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The Oudh Sugar Mills Limited

2006-07

Annual Report

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

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The Oudh Sugar Mills Limited

Regd. Office :
P.O. Hargaon, Dist. Sitapur (U.P.), Pin - 261 121

NOTICE

Notice is hereby given that the Seventy-fifth Annual General Meeting of the members of The Oudh Sugar Mills Limited will be held at the Registered Office of the Company at Meeting Hall, Oudh Sugar Mills Complex, Hargaon, District Sitapur, Uttar Pradesh, Pin – 261 121, on Monday, the 17th December, 2007 at 11.00 A.M. to transact the following businesses :

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 30th June, 2007, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt. Madhu Vadera Jayakumar who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri S. V. Muzumdar who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Special Business :

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution :
   "RESOLVED that Shri Jayant Narayan Godbole be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

By Order of the Board
Sanjay Mukherjee
Company Secretary

Mumbai,
Dated November 5 , 2007

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NOTES :

1. A member entitled to attend and vote at the meting is entitled to appoint a proxy to attend and vote in his/her stead and a proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than forty-eight hours before the scheduled time of the meeting at the registered office of the Company. A blank proxy form is annexed to the annual report.
2. The Register of the Members of the Company will remain closed from the 10th December, 2007 to the 17th December, 2007 both days inclusive.
3. Information as required under Clause 49 of the Listing Agreements with the Stock exchanges relating to the directors reappointments and appointment are provided in the report on Corporate Governance forming part of the Annual Report. The Board of Directors of the Company commend their respective re-appointments and appointment.
4. Members are requested to notify the change in their addresses, if any to the Company/Registrar & Share Transfer Agent. Members holding shares in dematerialised form should send the above information to their Depository Participants.
5. In all correspondences with the Company/Registrar & Share Transfer Agent, the members are requested to quote their account/folio numbers and in case their shares are held in the dematerialised form, they must quote their Client ID Number and their DP ID Number.
6. In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders in respect of shares held by them in physical form. The Nomination Form 2B prescribed by the Government can be obtained for the purpose from the Company/Registrar & Share Transfer Agent. The said Form 2B can also be downloaded from the Company's website.
7. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 5 of the Notice as set above, is annexed herewith.
8. The Equity Shares of the Company are listed at The Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and The National Stock Exchange of India Limited, Exchange Plaza, Plot No. C-1, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai-400 051. The listing fee for the year has been paid to both the abo.ve Stock Exchanges.

Annexure to the Notice

Explanatory Statement

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5

Shri Jayant Narayan Godbole was appointed by the Board of Directors as an Additional Director at its meeting held on the 23rd April, 2007. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 79(a) of the Articles of Association of the Company he will hold office as Director only upto the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose the appointment of Shri Jayant Narayan Godbole as a Director. His appointment as Director is considered desirable in the interest of the Company so that the Company may be able to avail of his valuable advice. The Board, accordingly, recommends the resolution mentioned in item No. 5 of the Notice for approval of the members.

Shri Jayant Narayan Godbole does not hold any share, in his own name or by/for other persons on a beneficial basis, in the Company.

None of the Directors of the Company, except Shri Jayant Narayan Godbole, is, in any way concerned or interested in the resolution.

By Order of the Board

Sanjay Mukherjee

Company Secretary

Mumbai,

Dated : November 5, 2007

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The Oudh Sugar Mills Limited

Regd. Office : P.O. Hargaon, Dist. Sitapur (U.P.), Pin - 261 121

ATTENDANCE SLIP

Only Shareholders or the proxies will be allowed to attend the meeting

D.P. ID		LF No.	
Client ID		No. of Shares held	

I hereby record my presence at the Seventy Fifth Annual General Meeting of the Company being held at Meeting Hall, Oudh Sugar Mills Complex, Hargaon, District Sitapur, Uttar Pradesh, Pin - 261 121 on Monday, 17th December, 2007 at 11.00 A.M.

Name of the Shareholder_____

(in capital letters)

Name of the Proxy_____

(in capital letters)

Signature_____

NOTE : Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting venue.

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The Oudh Sugar Mills Limited

Regd. Office : P.O. Hargaon, Dist. Sitapur (U.P.), Pin - 261 121

PROXY

D.P. ID		LF No.	
Client ID		No. of Shares held	

I/We_____of

_____being a

member/members of THE OUDH SUGAR MILLS LIMITED hereby appoint Shri/Smt_____of

_____or failing him Shri/Smt_____of

_____or failing him Shri/Smt_____of

_____as my/our proxy to attend and vote for me/us on my/our behalf at the Seventy Fifth Annual General Meeting of the Company to be held on Monday, 17th December, 2007 at 11.00 A.M. at Registered Office of the Company at Meeting Hall, Oudh Sugar Mills Complex, Hargaon, District Sitapur, Uttar Pradesh, Pin - 261 121 and/or at any adjournments thereof.

Signed this_____ day of_____ 2007

Affix Revenue Stamp

_____

(Signature of the shareholder)

NOTE : The Proxy Form signed across revenue stamp should reach the Registered Office of the Company at least 48 hours before the scheduled time of Meeting.

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Corporate Information

CHAIRMAN EMERITUS
Dr. K.K. Birla

BOARD OF DIRECTORS
Shri C. S. Nopany, *Chairman-cum- Mg. Director*
Shri S. V. Muzumdar
Shri Ashvin C. Dalal
Shri C. B. Patodia
Shri Rohit Kumar Dhoot
Smt. Madhu Vadera Jayakumar
Shri Haigreve Khaitan
Shri J.N. Godbole

COMMITTEES OF DIRECTORS

Finance & Corporate Affairs Committee
Shri C.S. Nopany
Shri S.V. Muzumdar
Shri Ashvin C. Dalal
Smt. Madhu Vadera Jayakumar

Audit Committee
Shri Ashvin C. Dalal
Shri C.B. Patodia
Shri S.V. Muzumdar
Shri Rohit Kumar Dhoot

Investors' Grievance Committee
Shri S.V. Muzumdar
Shri Rohit Kumar Dhoot
Smt. Madhu Vadera Jayakumarr

Remuneration Committee
Shri S.V. Muzumdar
Shri Ashvin C. Dalal
Shri Rohit Kumar Dhoot

EXECUTIVES
Shri Sanjay Mukherjee, *Secretary*
Shri V. P. Singh, *Executive President*, Hargaon
Shri Chandra Mohan Singh, *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
Industrial Development Bank of India Ltd.
Axis Bank Ltd.
State Bank of Hyderabad
Union 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/osugar

SUGAR MILLS
1. Hargaon, Dist. Sitapur, (U. P.)
2. Rosa, Dist. Shahjahanpur, (U. P.)
3. Narkatiaganj, Dist. West Champaran, (Bihar)

DISTILLERIES
1. Hargaon, Dist. Sitapur, (U. P.)
2. Narkatiaganj, Dist. West Champaran, (Bihar)

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

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Financial highlights

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Performance at a Glance

(Rs. In Lakh)

	2002-03	2003-04	2004-05	2005-06	2006-07
Gross Turnover	33657.46	37925.12	37628.42	52864.92	46812.06
Operating Profit	2257.30	6853.10	8096.94	10297.66	178.44
Interest & Finance Charges (net)	3107.86	3536.87	2786.51	1684.79	2092.87
Depreciation	1072.72	1097.79	1251.28	1558.68	2028.67
Profit/(Loss) before Tax	(1923.28)	2218.44	1821.70	7054.19	(3943.10)
Profit/(Loss) after Tax	(1176.53)	1412.47	1116.04	4536.51	(2689.55)
Net Worth	4203.64	5332.77	9756.79	13329.60	10603.02
Net Worth per Equity Share (Rs.)	40.48	51.35	53.69	73.35	58.34
Dividend per Equity Share (Rs.)	--	2.50	2.50	4.50	--
Earning per Equity Share (Rs.)	--	10.07	7.05	24.96	(14.80)
Cane Crushed (Season) (In lakh Qtls.)	244.54	168.96	182.00	233.59	290.04

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Chairman's message

Message from **Mr. C. S. Nopany**,
Chairman and Managing Director

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Dear Shareholders,

It gives me great pleasure to announce the results of your company, The Oudh Sugar Mills Ltd. for the year 2006-'07.

The Indian economy has seen unprecedented growth in the last one year with significant growth in the real GDP rates. The sugar industry, on the other hand, is facing one of the worst recessions ever. This can primarily be attributed to the glut in sugarcane production throughout the country and all over the world. Furthermore, the absence of a comprehensive and bold sugar policy in our country is resulting in unnecessarily prolonging the hardships being faced by the farmers and the mills. Though, the high prices of sugarcane coupled with the low prices of sugar have acted as a double edged sword for the sugar mills leading to huge losses, on the positive side, the high prices of the prime energy source (crude oil) has intensified the need to blend it with ethanol. This has increased the importance of ethanol in the whole economy.

The Company operations

The Company is engaged in three lines of businesses with prime focus in sugar manufacturing. It also has interests in by-products such as producing electricity, industrial alcohol, organic fertilizers and food products.

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In the last one year, the sugar industry faced tough conditions due to oversupply of sugarcane and hence sugar in the market, thereby destroying the demand-supply dynamics in the market. Several developments in the global as well as in the domestic sugar industry have left a mixed impact on the profitability of your company. But in terms of generating wealth on a long term sustainable basis, we are much better positioned than our competitors.

Global scenario of the sugar industry

The global sugar landscape is highly influenced by Brazil and India, as they are the largest producers of sugar in the world. Brazil's growth as a sugar producer has been driven by an increased acreage supported by a proactive regulatory environment and a strong focus on ethanol. Furthermore, the easy availability of fertile lands and cost leadership in the sugar production adds up to its competitive edge in the global sugar economy. Apart from Brazil and India, China, Kenya, USA, EU, Russia, Pakistan and Thailand are also the significant producers of sugar in the world.

☐ Current global sugar production stands at 165.51 million MT and has sharply increased by 7% over the previous year driven primarily by sharp increases in production in Brazil and India.

☐ The total world consumption is at 155.22 million MT. India is the largest consumer of sugar followed by China, Brazil, USA and the Russian federation.

☐ Sugar consumption in the countries like India, China and Brazil is growing at a higher rate than the global average sugar consumption of 2.2%.

☐ After the reduction of subsidies on sugar, the exports of sugar from EU show a declining trend.

Indian scenario of the sugar industry

The sugar sector in India is of significant importance to the national economy as it is the largest agro-based industry in the country. Sugar production is cyclical in nature, with the typical cycle duration ranging between 4 to 6 years. The industry is bottoming out with huge production surplus and low sugar prices. Consumption, on the other hand, is almost linearly correlated with the country's population growth and has been increased at a steady rate of 3.5 %.

In order to bail out the industry from certain sickness, the Government has initiated a number of small but nevertheless important measures. Interest-free loans, incentives to export and a thrust on ethanol blending will no doubt provide much needed support to the industry. However, the critical issue of rationalizing the methodology of determining sugarcane pricing is yet to be addressed.

Performance of the Company

I am satisfied with the operational efficiency of all our plants which have improved considerably during the year. However, the financial performance of the company has been adversely affected due to factors that have affected the sugar industry not only domestically but also globally.

☐ The combined crushing capacity of all the three sugar mills - The Hargaon Sugar Mills, The New Swadeshi Sugar Mills and Rosa Sugar Works have increased from 233.59 lac quintals in 2005-06 to 290.04 lac quintals in 2006-07.

☐ The Company has increased the amount of sugarcane crushing by 24.16 per cent from 233.59 lac quintals in 2005-06 to 290.04 lac quintals in 2006-07.

☐ The production of sugar has also been increased by 4.58 lac quintals during the year 2006-07 as compared to the previous year.

☐ Due to the increased purchase of ethanol by the oil marketing companies, the production and sales of the Company's distilleries at Hargaon and Narkatiaganj has improved significantly.

☐ The Company's canning facility has improved its performance significantly during the year under review.

☐ The Company has had a positive cash flow by sale of electricity to the SEBs in U.P. and Bihar.

Outlook

Despite the subdued condition in the sugar sector of India, the Company is on course with its growth plans charted out over the years. This includes the expansion of the ethanol capacity, co-generation and a greenfield sugar mill with an approximate investment of Rs. 336 crores. We expect to leverage our competitive edge through better cost control at the operational level, increased revenues through ethanol and power, proper management, allocation and optimization of resources.

We look positively towards the future, knowing fully well that this is a cyclical industry. I expect the Company to survive the tough conditions and in the near future, we will reap benefits from our strategic investments in our businesses.

I thank all our stakeholders for their continuous support and encouragement and hope they will render the same support to us in future too, as we strive to reach the peak of success.

With warm regards,
C. S. Nopany

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