

**FORM B**

1. **Name of the company** SBEC SUGAR LIMITED.
2. **Annual financial statements for the year ended** 31<sup>st</sup> March 2013
3. **Type of Audit qualification** Qualified
4. **Frequency of qualification** The above cited qualification has appeared for the first time.

**Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:**

Note No. (i) appearing in paragraph "Basis for Qualified Opinion" to the Independent auditor's report regarding the financial statements have been prepared on a going concern basis even though the company has incurred operating losses during the current year and also in the previous year and the company's networth is fully eroded.

**Management Response:**

**Auditor's comments are self explanatory and need no further comments. However, para 4 under the heading "Operations" in the Director's Report may be referred for further clarification.**

Note No. (ii) appearing in paragraph "Basis for Qualified Opinion" to the Independent auditor's report regarding non provision for interest on late payment of cane dues amounting to Rs. 346.52 lacs. Accordingly Manufacturing expenses and net losses would have been higher by Rs. 346.52 lacs respectively & its consequential impact on EPS.

**Management Response:**

**Reference to the Auditors comments on non provision for interest on late payment of cane dues, it is hereby clarified that the company has not made provision of interest on late payment of cane dues, as it is negotiating with the farmers for its waiver. In case it has to be paid, it will be accounted for in the year of payment. Further, para 2 under the heading "Accounts and Auditors Report " in the Director's Report may be referred for clarification.**

Note No. 1 (b) appearing in Annexure A to the Auditor's Report as the Fixed Assets have not been physically verified by the management during the year therefore discrepancies, if any, could not be determined.

Note No. 2 (a) appearing in Annexure A to the Auditor's Report as the Inventory has not been physically verified by the management during the year.



**Management Response:**

Reference to the Auditors comments on physical verification of fixed assets and inventory, it is hereby clarified that the physical verification of fixed assets and inventory is being taken during off season. However, during the off season falling in the financial year 2012-2013, physical verification could not be undertaken due to farmer's agitation from July 2012 to October, 2012. Further, para 2 & 3 under the heading "Operations" and para 3 under the heading "Accounts and Auditors Report" in the Director's Report may be referred for clarification.

**Additional comments from the board/audit committee chair:**

**Comment of the Audit Committee Chairman:**

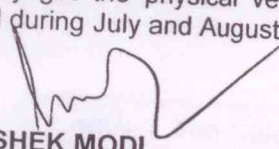
The Board/ Audit Committee suggested that in view of prevailing financial crisis in the sugar industry, it is advisable that all efforts be made for making the farmers to forgo interest on late payment of cane dues.

The Board/Audit Committee instructed the management to take physical verification of fixed assets and inventory during off season falling in the financial year 2013-2014. The management has already got the physical verification of stores and spares conducted during July and August, 2013.

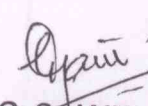
For Doogar & Associates  
Chartered Accountants  
FRN: 000561N

  
**(MUKESH GOYAL)**  
Managing Partner  
M. No. : 081810



  
**ABHISHEK MODI**  
[Executive Director & CEO]  
[CEO]

  
**ARUN GUPTA**  
[Chief Financial Officer]  
[CFO]

  
**G. C. JAIN**  
[Audit Committee Chairman]



Dated: 2nd September, 2013  
Place: New Delhi.