"our biggest achievement is not on our balance sheet, it is an **ability to work with more than 200,000 farmers** each season and pay every single one within the stipulated period of 14 days from the purchase of their cane – season after season!"

Smt. Meenakshi Saraogi
Joint Managing Director

"our flagship plant gave me the biggest satisfaction in a decade!"

Mr. Vivek Saraogi, Managing Director, analyses the company's record performance in 2004-05

Are you satisfied with the company's performance in 2004-05?

Absolutely. We are happy about the fact that the company capitalised on the upturn in sugar realisations and reported the highest profit in its history. We are happier still that the company, which could have well been lax in picking up higher realisations from the marketplace for no extra work, continued to 'stretch' itself. As a result, I would go on to state that Balrampur's 2004-05 performance has given me the biggest satisfaction in a decade.

Did this improvement extend to the other plants?

It did, and that's another point of satisfaction. I think we really excelled ourselves at Babhnan. We posted a recovery of 10.53 per cent, which was not just the highest recovery in East UP but across the entire state, Punjab, Uttaranchal and Bihar. I think this is a significant achievement when one considers that West UP is traditionally a higher recovery zone, represented by bigger and more affluent units. Keeping that in mind, the Babhnan performance fittingly reflected our 'stretch' commitment. Haidergarh achieved the best recovery for the current year, which is significant as cane was brought from distant places. The Balrampur plant also recorded its best recovery in nearly eight years. However, I must confess that we didn't do too well at Tulsipur.

How did the company's integrated model perform?

In retrospect, it could have performed better. For instance, the crushing did not increase significantly at Haidergarh so the generation of power and alcohol was a little on the lower side. Over the years, we took two important decisions to reinforce our integrated model:

- The commissioning of extra neutral alcohol units, enhancing the options of making a diversified downstream use of molasses. The Babhnan ENA unit was commissioned in April 2005. These low cost investments will enhance our flexibility in switching from ethanol to ENA and vice versa, making it possible for us to capitalise on marketplace opportunities more effectively without starving supplies either way.
- The addition of 8 mw of co-generation capacity across Balrampur (5 mw) and Haidergarh (3 mw) at a low cost, which will enable us to capitalise more effectively on the bagasse being generated from 2005-06 onwards.

Shareholders will want to know whether you foresee a sharp decline in realisations and a return to the notorious industry cyclicality?

Interestingly, I do not. I see the industry retaining its margins across the foreseeable future for a good reason: the raw sugar that has come into the country to be converted into white sugar will need to be exported over the next three years. Presently, the economic boom in the country has translated into a robust increase in sugar consumption. As a result, we are gradually eating into our real inventory (sugar available less what has to be exported over three years), which will stabilise realisations for at least the next three years. So the scenario is this: the combination of a broader sugar market with correspondingly firm realisations and a bigger volume of downstream products will lead to bumper surpluses over the foreseeable future.

What factors will drive Balrampur's growth in 2005-06?

Two developments should enable us to capitalise on a buoyant industry turnaround which we expect will comfortably extend into 2005-06.

- We have laid the foundations for mobilising an even greater quantity of cane for the coming season, so by all estimates we should be crushing a record quantity.
- Our proposed 7000 TCD Akbarpur plant will be commissioned by November 2005. Only 100 kms from Babhnan, the unit enjoys excellent potential as it is in the midst of a rich irrigated cane-growing region with a low existing drawal percentage. The plant is being equipped with 10 mw of incidental co-generation capacity and I am optimistic that we will crush no less than 60 lac quintals in its very first season, helping us to more than break even.

The Akbarpur plant represents a Rs 190 cr investment, the largest by the company in a single plant. Has the company achieved its financial closure?

The Akbarpur plant is being financed by way of private placement of equity shares to Citicorp International Finance Corporation [CIFC] and New Vernon Bharat Ltd. [NVBL] through foreign direct investment and internal accruals. The company issued 19,33,000 equity shares at Rs. 585 per share on a preferential basis to CIFC/NVBL, the first instance of an FDI in India's sugar sector. What is pleasing is that we received the proceeds from CIFC within a mere 35 days of entering into a discussion with them; the issue was made with a one-year locking-in period and I can state that such a deal has seldom happened in recent times in India.

What can shareholders look forward to in 2005-06?

Barring the unforeseen, shareholders can look forward to a robust year. The company possessed a strong sugar inventory as on 31st March 2005, plus we engaged in some crushing in April as well, so we have a promise of fair volumes at attractive realisations. Besides, the byproduct markets are fairly stable and we expect each arm to contribute to what we think we will be another record year at the company.

What is the industry outlook for 2004-05?

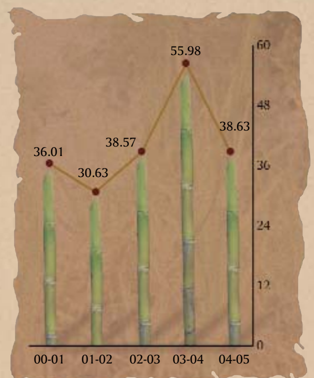
There are a couple of developments that are most discernable:

- Consumption levels will continue to rise by 2-3 per cent annually, which is significant when one considers that India is the largest sugar consumer in the world with an annual appetite of around 195 lac tonnes.
- Maharashtra, a drop in whose production kickstarted the sugar boom, is not likely to produce more than 4.5 million tonnes of sugar.
- India's sugar availability is not expected to cross 210 lac tonnes and from this the quantum of raw sugar imported into the country will need to be deducted. Once that is done, consumption and availability will be well matched for realisations to be attractive to producer and consumer.
- Capacity consolidation and integration will become increasingly important in de-risking.

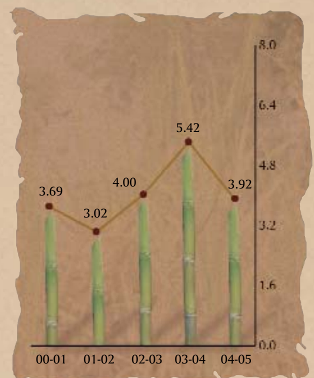
How does the company expect to enhance shareholder value?

Through a number of core business and de-risking initiatives. For instance, we are enhancing our installed capacity from around 29,000 TCD to 38,000 TCD by the start of the 2005-06 season, which will only strengthen our economies of scale. Besides, we are scaling up co-generation capacity, which will not only provide for non-cyclic revenues and profits but also for an effective tax break. So our approach represents a prudent mix of linear and de-risked growth. As a result, our largest profit driver over the next two years will not be derived from this single commodity, progressively insulating us from a decline in sugar realisations. From a more macro perspective, we will continue to play by the old rules: invest in the business, grow our scale, reduce our costs and emerge as a relatively non-cyclic stock in a cyclical business.

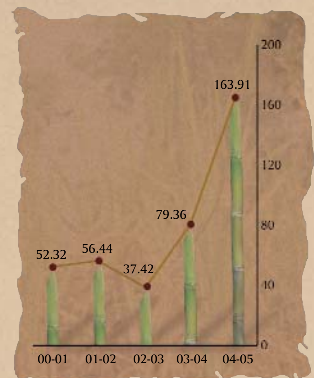
five-year summary



Cane crushing (lac tonnes)



Sugar production (lac tonnes)



Pre-tax profit (Rs. cr.)

CANE CRUSHING (lac tonnes)

Unit	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Balrampur	16.21	13.33	17.53	23.79	15.34
Babhnan	13.22	10.08	13.32	17.24	10.41
Tulsipur	6.58	7.22	7.72	11.57	7.70
Haidergarh	–	–	–	3.38	5.18
Total	36.01	30.63	38.57	55.98	38.63

SUGAR PRODUCTION (lac tonnes)

Unit	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Balrampur	1.66	1.31	1.82	2.30	1.57
Babhnan	1.38	1.01	1.42	1.71	1.09
Tulsipur	0.65	0.70	0.76	1.08	0.73
Haidergarh	–	–	–	0.33	0.53
Total	3.69	3.02	4.00	5.42	3.92

ALCOHOL PRODUCTION (kl)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
	15485	17799	26611	30900	37735

POWER (kw)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
	–	–	3233005	182069944	208080959

FINANCIALS (Rs. cr.)

Parameters	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Sales	613.88	548.95	667.58	802.29	930.26
Non manufacturing income	2.96	2.11	2.19	5.98	2.96
Total income (incl. stock adjustment)	599.74	568.34	678.30	917.97	965.36
Raw materials	358.36	327.30	395.04	549.45	468.61
Excise duty	58.34	63.48	102.56	102.91	116.94
Gross profit	183.04	177.56	180.70	265.61	379.81
Overheads and all other exp.	80.25	84.22	108.45	136.22	137.38
PBDIT	102.79	93.34	72.25	129.39	242.43
Interest	29.63	16.91	13.55	19.80	18.93
PBDT	73.16	76.43	58.70	109.59	223.50
Depreciation	20.84	19.99	21.28	30.23	37.26
Profit before tax and extra ordinary items	52.32	56.44	37.42	79.36	186.24
Extra ordinary items	–	–	–	–	22.33
Pre-tax profit	52.32	56.44	37.42	79.36	163.91
Tax	4.50	9.10	7.91	18.88	38.85
Post-tax profit	47.82	47.34	29.51	60.48	125.06
Equity capital	18.97	18.97	18.97	18.97	23.18
Reserves (excluding revaluation reserves)	230.39	199.51	217.34	256.36	468.60

value-added statement

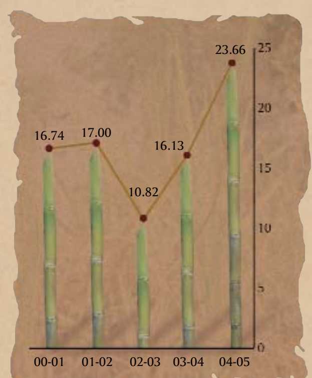
(Rs. cr.)

Parameters	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Income from production	538.44	502.75	573.58	809.07	845.46
Add: Financial income	2.96	2.11	2.78	5.98	2.96
Corporate output	541.40	504.86	576.36	815.05	848.42
Less: Cost of raw materials	358.36	327.30	395.04	549.45	468.61
Less: Other manufacturing expenses	54.50	59.55	80.01	101.08	124.73
Equals gross value-added	128.54	118.01	101.31	164.53	255.08
Less: Depreciation	20.84	19.99	21.28	30.23	37.26
Equals net value-added	107.70	98.02	80.03	134.30	217.82
Allocation of net value-added					
To personnel	25.76	24.66	28.59	35.14	34.98
To taxes	4.50	9.10	7.91	18.88	38.85
To creditors (via interest)	29.63	16.91	14.02	19.80	18.93
To investors (via dividend)	16.55	16.40	11.77	21.40	42.34
To the company (retained earnings)	31.26	30.95	17.74	39.08	82.72

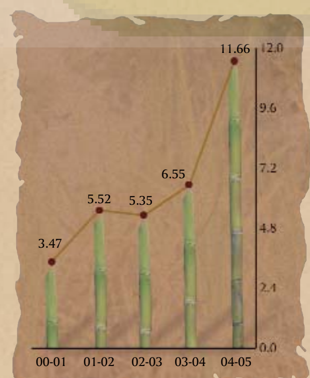
financial ratios

KEY FINANCIAL RATIOS

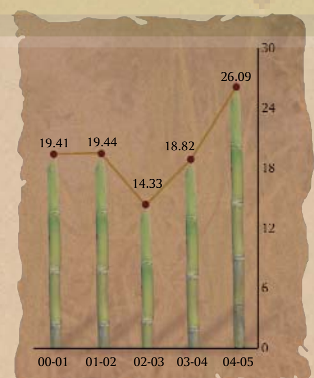
Financial year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Raw material costs / Total turnover %	58.38	59.62	59.17	68.49	50.37
Overheads / Total turnover %	12.82	14.95	16.03	16.74	14.16
PBDIT / Total turnover %	16.74	17.00	10.82	16.13	23.66
Interest / Total turnover %	4.83	3.08	2.03	2.47	2.03
Interest cover (x)	3.47	5.52	5.35	6.55	11.66
PBDT / Total turnover %	11.92	13.92	8.79	13.66	21.63
Net profit / Total turnover %	7.79	8.62	4.42	7.54	13.44
Cash profit / Total turnover %	11.18	12.27	7.61	11.31	17.45
ROCE (PBDIT / Average capital employed) %	19.41	19.44	14.33	18.82	26.09
Capital output ratio (Turnover / Average capital employed) %	115.94	114.31	132.41	116.72	110.27



PBDIT / Total turnover (%)



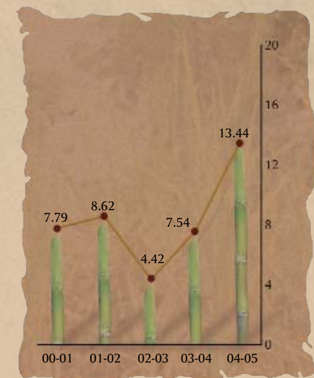
Interest cover (x)



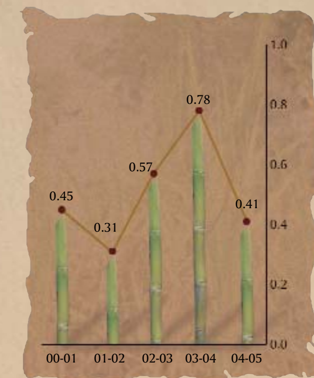
ROCE (%)

BALANCE SHEET RATIOS

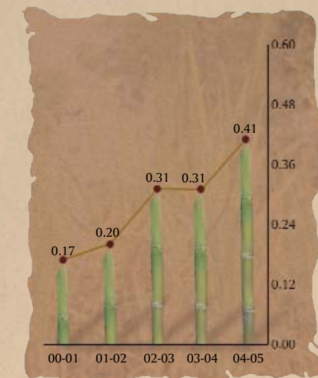
Financial year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Debt-equity ratio	0.45	0.31	0.57	0.78	0.41
Inventory turnover (days)	149	178	151	178	167
Current ratio	1.17	1.08	1.27	1.51	1.49
Quick ratio	0.17	0.20	0.31	0.31	0.41
Assets turnover (Total revenue/total assets)	0.99	0.84	0.88	0.78	0.79



Net profit/Total turnover (%)



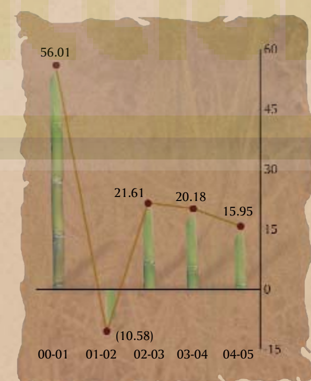
Debt-equity ratio



Quick ratio

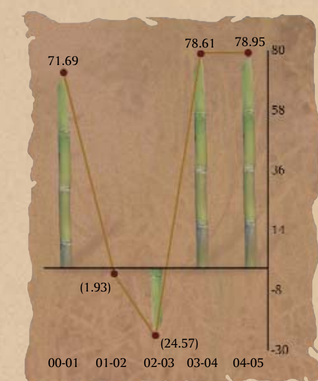
GROWTH RATIO

Financial year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Growth in turnover %	56.01	(10.58)	21.61	20.18	15.95
Growth in PBDIT %	48.66	(9.18)	(22.60)	79.09	70.11
Growth in PAT %	107.31	(1.00)	(37.66)	104.96	106.76
Growth in cash profit %	71.69	(1.93)	(24.57)	78.61	78.95



Growth in turnover (%)

Growth in PAT (%)



Growth in cash profit (%)

PER SHARE DATA

Financial year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
EPS (Rs.)	24.19	24.81	15.55	31.57	6.16
CEPS (RS.)	35.18	35.35	26.77	47.34	7.99
Dividend (Rs.)	7.00	8.50	5.50	10.00	1.60
Book value (Rs.)	131.00	115.00	124.00	145.00	21.20
Dividend payout %	30.60	34.06	39.89	35.39	33.85
Price / earning (31 March)	3.65	5.01	7.13	9.63	11.27
Net indebtedness (Rs.)	58.59	36.05	71.01	113.34	8.63

Note: The face value of equity shares has been reduced from Rs. 10 to Re. 1 with effect from 31st March, 2005.

enhancing shareholder value

MARKET CAPITALISATION

The value of a company is adequately indicated in its market capitalisation. Balrampur's market capitalisation – an index of value delivered to shareholders – has increased over the years.

(Rs. cr.)

Financial year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Market capitalisation	167.72	236.02	210.5	576.66	1608.71

TOTAL SHAREHOLDERS' RETURN

Total shareholders' return indicated the gain delivered to the shareholders by the company – directly (in the form of the dividends received by them) and indirectly (in the form of the capital appreciation registered by the stock during the financial year under review). The TSR was calculated by adding the dividend to the difference between the closing and the opening market capitalisation (equity shares multiplied by closing market price on the stock exchanges).

Financial year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Closing market price per share (Rs.)	88.40	124.40	110.95	303.95	69.40*
Dividend paid (Rs.)	4.00	7.00	8.50	5.50	1.00
TSR (%)	10.33	48.65	(3.98)	178.91	131.58

* Sub-division of shares from Rs.10 each to Re. 1 per share

ECONOMIC VALUE-ADDED

In 2003-04, the company reported a decline in its economic value-added (EVA), largely due to the reduction in its profit after tax. The company reported an EVA of Rs 79.03 cr in 2004-05 compared to an EVA of Rs 20.15 cr in 2003-04.

The EVA, designed by Stern, Stewart & Co., captures growth parameters into a unique formula. Its highlights are:

- For the cost of shareholders' funds, the actual outgo towards shareholders (dividend etc.) was ignored. Instead, a market-driven cost of equity funds was considered.
- The cost of equity was arrived at using the beta-factor for the company scrip. The risk-free return in the economy (6 per cent in the financial year 2004-05 was taken). To this was added the product of the beta factor and the stock market risk premium.
- The stock market risk premium was what investors expected to earn over the risk-free return from the market.
- The product of the premium and the beta was what investors expected to earn (over and above the risk-free return of 6 per cent) from the Balrampur scrip in the financial year under review. This was the correct cost of equity funds to consider for the EVA calculation. The beta value was calculated at 1. This indicates that the company's stock did not match the market movement.
- This beta was multiplied by the stock market risk premium assessed at 10 per cent for BCML. The result was added to the risk-free return in the economy to get the company's cost of equity.
- The base for calculating the rupee cost of equity was the market capitalisation as on a particular date (because the EVA calculation uses a stock market-driven set of variables for calculating the cost of equity).
- For the cost of debt, the post-tax marginal cost of borrowing based on average debt during the year and actual outflow of interest and tax were used. The cost of debt for the company was 4.11 per cent

The weighted average cost of capital was 9.46 per cent.

EVA SUMMARY OUTPUT

Financial year	(Rs. cr.)
PBIT	182.84
Tax	21.50
Adjusted tax	23.98
NOPAT	158.86
WACC	9.46
Total capital	843.84
Cost of capital	79.83
EVA	79.03

report of the board of directors

for the year ended 31st March, 2005

Dear Shareholders,

Your Directors have the pleasure in presenting their thirtieth Annual Report along with the audited accounts of the company for the year ended 31st March 2005.

OPERATING AND FINANCIAL REVIEW

[Rs. in lacs]

Financial results	2004-05		2003-04	
Turnover		93026.22		80228.79
Operating profit before interest, depreciation and tax		24243.50		12938.83
Cane price for earlier years	6097.73			
Less: Adjusted with general reserves as not pertaining to the year under review	3865.00			
	2232.73			
Interest and other financial charges	1892.85		1979.64	
Depreciation	3726.44		3022.70	
Provision for taxation	3885.18	11737.20	1887.92	6890.26
Net profit		12506.30		6048.57
Add:				
Income tax for earlier years		4.30		6.24
Balance brought forward from previous year		493.96		479.46
Profit available for appropriation		13004.56		6534.27
Which we recommend to be appropriated as follows :				
General reserve		8250.00		3900.00
Dividend on equity shares		3708.83		1897.23
Corporate tax on dividend		525.03		243.08
Leaving a balance to be carried forward to next year's account		520.70		493.96
		13004.56		6534.27

Your Directors are pleased to recommend payment of dividend for consideration of the shareholders on 231802000 equity shares of Re. 1 each @ 160% i.e. Rs.1.60 per share.

OPERATIONS

The operational figures for the last two years / seasons are as follows:

Balrampur sugar unit

Parameters	Season 2004-05	Season 2003-04	Financial year ended 31.03.2005	Financial year ended 31.03.2004
Start of crushing season	18.11.2004	14.11.2003		
Close of crushing season	01.05.2005	10.04.2004		
Duration [days]	164	149	143	245
Sugar cane crushed [in lac quintals]	174.64	147.16	153.35	237.95
Recovery [per cent]	10.30	10.07	10.25	9.66
Sugar produced [in lac quintals]	17.98	14.81	15.71	22.97

Babhnan sugar unit

Parameters	Season 2004-05	Season 2003-04	Financial year ended 31.03.2005	Financial year ended 31.03.2004
Start of crushing season	18.11.2004	14.11.2003		
Close of crushing season	17.04.2005	30.03.2004		
Duration [days]	150	138	134	240
Sugar cane crushed [in lac quintals]	114.46	101.44	104.07	172.37
Recovery [per cent]	10.53	10.28	10.48	9.91
Sugar produced [in lac quintals]	12.05	10.42	10.91	17.08

Tulsipur sugar unit

Parameters	Season 2004-05	Season 2003-04	Financial year ended 31.03.2005	Financial year ended 31.03.2004
Start of crushing season	20.11.2004	14.11.2003		
Close of crushing season	30.03.2005	06.04.2004		
Duration [days]	131	145	138	212
Sugar cane crushed [in lac quintals]	73.91	80.86	77.06	115.68
Recovery [per cent]	9.55	9.72	9.53	9.35
Sugar produced [in lac quintals]	7.06	7.86	7.34	10.81

Haidergarh sugar unit

Parameters	Season 2004-05	Season 2003-04
Start of crushing season	18.11.2004	26.11.2003
Close of crushing season	1.04.2005	10.03.2004
Duration [days]	134	106
Sugar cane crushed [in lac quintals]	51.84	33.79
Recovery [per cent]	10.15	9.86
Sugar produced [in lac quintals]	5.26	3.33

Summary at a glance

Parameters	Season 2004-05	Season 2003-04	FY2004-05	FY 2003-04
Total cane crushed [in lac quintals]	414.85	363.25	386.32	559.79
Total production [in lac quintals]	42.35	36.42	39.22	54.19
Average recovery [per cent]	10.21	10.03	10.15	9.68

PERFORMANCE, 2004-05

Your company's performance needs to be appraised against the backdrop of the industry's performance during 2004-05. The production of sugar in season 2004-05 is expected to decline from 138 lac tonnes in 2003-04 to 126 lac tonnes in 2004-05 owing to unfavourable climatic conditions and a lower cane acreage in Maharashtra, Tamil Nadu and Karnataka.

Sugar

Crushing: In a year when there was a decline in India's cane output by around 10 per cent, your company is proud to report that it increased aggregate crushing by 15 per cent: from 363.25 lac quintals in season 2003-04 (October 2003 to September 2004) to 414.85 lac quintals in season 2004-05 (October 2004 to September 2005). This improvement was derived out of an increase in crushing across all your company's factories except Tulsipur and owing to a sustained cane development programme across its command areas.

However, when viewed against the perspective of the financial year (April 2004 to March 2005), crushing was lower at 386.32 lac quintals compared to 559.79 lac quintals during financial year 2003-04. The crushing performance of these two financial years may not be entirely comparable as there was an abnormally high crushing until July 2003 during the financial year 2003-04.

Recovery: The heartening point is that this improvement in throughput in season 2004-05 was accompanied by enhanced recovery: from an average 10.03 per cent for your company in 2003-04 to an average 10.21 per cent in 2004-05. The performance of the Babhnan unit was the highlight of this improvement, as the unit went on to record the highest recovery among all sugar factories in U.P.

Realisations: Sugar prices revived during the year under review from abnormally low levels in the previous financial year as the country's production recorded a decline during the last two consecutive seasons. This decline corrected the imbalance between demand and supply, strengthening realisations. Your company capitalised effectively on this improvement through enhanced operational scale, product integration (distillery and power), enhanced capacity utilisation, ongoing cost cutting and low cost financing. As a result, your company achieved its best ever financial performance in 2004-05.

Distillery

The performance of the Babhnan distillery was satisfactory during its first full year of operation in 2004-05. The unit operated at a high utilisation and its products were well accepted by the market. The distillery at Balrampur continued to perform satisfactorily. The company discontinued the country liquor business with effect from March 2005.

Power

The working of the Balrampur and Haidergarh power plants was extremely satisfactory. Through de-bottlenecking and the installation of an additional turbine during 2004-05, your company enhanced power generation at its Balrampur co-generation unit by 5 mw and at its Haidergarh co-generation unit by 3 mw during the season without any additional consumption of bagasse.

CARBON EMISSION STATUS

The company, as reported in the last Directors' Report, had submitted a methodology for a power plant to the United Nations Framework Convention on Climate Change [UNFCCC] for final approval. UNFCCC sought some further clarifications on the methodology, which has been re-submitted. Your company expects to get their approval very soon.

CANE AND SUGAR POLICY

The salient features of the Sugar Policy for 2004-05 were as follows:

- The ratio of levy and free sale sugar remained unchanged at 10:90.
- The price of levy sugar for the season 2004-05 is yet to be announced, as a result of which it was delivered in 2004-05 at the price of the 2003-04 season (Rs. 1383.41 per quintal).
- The statutory minimum price (SMP) of sugarcane was fixed at Rs. 74.50 per quintal linked to a basic recovery of 8.5 per cent with a premium for higher recovery, compared to Rs. 73 per quintal in the previous year.
- The U.P. Government fixed a state advised price (SAP) of Rs. 107 per quintal for the 2004-05 season and U.P. factories paid the same.
- The Indian Government allowed futures trading in sugar. The National Commodity and Derivative Exchange (NCDEX) became operational in July 2004.
- The buffer stock of 20 lac MT expired on 17.12.2004 and the Government did not renew the buffer stock provision thereafter.
- The Central Government withdrew incentives on export such as inland freight subsidy, ocean freight subsidy, marketing and port handling expenses with effect from June 2004.
- The Government reduced the rate of interest on outstanding SDF loans to 2 per cent below the bank rate with effect from 21st October 2004.

OPPORTUNITIES AND THREATS

Sugar production in India is expected to revive from an estimated 126 lac tonnes in 2004-05 to 175 lac tonnes in 2005-06. It would be pertinent to note that India's production declined by 9 per cent in the 2004-05 season even as U.P. sugar production increased by 10 per cent, reflecting favourable agro-climatic conditions for sugar cane cultivation. The Government of U.P. continued to fix remunerative prices for cane farmers, as a result of which cultivation is expected to grow rapidly. The U.P. Government incentivised the investment in the sugar sector through the announcement of a long-term policy accompanied by fiscal measures, as a result of which the state is expected to remain the hub of sugar manufacturing in India. Your company's prospective growth will continue to be undertaken within the state.

HON'BLE SUPREME COURT'S DECISION ON CANE PRICE

Pursuant to the Supreme Court's decision dated 5th May 2004, the U.P. Government fixed the State Advised Price for previous sugar seasons (1997-98, 2002-03 and 2003-04), the liability for which amounted to Rs. 60.98 crores. This amount has been accounted for.

GREENFIELD SUGAR PLANT AT AKBARPUR

To strengthen its economies of scale, your company decided to commission a greenfield sugar plant of 7000 TCD at Akbarpur in district Ambedkarnagar in eastern Uttar Pradesh. Land for the project was purchased and orders for all major equipment placed; construction has commenced and machineries have begun to arrive at the site.

Your company expects to commission this project by November 2005 to coincide with the start of the crushing season of 2005-06. In addition to sugar manufacture, the unit will supply 10 MW of power during the season to UPPCL's 132 kv sub-station at Akbarpur, the installation of which is currently under progress. Your company expects to sign the power purchase agreement for the supply of power with UPPCL shortly.

The command area in Akbarpur is conducive for cane cultivation and its proximity from the company's existing area of operations in east U.P. will inspire confidence among farmers to grow more cane. Besides, the extension to Akbarpur is in conformity with its business model of expansion and byproduct utilisation.

OUTLOOK

India's production of sugar is expected to rebound from 126 lac tonnes in season 2004-05 to 175 lac tonnes in season 2005-06 while consumption is expected to grow from its current estimate of 185 lac tonnes. A lower production in the preceding two seasons helped the industry liquidate its surplus inventory, as a result of which sugar prices are expected to remain firm in 2005-06. Besides, the government encouraged the import of raw sugar against an Advance License Scheme with the obligation to re-export white sugar within 18 to 36 months. A continued demand growth in 2005-06 as well as an export of 2.5 lac tonnes of hitherto imported raw sugar are expected to impart a long-term stability to sugar realisations.

Ethanol is an efficient, environment-friendly fuel whose use is being encouraged world over for reasons of economy and environment-friendliness. The Government of India is contemplating a long-term policy to facilitate the blending of ethanol with petrol, which will impart a long-term viability to the business of distillation and ensure better molasses realisations.

Besides, the Central and State Governments are encouraging the generation of power from non-conventional renewable energy sources. Clause 86(1)(e) of Electricity Act 2003 has made it mandatory for power suppliers to buy a certain percentage of clean power generated from renewable energy sources. Whilst this has been implemented in various countries, the Maharashtra and West Bengal state governments have come forward to announce their policy initiatives to encourage the cogeneration of power while the other states are in the process of formulating similar policies. This trend will result in a long term sustainability of the co-generation business in India's sugar industry.

LISTING OF EQUITY SHARES

Your company's equity shares are listed on the Kolkata, Mumbai, Delhi and National Stock Exchanges. Your company has paid the annual listing fees to each of these stock exchanges.

VOLUNTARY DELISTING OF SHARES

The equity shares of your company are presently listed on The Stock Exchange, Mumbai (BSE), the National Stock Exchange of India Ltd. (NSE), the Calcutta Stock Exchange Association Ltd. (CSE) and the Delhi Stock Exchange Association Ltd. (DSE).

A principal part of the trading in your company's equity shares takes place on NSE and BSE, with no or very little trading on CSE and DSE for the last many years. The latter instance does not justify the payment of listing fees and other expenses at a time when an extensive network of nationwide trading terminals have been set up by NSE and BSE, improving nationwide access to online dealings in your company's equity shares.

Besides, multiple listings necessitate multiple compliance, reporting and approvals under the various listing agreements without any corresponding benefit extending to investors or shareholders. In the considered opinion of your company, the continued listing on CSE and DSE is, therefore, not considered necessary; Delisting from these stock exchanges will reduce administrative costs/efforts without adversely affecting investor interests.

The Board of Directors has, therefore, decided to apply for voluntary delisting from CSE and DSE under SEBI (Delisting of Securities) Guidelines, 2003. Considering that the equity shares will continue to be listed on BSE and NSE, no exit option/opportunity is required to be offered to the shareholders of that region, pursuant to the said guidelines.

CORPORATE GOVERNANCE

As per clause 49 of the listing agreement with the Stock Exchanges, Management's Discussion & Analysis, a report on Corporate Governance together with the auditors' certificate on the compliance of conditions of Corporate Governance form part of the Annual Report.

CREDIT RATING

Your company continued to enjoy credit rating by ICRA for commercial paper and short term debt to the extent of Rs. 200 cr at 'A1+' (pronounced as A-one plus) and a non-convertible debenture programme of Rs. 30 cr. at 'MAA'.

CHANGE IN CAPITAL STRUCTURE

Rights issue

Your company issued and allotted 2274885 equity shares of Rs.10 each for cash at a premium of Rs.250 per share by way of rights shares in the ratio of 100:12 on 16th October 2004. The issue was oversubscribed by approximately 1.18 per cent. The shares were listed on NSE, BSE, CSE and DSE within the stipulated time frame and the proceeds were utilised as per the terms of the issue. The proceeds of the rights issue were utilised for augmenting the long term working capital requirement of the company.

PREFERENTIAL ISSUE TO FOREIGN INVESTORS UNDER FOREIGN DIRECT INVESTMENT

During the financial year under review, your company issued and allotted 19,33,000 equity shares of Rs. 10 each for cash at a premium of Rs. 575 per share on preferential basis to Citicorp International Finance Corporation and New Vernon Bharat Ltd. The shares were issued with a one-year lock-in period as per the preferential issue guidelines of SEBI. This is the first-ever FDI in the Indian sugar industry and serves as a testimony of the confidence of reputed international investors in your Company's business model. The proceeds from private placement of Rs.113.08 crores was utilised to the extent of Rs.41.88 crores during the financial year 2004-05 for the upcoming integrated sugar complex at Akbarpur and the balance amount shall be utilised for the said project.

SUB-DIVISION OF SHARES

To enhance the affordability of your company's share for small investors and improve liquidity, the equity shares of your company were sub-divided from a nominal value of Rs.10 each into 10 equity shares of Re.1 each with effect from 31st March 2005. The new equity share certificates were issued to the shareholders holding shares in a physical form and an equivalent number of shares were credited to the beneficiary accounts of members holding shares in a dematerialised form.

DIRECTORS

Shri P.R. Srinivasan has been appointed as an additional director of the company with effect from 14th May, 2005 by virtue of an investment agreement executed between the Company and Citicorp International Finance Corporation (CIFC). He will hold office upto the date of the ensuing Annual General Meeting and the company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing Shri Srinivasan as a director of the company.

Shri K.N. Saraogi and Shri S.K. Neotia, Directors of your company, retire from the Board by rotation and are eligible for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that -

i. In the preparation of the annual accounts, the applicable accounting standards have been followed.

ii. The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the financial year and of the profit of your company for that period.

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities, and

iv. The Directors have prepared the annual accounts on going concern basis.

PARTICULARS OF EMPLOYEES

Your Directors wish to acknowledge the support and valuable contributions made by the employees at all levels.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are given in a separate annexure attached hereto and form a part of this report.

CONSERVATION OF ENERGY

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 are given in a separate annexure attached hereto and form a part of this report.

AUDITORS

M/s. G.P. Agrawal & Co., Chartered Accountants, Auditors of your company, retire and being eligible, offer themselves for re-appointment.

APPRECIATION

Your Directors wish to place on record their appreciation for the continued support received from the shareholders, Central Government, Government of U.P, financial institutions, State Bank of India, HDFC Bank, ICICI Bank and customers for their valuable contribution in the growth of the organisation.

For and on behalf of the Board of Directors

Meenakshi Saraogi Vivek Saraogi

Kolkata	**Meenakshi Saraogi**	**Vivek Saraogi**
14th May 2005	Joint Managing Director	Managing Director

annexure to the directors' report

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005.

A. CONSERVATION OF ENERGY

a) Your company continues to give high priority to the conservation of energy on an ongoing basis, some of the significant measures taken are:

i) Installation of high efficiency spreader stocker type, travelling grates, high pressure boilers.

ii) Installation of bigger size, constant ratio mill with variable speed, DC motor drive having full auto control, hydraulic cane unloaders, rotary-screens, juice flow stabilisation system, continuous sulphur burner, high efficiency centrifugal pumps, fluidised bed sugar drier and sugar bag conveying system, efficient and automatic centrifugal machines, semi kesteners etc.

b) The required data with regard to conservation of energy are furnished below:

(A) Power and fuel consumption

Financial year	2004 - 2005	2003 -2004
1. a) Purchased units (excluding domestic units)	579606	497448
Total amount (Rs. lacs)	30.31	37.93
Rate per unit (Rs.)	5.23	7.63
b) Own generation		
i) Through diesel generator sets (units)	1801443	3872899
Units per ltr. of diesel	3.40	3.41
Cost/unit (Rs.)	6.97	6.52
ii) Through steam turbine/generator (units)	96877476	147269467
Unit per quintal of bagasse cost/unit	Steam produced by use of own bagasse	
2. Coal (specify quality and where used quantity) (tonnes)	Not directly consumed in production	Not directly consumed in production
Total amount /average cost	-do-	-do-
3. Furnace oil (K.Ltrs.)		
Total amount /average rate	-do-	-do-
4. Other/internal generation	-do-	-do-
Quantity total cost rate/ unit	Nil	Nil

(B) Consumption per unit of production

Financial year	2004 - 2005	2003 -2004
Sugar quintals	3904848	5435297
Electricity unit	25.42	27.90
Furnace oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Other (specify)	Nil	Nil

B. RESEARCH AND DEVELOPMENT TECHNOLOGY ABSORPTION

Your Company has been carrying out research and development in the following specific areas :

i) Rearing of speed nurseries of new improved varieties for varietal replacement.

ii) Heat therapy to eradicate seed born diseases.

iii) Pest control measures to protect cane from diseases & soil testing Laboratory.

iv) Ratoon crop management helping increase yield and recovery.

v) Biological control laboratory for sugarcane pest management.

Owing to the above efforts, a higher yield of disease free cane will be available to the company, resulting in a higher return to the company and the cane growers.

Future plans

i) Continuing research to generate better-yielding and disease free cane varieties.

ii) Installing a tissue culture laboratory.

iii) Installing machineries with the latest technology at different stations in the factory.

iv) Providing irrigation facilities to growers by distributing pumping sets and borings.

The expenditure incurred in research and development was Rs.510.57 Lacs (Previous year Rs. 490.85 Lacs). The company has not imported any technology.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Financial year	2004 - 2005	2003 -2004
i) Activities relating to exports initiative taken to increase exports	Various export proposals are being examined	Export of 20885.10 tonnes of sugar
ii) Development of new export market for product and services and export plan	-do-	Various export proposals are being examined
iii) Total foreign exchange earnings (Rs. lacs)	Nil	2063.69
iv) Used (Rs. lacs)	661.31	547.46

Meenakshi Saraogi   Vivek Saraogi

Kolkata
14th day of May, 2005

Meenakshi Saraogi
Joint Managing Director

Vivek Saraogi
Managing Director

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005.

Name	Designation	Remuneration (Rs.)	Qualification & experience (years)	Age (years)	Date of commencement of employment	Last employer, designation
Vivek Saraogi	Managing Director	54,59,157	B.Com [Hons.] [18]	39	3rd July, 1987	None
Meenakshi Saraogi	Joint Managing Director	51,68,549	B.A. [24]	61	1st October, 1982	None

Notes:

1) Remuneration includes salary, commission, company's contribution to provident fund, gratuity and monetary value of perquisites.

2) Both appointments are contractual. Other terms and conditions are as per their respective agreement and as per rules of the company.

3) Shri K.N. Saraogi (Chairman), Shri Vivek Saraogi (Managing Director) and Smt. Meenakshi Saraogi (Joint Managing Director) are related to each other.

For and on behalf of the Board of Directors

Meenakshi Saraogi

Vivek Saraogi

Kolkata
14th day of May, 2005

Meenakshi Saraogi
Joint Managing Director

Vivek Saraogi
Managing Director

corporate governance report

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

The company firmly believes that good corporate governance is the foundation of corporate excellence. A sound governance process consists of a combination of business practices which result in enhancement of shareholder value and enable the company to fulfill its obligations to customers, employees, financiers and to the society in general. The company aims to increase and sustain its corporate value through growth and innovation.

BOARD OF DIRECTORS:

Composition and category:

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board. As on 31st March, 2005 the constitution of the Board was:

- Two promoter, Executive Directors
- One promoter, Non-Executive Director
- Two non-promoter, Executive Directors
- Six independent, Non-Executive Directors

The composition of the Board of Directors as of 31st March, 2005 and also the number of other Board of Directors or Board Committees of which he/she is a member/Chairperson are as under:

Name of the Director	Category	No. of other Directorship[*] (Public Limited company)	No. of membership of other Board Committee	No. of Board Committee for which chairperson
Shri Kamal Nayan Saraogi (Chairman)	Promoter Non-executive	Nil	Nil	Nil
Shri Vivek Saraogi (Managing Director)	Promoter Executive	3	Nil	Nil
Smt. Meenakshi Saraogi (Jt.Managing Director)	Promoter Executive	Nil	Nil	Nil
Shri S.K. Neotia	Independent Non-executive	6	1	Nil
Shri Sudhir Jalan	-do-	10	1	Nil
Shri R.K. Choudhury	-do-	11	2	Nil
Shri S.B. Budhiraja	-do-	5	4	1
Shri R.N. Misra (Wholetime Director)	Non-promoter Executive	Nil	Nil	Nil
Shri M.M. Mukherjee	Independent Non-executive	Nil	Nil	Nil
Shri Naresh Chandra	-do-	7	6	1
Shri K.N. Ranasaria (Wholetime Director)	Non-promoter Executive	1	1	1

([*]) - Excludes membership of Managing Committee of various chambers/bodies.