

SHANTAJ SUGAR MILLS LIMITED

COST AUDITORS' REPORT

For the year ended September 30, 2014

JAVAID IQBAL & CO

Cost and Management Accountants

384-N, Samanabad, Lahore

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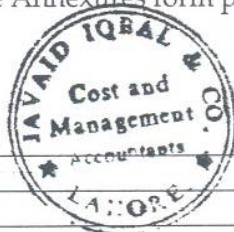


COST AUDITORS' REPORT TO THE DIRECTORS

We, Javaid Iqbal & Co; Cost and Management Accountants having been appointed to conduct an audit of cost accounts of Shahtaj Sugar Mills Limited, have examined the books of account and the statements prescribed under clause (c) of sub-section (1) of section 230 of the Companies Ordinance, 1984 and the other relevant record for the year ended on September 30, 2014 and report that: -

- 1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of this audit.
- 2) In our opinion: -
 - a) Proper cost accounting records as required by clause (e) of subsection (1) of section 230 of the Companies Ordinance, 1984 (XLVII of 1984), and as required by the Companies (Audit of Cost Accounts) Rules, 1998 have been kept by the company;
 - b) Proper returns, statements and schedules for the purpose of audit of cost accounts have been obtained from offices not visited by us.
 - c) The said books and records give the information required by the Rules in the manner so required; and
- 3) In our opinion and, subject to best of our information:-
 - a) The annexed statement of capacity utilization and stock-in-trade are in agreement with the books of account of the company and exhibit true and fair view of the company's affairs; and
 - b) Cost accounting records have been properly kept so as to give a true and fair view of the cost of production, processing, manufacturing and marketing of the under mentioned product of the company, namely:-
 - i) Sugar

The matters contained in the Annexures form part of this report.



Javaid Iqbal & Co.

Dated: January 16, 2014
Lahore

Javaid Iqbal & Co;
Cost and Management Accountants

SHAHTAJ SUGAR MILLS LIMITED

COST AUDIT FOR THE YEAR ENDED SEPTEMBER 30, 2014

MATTERS FOR THE ATTENTION OF BOARD OF DIRECTORS

[As required by Rule 4(3) of Companies (Audit of Cost Accounts) Rules, 1998]

1- CANE CRUSHING CAPACITY

| | |
|---------------------------------|--------------------------------|
| Licensed and installed capacity | |
| 2014 | 1,440,000 M. tons for 160 days |
| 2013 | 1,440,000 M. tons for 160 days |
| 2012 | 1,440,000 M. tons for 160 days |
| Utilized/ Actual cane crushed | |
| 2014 | 817,752 M. tons |
| 2013 | 946,416 M. tons |
| 2012 | 953,573 M. tons |
| Days worked | |
| 2014 | 100 |
| 2013 | 113 |
| 2012 | 114 |

The company is not engaged in any other activity except the manufacturing of sugar.

2- COST ACCOUNTING SYSTEM

Sugar manufacturing is carried out by a simple processing system starting from cane-crushing to extraction of juice and conversion into white sugar in one-go. The company operates a fully integrated cost accounting system under which cost accounting records are integrated in financial accounting ledgers to extract cost of sugar.

It is practically difficult to determine standards in the sugar industry because sucrose recovery is dependent on the quality of sugarcane which cannot be classified due to changing weather conditions and differing yields per acre of sugar cane grown in different areas/regions. Cost accounting system adopted by the company is operating satisfactorily and is in accordance with the generally accepted cost accounting principles and practices.

3- PRODUCTION

| a) Production (Sugar) | | 2014 (M.tons) | 2013 (M.tons) | 2012 (M.tons) |
|--|--|-------------------------|-------------------------|-------------------------|
| Installed Capacity | | 122,400 for 160 days | 122,400 for 160 days | 122,400 for 160 days |
| Actual production | | 80,434 | 90,555 | 92,441 |
| From raw sugar | | Nil | Nil | Nil |
| Total | | 80,434 | 90,555 | 92,441 |
| b) Percentage with installed capacity | | | | |
| Sugar produced | | 65.71 | 73.98 | 75.52 |
| Sugarcane crushing | | 56.79 | 65.72 | 66.22 |

The shortfall in production viz a viz installed capacity is due to shortage of raw material supply, actual sugar production and cane crushing decreased during the year by 11.18% and 13.59% respectively as compared to the year 2013.

MACHINE HOURS UTILIZATION

| | 2014 | 2013 | 2012 |
|-----------------|---------|----------|----------|
| Available hours | 2,387 | 2,689 | 2,716 |
| Utilized hours | 2269.50 | 2,441.75 | 2,506.83 |
| Percentage | 95.08 | 90.81 | 92.30 |

4- RAW MATERIAL

| | 2014 | | 2013 | | 2012 | |
|---|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Quantity M.tons | Value Rs. | Quantity M.tons | Value Rs. | Quantity M.tons | Value Rs. |
| a) Consumption of major raw Material | | | | | | |
| Sugar cane | 817,752 | 3,545,872,761 | 946,416 | 4,042,553,399 | 953,573 | 3,644,016,668 |
| Raw Sugar | | | | - | - | - |
| Transportation | | 75,927,813 | | 94,195,799 | | 129,532,934 |
| Quality/variety premium | | 9,647,818 | | 9,054,756 | | 8,764,819 |

There is no other raw material besides sugarcane and raw sugar. During the year only sugarcane was consumed.

Variance:

- Average sugarcane purchased at a price of Rs. 4,336.12 per M. ton increased by Rs. 64.69 per M. ton as compared to the last year's Rs. 4,271.43 per M. ton.
- Due to cost effective sugar procurement policy, payment for transport subsidy decreased as compared to last year, which resulted in decrease in total cost of transportation cost by Rs. 6.68 per M.ton i.e. from Rs 99.53 per M.ton in the year 2013 to Rs. 92.85 per M.ton in the current year.

b) Consumption of sugarcane/raw sugar per unit of production

| | ACTUAL (Kg) | | | STANDARD (Kg) | | |
|--------------------------------|-------------|-------|-------|---------------|------|------|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 |
| Sugarcane (per kg of sugar) | 10.17 | 10.46 | 10.32 | N/A | N/A | N/A |
| Raw sugar (per kg of sugar) | N/A | N/A | N/A | N/A | N/A | N/A |

- c) Consumption of sugarcane depends on the quality of sugarcane hence it is very difficult to determine standard consumption. The above variation in consumption is due to quality of sugarcane.

d) Comments on the method of recording of raw material

The method of recording of raw material was the same as last year i.e. Growers are issued a Permit/Pass Book in which each lot of purchase is entered and a Cane Procurement Receipt (CPR) is issued which is fed in the computer data in cane purchase account. All expenses relating to cane purchases i.e. transportation, loading/unloading, market committee fee, road cess, salaries and wages are allocated to raw material cost.

5- WAGES AND SALARIES

Annexure - 6

| a- Categories of salaries and wages | 2014 Rupees | 2013 Rupees | 2012 Rupees |
|--|--------------------|--------------------|--------------------|
| I Direct labour cost of production | 135,932,287 | 129,519,013 | 111,900,269 |
| ii Indirect labour cost of production | 12,279,144 | 11,715,572 | 9,881,698 |
| iii Employees' cost of administration | 127,296,342 | 116,777,670 | 105,888,718 |
| iv Employees' cost of selling and distribution | 2,556,828 | 2,934,441 | 2,603,613 |
| v Total employees' cost | 278,064,601 | 260,946,696 | 230,274,298 |
| Bonus to workers and employees included in [(i) to (iv) above] | 70,671,936 | 68,690,829 | 67,070,658 |
| (b) Salaries and perquisites of directors and chief executive | 22,961,000 | 23,501,000 | 22,635,000 |

(c) Total maximum man-days of direct labour available were 160 days for crushing but actually 100 days were worked during the year.

(d) Direct labour cost

| | 2014 | 2013 | 2012 |
|--------------------|-----------------|-------------|-------------|
| Direct labour cost | Rs. 135,932,287 | 129,519,013 | 111,900,269 |
| Production (sugar) | M. ton 80,434 | 90,555 | 92,441 |
| Average (M.ton) | 1,689.99 | 1,430.28 | 1,210.50 |

(e) Increase in direct labour cost per M.ton during the year is due to (a) increase in minimum wage by the Govt. of Punjab and (b) decrease in quantity produced as compared to last year.

(f) N/A

6- STORES AND SPARES

| | 2014 Rs/kg | 2013 Rs/kg | 2012 Rs/kg |
|--|---------------|---------------|---------------|
| a) Stores and spares per unit of output of sugar | <u>0.73</u> | <u>0.72</u> | <u>0.70</u> |

b) The Company operates fully computerized stores ledgers that effectively record receipts, issues and balances, both in terms of quantities and values, on perpetual inventory system. Stores and spares are valued at lower of moving average cost or net realizable value except for transit items which are valued at cost accumulated to the balance sheet date.

c) The percentage of slow moving inventory as on September 30, 2014 was Nil (2013: Nil) of the total inventory value.

7- DEPRECIATION

- a) Depreciation on operating fixed assets is charged to income by applying the reducing balance method.
- b) Depreciation is charged to each production department on the basis of actual plant and machinery installed/used in that department.
- c) Depreciation is charged to each production department on the basis of pooling of cost of each cost center, for the determination of cost of product.
- d) Depreciation is charged to cost of production on the basis of the fixed assets used in the production of different products. Currently only one product i.e. "sugar" is being produced hence the total amount of depreciation is charged to the cost of sugar produced.

8- OVERHEADS

a- Factory overheads

(Annexure 9)

| | 2014 | 2013 | 2012 |
|-------------------------------------|-------------------|-------------------|------------------|
| | Rs. | Rs. | Rs. |
| Rent, rates and taxes | 908,425 | 880,659 | 779,700 |
| Printing and stationery | 540,103 | 636,217 | 545,901 |
| Travelling and conveyance | 279,464 | 456,869 | 256,447 |
| Subscription, books and periodicals | 23,715 | 96,935 | 93,974 |
| Entertainment | 22,303 | 26,847 | 41,141 |
| Vehicle running | 3,099,616 | 3,596,661 | 3,362,167 |
| Stores and spares | 397,299 | 284,904 | 225,635 |
| Fire fighting | 182,263 | 189,594 | 285,300 |
| Other expenses | | | |
| - Freight and cartage | 131,139 | 209,923 | 40,529 |
| - Bagasse removal | 5,624,272 | 3,713,714 | 3,138,843 |
| - Clinker removal | | - | - |
| - Factory supplies | 284,317 | 330,500 | 218,172 |
| - Cycle stand | 116,297 | 117,033 | 87,706 |
| - Stores and spares (obsolete) | - | 767,441 | - |
| - Consultants' and advisors' fee | - | - | 11,440 |
| | 11,609,213 | 11,307,297 | 9,086,955 |

Cost per M.ton of sugar produced: **144.33** **124.87** **98.30**

Variance:

As compared to last year, there is nominal increase in factory overheads on an overall basis mainly due to increase in quantity of bagasse removed resulting from installation of high pressure boiler. Furthermore, the overhead cost per M.ton of output of sugar produced has increased mainly due to decrease in production during the year as compared to the last year.

b- Administrative overheads**(Annexure 10)**

| | 2014 | 2013 | 2012 |
|-------------------------------------|--------------------|--------------------|--------------------|
| | Rs. | Rs. | Rs. |
| Salaries, wages and benefits | 127,296,342 | 116,777,670 | 105,888,718 |
| Rent, rates and taxes | 2,771,466 | 4,144,624 | 2,428,321 |
| Insurance | 1,219,538 | 1,241,308 | 1,055,118 |
| Water, gas and electricity | 4,156,153 | 3,485,649 | 3,247,435 |
| Printing and stationery | 2,358,758 | 2,130,450 | 2,149,379 |
| Postage and Telephone | 1,449,469 | 1,427,881 | 1,102,169 |
| Repair and maintenance | 3,656,760 | 2,942,841 | 8,128,221 |
| Travelling and conveyance | 1,766,899 | 1,450,948 | 1,721,930 |
| Subscription, books and periodicals | 1,139,718 | 411,935 | 1,213,247 |
| Entertainment | 772,086 | 116,451 | 412,376 |
| Legal and professional charges | 3,114,535 | 2,984,210 | 2,393,580 |
| Auditors' remuneration | 1,850,000 | 1,795,000 | 1,649,890 |
| Cost audit fee | 88,050 | 76,000 | 69,000 |
| Vehicle running and maintenance | 5,306,383 | 4,877,036 | 4,604,994 |
| Charity and donation | 2,668,000 | 1,196,000 | 615,500 |
| Depreciation | 4,530,760 | 4,783,243 | 5,218,899 |
| Others | 3,386,792 | 1,701,150 | 6,327,373 |
| Total | 167,531,709 | 151,542,396 | 148,226,151 |
| Cost per M.Ton of sugar sold: | 2,030.71 | 1,686.05 | 1,490.59 |

Variance:

As compared to last year, the increase in administrative expenses primarily relates to increase in salaries, legal and professional, vehicle running and maintenance, charity and donation and miscellaneous (other expenses). On an overall basis this increase in administration cost per M.ton as compared to the previous year is due to decrease in quantity sold during the year. (Annexure-10)

c- Selling and distribution overheads**(Annexure11)**

| | 2014 | 2013 | 2012 |
|-------------------------------|-------------------|-------------------|-------------------|
| | Rs. | Rs. | Rs. |
| Salaries, wages and benefits | 2,556,828 | 2,934,441 | 2,603,613 |
| Travelling and conveyance | - | 768 | 1,238 |
| Commission | 9,878,100 | 11,033,250 | 12,079,440 |
| Stacking/restacking | 1,844,484 | 1,653,235 | 1,801,752 |
| Loading/unloading | 1,740,343 | 1,844,756 | 2,065,260 |
| Advertising | 25,800 | 31,000 | 92,800 |
| Sugar export | - | 3,944 | - |
| Insurance | 2,286,175 | 2,518,773 | 3,806,592 |
| Total | 18,331,730 | 20,020,167 | 22,450,695 |
| Cost per M.Ton of sugar sold: | 222.21 | 222.74 | 225.77 |

Variance:

As compared to last year, the decrease in the above expenses is primarily due to decrease in quantity sold during the year. Accordingly, cost per M. ton as compared to last year has nominally decreased.

| | | | |
|---|-------------------|-------------------|-------------------|
| Financial charges (finance cost) | 90,988,649 | 55,180,488 | 54,979,821 |
|---|-------------------|-------------------|-------------------|

Variance

As compared to last year, increase in financial charges is primarily due to mark up/interest on long term borrowing of Rs. 200 million (obtained in 2013) for construction of high pressure boiler with markup chargeable @ 6 months KIBOR + 1% p.a. payable biannually with a grace period of one year. The boiler was completed and capitalized in December 2013 and the financial charges before capitalization was charged to the cost of boiler as per IAS-23 (borrowing cost) and after capitalization these financial charges have been (for the first time) charged to profit and loss account.

9- ROYALTY/TECHNICAL AID PAYMENTS

Not applicable.

10- ABNORMAL NON-RECURRING FEATURES

Not applicable.

11- COST OF PRODUCTION

| | 2014 | 2013 | 2012 |
|--------------------------------|---------------|---------------|---------------|
| Total cost of production (Rs.) | 3,619,377,900 | 4,137,839,084 | 3,738,760,393 |
| Total sugar produced (kgs) | 80,434,000 | 90,555,000 | 92,441,000 |
| Per unit cost of production | 45.00 | 45.69 | 40.44 |

As compared to last year, the unit cost of sugar produced has decreased primarily due to increase in quantity and realizable value of bagasse and increase in sucrose recovery percentage.

12- SALE

| | QUANTITY | VALUE Rs. | AVERAGE Rs/per kg |
|------|----------------|---------------|----------------------|
| 2014 | 82,499,000 Kgs | 3,971,070,572 | 48.13 |
| 2013 | 89,880,000 Kgs | 4,249,385,900 | 47.28 |
| 2012 | 99,441,000 Kgs | 4,707,044,480 | 47.34 |

Variance

Average sale price (net of taxes) during the year has increased by 0.85 viz a viz last year.

13- PROFITABILITY

| | 2014 | 2013 | 2012 |
|------------------------------------|------|------|------|
| Operating profit (per kg of sugar) | 1.55 | 0.11 | 3.99 |

As compared to last year, company's profitability has significantly increased due to increase in average sale price.

14- COST AUDITOR'S OBSERVATIONS AND CONCLUSIONS

- a) **Matters that appear to be incorrect in principle or are apparently unjustifiable**

Nil

- b) **Cases where the company's funds have been used in a negligent or inefficient manner**

Nil

- c) **Factors, which could have been controlled but have not been done resulting in increase in the cost of production**

Nil

- d) i) **The adequacy or otherwise of budgetary control system if any, in vogue in the company**

Budgetary control system on a long term basis is not operative in the sugar industry because of a short span of its production activity. However, cash budgets for short periods i.e. fortnightly, monthly, quarterly etc. are prepared for working capital requirements (i.e. procurement of sugarcane etc.).

- ii) **The scope and performance of internal audit, if any**

An independent and effective internal audit function is carried out by the company's professional staff which is monitored by the head office.

- e) i) **Rectification of general imbalance in production facilities**

Nil

- ii) **Fuller utilization of installed capacity**

The installed capacity is not being fully utilized due to limited supply of sugarcane during the crushing season.

iii) Comments on areas offering scope for:

(a & b) Cost reduction and increase in productivity

Nil

c) Key limiting factors causing production bottlenecks

Limited supply of sugarcane during the crushing season.

d) Improved inventory policies,

Nil

e) Energy conservancy

Nil

iv) State of technology, whether modern or obsolete

The plant is based on modern and efficient technology.

v) Plant whether new or secondhand when installed

The plant when installed was new and has been subject to BMR from time to time.

f) Other observations

i) Cost Accounting System

Company has one cost center i.e. Production Department and two service centres, Steam Generation and Electricity Generation.

15 Reconciliation with Audited Financial Statements

All the amounts and quantities mentioned in this Cost Audit Report and annexures have been compared with the financial statements audited by the auditor appointed under section 252 of the Company Ordinance 1984 and the results shown by the financial and cost accounts are in agreement with each other. Supplementary Report to the directors on the reconciliation of regrouping of financial statements with cost accounts is enclosed- **Annexure A.**

GENERAL INFORMATION

A- COMPANY INFORMATION

| | |
|---|---|
| 1- NAME OF THE COMPANY | SHAHTAJ SUGAR MILLS LIMITED |
| 2- DATE OF INCORPORATION | MARCH 27, 1965 |
| 3- LOCATION OF HEAD OFFICE | 72/ C-1 M M ALAM ROAD, GULBERG III, LAHORE - 54660. |
| 4- LOCATION OF REGISTERED OFFICE | 19- DOCKYARD ROAD, WEST WHARE, KARACHI-74000 |
| 5- LOCATION OF FACTORY | MANDI BAHAUDDIN |
| 6- PRODUCTS OTHER THAN SUGAR BEING MANUFACTURED | BY PRODUCTS - MOLASSES - PRESS MUD - BAGASSE |
| 7- INSTALLED CANE CRUSHING CAPACITY | 1,440,000 M. TONS (BASED ON 160 DAYS) |

B- PRODUCTION DATA (As per R.T. 4)

| S. NO | | CURRENT YEAR | PREVIOUS YEAR |
|--------------|--|---|---|
| 1 (a) | CANE CRUSHED | | |
| | Date started | 27-11-2013 | 30-11-2012 |
| | Date finished | 06-03-2014 | 22-03-2013 |
| | Duration of run days | 100 | 113 |
| | Total number of hours in duration | 2,387 | 2,689 |
| | Total number of hours actual crushing | 2,269.50 | 2,441.75 |
| | Total number of hours lost | 117.50 | 247.25 |
| | Total cane milled (M.ton) | 817,752.271 | 946,415.873 |
| | Total cane milled (Maunds) | 20,443,806.77 | 23,660,396.82 |
| | Total mixed juice obtained (M.ton) | 899,242.709 | 1,026,249.687 |
| 1 (b) | GUR MELTED | Nil | Nil |
| 1 (c) | RAW SUGAR PROCESSED (M.ton) | Nil | Nil |
| 2- | JUICE AND ADDED WATER | | |
| | Average mixed juice obtained (% of cane) | 109.97 | 108.43 |
| | Average added water (% of cane) | 38.72 | 36.99 |
| 3- | SUGAR MADE | | |
| | Total sugar bagged of all grade (100 kg) | Nil | Nil |
| | Total sugar bagged of all grade (50 kg) | 1,608,680 | 1,811,100 |
| | Sugar bagged (M.ton) | 80,434 | 90,555 |
| | Sugar in process (M.ton) | 50.621 | 37.349 |
| 4- | MOLASSES EXTRACTED | | |
| | Total molasses sent out (M.ton) | 39,839.953 | 45,373.604 |
| | Molasses in process (M.ton) | 3.379 | 2.651 |
| 5- | RECOVERY PERCENTAGE | | |
| | Average recovery of marketable sugar (% of cane) | 9.84 | 9.57 |
| | Average production of final molasses (% of cane) | 4.87 | 4.79 |
| 6- | BY PRODUCTS | | |
| | Bagasse (% of cane) M.ton | 28.75 | 28.56 |
| | V.F Cake (% of cane) M.ton | 3.00 | 3.00 |
| 7- | CLARIFICATION PROCESS | D R P (Defecation Remelt Phosphitation) | D R P (Defecation Remelt Phosphitation) |

SHAHTAJ SUGAR MILLS LIMITED
STATEMENT OF CAPACITY UTILISATION UNDER RULE 4(1) (a)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | Production unit | Installed capacity | Utilized capacity |
|--------------------|------------------------|----------------------------------|--------------------------|
| Sugarcane crushing | M. Tons | 1,440,000 (Based on 160 days) | 817,542 (100 days) |

Chief Executive

Chief Financial Officer

SHAHTAJ SUGAR MILLS LIMITED
STATEMENT OF STOCK IN TRADE UNDER RULE 4 (1) (b)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| | DESCRIPTION | QTY/M.ton | Value Rs.(000) |
|-------|------------------------|------------------|---------------------------|
| (i) | Raw material | | |
| | Sugarcane | - | - |
| (ii) | Work in process | | |
| | Sugar | 50.621 | 2,242 |
| | Molasses | 3.379 | 29 |
| | | | <u>2,271</u> |
| (iii) | Finished goods | | |
| | Sugar | 3,615 | 161,810 |
| | Molasses | - | - |
| | Bagasse | 4,900 | 21,315 |
| | | | <u>183,125</u> |
| (iv) | Other stocks | | |
| | Fair price shop | Various items | 380 |
| | | | <u>380</u> |

Chief Executive

Chief Financial Officer

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 1

STATEMENT SHOWING COST OF PRODUCTION AND SALE OF WHITE BAGGED SUGAR FOR THE YEAR ENDED SEPTEMBER 30, 2014

| <u>Quantitative Data - Bagged Sugar</u> | | 2014 | 2013 |
|---|----------|-------------------|-------------------|
| Opening Stock | (M.Tons) | 5,680.00 | 5,005.00 |
| Production | (M.Tons) | 80,434.00 | 90,555.00 |
| Available for sale | (M.Tons) | 86,114.00 | 95,560.00 |
| Closing Stock | (M.Tons) | 3,615.00 | 5,680.00 |
| Sales | (M.Tons) | 82,499.000 | 89,880.000 |

| Sr.No. | Particulars | Current Year | | Previous Year | |
|--------|--|----------------------|-----------------------|----------------------|-----------------------|
| | | Amount Rs. | Cost per ton of sugar | Amount Rs. | Cost per ton of sugar |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | Raw Materials | | | | |
| a | Sugar Cane (Annex 3) | 3,699,700,178 | 45,996.72 | 4,218,141,954 | 46,580.99 |
| b | Beet (Annex.4) | - | - | - | - |
| c | Gur | - | - | - | - |
| d | Raw Sugar | - | - | - | - |
| e | Process Material (Annex.5) | 38,408,583 | 477.52 | 42,979,602 | 474.62 |
| 2 | Salaries/Wages and benefits (Annex.6) | 101,576,583 | 1,262.86 | 95,342,388 | 1,052.87 |
| 3 | Consumable Stores | 50,063,104 | 622.41 | 58,341,184 | 644.26 |
| 4 | Repairs and maintenance | 9,332,092 | 116.02 | 3,811,073 | 42.09 |
| | UTILITIES | | | | |
| 5 | Steam (Annex.7) | 33,137,861 | 411.99 | 10,194,495 | 112.58 |
| 6 | Electric Power (Annex 8) | 60,999,637 | 758.38 | 45,456,028 | 501.97 |
| 7 | Water and Gas | - | - | - | - |
| 8 | Insurance | 3,288,461 | 40.88 | 3,308,572 | 36.54 |
| 9 | Depreciation | 24,136,843 | 300.08 | 24,025,806 | 265.32 |
| 10 | Other Factory Overheads (Annex.9) | 11,609,213 | 144.33 | 11,307,297 | 124.87 |
| 11 | Total Cost | 4,032,252,555 | 50,131.20 | 4,512,908,399 | 49,836.10 |
| 12 * | Add: Opening Stock of W.I.P | 1,713,766 | - | 1,446,377 | - |
| 13 * | Less: Closing Stock of W.I.P | 2,270,758 | - | 1,713,766 | - |
| 14 | Total Cost of goods Manufacturing | 4,031,695,563 | 50,124.27 | 4,512,641,010 | 49,833.15 |
| 15 | Less: Realizable value of By-Products: | | | | |
| | Molasses | 343,926,336 | 4,275.88 | 378,951,784 | 4,184.77 |
| | Bagasse | 101,976,830 | 1,267.83 | 27,044,761 | 298.66 |
| | Others (Mud) | 4,741,584 | 58.95 | 4,895,252 | 54.06 |
| 16 | Net Cost of goods Manufacturing | 3,581,050,813 | 44,521.61 | 4,101,749,213 | 45,295.67 |
| 17 | Add: Packing Material and Handling | 38,327,087 | 476.50 | 36,089,871 | 398.54 |
| 18 | Net cost of Bagged Sugar | 3,619,377,900 | 44,998.11 | 4,137,839,084 | 45,694.21 |
| 19 | Add: Excise Duty / sales tax. | - | - | - | - |
| 20 | Total Cost of Bagged Sugar | 3,619,377,900 | 44,998.11 | 4,137,839,084 | 45,694.21 |
| 21 * | Add: Opening Stock of Sugar | 259,630,892 | - | 202,505,850 | - |
| 22 * | Less: Closing Stock of Sugar | 183,125,353 | - | 259,630,892 | - |
| 23 | Cost of Sales. | 3,695,883,439 | 44,799.13 | 4,080,714,042 | 45,401.80 |
| 24 | Administrative Expenses (Annex 10) | 167,531,709 | 2,030.71 | 151,542,396 | 1,686.05 |
| 25 | Selling and Distribution Expenses (Annex 11) | 18,331,730 | 222.21 | 20,020,167 | 222.74 |
| 26 | Financial Expenses | 90,988,649 | 1,102.91 | 55,180,488 | 613.94 |
| 27 | Other Charges | 6,021,701 | 72.99 | 3,573,091 | 39.75 |
| 28 | Other income | (44,383,471) | (537.99) | (15,960,721) | (177.58) |
| | TOTAL COST TO MAKE AND SELL | 3,934,373,757 | 47,689.96 | 4,295,069,463 | 47,786.71 |

Variance

The decrease in cost to make and sell per ton of sugar as compared to year 2013 is primarily due to increase in recovery percentage of bagasse and the write back (reversal) of provision against quality premium made in the previous years.

Specific analysis of cost variance on individual basis is enclosed herewith as (Annexure - 1A)

Annexure - 1(A)

SHAHTAJ SUGAR MILLS LIMITED
STATEMENT SHOWING COST OF PRODUCTION AND SALE OF
WHITE BAGGED SUGAR FOR THE YEAR ENDED SEPTEMBER 30, 2014

ANALYSIS OF MAJOR ITEM WISE VARIANCES

The cost per ton to manufacture (Annex-1 - Sr. No. 14) during the year amounting to Rs. 50,124.27 (2013: 49,833.15) has increased by Rs. 291.12 per M.Ton primarily due to increase in cost of raw material, salaries wages and benefits, steam and electricity. Cost of sales (Annex-1 - Sr. No. 23) has decreased by Rs. 602.67 per M.ton as compared to the last year i.e. Rs. 44,799.13 (2013: Rs. 45,401.80 per M.Ton) mainly due to increase in the realizable value of by-products (bagasse). Cost to make and sell (Annex-1) has also decreased by Rs. 96.75 per M.Ton during the year due to increase in other income i.e. write back of provision against quality premium made in the previous years i.e. Rs. 47,689.96 (2013: 47,786.71). Component wise variances are explained with reference to their respective notes as follows:

| Particulars | Current Year | Previous Year | Variance | Reference |
|--|-----------------------|-----------------------|---------------------------|-----------|
| | Cost per ton of sugar | Cost per ton of sugar | Cost (Increase)/ Decrease | |
| Raw Materials: | | | | |
| (a) Sugar Cane (Annex 3) | 45,996.72 | 46,580.99 | 584.27 | N-1 |
| (b) Beet (Annex 4) | - | - | - | |
| (c.) Gur | - | - | - | |
| (d) Raw Sugar | - | - | - | |
| (e) Process Material (Annex 5) | 477.52 | 474.62 | (2.89) | N-2 |
| Salaries/Wages & benefits (Annex 6) | 1,262.86 | 1,052.87 | (209.99) | N-3 |
| Consumable Stores | 622.41 | 644.26 | 21.85 | N-4 |
| Repairs and Maintenance | 116.02 | 42.09 | (73.94) | N-5 |
| Utilities: | | | | |
| Steam (Annex 7) | 411.99 | 112.58 | (299.41) | N-6 |
| Electric Power (Annex 8) | 758.38 | 501.97 | (256.41) | N-7 |
| Water Gas | - | - | - | N/A |
| Insurance | 40.88 | 36.54 | (4.35) | N-8 |
| Depreciation | 300.08 | 265.32 | (34.77) | N-9 |
| Other Factory Overheads (Annex 9) | 144.33 | 124.87 | (19.47) | N-10 |
| Realizable value of By-Products: | | | | |
| Molasses | 4,275.88 | 4,184.77 | (91.11) | N-11 |
| Bagasse | 1,267.83 | 298.66 | (969.18) | N-11 |
| Packing Material & Handling | 476.50 | 398.54 | (77.96) | N-11 |
| Administrative Expenses (Annex 10) | 2,030.71 | 1,686.05 | (344.66) | N-12 |
| Selling & Distribution Expenses (Annex 11) | 222.21 | 222.74 | 0.54 | |
| Financial Expenses | 1,102.91 | 613.94 | (488.97) | N-13 |
| Other Charges | 72.99 | 39.75 | (33.24) | |

- N-1 Decrease in cost per M. ton of raw material (sugar cane) during the year as compared to last year is primarily due to significant decrease in transportation subsidy to growers.
- N-2 Cost of process material consumed nominally increased during the year due to decrease in quantity produced viz a viz last year.
- N-3 Cost per M.Ton of sugar of salaries, wages and benefits has increased during the year as compared to last year due to (a) decrease in quantity produced (b) annual increments (c) increase in minimum wages.
- N-4 Decrease in cost per M. ton of sugar for consumable stores as compared to the previous year is mainly due to decrease in production during the year.
- N-5 Increase in repair and maintenance per M.Ton of sugar is due to increase in repair work during the year as compared to last year.
- N-6 Steam cost per M. ton of sugar has increased during the year as compared to last year mainly due to increase in depreciation cost of the newly installed boiler.
- N-7 Cost per unit of electricity consumed has increased due to decrease in sugar produced and increase in steam cost charged to electricity during the year as compared to the previous year.
- N-8 Insurance cost per M. ton of sugar has increased due to decrease in production as compared to last year.
- N-9 Increase in depreciation cost per M. ton of sugar is due to overall decrease in production and addition of new boiler during the year.
- N-10 Increase in the factory overheads per M. ton of sugar relates primarily due to decrease in sugar produced as compared to the previous year.
- N-11 The substantial increase in the realizable value of byproducts specially bagasse is the major reason for overall decrease in sugar manufacturing cost per M. ton.
- N-12 Increase in administrative expenses per M. ton of sugar basically relates to decrease in quantity produced as compared to the previous year.
- N-13 As compared to last year, the significant increase in financial charges is primarily due to interest/mark up on long term borrowing of Rs. 200 million obtained for construction of boiler during the previous year.

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 2

STATEMENT SHOWING COST OF SUGARCANE PRODUCED
FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Sr.No. | Particulars | Current Year | | Previous Year | |
|--------|---|--------------|------------|---------------|------------|
| | | Quantity | Amount Rs. | Quantity | Amount Rs. |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | <u>Seeds and Other Inputs:</u> Seed and other inputs Fertilizers, herbicides etc. Insecticides. Abianan/Water Charges. Total Cost of Inputs. | | | | |
| 2 | <u>Labour Cost:</u> Land preparation Plantation. Maintenance of cane crop/rations Operation of Tractors. Harvesting Total Labour Cost. | | | | |
| 3 | <u>Other Cost:</u> Fuel for Tractors operation Maintenance and over haul of Tractors. Insurance. Interest expenses. Depreciation of equipments Rent of agriculture equipments (if any) Total Other Costs. | | | | |
| | Total cost of own production (1+2+3) | | | | |
| | Sales value at controlled price | | | | |
| | Profit/Loss on own production. | | | | |

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 3

STATEMENT SHOWING COST OF SUGARCANE CRUSHED FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Sr. No. | Particulars | Current Year | | | Previous Year | | |
|--|--|-----------------|---------------|----------------------|-----------------|---------------|----------------------|
| | | Quantity M.Tons | Rate Rs/M.Ton | Amount Rs. | Quantity M.Tons | Rate Rs/M.Ton | Amount Rs. |
| | | (3) | (4) | (5) | (6) | (7) | (8) |
| 1 | Total sugarcane purchased at Government fixed rate | 817,952.377 | | | 946,640.978 | | |
| | Sugarcane produced from own farms (Annex.2) | - | | | - | | |
| | Less: Loss in transit. | 200.106 | | | 225.105 | | |
| | Sugarcane received at factory gate. | 817,752.271 | 4,336.12 | 3,545,872,761 | 946,415.873 | 4,271.43 | 4,042,553,399 |
| 2 | Commission | | | 2,312,587 | | | 2,420,350 |
| 3 | Quality premium / price subsidy | | | 9,647,818 | | | 9,054,756 |
| 4 | Loading / unloading charges | | | 3,725,678 | | | 4,600,724 |
| 5 | Cane development expenses: | | | | | | |
| | a Salaries and Wages of Supply and Development Staff. (Annexure 6) | | | 27,928,806 | | | 25,967,079 |
| | b Sugarcane Development | | | 534,250 | | | 115,815 |
| | c Supply staff transportation expenses. | | | 2,124,954 | | | 1,981,988 |
| | d Other expenditure. | | | | | | |
| 6 | Taxes and Levies: | | | | | | |
| | a Cane cess / purchase tax | | | | | | |
| | b Market committee fee | 817,752.271 | 5.00 | 4,089,602 | 946,415.873 | 5.00 | 4,733,205 |
| | c Road cess. | 817,752.271 | 25.00 | 20,448,810 | 946,415.873 | 25.00 | 23,666,025 |
| | d Octroi - Toll Tax | | | | | | |
| | e Other Levies | | | | | | |
| 7 | Transportation Charges: | | | | | | |
| | a Delivery expenses. - TPT at purchasing centre | | | 30,254,215 | | | 47,523,231 |
| | b Transport subsidy | | | 41,589,482 | | | 42,947,421 |
| | c Others - M. V. Keep up expenses. | | | 4,084,116 | | | 3,725,147 |
| 8 | Other Expenditures at Cane Collection Centers: | | | | | | |
| | a Salaries and Wages (Annex-6) | | | 6,426,898 | | | 8,209,546 |
| | b Stores | | | 466,262 | | | 263,018 |
| | c Repairs and Maintenance. | | | 193,939 | | | 380,250 |
| | d Others. | | | | | | - |
| TOTAL COST OF "SUGARCANE" TRANSFERRED TO PRODUCTION PROCESS | | | | 3,699,700,178 | | | 4,218,141,954 |

Basis of allocation:

Cost of sugarcane crushed is fully charged to production process.

Variance:

Decrease in cost per M. ton of raw material (sugar cane) during the year as compared to last year is primarily due to increase in sucrose recovery percentage and decrease in transportation cost.

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 4

STATEMENT SHOWING COST OF BEET CRUSHED FOR THE YEAR ENDED SEPTEMBER 30,2014

| Sr.No. | Particulars | Current Year | | | Previous Year | | |
|---|---|--------------------|------------------|---------------|--------------------|------------------|---------------|
| | | Quantity M.Tons | Rate Rs/M.Ton | Amount Rs. | Quantity M.Tons | Rate Rs/M.Ton | Amount Rs. |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1 | Total beet purchased at Government fixed rate Less: Loss in transit. Beet received at factory gate. | | | | | | |
| 2 | Commission paid | | | | | | |
| 3 | Loading unloading | | | | | | |
| 4 | Beet development expenses: | | | | | | |
| | a Salaries and Wages of Supply and Development Staff. | | | | | | |
| | b Sugar Development Research. | | | | | | |
| | c Supply staff and transportation expenses. | | | | | | |
| | d Other expenditure. | | | | | | |
| 6 | Taxes and Levies: (if any) | | | | | | |
| | a Purchase tax | | | | | | |
| | b Market committee fee | | | | | | |
| | c Road cess. | | | | | | |
| | d Octroi | | | | | | |
| | e Other Levies | | | | | | |
| 7 | Transportation Charges: | | | | | | |
| | a Delivery expenses /traveling from purchases centre to mill gate | | | | | | |
| | b Transport subsidy | | | | | | |
| | c Others. | | | | | | |
| 8 | Other Expenditures at Beet Collection Centers: | | | | | | |
| | a Salaries and Wages | | | | | | |
| | b Stores | | | | | | |
| | c Repairs and Maintenance. | | | | | | |
| | d Others. | | | | | | |
| TOTAL COST OF "BEET" TRANSFERRED TO PRODUCTION PROCESS (ANNEX.1) | | | | | | | |

NOT APPLICABLE

SHAHTAJ SUGAR MILLS LIMITED

Annexure 5

STATEMENT SHOWING COST OF PROCESS MATERIAL CONSUMED FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Sr.No. | Particulars | Current year | | Previous Year | |
|--------|--|-------------------|-----------------------|-------------------|-----------------------|
| | | Amount Rs. | Cost per ton of sugar | Amount Rs. | Cost per ton of sugar |
| (1) | (2) | (3) | (4) | (5) | (6) |
| | Total Sugar Produced (M.Tons) | | 80,434.00 | | 90,555.00 |
| 1 | Bleaching Powder. | 101,601 | 1.26 | 169,866 | 1.88 |
| 2 | Common Salt | - | - | 60,802 | 0.67 |
| 3 | Lime Quick | 4,547,984 | 56.54 | 4,334,113 | 47.86 |
| 4 | Chemfloat A - 100 | 591,860 | 7.36 | 604,028 | 6.67 |
| 5 | Acid Phosphoric Food Grade 85% | 4,524,310 | 56.25 | 5,676,961 | 62.69 |
| 6 | Chemrites (Anti - Scalants) | 5,272,599 | 65.55 | 5,127,184 | 56.62 |
| 7 | Chemflocs | 885,073 | 11.00 | 1,096,133 | 12.10 |
| 8 | Colour Quest - 55 | 10,702,248 | 133.06 | 13,752,619 | 151.87 |
| 9 | Anti Foaming | - | - | - | - |
| 10 | Laboratory Chemicals / Apparatus | 598,580 | 7.44 | 554,247 | 6.12 |
| 11 | Cleaning Chemicals & Equipments | 1,812,786 | 22.54 | 2,324,536 | 25.67 |
| 12 | Miscellaneous Process Chemicals | - | - | - | - |
| 13 | Lubricant and Grease | 9,371,542 | 116.51 | 9,279,113 | 102.47 |
| 14 | Other (Specify). | - | - | - | - |
| | Total | 38,408,583 | 477.52 | 42,979,602 | 474.62 |
| | Less allocated to | | | | |
| | (a) Electricity generation | - | - | - | - |
| | (b) Steam Generation (Annex-7) | - | - | - | - |
| | (c) Raw Material | - | - | - | - |
| | (d) Admin Expenses. | - | - | - | - |
| | (e) Selling and Distribution Expenditure | - | - | - | - |
| | (f) Any Other (Specify) | - | - | - | - |
| | Balance transferred to production process | 38,408,583 | 477.52 | 42,979,602 | 474.62 |

Basis of allocation:

Total cost of process material is allocated to relevant cost centers on actual basis.

Variance

Decrease in overall cost as compared to last year is primarily due to decrease in quantity produced during the year specially due to decrease in cost of Acid Phosphorus Food Grade and Colour Quest - 55. However per M. ton cost of material processed has nominally increased due to decrease in production during the year as compared to last year.

SHAHTAJ SUGAR MILLS LIMITED

Annexure 6

STATEMENT SHOWING COST OF SALARIES, WAGES AND BENEFITS FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Sr.No. | Particulars | Current Year | | Previous Year | |
|--------|--|--------------------|-----------------------|--------------------|-----------------------|
| | | Amount Rs. | Cost per ton of sugar | Amount Rs. | Cost per ton of sugar |
| (1) | (2) | (3) | (4) | (5) | (6) |
| | Total Sugar Produced (M.Tons) | | 80,434.00 | | 90,555.00 |
| | COST: | | | | |
| 1 | Salaries / Wages: | | | | |
| | I Officers and Permanent Staff | 119,304,479 | 1,483.26 | 111,239,765 | 1,228.42 |
| | ii Seasonal Staff | 8,972,365 | 111.55 | 9,942,271 | 109.79 |
| | iii Daily rated and Contract Labor | 42,605,783 | 529.70 | 36,378,794 | 401.73 |
| | iv Bonuses. | 70,671,936 | 878.63 | 68,690,829 | 758.55 |
| 2 | Benefits | | | | |
| | I Medical Expenses | 5,205,016 | 64.71 | 4,746,963 | 52.42 |
| | ii Canteen Expenses. | 873,732 | 10.86 | 867,505 | 9.58 |
| | iii Welfare, Recreation | 613,793 | 7.63 | 293,638 | 3.24 |
| | iv Transport and Travelling | - | - | - | - |
| | v Education Cess Expenses. | - | - | - | - |
| | vi Group Insurance/Workmen | 3,473,142 | 43.18 | 3,241,355 | 35.79 |
| | vii Comp. Insurance | - | - | - | - |
| | viii Prov.Fund (Employer's contribution). | 3,669,705 | 45.62 | 3,536,872 | 39.06 |
| | ix Gratuity / Pension | 59,856 | 0.74 | 82,438 | 0.91 |
| | x Other Benefits (if any) | | | | |
| | - Leave Encashment | 2,633,695 | 32.74 | 1,602,109 | 17.69 |
| | - Comp. Leave Encashment | 1,373,094 | 17.07 | 1,649,014 | 18.21 |
| | - Overtime | 1,122,059 | 13.95 | 1,439,147 | 15.89 |
| | - Social Security Contribution | 4,829,293 | 60.04 | 2,625,748 | 29.00 |
| | - EOBI Contribution | 3,126,510 | 38.87 | 3,537,168 | 39.06 |
| | - Education Cess | 65,350 | 0.81 | 67,475 | 0.75 |
| | - Uniform Expenses | 1,450,233 | 18.03 | 1,553,968 | 17.16 |
| | - Washing Exp. Of Uniforms | 516,000 | 6.42 | 420,000 | 4.64 |
| | - SSM Model School Exp. | 3,985,234 | 49.55 | 4,221,805 | 46.62 |
| | - Scholarship to Employees" Children | 69,850 | 0.87 | 115,480 | 1.28 |
| | - Zachgi Allowance | - | - | - | - |
| | - Employees Daughter Marriage Exp. | 33,600 | 0.42 | 57,400 | 0.63 |
| | - Employees Hajj Exp. | - | - | 1,457,600 | 16.10 |
| | - Fair Price Shop Exp. | 3,363,546 | 41.82 | 3,165,492 | 34.96 |
| | - Apprenticeship Training Exp. | 46,330 | 0.58 | 13,860 | 0.15 |
| | Total | 278,064,601 | 3,457.05 | 260,946,696 | 2,881.64 |
| | Less allocated to : | | | | |
| | (a) Electricity generation (Annex-8) | 869,672 | 10.81 | 841,986 | 9.30 |
| | (b) Steam Generation (Annex-7) | 11,409,472 | 141.85 | 10,873,586 | 120.08 |
| | (c) Raw Material (Annex-3) | 34,355,704 | 427.13 | 34,176,625 | 377.41 |
| | (d) Admin Expenses. (Annex-10) | 127,296,342 | 1,582.62 | 116,777,670 | 1,289.58 |
| | (e) Selling and Distribution (Annex-11) | 2,556,828 | 31.79 | 2,934,441 | 32.41 |
| | (f) Any Other Specify | - | - | - | - |
| | | 176,488,018 | 2,194.20 | 165,604,308 | 1,828.77 |
| | Balance transferred to production process | 101,576,583 | 1,262.86 | 95,342,388 | 1,052.87 |

Basis of allocation:

The cost has been allocated on the basis of actual labor cost incurred in each cost centre.

Variance:

Cost per M.Ton of sugar of salaries, wages and benefits has increased due to normal annual increments, increase in minimum wages, increase in contract labour and leave encashment etc.

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 7

**STATEMENT SHOWING COST OF STEAM/GENERATED CONSUMED
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| Sr.No. | Particulars | UNIT | CURRENT YEAR | Previous Year | Variance |
|--------|--|-------------|--------------|---------------|-----------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| | Type of steam boilers used | | Water tube | Water tube | |
| 1 | Number of boiler installed | Nos. | 5 | 6 | (1) |
| 2 - a | No. of days worked | Days | 100 | 113 | (13) |
| 2 - b | Installed Capacity | M. Tons/Day | 8,196 | 5,988 | 2,208 |
| 3 | Installed Capacity for season | M. Tons | 819,600 | 676,644 | 142,956 |
| 4 | Utilized capacity | M. Tons | 422,171 | 457,455 | (35,284) |
| 4 | Production | | | | |
| | (a) High pressure steam | M. Tons | 245,764.00 | - | 245,764 |
| | (b) Medium pressure steam | M. Tons | 176,407 | 457,455 | (281,048) |
| | (c) Low pressure steam | M. Tons | - | - | - |
| | (d) Less: transit losses | M. Tons | 12,620 | 13,540 | (920) |
| | (e) Total | M. Tons | 409,551 | 443,915 | (34,364) |
| 5 | Percentage of capacity utilization (3/2*100) | % | 51.50% | 67.60% | (16.10) |

| Sr.No. | Particulars | Current Year | | | Previous Year | | |
|--------|--|--------------|-------------------|-------------------|---------------|-------------------|-------------------|
| | | Quantity | Rate Per Unit Rs. | Amount Rs. | Quantity | Rate Per Unit Rs. | Amount Rs. |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1 | Water (M.ton) | 432,536 | | | 471,308 | | |
| 2 | Fuels | | | | | | |
| | (a) Bagasse (M.ton) | | | | | | |
| | (i) Own | 235,103 | | | 262,396 | | |
| | (ii) Purchased | | | | | | |
| | (b) Pith | | | | | | |
| | (c) Coal purchased | | | | | | |
| | (d) Furnace Oil (LTR) | - | | - | 51,260 | 18.0327 | 924,358 |
| | (e) Fire Wood (M. ton) | 125.59 | | 1,398,651 | 65.88 | 7573.831 | 498,964 |
| | (f) Gas | | | | | | |
| | (g) Other fuels if any (to be specified) Rice Husk | | | | | | |
| 3 | Quantity of waste heat from the plant, if any | | | | | | |
| 4 | Consumable stores. | | | 6,020,106 | | | 4,516,786 |
| 5 | Direct salaries, wages and benefits | | | 11,409,472 | | | 10,873,586 |
| 6 | Repairs and maintenance | | | 1,786,048 | | | 243,805 |
| 7 | Other direct expenses (e.g. Boiler inspection fee etc. | | | 48,000 | | | 48,000 |
| 8 | Insurance | | | 402,570 | | | 472,744 |
| 9 | Depreciation | | | 41,459,596 | | | 1,653,052 |
| | Total Cost of Steam Raised | | | 62,524,443 | | | 19,231,295 |
| 10 | Less: Outside sale | | | - | | | - |
| 11 | Total Cost of Steam for Self Consumption | | | 62,524,443 | | | 19,231,295 |
| 12 | Add: Cost of Steam purchased | | | - | | | - |
| | Total Cost of Steam Consumed | | | 62,524,443 | | | 19,231,295 |
| | ALLOCATION | | | | | | |
| | Total of item 12 allocated to | | | | | | |
| | (i) White bagged sugar (Annex-1) | 223,750 | | 33,137,861 | 235,319 | | 10,194,495 |
| | (ii) Electric Power house (Annex-8) | 198,421 | | 29,386,582 | 208,596 | | 9,036,800 |
| | (iii) Others | | | | | | |
| | (a) Staff colony | | | | | | |
| | (b) Office building etc. | | | | | | |
| | | 422,171 | | 62,524,443 | 443,915 | | 19,231,295 |

Variance

As compared to last year, increase in total cost of steam consumed is primarily due to significant increase in depreciation because of installation of new boiler and increase in salaries and wages, consumable stores and repair and maintenance etc.

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 8

**STATEMENT OF COST OF ELECTRIC POWER PURCHASED/GENERATED AND CONSUMED
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| | Current Year | Previous year | Variance |
|---|--------------|---------------|-------------|
| 1-a Installed Capacity (KWH) | 11,000 | 11,000 | - |
| 1-b Working days | 100 | 113 | (13) |
| 1-c Installed Capacity for season (KWH) | 26,400,000 | 29,832,000 | (3,432,000) |
| 2 No. of units generated (KWH) | 18,111,815 | 16,896,310 | 1,215,505 |
| 3 No. of units purchased (KWH) | 973,911 | 756,400 | 217,511 |
| 4 Total (2+3) | 19,085,726 | 17,652,710 | 1,433,016 |
| 5 Consumption in Power House including other losses | 3,533,387 | 3,738,742 | (205,355) |
| 6 Net units consumed (4-5) | 15,552,339 | 13,913,968 | 1,638,371 |
| 7 Percentage of Consumption and losses to total units | 18.51% | 21.18% | (2.67) |
| 8 Percentage of power generated to installed capacity 2/1*100 | 68.61% | 56.64% | 11.97 |

| Sr.No. | Particulars | Current Year | | | Previous Year | | |
|--------------|--|--------------|-------------|------------|---------------|-------------|------------|
| | | Quantity KWH | Rate Rs/KWH | Amount Rs. | Quantity KWH | Rate Rs/KWH | Amount Rs. |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1 | Steam (Annex-7) | | | 29,386,582 | | | 9,036,800 |
| 2 | Consumable Stores | | | 2,144,943 | | | 1,774,513 |
| | Diesel - For Diesel generator SSM Mandi | | | 13,804,797 | | | 20,255,081 |
| 3 | Salaries and Wages (Annex-6) | | | 869,672 | | | 841,986 |
| 4 | Other direct expenses | | | | | | |
| 5 | Repair and maintenance. | | | 813,015 | | | 288,623 |
| 6 | Duty on electricity KWH | 18,111,815 | | - | 16,896,310 | | - |
| 7 | Depreciation | | | 2,580,553 | | | 2,867,277 |
| | Total | | | 49,599,562 | | | 35,064,280 |
| 8 | * Less (a) Credit for exhaust steam used in process etc. | | | - | | | - |
| | (b) Other credits, if any | | | - | | | - |
| 9 | Cost of power generated | | | 49,599,562 | | | 35,064,280 |
| 10 | Less: Cost of Power sold. | | | | | | |
| 11 | Add: Cost of Power purchased KWH | 973,911 | | 13,628,755 | 756,400 | | 11,791,289 |
| 12 | Total net cost of power consumed | 19,085,726 | | 63,228,317 | 17,652,710 | | 46,855,569 |
| 13 | Cost per unit average. | | | | | | 2.65 |
| | Total at item 12 allocated to | | | | | | |
| | (i) White bagged sugar (Annexure - 1) KWH | 15,004,148 | | 60,999,637 | 13,498,368 | | 45,456,028 |
| | (ii) Self - consumption | | | | | | |
| | (iii) Others. | | | | | | |
| | (a) Staff colony - Admin. KWH | 548,191 | | 2,228,680 | 415,600 | | 1,399,541 |
| | (b) Office building | | | | | | |
| | (c) Other (specify) | | | | | | |
| TOTAL | | 15,552,339 | | 63,228,317 | 13,913,968 | | 46,855,569 |

Note:

Variance:

Increase in total cost of electric power purchased/generated/consumed is primarily due to increase in cost of steam (depreciation) charged to electricity.

SHAHTAJ SUGAR MILLS LIMITED
STATEMENT SHOWING OTHER FACTORY OVERHEADS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Annexure 9

| Sr.No. | Particulars | Current Year | | Previous Year | |
|--------|---------------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | | Amount Rs. | Cost per ton of sugar | Amount Rs. | Cost per ton of sugar |
| (1) | (2) | (3) | (4) | (5) | (6) |
| | Total Sugar Produced (M.Tons) | | 80,434.00 | | 90,555.00 |
| | <u>COST</u> | | | | |
| 1 | Rent, Rate and Taxes. | 908,425 | 11.29 | 880,659 | 9.73 |
| 2 | Printing and Stationery | 540,103 | 6.71 | 636,217 | 7.03 |
| 3 | Postage and Telegram | - | - | - | - |
| 4 | Telephone Fax and Telex. | - | - | - | - |
| 5 | Travelling and Conveyance | 279,464 | 3.47 | 456,869 | 5.05 |
| 6 | Subscriptions, Books and Periodicals. | 23,715 | 0.29 | 96,935 | 1.07 |
| 7 | Entertainment | 22,303 | 0.28 | 26,847 | 0.30 |
| 8 | Vehicle Running Expenses. | 3,099,616 | 38.54 | 3,596,661 | 39.72 |
| 9 | Security. | 397,299 | 4.94 | 284,904 | 3.15 |
| 10 | Fire Fighting Other Expenses. | 182,263 | 2.27 | 189,594 | 2.09 |
| 11 | Other Expenses. | | | | |
| | - Freight and Cartage | 131,139 | 1.63 | 209,923 | 2.32 |
| | - Bagasse Removal | 5,624,272 | 69.92 | 3,713,714 | 41.01 |
| | - Press Mud Removal | - | - | - | - |
| | - Clinker Removal | - | - | - | - |
| | - Factory Supplies | 284,317 | 3.53 | 330,500 | 3.65 |
| | - Cycle Stand Exp. | 116,297 | 1.45 | 117,033 | 1.29 |
| | - Obsolete Stores and Spares | - | - | 767,441 | 8.47 |
| | - Consultants & Advisors Remuneration | - | - | - | - |
| 12 | TOTAL | 11,609,213 | 144.33 | 11,307,297 | 124.87 |
| | Allocated to: | | | | |
| | (a) White bagged sugar | 11,609,213 | 144.33 | 11,307,297 | 124.87 |
| | (b) Electric Power House | | | | - |
| | (c) Steam Generation | | | | - |
| | (d) Others: | | | | - |
| | i. Staff Colony | | | | - |
| | ii. Office building etc. | | | - | - |
| | Total as per item 12 above | 11,609,213 | 144.33 | 11,307,297 | 124.87 |

Basis of allocation:

Fully charged to white bagged sugar.

Variance:

Increase in cost per ton of sugar produced is primarily due to decrease in quantity of sugar produced and increase in bagasse removal expenses resulting from increase in quantity of bagasse due to installation of high pressure boiler.

SHAHTAJ SUGAR MILLS LIMITED

Annexure 10

STATEMENT SHOWING ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2014

| Sr. No. | Particulars | Current Year | | Previous Year | |
|---------|--|--------------------|-----------------------|--------------------|-----------------------|
| | | Amount Rs. | Cost per ton of sugar | Amount Rs. | Cost per ton of sugar |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | Total Sugar Sold (M.Tons) | | 82,499.00 | | 89,880.00 |
| 2 | <u>COST</u> | | | | |
| | Salaries, Wages and Benefits (Annex 6) | 127,296,342 | 1,543.00 | 116,777,670 | 1,299.26 |
| | Rent, Rate and Taxes. | 2,771,466 | 33.59 | 4,144,624 | 46.11 |
| | Insurance | 1,219,538 | 14.78 | 1,241,308 | 13.81 |
| | Water, Gas and Electricity | 4,156,153 | 50.38 | 3,485,649 | 38.78 |
| | Printing and Stationery. | 2,358,758 | 28.59 | 2,130,450 | 23.70 |
| | Postage and Telegram | 1,449,469 | 17.57 | 1,427,881 | 15.89 |
| | Repair and Maintenance | 3,656,760 | 44.32 | 2,942,841 | 32.74 |
| | Travelling and Conveyance | 1,766,899 | 21.42 | 1,450,948 | 16.14 |
| | Subscriptions, Books and Periodicals | 1,139,718 | 13.81 | 411,935 | 4.58 |
| | Entertainment | 772,086 | 9.36 | 116,451 | 1.30 |
| | Legal and Professional Expenditure | 3,114,535 | 37.75 | 2,984,210 | 33.20 |
| | Auditor's remuneration | 1,850,000 | 22.42 | 1,795,000 | 19.97 |
| | Cost Audit fee | 88,050 | 1.07 | 76,000 | 0.85 |
| | Vehicle Running Expenses. | 5,306,383 | 64.32 | 4,877,036 | 54.26 |
| | Charity and Donation | 2,668,000 | 32.34 | 1,196,000 | 13.31 |
| | Depreciation | 4,530,760 | 54.92 | 4,783,243 | 53.22 |
| | Others. | | | | |
| | - Cash Loss | - | - | 16,780 | 0.19 |
| | - Mess Expenses | 1,314,951 | 15.94 | 698,821 | 7.78 |
| | - Office Staff Refreshment | 1,066,506 | 12.93 | 440,159 | 4.90 |
| | - Mosque Exp. | 80,442 | 0.98 | 30,161 | 0.34 |
| | - Paise Adjustment | (107) | (0.00) | 229 | 0.00 |
| | - Director Fee | 925,000 | 11.21 | 515,000 | 5.73 |
| | TOTAL | 167,531,709 | 2,030.71 | 151,542,396 | 1,686.05 |

Basis of allocation

Fully charged to white bagged sugar.

Variance:

Administrative expenses have increased in absolute terms due to:

1. Increase in salaries, wages and benefits resulting from routine annual increments etc. as well as increase in minimum wage;
2. Increase in water, gas and electricity charges;
3. Increase in legal and professional charges;
4. Increase in vehicle running expenses; and
5. Increase in charity and donations.
6. Increase in mess expenses.
7. Increase in director fee.

For reasons stated above and due to decrease in quantity produced, per ton of sugar produced increased during the year as compared to last year.

SHAHTAJ SUGAR MILLS LIMITED

Annexure - 10/A

STATEMENT SHOWING ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2014

| <u>WATER, GAS AND ELECTRICITY</u> | Y E A R | |
|---|-------------------------|-------------------------|
| | 2014 | 2013 |
| Water | 26,008 | 23,610 |
| Gas | 67,390 | 63,340 |
| Electricity | 1,834,075 | 1,999,158 |
| Electric power purchased/generated (Annexure-8) | 2,228,680 | 1,399,541 |
| | <u>4,156,153</u> | <u>3,485,649</u> |

SHAHTAJ SUGAR MILLS LIMITED
STATEMENT SHOWING SELLING AND DISTRIBUTION EXPENSES
DURING THE YEAR ENDED SEPTEMBER 30, 2014

Annexure 11

| Sr.No. | Particulars | Current Year | | Previous Year | |
|--------|--|-------------------|---------------------------|-------------------|---------------------------|
| | | Amount Rs. | Cost per ton of sugar Rs. | Amount Rs. | Cost per ton of sugar Rs. |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | Total Sugar Sold (M.Tons) | | 82,499.00 | | 89,880.00 |
| 2 | <u>COST</u> | | | | |
| | Salaries, Wages and Benefits (Annex 6) | 2,556,828 | 30.99 | 2,934,441 | 32.65 |
| | Travelling and Conveyance | - | 0.00 | 768 | 0.01 |
| | Commission. | 9,878,100 | 119.74 | 11,033,250 | 122.76 |
| | Stacking / Restacking | 1,844,484 | 22.36 | 1,653,235 | 18.39 |
| | Loading / Unloading. | 1,740,343 | 21.10 | 1,844,756 | 20.52 |
| | Advertising for Sales Promotion | 25,800 | 0.31 | 31,000 | 0.34 |
| | Sugar export expenses | - | - | 3,944 | 0.04 |
| | Other Expenses. - Insurance | 2,286,175 | 27.71 | 2,518,773 | 28.02 |
| | TOTAL | 18,331,730 | 222.21 | 20,020,167 | 222.74 |

Basis of allocation:

Fully charged to white bagged sugar.

Variance:

Overall selling and distribution expenses have decreased during the year due to decrease in quantity sold as compared to last year but per ton selling and distribution cost of sugar sold have remained the same.

SHAHTAJ SUGAR MILLS LIMITED

RECONCILIATION OF COST TO MAKE AND SELL SUGAR

| DESCRIPTION | 2014 | 2013 |
|---|----------------------|----------------------|
| Manufacturing expenses | 4,034,481,235 | 4,514,307,940 |
| Packing material | 38,327,087 | 36,089,871 |
| Add opening stock - in process | 1,713,766 | 1,446,377 |
| Add opening stock - fine | 259,630,892 | 202,505,850 |
| Less opening stock - in process | (2,270,758) | (1,713,766) |
| Less opening stock - fine | (183,125,353) | (259,630,892) |
| Cost of imported sugar - Refined | - | - |
| | 4,148,756,869 | 4,493,005,380 |
| Brokerage | 9,878,100 | 11,033,250 |
| Distribution cost | 8,453,630 | 8,986,917 |
| Administrative expenses | 165,303,028 | 150,142,854 |
| Financial cost | 90,988,649 | 55,180,488 |
| Other charges - | | |
| Gratuity, retirement benefits and | 3,301,958 | 3,396,670 |
| Loss on initial recognition of financial assets at fair value | - | 157,413 |
| Special excise duty | - | 19,008 |
| Workers profit participation fund | 1,970,828 | - |
| Workers welfare fund | 748,915 | - |
| | 6,021,701 | 3,573,091 |
| | 4,429,401,977 | 4,721,921,980 |
| L E S S _ | | |
| Other income | 44,383,471 | 15,960,720 |
| Realizable value of By-Products: | | |
| Molasses | 343,926,336 | 378,951,784 |
| Bagasse | 101,976,830 | 27,044,761 |
| Mud | 4,741,584 | 4,895,252 |
| | 450,644,750 | 410,891,797 |
| | 495,028,221 | 426,852,517 |
| | 3,934,373,756 | 4,295,069,463 |

SHAHTAJ SUGAR MILLS LIMITED
ALLOCATION OF REPAIR AND MAINTENANCE
YEAR ENDED 30.09.2012

| DESCRIPTION | STORE CONSUMED (Rs.) | DIRECT REPAIR (Rs.) | TOTAL AMOUNT (Rs.) | RUPEES | | | | | |
|--------------------|-------------------------|------------------------|-----------------------|------------------------------|------------------|----------------|----------------------|------------------|------------------|
| | | | | ALLOCATION OF STORE CONSUMED | | | ALLOCATION OF REPAIR | | |
| | | | | MANUFACTURIN | STEAM | POWER | MANUFACTURIN | STEAM | POWER |
| MACHINARY | 48,063,458 | 41,028,783 | 89,092,241 | 46,621,554 | 1,441,904 | - | 30,771,587 | 6,154,318.00 | 4,102,878 |
| ELEC. INSTALLATION | 12,109,569 | 830,270 | 12,939,839 | 11,625,186 | - | 484,383 | 539,676 | - | 290,594 |
| FACTORY BUILDING | 2,528,082 | 1,585,075 | 4,113,157 | - | - | - | 4,113,157 | - | - |
| COLONY BUILDING | 1,602,067 | 1,969,089 | 3,571,156 | - | - | - | 3,571,156 | - | - |
| TOTAL | 64,303,176 | 45,413,217 | 109,716,393 | 58,246,740 | 1,441,904 | 484,383 | 38,995,576 | 6,154,318 | 4,393,472 |

| | Store (Rs.) | Repair (Rs.) | |
|---------------|-------------------|-------------------|--------------------|
| MANUFACTURING | 58,246,740 | 38,995,576 | |
| STEAM | 1,441,904 | 6,154,318 | |
| POWER | 484,383 | 4,393,472 | |
| Total | 60,173,027 | 49,543,366 | 109,716,393 |