the DIRECTORS' REPORT

Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo under the Companies (Accounts) Rules, 2014:

A) Conservation of Energy

1. We have installed two no of Auto Feed valves in 'B' – Continuous Centrifugals for power saving at a cost of Rs.7.50 lakhs.
2. We have also installed one no of 315 KW VFD in WIL Boiler Feed Pump for energy saving at the cost of Rs. 8.00 lakhs.

B) Technology Absorption

- a) The efforts made towards technology absorption and benefits derived:
 - 1) Ethanol manufacture from Syrup /`B' – Heavy Molasses besides final Molasses at the Cost of Rs. 25.00 Lakhs
 - 2) Addition of Cane Tippler in Mill section for sugar cane feeding at the Cost of Rs.30.00 lakhs
 - 3) One No of Vapour liquid separator introduced in Distillery section in order to maximize the Evaporator operation as well as minimize the operation of number of valves.
 - 4) One No of Primary clarifier and Diffusion Aerator, Multi Grade Filter and Actuated Carbon Filter introduced in the ETP to improve the quality of the outlet treated water at the cost of Rs.50.00 lakhs.
 - 5) Upgradation of 1st and 2nd Mill section with DC Drive from 1300 Amps. to 2000 Amps. for the better performance of milling efficiency and capacity.
- b) The expenditure incurred on Research and Development
Rs. 3.65 lakhs during the year as against Rs.2.96 lakhs during the last year 2019-20.

C) Foreign Exchange Earnings and Outgo

The foreign exchange earned in terms of inflow during the year is Rs. Nil Lakhs as against Rs. Nil Lakh during the last year 2019-20.

The foreign exchange outgo during the year in terms of actual outflow is Rs. Nil as against Rs. Nil lakhs during the last year 2019-20.

For and on behalf of the Board of Directors



R.Veeramani
Executive Chairman

Place: Bangalore

Date: 23rd September, 2021.

**Annual Report on Corporate Social Responsibility (CSR) activities for the
Financial Year 2020-21**

1	A brief outline of the Company's CSR Policy.	The Vision and Corporate Social Responsibility policy of Gem Sugars Limited is to actively contribute to the social and economic development of the communities in which we operate. In so doing build a better, sustainable way of life for the weaker sections of society and raise the country's human development index through Gem Sugars Limited and our Gem Education and Welfare Trust for Community Initiatives and Rural Development.
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Composition of CSR committee			
Sl.no	Name of the Director	Designation	Number of meetings of CSR Committee held during the year FY 2021-21
1.	Shri. R. Sekar	Managing Director	1
2.	Shri. Jawaharlal P. Doddanavar	Whole Time Director	1
2.	Shri. V. Balasubramanian	Independent Director	1

03	Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.	www.gemsugars.com
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04	Provide the details of Impact assessment of CSR	Not Applicable
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	projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).
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05. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (CSR Policy) Rules, 2014
And amount required for set off for the financial year, if any

Sl No.	Financial Year	Amount available for set-off from preceding financial years (Rs in lakhs)	Amount required to be set-off for the financial year, if any (Rs in lakhs)
1	2018-19	5.96	-
2	2019-20	10.63	-
	TOTAL	16.59	-

06	Average net profit of the company as per section 135(5).	Rs.545.73 lakhs
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07	(a) Two percent of average net profit of the company as per section 135(5)	Rs.10.91 lakhs
	(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.	Nil
	(c) Amount required to be set off for the financial year, if any	Rs.16.59 Lakhs
	(d) Total CSR obligation for the financial year (7a+7b- 7c).	Rs.27.50 lakhs

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (Rs. In lakhs)	Amount Unspent (in Rs in Lakhs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).	Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).			
Amount Rs. in lakhs	Date of transfer.	Name of the Fund	Amount.(Rs in Lakhs)	Date of transfer.	
3.81	20.00	29.04.2021	PM Cares	3.69	29.09.2021

(b) Details of CSR amount spent against ongoing projects for the financial year: Nil

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local Area (Yes/No)	Location of the Project	Amount allocated for the project (in Rs.in lakhs)	Mode of Implementation Direct (Yes/ No)	Mode of Implementation – Through Implementing Agency
				State			Name
				District			CSR Registration No.
1	Ensuring pollution free environment	Environmental Sustainability(IV)	Yes	Karnataka	2.31	Direct	-
				Bagalkot			-

Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local Area (Yes/No)	Location of the Project		Amount allocated for the project (in Rs.in lakhs)	Mode of Implementation Direct (Yes/ No)	Mode of Implementation – Through Implementing Agency
2	Education	Promotion of Education and enhancement of vocational skills(II)	Yes	Karnataka	Bagalkot	0.75	Direct	-
3	Economic and Social equality	Eradication of poverty and ensuring better living conditions in near villages(I)	Yes	Karnataka	Bagalkot	0.75	Direct	-
	TOTAL					3.81		

- (d) Amount spent in Administrative Overheads : Nil
- (e) Amount spent on Impact Assessment, if applicable : Not applicable
- (f) Total amount spent for the Financial Year (8b+8c+8d+8e) : Rs.3.81 Lakhs
- (g) Excess amount for set off, if any : Nil

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.in.Lakhs)	Amount spent in the reporting Financial Year (in Rs.in.Lakhs).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.in.Lakhs)
				Name of the Fund	Amount (Rs in lakhs)	Date of transfer	
1	2018-19	5.96	-	-	-	-	
2	2019-20	10.63	-	-	-	-	
3	2020-21	3.41	3.81	PM Cares	3.69	29.09.2021	-
	TOTAL	20.00	3.81	-	3.69	-	-

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details). Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Not applicable

RESPONSIBILITY STATEMENT

We hereby affirm that the CSR policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of the CSR projects and activities in compliance with our CSR objectives. The Implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR Objectives and Policy of the Company.

Date:

Place:

For and on Behalf of the Board Director



R.Veeramani

Executive Chairman