



Mawana Sugars Limited

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**4th
ANNUAL
REPORT
2005-06**



CHAIRMAN'S MESSAGE

Dear Shareholders,

So much has happened in your company in the recent past and a lot more is happening about which I would like to write to you.

As you know, before the separation from SIEL Limited and the substantive exit from CDR, our hands were considerably tied for making any new investments. Owing to the great paradigm shift in the sugar industry, where many other small and big sugar companies made very significant investments to enhance their crush capacities and also de-risk the company by adding facilities for producing ethanol and co-generation of power, your company also has invested about Rs 650 crores in this effort. These investments

were committed when the domestic and international sugar companies, all, made several assumptions about the future and these have proven to be wildly over optimistic.

While the sugar industry was looking extremely rosy a few months ago, it is now looking distinctly difficult for at least the next two years. In MSL, with the expanded capacity, and the diversification into Co-generation of Power and Ethanol, the impact will be somewhat lessened. As you can see, despite the significant change in the prospects of the sugar industry, political compulsions have caused an unwarranted increase in the sugarcane price.

Owing to this difficult situation the company is once again proposing a change in the structure to further de-risk the enterprise. We are proposing that MSL merge with SIEL Ltd, out of which it just was de-merged. WHY?

1. To balance the cash flows and debt ratios and thereby offer greater security to the lenders/investors.
2. The ownership by MSL of SIEL Ltd of about 44% will get extinguished thereby increasing the value to shareholders.
3. We believe that the merger will be great for our stakeholders overtime.
4. SIEL Ltd requires about 40 MW of power and MSL will be producing about 47 MW of power each season. There may be synergy in supplying power from one unit of a company to the other, even if they are in different states.
5. The asset base of both the companies gets greatly enhanced.
6. In the future there may be very interesting synergies between the Chlorine, the merged company, will produce in Punjab and the alcohol we produce in U.P.

The economy in India is truly growing at about 8% per annum and the prospects for the coming years look extremely attractive. We are presently in the downside of the commodity cycle and, inevitably, that cycle will have an upside in due course. We will be extremely well poised to take advantage of that eventuality. All aspects of the economy are growing and many foreign companies are also investing in India. As a result too many companies are chasing too few people in the available H R environment, thereby bidding up the cost of H R very considerably. To overcome this, we have commenced a system of assessment, training and development which is going to be the bedrock of our H R activities over the coming years. We fully expect that young engineers/commercial graduates etc. will go through our own training programme and develop the commercial, business, H R and community skills which are so integral to the development of our culture.

Wishing you and your family a very Happy and Prosperous New Year.

With warm regards,

SIDDHARTH SHRIRAM

Mawana Sugars Limited



BOARD OF DIRECTORS

Ms. Anuradha Dutt

Mr. N.K Goila

Mr. Ravi Vira Gupta

Mr. Siddharth Shriram

— *Chairman and Managing Director*

EXECUTIVE DIRECTOR & COMPANY SECRETARY

Mr. P.K. Bhalla

AUDITORS

A.F. Ferguson & Co.

Chartered Accountants

Scindia House

New Delhi – 110 001

BANKERS

State Bank of India

Punjab National Bank

UTI Bank Ltd.

State Bank of Hyderabad

State Bank of Travancore

State Bank of Mysore

REGISTERED OFFICE

6th Floor, Kirti Mahal,

19, Rajendra Place,

New Delhi – 110 008.

Phone : 011-25739103, Fax: 011-25743659

E-mail : corporate@mawanasugars.com

Website : www.mawanasugars.com

WORKS

- Mawana Sugar Works,
Mawana
Distt. Meerut – 250402 (U.P.)
- Titawi Sugar Complex
Village & P.O. Titawi
Distt. Muzaffarnagar – 251301 (U.P.)
- Nanglamal Sugar Complex
Garh Road, Village Nanglamal
Distt. Meerut – 250001 (U.P.)

REGISTRAR & SHARE TRANSFER AGENT

M/s Mas Services Private Ltd.

AB-4, Safdarjung Enclave,

New Delhi – 110029

Phone : 011-26104142, Fax : 26181081

E-mail: mas_serv@yahoo.com

Mawana Sugars Limited

SUGAR SALES SALES VOLUME

SEGMENT 2003-04 2004-05 Unit : Million Tonnes
2005-06

	Mawana	Titawi	Nanglamal	Mawana	Titawi	Nanglamal	Mawana	Titawi	Nanglamal
Institutions	0.03	0.04	NA	0.01	0.03	NA	0.01	0.02	NA
Consumer Retail	0.01	NA	NA	0.01	NA	NA	0.01	NA	NA
Trade	0.14	0.07	NA	0.14	0.08	NA	0.11	0.06	0.01
TOTAL	0.18	0.11		0.16	0.11		0.13	0.08	0.01

Market Report

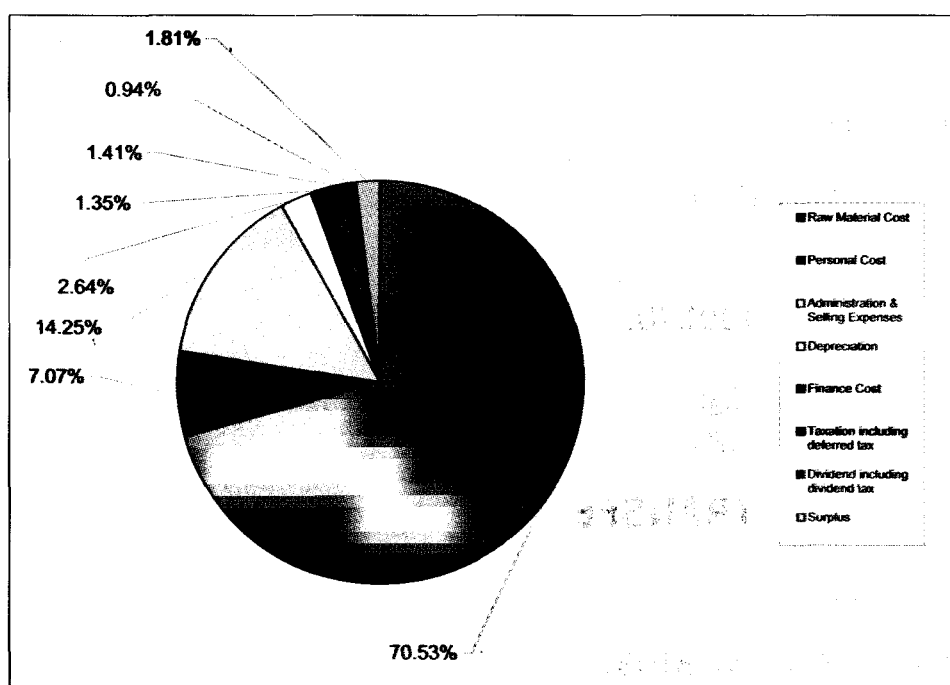
The Company's focus continues towards producing consistent quality sugar of less than 100 ICUMSA (colour value), efficient supplies to bulk institutional customers and further strengthening branded sugar segment under the Company's brand name MAWANA.

In order to become world class sugar producer of EEC I and EEC II quality, and enhance our customer base in the institutional segment, the Company has set up refineries of 300 TPD at Titawi & 600 TPD capacities at Nanglamal, slated to start in season 2006 - 07. Plant & technology for refined plants is sourced from World's best M/s Tate & Lyle. UK.

In institutional segment, the Company continues to be a preferred supplier to companies like Nestle, Coca-Cola, JoyCo, Prefetti, Heinz, Hamdard & NCCF. Supplies to Pepsi were affected due to "Floc" problem. This will be taken care of with the commissioning of the planned refineries at Nanglamal and Titawi. However, Company maintained the sale to institutional segment at 16% in spite of the set back & stiff competition from low priced sugar from distant regions.

During 2005-06 branded sugar sales volumes were 9528 MT as compared to 14243 MT in 2004-05 (Lower by 33%). Sales Volume/value in 2006-07 is expected to get a boost with the launch of "Mawana Select range" & other value added sugar variants.

DISTRIBUTION OF REVENUE



S.No. Ratios KEY RATIOS UNIT YEAR END 06

No				Year ended Sep-05 (Note i)
A	BALANCE SHEET			
1	Debt Equity Ratio	Times	1.58	0.03
2	Net Fixed Assets /Net Worth	Times	2.00	0.51
3	Current Ratio	Times	2.31	3.18
4	Inventory turnaround	Days	22.81	33.09
5	Debtors outstanding	Days	15.37	10.31
6	Sales/ Net Fixed Assets	Times	2.53	5.66
7	Other income / Net Fixed Assets	Times	0.05	0.08

B	INCOME STATEMENT			
1	Personnel cost / Total Turnover	%	7.07	5.04
2	Finance Cost / Total Turnover	%	1.35	2.55
3	Depreciation / Total Turnover	%	2.64	1.59
4	PBIDT / Total Turnover	%	8.15	14.40
5	PBDT / Total Turnover	%	6.80	11.85
6	PBT/ Total Turnover	%	4.15	10.26
7	PAT / Total Turnover	%	2.75	9.01
8	Interest Coverage ratio	Times	5.01	5.19
9	Return on capital employed	%	5.55	30.30

(i) includes exceptional item representing Rs. 143.61 millions towards cane price difference for cane crushing year 2002-03

Mawana Sugars Limited

OTHER KEY PARAMETERS

S.No	Ratios	Unit	Year ended Sep-06	Year ended Sep-05 (Note i)
C	OTHERS			
1	Share price at the year end #	Rs.	77.90	103.65
2	Earning per share (EPS)	Rs.	3.33	12.17
3	Cash earning per share	Rs.	6.56	14.42
4	Dividend	%	10.00	11.00
5	Dividend per share	Rs.	1.00	1.10
6	Dividend payout ratio (Dividend/PAT)	%	34.24	10.40
7	Book value at the year end	Rs.	57.13	55.31
8	Price / Earning ratio at the year end	Times	23.39	8.52
9	Price / Book value at the year end	Times	1.36	1.87
10	Cane Crush	Lac M.T.	26.92	26.67
11	Recovery of sugar	%	9.58	10.06

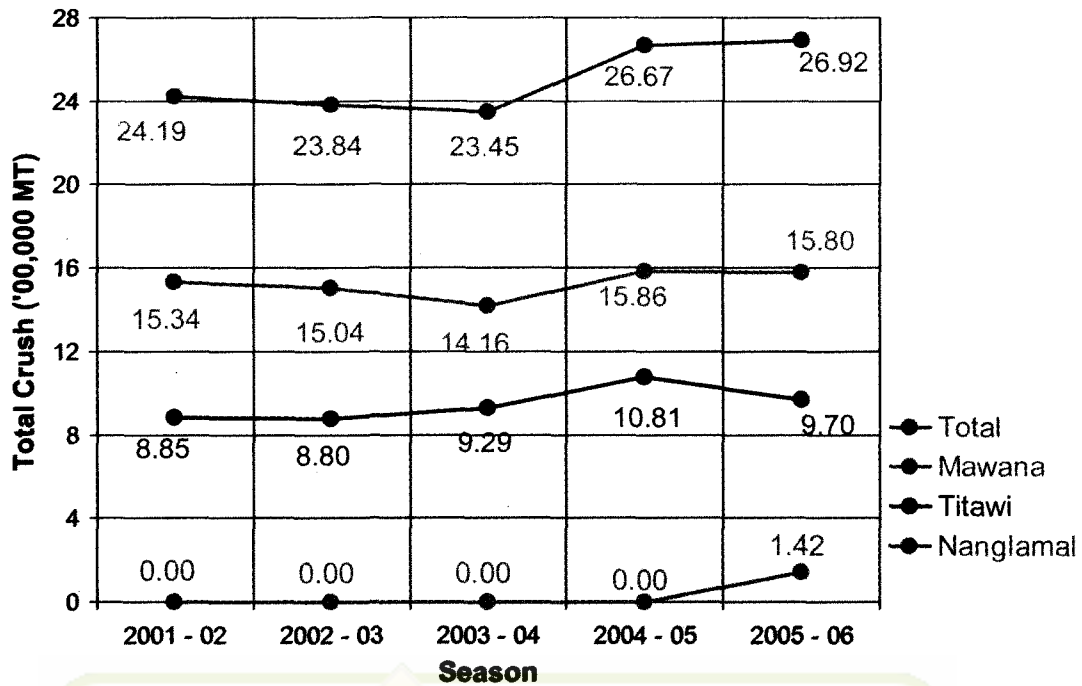
Source: BSE-Website

(i) includes exceptional item representing Rs. 143.61 millions towards cane price difference for cane crushing year 2002-03

TECHNICAL DATA FOR LAST FIVE SUGAR SEASONS

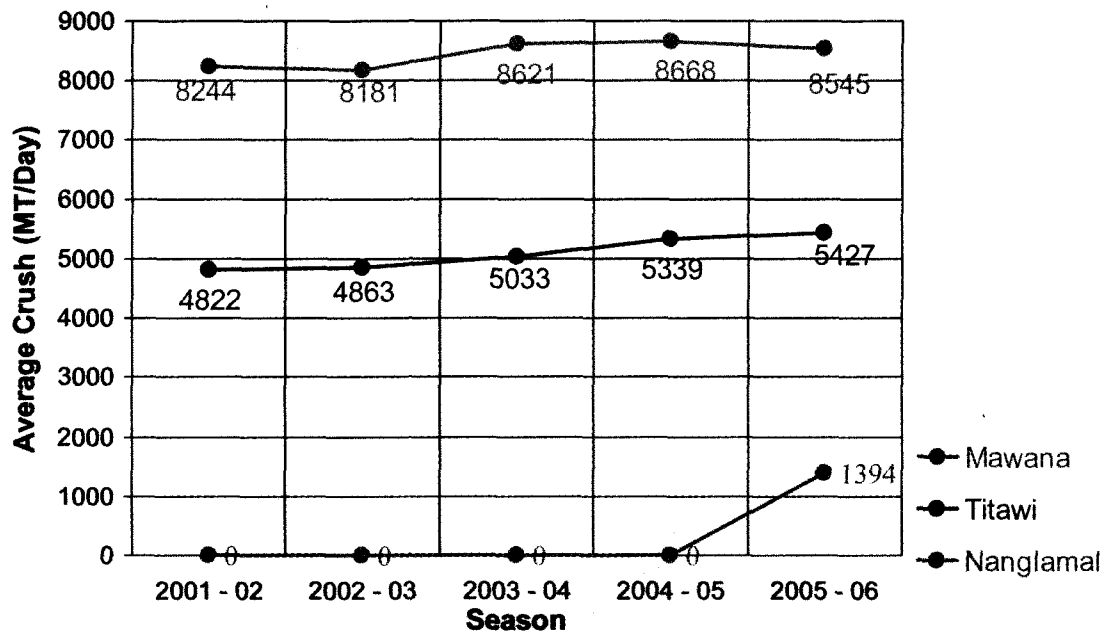
S.N.	Particulars	Unit	2001 - 02		2002 - 03		2003 - 04		2004 - 05		2005 - 06		
			MSW	TSC	MSW	TSC	MSW	TSC	MSW	TSC	MSW	TSC	NSC
1	Total Crush	Lac M.T.	15.34	8.85	15.04	8.80	14.16	9.29	15.86	10.81	15.80	9.70	1.42
2	Average Crush	M.T./Day	8244	4822	8181	4863	8621	5033	8668	5339	8545	5427	1394
3	No. Of Days Operated	Nos.	186	184	184	182	164	185	183	203	185	179	103
4	Pol % Cane	% Cane	12.17	12.55	12.28	12.40	12.44	12.41	12.12	12.06	11.63	11.64	11.80
5	Recovery % Cane	% Cane	10.14	10.65	10.20	10.45	10.43	10.38	10.06	10.07	9.54	9.63	9.69
6	Total Losses	% Cane	2.03	1.90	2.08	1.95	2.01	2.03	2.06	1.99	2.09	2.01	2.11
7	Molasses Produced	Lac M.T.	0.77	0.39	0.76	0.40	0.67	0.41	0.73	0.48	0.78	0.45	0.07
8	Molasses Purity	—	30.10	28.71	28.93	28.68	28.91	29.45	30.99	29.09	29.34	28.53	30.21
9	Fibre %	% Cane	14.38	14.07	14.10	14.08	13.68	13.90	13.43	13.39	13.20	13.22	13.32
10	Bagasse Sold	Lac M.T.	0.28	0.37	0.26	0.30	0.35	0.52	0.35	0.61	0.42	0.67	—
11	Total Sugar Produced	Lac M.T.	1.55	0.94	1.53	0.92	1.47	0.96	1.65	1.14	1.55	0.93	0.14
12	Steam Consumption	% Cane	57.10	53.67	56.77	53.22	53.28	48.99	54.08	47.66	53.43	48.50	60.85

TOTAL CRUSH



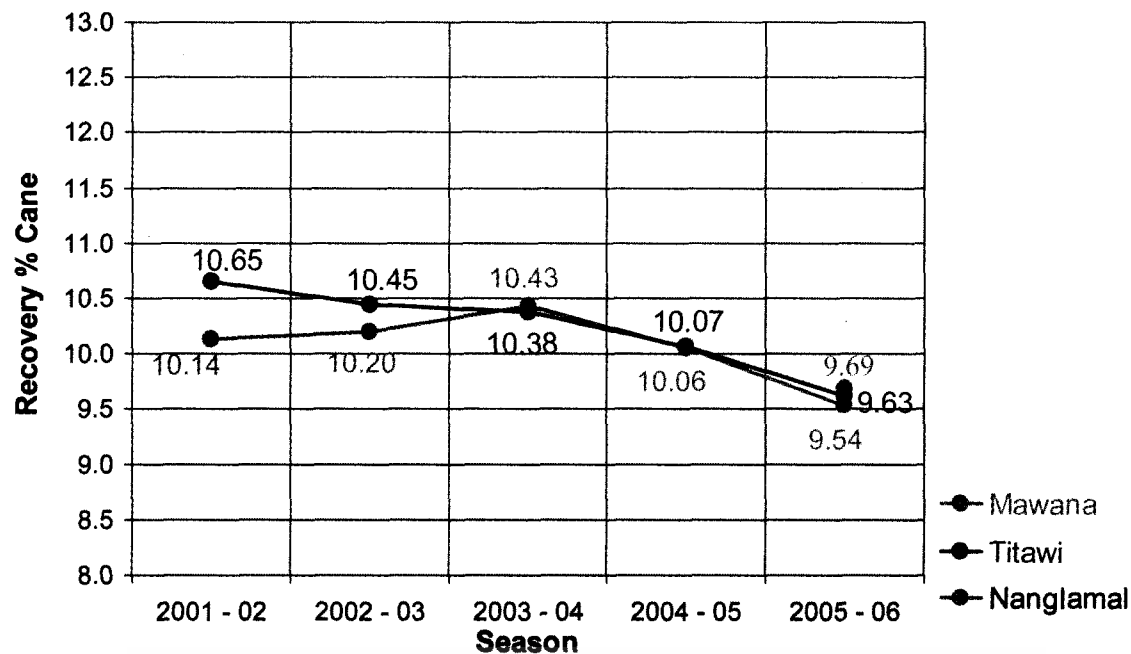
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AVERAGE CRUSH



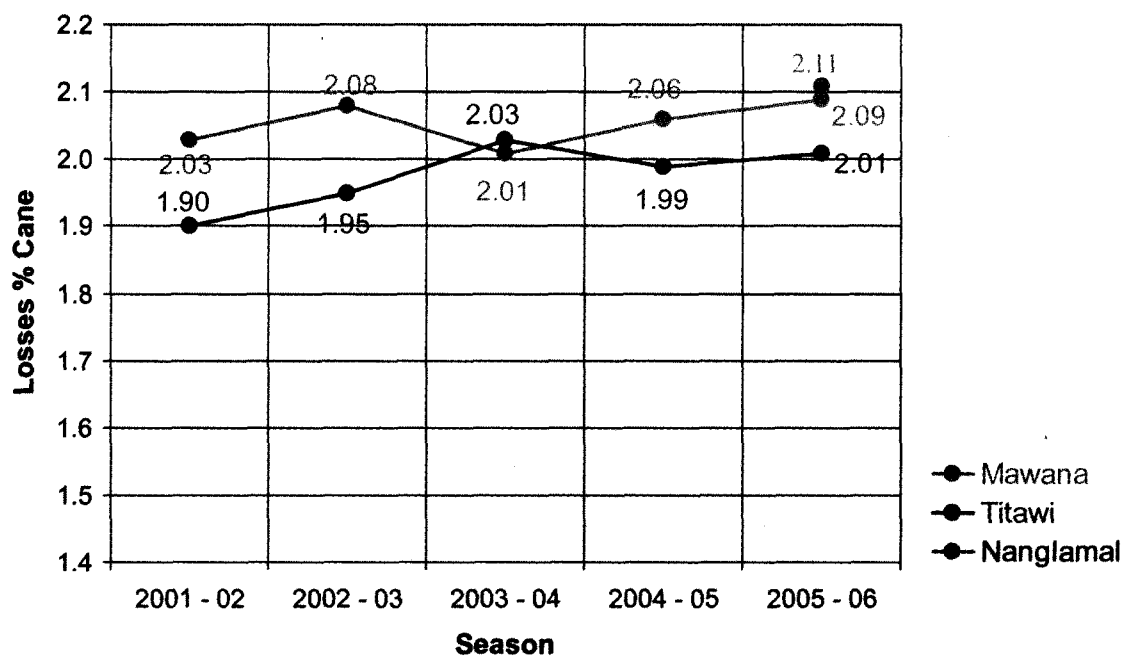
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RECOVERY% CANE

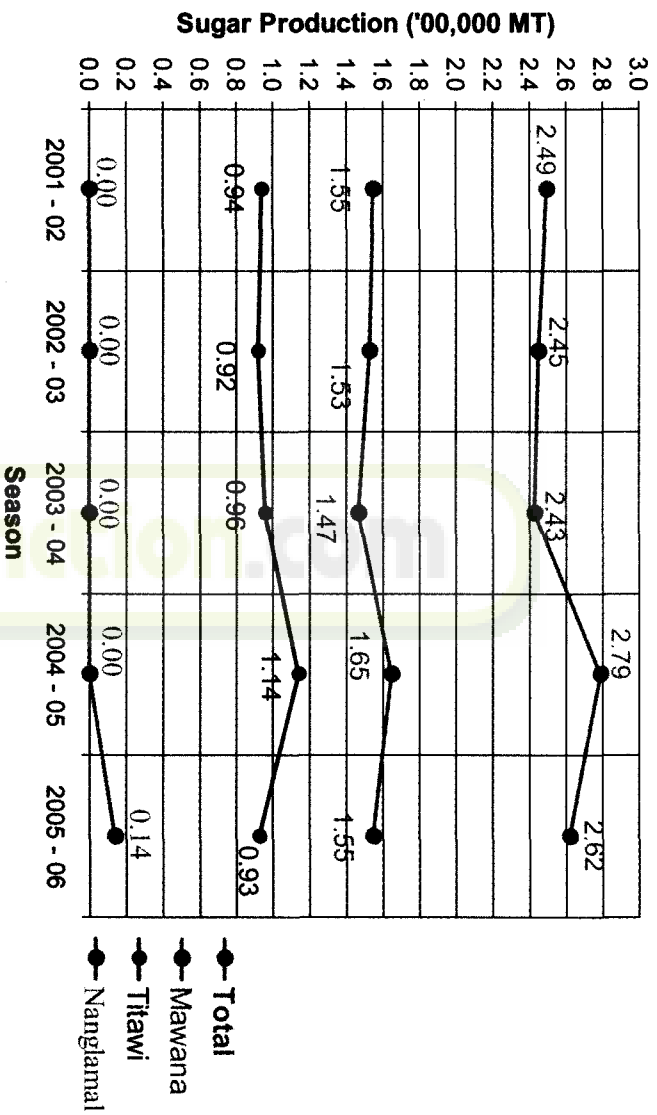


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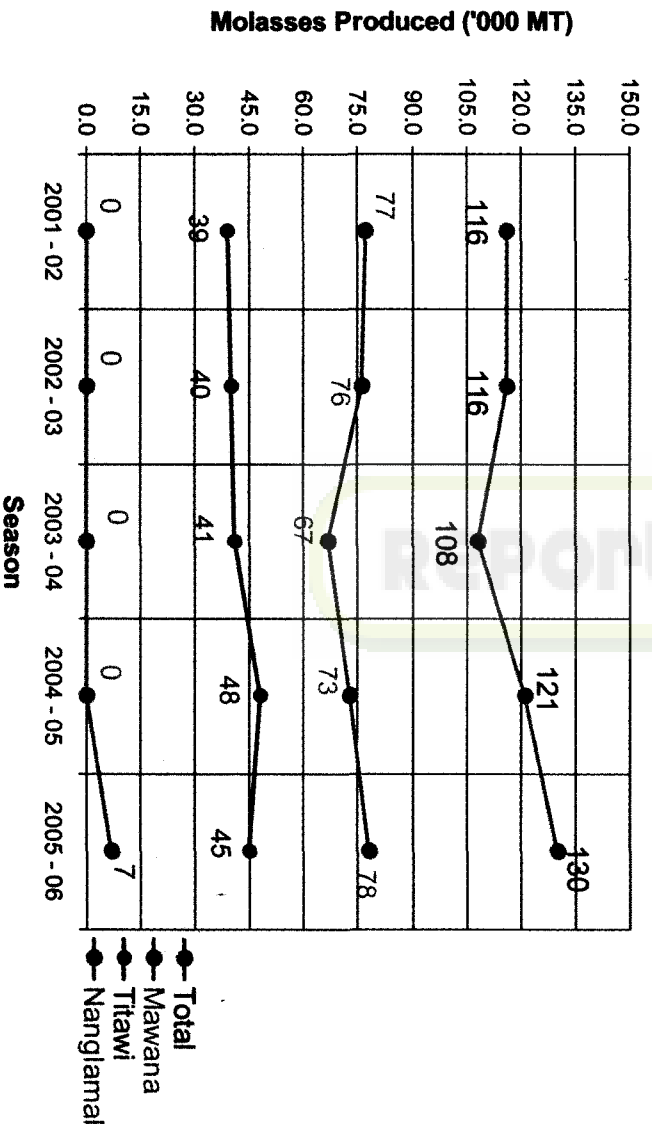
LOSSES % CANE



SUGAR PRODUCED



MOLASSES PRODUCED



Mawana Sugars Limited

SUGAR PRICES



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MARKET SEGMENT WISE - SALES

