



15th Annual Report 2005-2006

INDIAN SUCROSE LIMITED





° INDIAN SUGROSE LIMITED

(Formerly known as Oswal Sugars Ltd.)

MANAGEMENT

Board of Directors

Sh. D. P. Singh	Chairman
Sh. Deepak Yadav	Managing Director
Sh. Jitender Singh	Director
Sh. Sundeeep Chaudhry	Director
Sh. Pawan Dewan	Director

Company Secretary

Sh. Anand Khandelwal

Secretarial Auditors

M/s Saurabh Agarwal & Co.
Company Secretaries,
New Delhi

Auditors

M/s Garg R. Kumar & Associates
Chartered Accountants,
Ghaziabad

Bankers

Punjab National Bank

Regd. Office & Works

G.T. Road
Mukerian - 144211
Distt. Hoshiarpur (Pb.)

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INDIAN SUCROSE LIMITED

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NOTICE

Notice is hereby given that 15th Annual General Meeting of the Members of the Company will be held on Saturday, the 30th day of September, 2006 at 11:00 AM, at the Registered Office of the Company at G.T. Road, Mukerian-144211, Distt. Hoshiarpur (Punjab), to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2006 and the Balance Sheet as on that date along with the Report of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Sh. D.P.Singh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh.Sundeeep Chaudhry who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. To appoint M/s B.K.Kapoor & Co., Chartered Accountants, as Statutory Auditors of the Company in place of the retiring Auditors M/s Garg R. Kumar & Associates,

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

1. The relevant records of the company open for inspection by members as per provisions of the Company Law can be inspected at the Registered Office of the company on any working day between 10:00 a.m. to 12:00 noon
2. The members are requested to notify the change in their addresses, if any to the company immediately.
3. Members desiring any information on the Accounts are requested to write the company at least 10 days prior to the date of this Meeting to enable the Management to keep the information ready at the time of meeting.

4. Members are requested to bring their copies of Annual Report at the Meeting.
5. The Register of Members and Share Transfer Books of the Company will remain close from Saturday, 23rd September 2006 to Saturday, 30th September 2006 (both days inclusive), for Annual Closing.
6. The members are requested to make their all correspondence with the Company at G.T. Road, Mukerian-144211, Distt. Hoshiarpur (Punjab)
7. Members are requested to furnish the Nomination Form in the prescribed Performa in case they wish to avail the Nomination facility given by the Companies Act, 1956.
8. Appointment/Re - appointment of Directors At the ensuing Annual General Meeting Sh. D.P. Singh retire by rotation and have his desire to offer himself for re-appointment. The information or details to be provided for the aforesaid Director under Corporate Governance Code is as under :
9. Sh. D.P. Singh is an industrialist and also an Ex-member of Parliament. He is serving on the Board of various companies namely Yadu Sugar Limited, Dharamputra Builders Pvt. Ltd., Yadu Overseas Limited, Yadu Resorts (India) Limited & Kunal Beverages (P) LTD.
10. Sh. Sundeeep Chaudhry is an experienced advocate having good experience in dealing with civil and other revenue related cases.

By Order of the Board of Directors
For Indian Sucrose Limited

Place: Mukerian

(Anand Khandelwal)

Date: 31st Aug, 2006

Company Secretary



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DIRECTORS' REPORT

The Members,

Indian Sucrose Limited

Your Directors have pleasure to present 15th Annual Report on the business and operations of the Company, along with the Audited Statement of Accounts for the financial year ended 31st March, 2006.

1. FINANCIAL RESULTS	(Rs. in Lacs)	
	2005-06	2004-05
Turnover	10175.56	6759.88
Profit before Depreciation		
Interest & Tax (PBDIT)	2548.13	1790.05
Interest & Financial Expenses	361.94	374.44
Profit before Depreciation & Tax (PBDT)	2186.19	1415.61
Depreciation	393.96	334.23
Profit before Tax (PBT)	1792.23	1081.38

2. PERFORMANCE REVIEW

Your Company continued to maintain outstanding performance both in terms of Turnover as well as Net Profits. Your company has achieved higher turnover of Rs. 10175.56 lacs in comparison to 6759.88 lacs during the previous year i.e. an increase of more than 50% over the previous year. Your company has also recorded higher net Operating profit (PBT) of 1792.23 lacs in comparison to 1081.38 lacs during the previous Year showing an increase of 65.74% over the Previous year.

This year itself has created history in the sense that after a long gap of several years, your company is successful in wiping out all the accumulated losses and started to create reserves, furthering the shareholders value in term of net worth. However keeping the further consolidation of financial strength in view, the Board of Directors do not recommend dividend for the year under review.

During the year under review, your Company has crushed 4988216 QTLS of Sugarcane and produced 464760 BAGS of Sugar in 117 crushing days, as compared to previous year crushing of 4311828 QTLS of sugarcane and production of 445027 BAGS of Sugar in 115 crushing days. The capacity utilization of the plant during the year under review was 85.26 % and the average recovery was 9.32 % as compared to capacity utilization of 107.13 % and average recovery of 10.32 % in the previous year.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49V of the Listing Agreement your Directors wish to report as follows:

a. Industry Structure & Developments

The industry is on a growth path in terms of capacities and considerable gap between the demand and supply of sugar in the domestic as well as in international market. Sugar industry as become the flavour of the time due to remunerative returns and keeping in view the international price of the sugar higher than the current domestic price as well as the diversion of the sugarcane for the manufacturing of ethanol, a biofuel, your directors look potential growth of industry in the year ahead.

b. Opportunities and Threats

Sugar, being one of the essential commodities, the sugar industry is a controlled industry and is very sensitive to Government policies and regulations. The recent ban on the sugar exports, for controlling sugar prices, is one of the example that could be a threat to the industry as a whole. However the diverse use of sugarcane, sugar and Other byproducts could be proved as an edge over the other industries.

c. Segment wise or Product wise Performance

Segmentwise or Productwise analysis or performance is not applicable to your company under AS-17 as the company is dealing in only one segment/ produce, i.e. sugar.

d. Outlook

The outlook for the industry and consequently for your company during the current financial year is reasonably good and look forward a very bright future.

e. Internal Control System

Effective internal operational control systems and regular internal audit mechanism to monitor and review the same under the overall control and supervision of the Internal Auditor and the Audit Committee of Directors are in place and functioning well. This has substantially contributed to the better management. Efforts for continued improvements are being made in this regard.

f. Significant development & Future Plans

As announced last year the capacity of the plant was expanded and operated at 5000 TCD for the year under review. As announced last year to further enhance the plant capacity to 6000 TCD for coming crushing season 2006-07, the Directors of your Company are pleased to announce to move one step ahead of what committed last year. Your directors proudly announce to expand the capacity of the plant from 5000 TCD to 7500 TCD for the crushing season ahead, i.e., crushing season 2006-07, expected to start from Oct.2006. The economy of scale due to large scale production could well be witnessed in terms of increased sales volume and profits and



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proportionate decrease in operational, personnel and other expenses.

4. LISTINGS

The shares of your company are currently listed With Bombay, Calcutta and Bangalore Stock Exchanges. During the year under review the shares of your company have been delisted from Ludhiana and Madras Stock Exchanges pursuant to delisting application made by the company under Delisting Guidelines, 2003. Application for delisting with Calcutta and Bangalore Stock Exchanges are still pending with the respective stock exchanges.

5. DIRECTORS

Sh. Sundeep Chaudhry and Sh. D.P. Singh, Directors of the Company, retires by rotation at this meeting and being eligible, offer themselves for re-appointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 your Directors hereby confirm that :-

- (i) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed
- (ii) appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31st March 2006 and of the profit and loss of the Company for the financial year 2005-06;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Annual Accounts have been prepared on a going concern basis.

7. CORPORATE GOVERNANCE

A separate section on Corporate Governance is including in the Annual Report under Annexure-II to this report. The certificate from the Company's Auditors, confirming the terms of Corporate Governance as stipulated in the clause 49 of the Listing Agreement with the Stock Exchanges is annexed thereto.

8. AUDITORS' REPORT

The Auditors' Report and Notes on Accounts are self-explanatory and therefore, do not call for any comments.

9. AUDITORS

M/s Garg R Kumar & Associates, Chartered Accountants, Statutory Auditors are retiring at the forthcoming Annual General Meeting. They have expressed their unwillingness to continue as Statutory Auditors of the Company for the ensuing year. The Board propose to appoint M/s B.K.Kapoor & Co., Chartered Accountants, Ghaziabad, as Statutory Auditors of the Company in place of retiring Auditors.

The Company has received consent letter Under Section 224(1B) from B.K.Kapoor & Co., Chartered Accountants, to act as Statutory Auditors of the Company for the year 2006-2007. Your Directors recommend the appointment of M/s. B.K.Kapoor & Co., Chartered Accountants, as Statutory Auditors of your Company for the ensuing year.

10 COST AUDITORS

M/s Aseem Jain & Associates, Cost Accountants, Delhi have been appointed as the Cost Auditor for the year 2006-2007 and their report will be submitted to the Department of Company Affairs, Government of India, in accordance with the requirement of Law.

11. PARTICULARS OF EMPLOYEES U/S 217(2A)

The Company has not paid remuneration to any employee of the Company beyond the prescribed limit under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended to date. Hence no particulars are required to be given under this section.

12. DISCLOSURE OF PARTICULARS UNDER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 AND LISTING AGREEMENT OF STOCK EXCHANGES.

The information as per Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, and the disclosure under listing agreement is enclosed as per Annexure attached herewith, form an integral part of this report.

13. INDUSTRIAL RELATIONS & HUMAN RELATIONS DEVELOPMENT :

The industrial relations during the year under review have been cordial. In its effort to maintain a better industrial environment in the company the company continues to place emphasis on measures like training of the employees, motivation classes, speedy grievance redressal etc. to improve employee skill and productivity.

**14. ACKNOWLEDGMENT**

The Directors wish to place on record the due appreciation of devoted services and sincere efforts made by the officers, staff and workmen towards the progress of the Company.

Your Directors gratefully acknowledge the assistance and cooperation extended by the Financial Institutions, Banks and Business Constituents of the Company.

For and on behalf of the Board

Place: MUKERIAN (D.P.SINGH)

Date : 31st Aug, 2006 Chairman

ANNEXURE I TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED ON 31ST MARCH, 2006

(A) CONSERVATION OF ENERGY

- (a) The Company has installed most modern equipments in the plant and is able to save and minimize energy consumption.
- (b) Total energy consumption and energy consumption per unit of production:

	Current Year	Previous Year
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ELECTRICITY

(a) Purchased		
Units	Nil	653792
Amount (in Lacs)	Nil	25.85
Rate/Unit (in Lacs)	Nil	3.95
(b) Own Generation		
(i) Through Diesel Generator		
Units	1318034	243422
Unit per Ltr. of Diesel Oil	5.68	4.69
Rate/Unit (in Rs.)	4.91	5.48
(ii) Through Steam Turbine Generation		

Units	19827070	13563786
Units per Ton of Fuel	143.60	122.56
Rate/Unit	Nil	Nil

(Being Generated out of steam required for process)

Bagasse

Quantity M.T.	138072	110670
Total Cost (Rs. In Lacs)	1380.72	1005.99
(Estimated due to own generation)		
Average Rate (in Rs.)	1353.10	909.00

CONSUMPTION UNIT OF PRODUCTION

	(IN M.T.) Standard	Actual Current year	Actual Previous year
Electricity (Units)	350	426.61	304.80
Bagasse (M.T.)	3.50	2.97	2.49

(B) TECHNOLOGY ABSORPTION (R & D)

Research & Development (R & D)

- (i) The Company is regularly carrying on research and development for the development of Sugar Cane in the area.
- (ii) Agricultural implements, fertilizers, pesticides, and cane seeds are supplied to the cane growers on loan basis and at subsidised rates.
- (iii) Expenditure incurred on R & D.

	Current Year	Previous Year
a) Capital	—	—
b) Recurring	66.48	80.41
c) Total	66.48	80.41
d) Total Expenditure as percentage of Turnover	0.65	1.18

4. Technology absorption, adoption and innovation:

- i) The Company has adopted latest technology in the plant to maximise production, better quality, and to minimize consumption of energy.
- ii) The Company has implemented its own Effluent Treatment Plant of latest technology
- iii) Technology imported during the year - Nil

(C) FOREIGN EXCHANGE EARNING & OUTGO

- (A) Total Foreign Exchange earned Rs. Nil (previous year Rs. Nil)
- (B) Total Foreign Currency used - Nil



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CORPORATE GOVERNANCE

ANNEXURE-II TO DIRECTORS REPORT

Company's Philosophy on Corporate Governance

The concept of Corporate Governance has great significance in the overall working of the company and based on the principle of achieving higher level of transparency, accountability and responsibility on the part of the persons who have been given command of a corporate entity by a number of persons spreads over the nook and corner of a country/world. The principle of corporate governance is based on the democratic way of governance wherein big responsibility is assigned on the persons who are managing the day to day of the affairs of the company in a way to secure better services to the shareholders and other stakeholders of the company. The amended Clause 49 of the Listing Agreement which have been implemented from 31st December 2005 is a good and concrete step in this direction. Hereunder the report of Directors on the practices of Corporate Governance prevalent in the Company in terms of clause 49 of Listing Agreement:

1. BOARD OF DIRECTORS:

A) Composition of Board: As on March 31, 2006, the Board of Directors of the Company consists of five Directors, out of which two are independent Directors and one is Whole Time Director.

Name of Director	Category	No. of other Directorship	No. of Other Committee Membership	No. of other Committee Chairmanship
Sh. D.P. Singh	Chairman	5	—	—
Sh. Deepak Yadav	Non- Executive Managing Director	3	—	—
Sh. Jitender Singh	Non- Executive Independent	5	2	1
Sh. Sundeep Chaudhry	Independent	—	—	—
Sh. Pawan Dewan	Independent	—	—	—

BOARD MEETINGS :

During the financial year 2005-2006, seven meetings of the Board of Directors were held on 30th April 2005, 16th May 2005, 1st August 2005, 30th Sept. 2005, 31st Oct. 2005, 15th Dec. 2005 and 31st Jan. 2006 and the attendance of the Directors in these meetings were as follows:-

Name of Director	Board Held	Meeting Present
Sh. D.P. Singh	7	4
Sh. Deepak Yadav	7	7
Sh. Jitender Singh	7	6
Sh. Sundeep Chaudhry	7	5
Sh. Pawan Dewan	7	7

2. AUDIT COMMITTEE :

(A) COMPOSITION, NAME OF MEMBERS AND CHAIRMAN

The Audit Committee of the company presently consists of two independent directors and one non-executive director. The composition of Audit Committee is as follows:

Sh. Pawan Dewan	Chairman
Sh. Jitender Singh	Member
Sh. Sundeep Chaudhry	Member

(B) NUMBERS OF AUDIT COMMITTEE MEETINGS HELD, DATES AND PRESENCE

The Audit Committee Meetings were held 5 times during the year on 30th April 2005, 16th May 2005, 1st August 2005, 31st October 2005 and 31st January 2006

(C) TERMS OF REFERENCE

The terms of reference of the Audit Committee are as per guideline set out in Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. These broadly include approval of Annual Internal Audit Plan, review of financial reporting systems, internal control systems, ensuring compliance with regulatory Guidelines, discussions on quarterly/ annual financial results etc.

3. THE SHAREHOLDERS/INVESTORS GRIEVANCE/SHARE TRANSFER COMMITTEE

The composition of Share holders/investors Grievance/Share Transfer Committee is as follows :-

Sh. Jitender Singh,	Non Executive	Chairman
Sh. Pawan Dewan,	Independent	Member
Sh. Deepak Yadav,	Managing Director	Member

The Company has its in House Share Transfer department, at Regd. Office of the company, G.T.Road, Mukerian. M/s MCS Ltd., New Delhi is acting as Registrar for Electronic connectivity with NSDL & CDSL for the dematerialization of its shares. The power to approve Share Transfer/ Share Transmission is given to the Committee, which meet at the end of every month. The power to sign the share transfer duly registered, and to confirm the dematerialization requests are given to the Whole Time Directors/Company Secretary/holders of the company. During the year under review all the complaints received have been addressed. There is no share transfer application pending for registration for more than 30 days, except those cases where notices were required to be sent to registered holders, due to their objection lodged with the Company and Bank deliveries as per SEBI Guidelines in this regard

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4. Remuneration paid to directors : Non Executive/Independent Director

Sitting Fees Rs. 1500/- per meeting has been paid for attending committee and Board Meeting to Sh. Pawan Dewan, Sh. Jitender Singh, Sh Sundeep Chaudhry & Sh.D.P.Singh.

Whole Time Director

	(In Rs.)
Salary	12,00,000
Perquisites	—
Contribution to PF & other funds	—
	<u>12,00,000</u>

Paid to Sh. Deepak Yadav, Managing Director

Notes :

No Commission has been paid to any Director.

5. General Body Meetings :

Annual General Meetings In last three years	Date	Venue	Special Resolution passed
2002-2003	30 th Sep. 2003	Regd. Office & Works	Yes
2003-2004	30 th Sep. 2004	at G.T.Road, Mukerian	No
2004-2005	30 th Sep. 2005	Distt. Hoshiarpur, Mukerian	No

6. Disclosures

There is no materially significant transaction with the related parties viz Promoters, Directors, Directors' Relatives etc. that may potentially conflict with the company's interest at large.

7. Means of Communication

Subject
Weather Half Yearly Report sent to each Shareholders

Detail
Since Company's unaudited quarterly results are published in News papers, the same were not sent to Shareholders.

Quarterly Results
In which news paper normally Published
Any website where displayed

Chardhikala(English), Economic Times, Business Standard, Chardhikala (Punjabi)
No

8. General Share holder Information

Annual General Meeting:

Date & Time : 30th Sep. 2006 at 11.00 A.M.

Venue : Regd. Off. & Work at G.T. Road, Mukerian

Financial

Year : April 2005 to March 2006

Financial

Reporting in : (a) 1st quarterly Results
Calender
Year : on or before 31.07.2006
(Tentative) : (b) 2nd Quarterly Results & Half Yearly Results on or before 31.10.2006
(c) 3rd quarterly Results on or before 31.01.2007
(d) 4th quarterly or Yearly Audited Results on or before 30.04.2007 or 30.06.2007

DATE OF BOOK CLOSURE 23RD SEPT.2006 TO 30TH SEPT. 2006 (BOTH DAYS INCLUSIVE)

LISTING OF SHARES AT STOCK EXCHANGES :

The Stock Exchange, Mumbai.

The Bangalore Stock Exchange Ltd.*

The Calcutta Stock Exchange Association Ltd.*

* The Delisting Application made by the Company is pending with these Stock Exchanges.

Note: During the year the shares of the Company have been delisted from Madras and Ludhiana Stock Exchanges.

Listing fee to Mumbai have been paid till 31st March, 2007 and listing fee to Bangalore and Calcutta is yet to be paid as delisting application is still pending with them.

Distribution of Shareholding as on 31st March, 2006.

DISTRIBUTION SCHEDULE

AS ON 31.03.2006

Equity Shares Nominal Value of Each Share/Unit Rs.10/-

Numbers Of Share-Holders	% of Total	Share Holding of Nominal Value of Rs.	No. of Shares	Amount in Rs.	% to Total
20476	94.43	Up to 5000	3658200	36582000	23.66
728	3.35	5001 to 10000	581568	5815680	3.76
219	1.01	10001 to 20000	331665	3316650	2.15
101	0.46	20001 to 30000	257509	2575090	1.67
43	0.19	30001 to 40000	155207	1552070	1.00
24	0.11	40001 to 50000	113692	1136920	0.74
43	0.19	50001 to 100000	313429	3134290	2.02
48	0.22	100001 and above	10050537	100505370	65.00
21684	100.00	Total	15461807	154618070	100.00



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Shareholding Pattern as on 31.03.2006

Sl. Shareholders	No. of Shares	%age
1. Promoters & Associate Companies	91,10,907	58.93
2. Financial Institutions	-	-
3. Bodies Corporate other than as said above	1,02,000	0.66
4. Mutual Funds	---	---
5. NRIs	12,46,000	8.06
6. Individuals (Indian Public)	50,02,900	32.35
	<u>1,54,61,807</u>	<u>100.00</u>

DEMATERIALIZATION OF EQUITY SHARES AND LIQUIDITY

The Company shares are currently traded only in dematerialized forms. To facilitate trading in dematerialized form, there are two depositories i.e. NSDL & CDSL. The Company has entered into tripartite agreements with both these depositories. The shareholders can open account with any of Depository Participants registered with any of these depositories. None of the company's share is under lock in period for any purpose.

Plant Location (Manufacturing Unit)

G.T. Road, Mukerian	Item / Products
Distt. Hoshiarpur	White Crystal Sugar
(Pb.)-144211	By products - Molasses and Bagasse

*Address for Correspondence :

For matters related to
Shares/Queries/Demat/Transfer/Transmission
request:

Regd. Office & Works: Indian Sucrose Limited,
G.T. Road, Mukerian
Distt. Hoshiarpur (Pb.)-144211
Ph. No. 01883-249002-5,
Fax.-244532
Email:- dposl@jla.vsnl.net.in

The above report had been placed before the Board in its meeting held on 31.08.2006 and the same was approved.

For and on behalf of Board
(D.P. Singh)
Chairman

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To
The Members,
Indian Sucrose Limited,

We have read the Report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by Indian Sucrose Limited for the year ended 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination, conducted in the manner described in the 'Guidance Note on Certification of Corporate Governance' issued by the Institute of Chartered Accountants of India, was limited to procedures and implementation thereof adopted by the Company for ensuring compliance with the condition of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and on the basis of our examination above, the Company has complied with the condition of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

No Investor grievances are pending for a period exceeding one month against the Company as per records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Garg R.Kumar & Associates
CHARTERED ACCOUNTANTS

Place: Mukerian
Date : 31st Aug, 2006

(Rakesh Garg)
Partner

**AUDITORS' REPORT**

The members of INDIAN SUCROSE LIMITED

1. We have audited the attached balance sheet of INDIAN SUCROSE LIMITED (Formerly Known as Oswal Sugars Limited) as at 31st March 2006, the profit and loss account and cash flow statement for the year ended on that date annexed there to these financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation, we believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, we enclose in the 'Annexure' a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the 'Annexure' referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account, as required by law, have been kept by the company so far as appears from our examination of those books. there is no Branch.
 - (iii) The balance sheet, profit and loss account and cash flow statements dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received

from the directors, as on 31st March 2006 and taken on record by the board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and subject to:
 - (a) Non provision of disputed purchase tax liability on purchases of sugarcane aggregating to Rs. 341.41 lacks, which includes of Rs. 89.00 lacks created under Punjab General Sales Tax Act 1948 for the years 1999-2000 to 2002-2003 pending with various Appellate / Courts; Rs. 71.93 lacks estimated for the years 2003-2004 & 2004-2005, for pending cases with Assistant Excise and Taxation Commissioner and Rs. 180.48 lacks for the year 2005-2006 which may arise under Punjab Value Added Tax Act, 2005, for the reasons as stated in Note No 6 of schedule xx.
 - (b) Non provisions of certain disputed liabilities created by Sales Tax Department and State Electricity Board aggregating to Rs. 21.80 lacks for the reasons stated in Note No. 5 of Schedule xx of Notes to Accounts and read with other notes of "Notes to Accounts in Schedule of xx", give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the statement of affairs of the company as at 31st March 2006;
 - (b) In the case of the profit and Loss Account, of the profits for the year ended on that date; and
 - (c) In the case of the, case flow statement, of the cash flow for the year Ended on that date.

For Garg R. Kumar & Associates
Chartered Accountants

Place : Mukerian
Date : 07.06.2006

(Rakesh K. Garg)
(Partner)

ANNEXURE

Referred to in paragraph 3 of our report of even dated

- (1) (a) The company has maintained records showing particulars including quantitative details and situations of fixed assets, however the final compilation of the same is under process