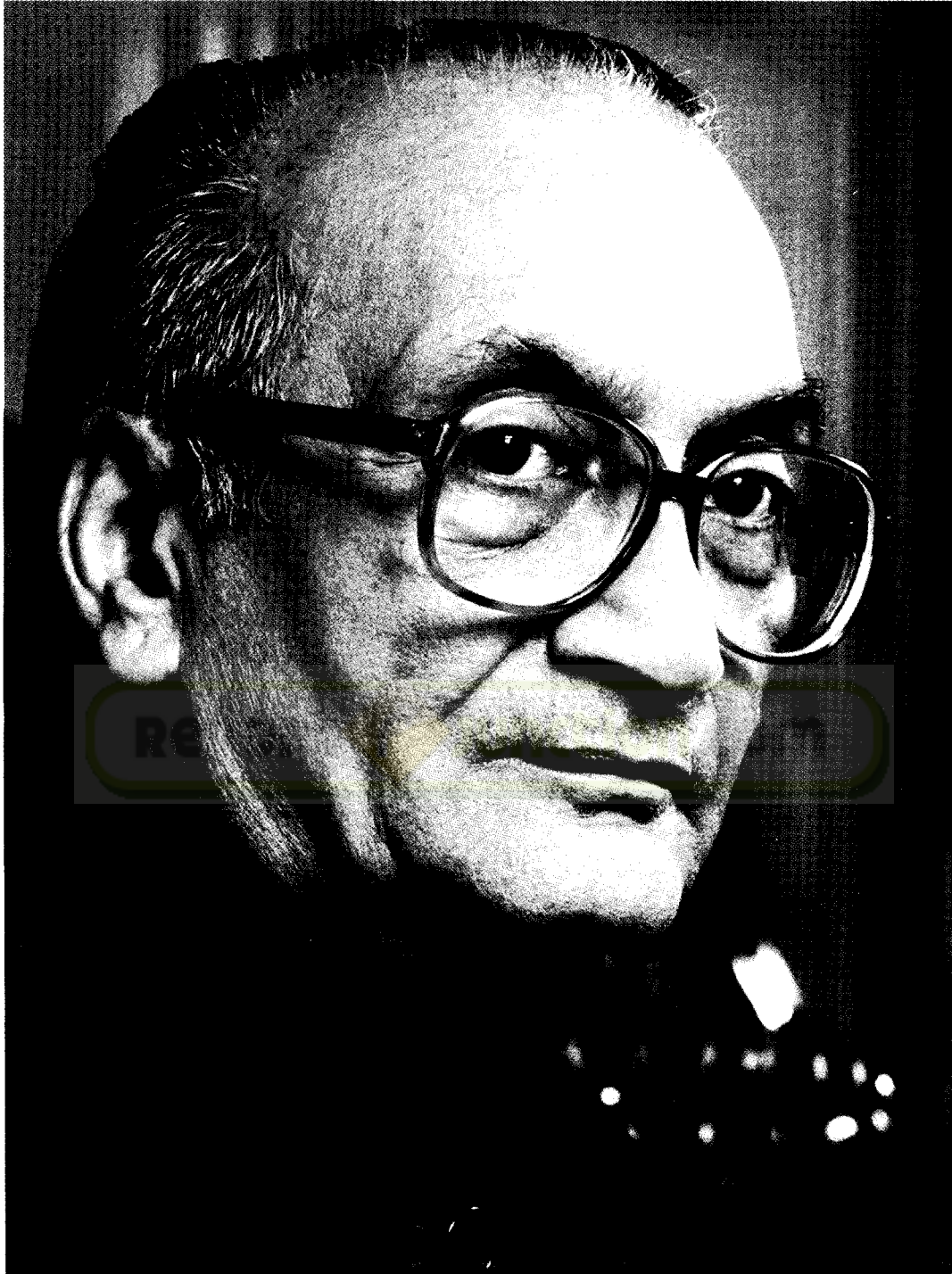


What do you want from sugarcane ?



The Oudh Sugar Mills Limited

Annual Report 2005-06



Dr. K. K. Birla, *Chairman Emeritus*

Contents

Corporate Information	02
Financial Highlights	03
Directors' Report	05
Auditors' Report	37
Balance Sheet	42
Profit & Loss Account	43
Cash Flow Statement	44
Schedules to Accounts	45
Auditors' Report on Consolidated Financial Statements	69
Consolidated Financial Statements	70
Subsidiary Companies' Accounts	93





corporate information

CHAIRMAN EMERITUS

Dr. K.K. Birla

BOARD OF DIRECTORS

Shri C.S. Nopany *Chairman-cum-Mg. Director*

Shri S.V. Muzumdar

Shri Rajaram Muchhal

Shri Ashvin C. Dalal

Shri Rohit Kumar Dhoot

Smt. Madhu Vadera Jayakumar

Shri Haigreave Khaitan

Shri Viney Kumar (Nominee – IDBI)

Shri C.B. Patodia

EXECUTIVES

Shri Dinesh Darji – *Secretary*

Shri V.P. Singh – *Executive President, Hargaon*

Shri M.S. Sharma – *Executive President, Narkatiaganj*

Shri P.K. Saini – *Executive President, Rosa*

Shri S.K. Premi – *Executive President, Allahabad*

AUDITORS

S.R. Batliboi & Co.

Chartered Accountants

ADVOCATES & SOLICITORS

Khaitan & Co.

BANKERS

State Bank of India

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.

(Unit : The Oudh Sugar Mills Limited)

C-13, Pannalal Silk Mills Compound

L.B.S. Marg, Bhandup (West)

Mumbai - 400 078

Tel. No. : 91- 022 – 2596 3838

Fax No. : 91- 022 – 2594 6969

e-mail : isrl@intimespectrum.com

REGISTERED OFFICE

P. O. Hargaon, District - Sitapur, (U.P.)

Pin Code - 261 121

CORPORATE OFFICE

Industry House, 159, Churchgate Reclamation

Mumbai - 400 020.

Tel. No. : 91 - 022-2287 5987

Fax No. : 91 - 022-2284 5485

e-mail : birlasugar@birla-sugar.com

HEAD OFFICE

9/1, R.N. Mukherjee Road,

Kolkata - 700 001

Tel. No. : 91-033-2243 0497/8

Fax No. : 91-033-2248 6369

e-mail : birlasugar@birla-sugar.com

Website : www.birla-sugar.com/oudhsugar

SUGAR MILLS

1. Hargaon, Dist. Sitapur, (U.P.)

2. Rosa, Dist. Shahjahanpur, (U.P.)

3. Narkatiaganj, Dist. West Champaran, (Bihar)

DISTILLERY

1. Hargaon, Dist. Sitapur, (U.P.)

2. Narkatiaganj, Dist. West Champaran, (Bihar)

CANNING FACTORY

P.O. Bamrauli, Allahabad, (U. P.)

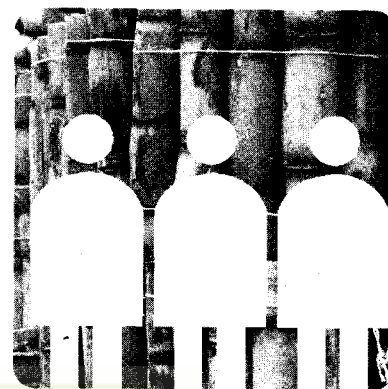
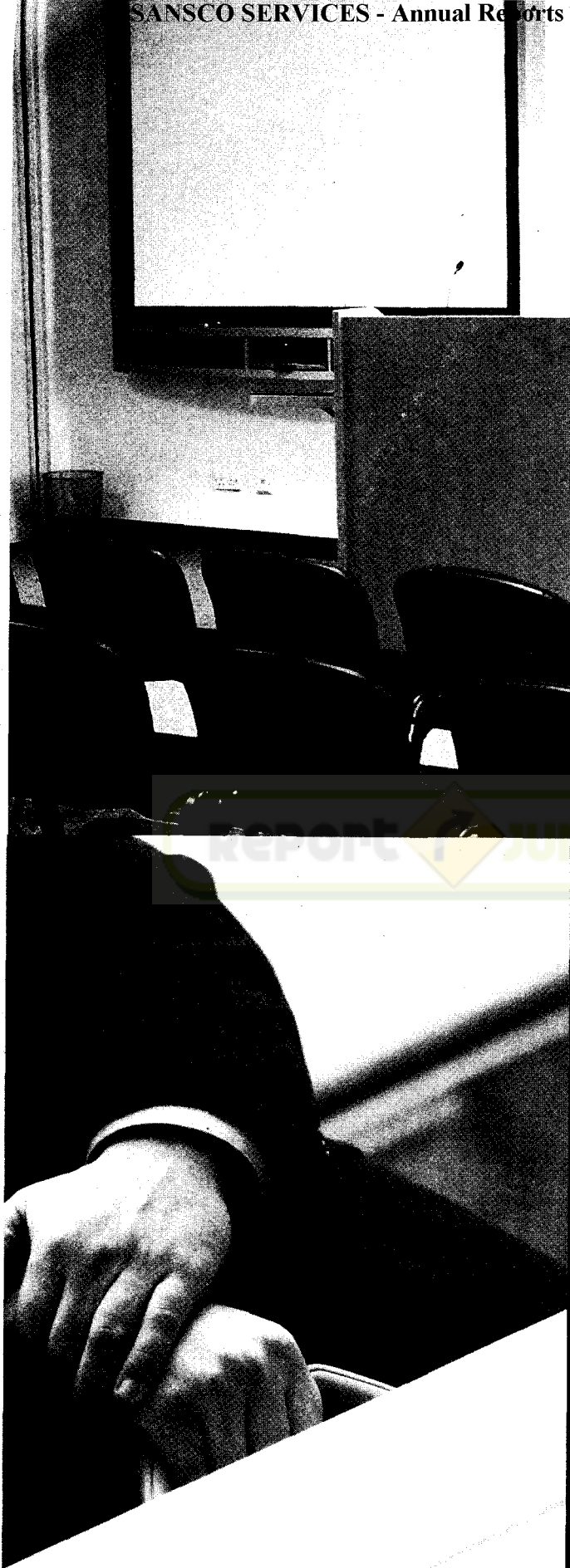
financial highlights

Performance at a glance

(Rs. in lakh)

	2001-02	2002-03	2003-04	2004-05	2005-06
Gross Turnover	27798.59	33657.46	37925.12	37628.42	52864.92
Operating Profit	3000.61	2257.30	6853.10	8096.94	10297.66
Interest & Finance Charges (net)	3531.98	3107.86	3536.87	2786.51	1684.79
Cash Profit/(Loss)	(531.37)	(850.56)	3316.23	3072.98	8612.87
Depreciation	1062.60	1072.72	1097.79	1251.28	1558.68
Profit/(Loss) before Tax	(1593.97)	(1923.28)	2218.44	1821.70	7054.19
Profit/(Loss) after Tax	(949.04)	(1176.53)	1412.47	1116.04	4536.51
Net Worth	5371.33	4203.64	5332.77	9756.79	13329.60
Net Worth per Equity Share (Rs.)	51.72	40.48	51.35	53.69	73.35
Dividend per Equity Share (Rs.)	—	—	2.50	2.50	4.50
Earning per Equity Share (Rs.)	—	—	10.07 *	7.05 *	24.96
Cane Crushed (Season) (In lakh Qtls.)	210.81	244.54	168.96	182.00	233.59

* After considering the impact of Rights Issue of Equity Shares during the year ended 30th June, 2005.



reportjunction.com

directors' report

To
The Shareholders,

Your Directors take pleasure in presenting their Report and the audited Statements of Account of the Company for the year ended 30th June, 2006.

Financial Results

(Rs. in Lakh)

	2005 - 06	2004 - 05
2. Gross Sales	52,864.92	37,628.42
Profit before Depreciation, Exceptional Items and Tax	8,612.87	5,310.43
Less: Exceptional Items (differential cane price for earlier years)	—	2,237.45
Profit before Depreciation and Tax	8,612.87	3,072.98
To which is added :		
Balance brought forward from the previous year	965.56	567.57
Excess Provision for taxation written back	—	0.08
Excess Provision for Dividend & Tax written back	—	0.03
Leaving a balance of	9,578.43	3,640.66
Out of this provisions have been made for:		
Depreciation	1,558.68	1,251.28
Taxation including Wealth Tax Rs. 1.35 lakh (Rs. 1.25 lakh) and Rs. 33.13 lakh (Rs. 5.04 lakh) for earlier years	710.27	170.29
Minimum Alternate Tax (MAT) Credit Entitlement	(696.00)	—
Fringe Benefit Tax	24.90	4.50
Deferred Tax Liability	2,478.51	4,076.36
Surplus available for appropriation	5,502.07	530.95
		1,957.02
		1,683.64
Appropriations:		
Proposed Dividend	817.86	454.36
Dividend Tax	114.70	63.72
Transfer to General Reserve	3,000.00	3,932.56
Balance carried to Balance Sheet	1,569.51	200.00
		718.08
		965.56

The Oudh Sugar Mills Limited

Directors' Report (Contd.)

Financial Performance & Dividend

3. The financial performance of the Company for the year under review has significantly improved. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussions & Analysis Report, which is attached as a separate annexure and forms a part of this Report.
4. The Directors have recommended a dividend @ Rs. 4.50 per Equity Share for the year ended 30th June, 2006. The dividend tax including surcharge on the amount of dividend shall be payable by the Company. The total outflow on this account shall be Rs. 932.56 lakh as compared to Rs. 518.08 lakh in the previous year.

Capital Projects

5. The Company successfully completed the first phase of expansion of sugar factory at Hargaon from 5000 tcd to 7500 tcd during the season 2005-06. The second phase of expansion of the sugar factory at Hargaon from 7500 tcd to 10000 tcd with a Co-generation plant of 8 MW at a cost about of Rs. 116.06 crores is progressing as per schedule. The expanded capacity will go on stream during the season 2006-07. The sugar factory at Narkatiaganj is being expanded from 6500 tcd to 7500 tcd along with a Co-generation plant of 5 MW at an estimated cost of Rs. 26.82 crore and will be completed at the start of the season 2006-07. The Company intends to set up a Greenfield plant at Hatta in Uttar Pradesh at an approximate cost of Rs. 336 crores with a crushing capacity of 7000 tcd with a sugar refinery and Co-generation plant with a capacity of 17 MW.

Corporate Governance

6. A separate report on Corporate Governance and a declaration by all members of the Board and Senior Management Personnel, pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, are attached as separate annexure and forms a part of this Report.

Directors

7. Shri S.M. Agarwal has resigned as Director of the Company during the year under review. The Board placed on record its high appreciation of the valuable advice received from Shri S.M. Agarwal during his tenure as Director of the Company.
8. Shri Haigreave Khaitan who was appointed as an additional Director retires at the Annual General Meeting and is eligible for re-appointment.
9. Shri Rajaram Muchhal and Shri Rohit Kumar Dhoot retire from the Board by rotation and are eligible for re-election.

Directors' Responsibility Statement

10. Your Directors confirm that -

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) such accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (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.

Auditors

11. The Notes on Accounts appearing on Schedule 24 and referred to in the Auditors' Report are self explanatory and therefore, do not call for any further comments or explanations.
12. The Auditors, Messrs S.R. Batliboi & Co., Chartered Accountants, retire and are eligible for re-appointment.
13. In accordance with the directives of the Central Government under Section 233 B of the Companies Act, 1956, Messrs D. Radhakrishnan & Co., Cost Accountants, have been appointed as Cost Auditors to audit the cost accounting records relating to Sugar and Industrial Alcohol for the current year.

Annual Report 2005-06

Directors' Report (Contd.)**Subsidiary Companies**

14. The audited accounts of Champaran Marketing Company Limited, OSM Investment & Trading Company Limited, Hargaon Investment & Trading Company Limited, subsidiaries of the Company and Hargaon Properties Limited, a subsidiary of Hargaon Investment & Trading Company Limited, for the year ended 31st March, 2006 are attached.

Statutory Requirements

15. As required under the Listing Agreement with Stock Exchanges, Consolidated Financial Statements conforming to the Accounting Standard 21 are attached.
16. Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is attached as a separate annexure and forms part of this Report.
17. 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 is attached as a separate annexure and forms part of this Report.

Acknowledgements

18. Your Directors take this opportunity of recording their appreciation of the financial institutions and bankers for extending their support to the Company. Your Directors are also grateful to the various ministries in the Central and State Governments of Uttar Pradesh and Bihar, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors also place on record their appreciation of the valuable contribution made by the employees at all levels.

For and on behalf of the Board

C.S. NOPANY

Chairman-cum-Managing Director

Mumbai

Dated, the 23rd August, 2006

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 30th June, 2006

Name	Designation	Remuneration (Rs.)	Nature of Duties	Qualification	Experience (years)	Age (years)	Year of commencement of employment	Last employment held
------	-------------	--------------------	------------------	---------------	--------------------	-------------	------------------------------------	----------------------

Employed throughout the year :

Shri C.S. Nopany	Managing Director	50,23,018	Overall management of the affairs of the Company	B. Com., A.C.A., M.S.I.A.	16	40	1995	None
------------------	-------------------	-----------	--	---------------------------------	----	----	------	------

- Notes :
1. The remuneration includes salary, Company's contribution to provident fund, perquisite value of rent paid and tax on perquisites.
 2. The appointment is contractual.
 3. Other terms and conditions are as per rules of the Company.

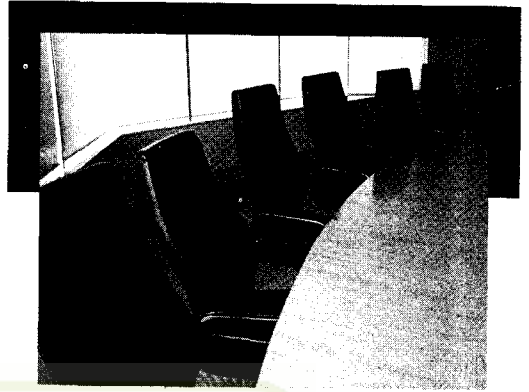
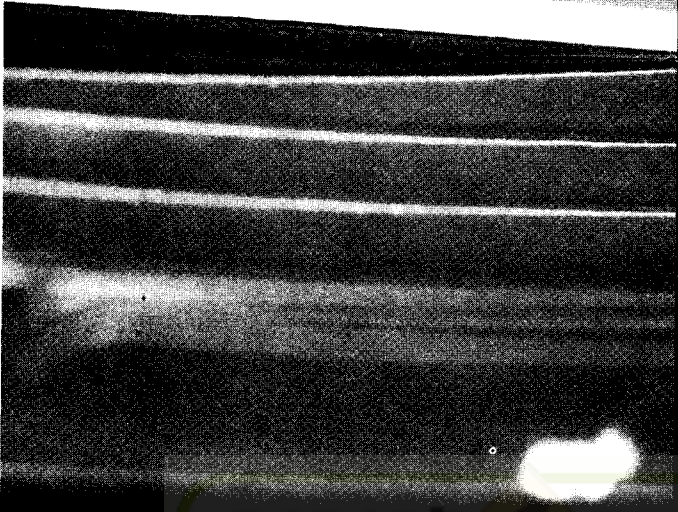
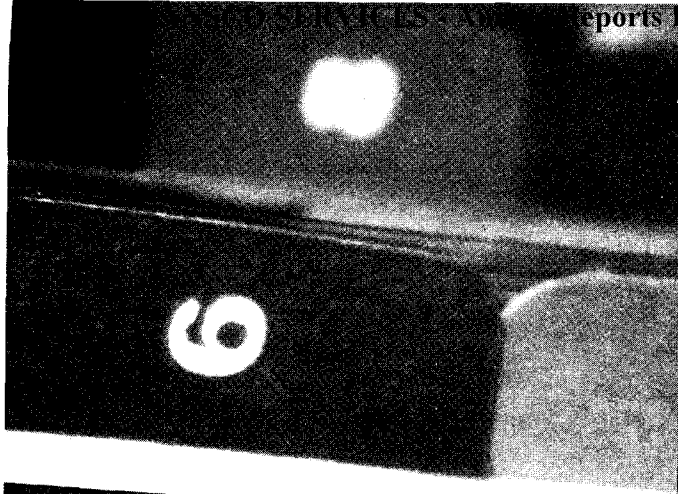
For and on behalf of the Board

C.S. NOPANY

Chairman-cum-Managing Director

Mumbai

Dated, the 23rd August, 2006



tion.com