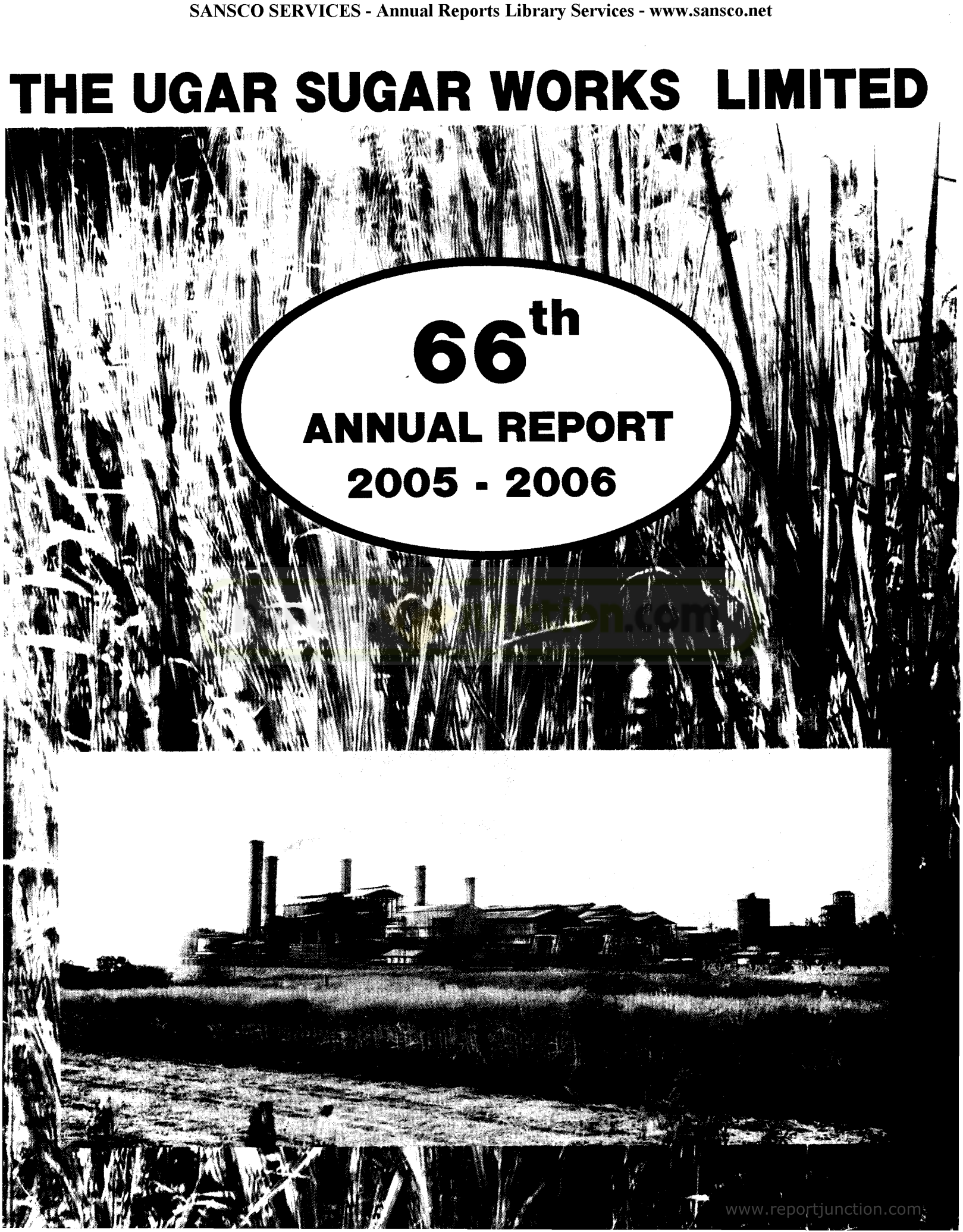


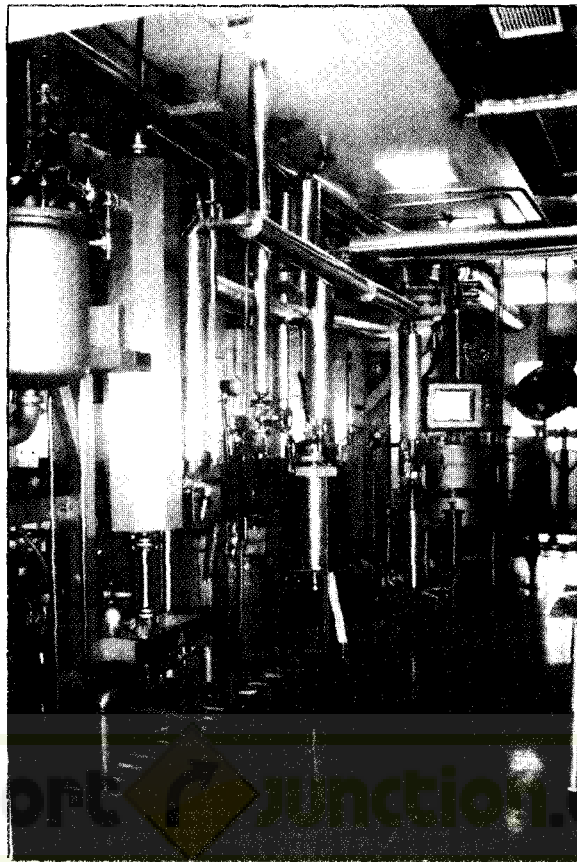
# THE UGAR SUGAR WORKS LIMITED



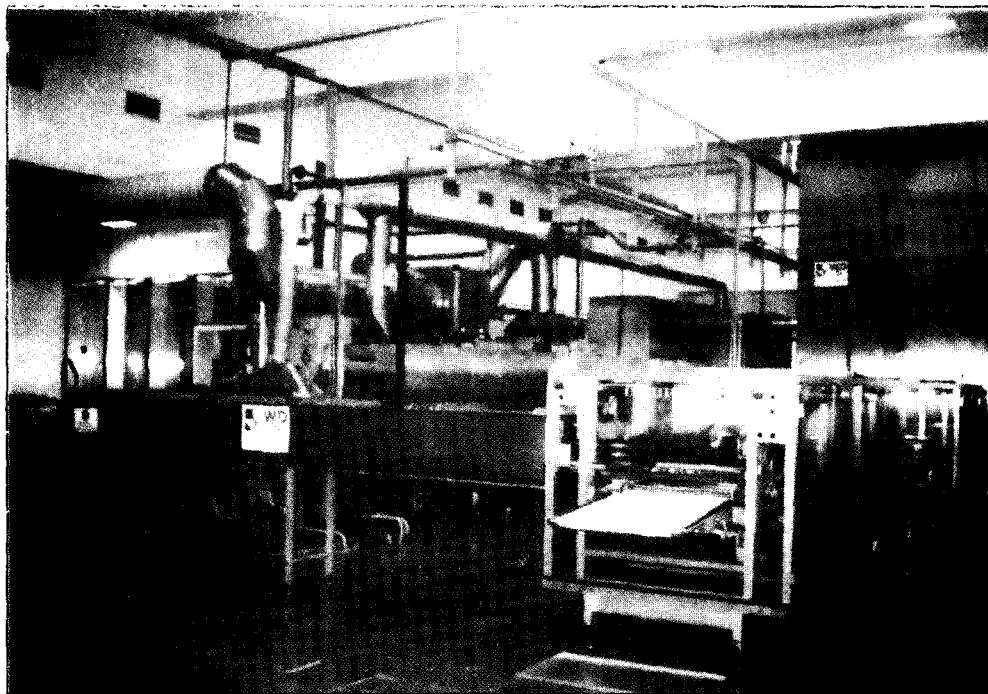
**66<sup>th</sup>**  
**ANNUAL REPORT**  
**2005 - 2006**



## **Machinery of 100 % EOU Project Cooking Area of Fondant Mass Preparation**



## **Depositing Line and Mould Washing Station.**



# The Ugar Sugar Works Limited

## SIXTYSIXTH ANNUAL REPORT 2005-2006

### BOARD OF DIRECTORS

(As on 23 - 12 - 2006)

<b>Shri. R. V. Shirgaokar</b>	Chairman & Managing Director
<b>Shri. V. Balasubramanian</b> [ I. A. S. Retired]	Director
<b>Shri. M. B. Karmarkar</b>	”
<b>Shri. S. N. Inamdar</b>	”
<b>Shri. B. N. Kalyani</b>	”
<b>Shri. D. B. Shaha</b>	”
<b>Shri M. G. Joshi</b>	”
<b>Dr. M. R. Desai</b>	”
<b>Shri. A. B. Kage</b>	”
<b>Shri. B. S. Patil</b> [ I. A. S. Retired]	”
<b>Shri. P. V. Shirgaokar</b>	Executive Director
<b>Shri. S. S. Shirgaokar</b>	Wholetime Director



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**Registered Office :**

Mahaveernagar, Sangli 416416  
 Phone: 0233-2623717, 2623716  
 Fax: 0233-2623617

**Factory & Administrative Office :**

Ugarkhurd 591316 (Dist. Belgaum)  
 Phone: 08339-272230  
 Fax: 08339-272232

**e-mail : [helpdesk@ugarsugar.com](mailto:helpdesk@ugarsugar.com)**

**website : [www.ugarsugar.com](http://www.ugarsugar.com)**

**Company Secretary & Compliance Officer**

**Shri B. G. Kulkarni**

**Auditors**

**M/s P. G. Bhagwat**  
 Chartered Accountants  
 Manoj Arcade, Tilakwadi  
 Belgaum 590 006  
 Phone: 0831-2429306

**Bankers**

Central Bank of India  
 Bank of Baroda  
 Union Bank of India  
 IDBI Bank Ltd  
 The Sangli Bank Ltd

**Annual General Meeting**

Saturday, the 24<sup>th</sup> March, 2007 at 3:30 p.m.  
 at Bhide Mangal Karyalaya, Timber Area, Sangli 416416

**THE UGAR SUGAR WORKS LIMITED**

REGD. OFFICE : MAHAVEERNAGAR [WAKHAR BHAG], SANGLI 416 410

**NOTICE**

NOTICE is hereby given that Sixty-sixth Annual General Meeting of THE UGAR SUGAR WORKS LIMITED will be held on Saturday, the 24th March, 2007 at 3.30 p.m. at BHIDE MANGAL KARYALAYA, TIMBER AREA, SANGLI to transact the following business :

**Ordinary Business :**

1. To receive, consider and adopt the audited Balance Sheet as on 30th September, 2006 and the audited Profit and Loss Account for the period ended as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri. B. N. Kalyani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. M. B. Karmarkar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. M. R. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**Special Business:**

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as, an ORDINARY RESOLUTION:

"Resolved that, pursuant to the provisions of section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, and in supersession of Resolution No. 8 passed at the 61<sup>st</sup> Annual General Meeting held on 16<sup>th</sup> March, 2002, the Company hereby authorises the Board of Directors to borrow money from time to time up to a limit not exceeding Rupees 300 Crore in the aggregate, notwithstanding that the money to be borrowed, together with the monies already borrowed (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) is in excess of the aggregate paid up capital and free reserves of the Company."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as, an ORDINARY RESOLUTION:

"Resolved that, pursuant to the provisions of section 293(1)(a) and other applicable provisions of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for securing the borrowing up to a limit of Rupees 300 Crore by mortgaging and / or charging all or any of the movable and immovable properties, present and future, of the Company, wheresoever situated and / or the whole of the undertaking of the Company together with power to takeover management of the business and concern of the Company in certain events, in favour of any Financial Institutions, Foreign Financial Institutions or Banks, any other Institutions or persons,

## THE UGAR SUGAR WORKS LIMITED

bodies, etc. for securing any loan obtained/ to be obtained, monies borrowed/ to be borrowed and debentures issued/ to be issued together with interest, compound interest and/ or additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, cost, charges, expenses and other monies payable by the Company to the lender or lenders with such ranking or in such form and manner as the Board of Directors may determine."

"Resolved further that, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things to execute such documents or writings as it may consider necessary, expedient or proper for the purpose of giving effect to this resolution."

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as, an ORDINARY RESOLUTION:

"Resolved that, the Board of Directors of the Company be and is hereby authorised to avail the professional services of non-executive directors and to pay professional fees not exceeding Rs. 5 lakh per annum for the professional services availed by the Company."

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"Resolved that, pursuant to the provisions of section 314(1) (b) and other applicable provisions, if any, of the Companies Act, 1956, and in supersession to the Resolution No. 8 passed in the 65<sup>th</sup> Annual General Meeting held on 17<sup>th</sup> March, 2006, the Company hereby accords its approval, subject to the approval of Central Government to Shri. Niraj S.Shirgaokar, son of Shri. Shishir S.Shirgaokar, Wholetime Director of the Company, to hold and continue to hold office of the Vice President in the Company from 01/04/2006 on the basic salary of Rs. 50,000 per month in the Grade of A - III i.e. 20000-10000- 25000-2000- 35000-3000-50000-4000-70000 and other benefits as applicable to other employees of the Company in his grade including Provident Fund, Bonus, Gratuity, Variable Dearness Allowance, Superannuation, etc. Further the Chairman & Managing Director is authorised to give him usual annual increment and special increment as the case may be, and to promote him in higher grade from time to time, subject to overall limit of salary and benefits not exceeding Rs. 1,25,000 per month."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"Resolved that, pursuant to section 198, section 269, section 309, section 310 and other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII thereto and subject to such other provisions as may be necessary, the consent of the Company be and is hereby accorded to the revision in the remuneration payable to Shri. R.V.Shirgaokar, Chairman & Managing Director, with effect from 1/4/2007 for the remaining period of his appointment i.e. upto 31/3/2009, with the remuneration and terms and conditions as embodied in draft agreement between the Company and Shri. R.V.Shirgaokar, Chairman & Managing Director, the draft agreement whereof for the purpose of identification is placed before this meeting and which agreement is hereby specifically approved with the liberty to the Board of Directors to vary and alter the terms and conditions in the agreement, provided, however, that the remuneration and perquisites payable to Shri R.V.Shirgaokar, Chairman & Managing Director, shall not exceed the limit specified in Schedule-XIII."

12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"Resolved that, pursuant to section 198, section 269, section 309, section 310 and other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII thereto and subject to such other provisions as may be necessary, the consent of the Company be and is hereby accorded to the revision in the remuneration payable to Shri P.V.Shirgaokar, Executive Director, with effect from 1/4/2007 for the remaining period of his appointment i.e. upto 31/3/2009 with the remuneration and terms and conditions as embodied in draft agreement between the Company and Shri. P.V.Shirgaokar, Executive Director, the draft agreement whereof for the purpose of identification is placed before

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this meeting and which agreement is hereby specifically approved with the liberty to the Board of Directors to vary and alter the terms and conditions in the agreement, provided, however, that the remuneration and perquisites payable to Shri. P.V.Shirgaokar, Executive Director, shall not exceed the limit specified in Schedule-XIII."

13. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION.

"Resolved that, pursuant to section 198, section 269, section 309, section 310 and other applicable provisions if any, of the Companies Act, 1956, and Schedule XIII thereto and subject to such other provisions as may be necessary, the consent of the Company be and is hereby accorded to the revision in the remuneration payable to Shri. Shishir S.Shirgaokar, Wholetime Director, with effect from 1/4/2007 for the remaining period of his appointment i.e. upto 31/3/2009 with the remuneration and terms and conditions as embodied in draft agreement between the Company and Shri. Shishir S.Shirgaokar, Wholetime Director, the draft agreement whereof for the purpose of identification is placed before this meeting and which agreement is hereby specifically approved with the liberty to the Board of Directors to vary and alter the terms and conditions in the agreement, provided, however, that the remuneration and perquisites payable to Shri. Shishir S.Shirgaokar, Wholetime Director, shall not exceed the limit specified in Schedule-XIII."

By order of the Board of Directors,  
For The Ugar Sugar Works Limited,  
**B. G. Kulkarni**  
Company Secretary

Place : Panhala  
Date : 23 - 01 - 2007.

**NOTES :**

1. The Register of Members and the Share Transfer Books of the Company will remain closed from 1<sup>st</sup> March, 2007 to 10<sup>th</sup> March 2007 (both days inclusive).
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF, AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The relative explanatory statement pursuant to section 173(2) of the Companies Act, 1956, in respect of Special Business specified under item No. 7 to 13 of the Notice is annexed hereto.
4. If the dividend, as recommended by the Directors is approved, the dividend warrants will be mailed within 7 days from the date of declaration, to those shareholders whose name appears on the Register of Members as on **1<sup>st</sup> March 2007**.
5. Members are requested to notify promptly any change in their addresses to the Company.
6. The members are requested to bring their copies of Annual Report along with them to the Annual General Meeting.
7. The members who have not yet encashed their dividend warrants for the years 1998-99, 1999-2000, 2000-2001, 2001-2002 (in the year 2002-03 we have not declared dividend to due loss), 2003-04 and 2004-05 are advised to forward such warrants to the Registered Office for obtaining cheques in lieu thereof. Pursuant to the provisions of section 205-A of the Companies Act, 1956, dividend which remains unclaimed for a period of seven years, will be transferred to the Investor Education And Protection Fund of the Central Government.
8. Members are requested to quote their folio number/s or Client ID in all correspondence with the Company.

**THE UGAR SUGAR WORKS LIMITED****ANNEXURE TO NOTICE****Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956.**

As required by section 173(2) of the Companies Act, 1956, the following statement sets out all material facts relating to the Special Business under item No. 7 to 13 mentioned in the accompanying Notice dated 23<sup>rd</sup> January, 2007 and should be taken as forming part of it.

**Item No. 7**

At the 61<sup>st</sup> Annual General Meeting held on 16<sup>th</sup> March, 2002, the shareholders have authorised the Board of Directors to borrow to the extent of Rupees 200 Crore in excess of the paid up capital and reserves. In view of the expansion of the crushing capacity and three new projects at Jewargi, Bagalkot and Sugar Ship the fund requirement has gone up and hence it is proposed to enhance the existing borrowing powers from Rupees 200 Crore to Rupees 300 Crore to meet the additional fund requirement. The resolution is proposed for your approval.

**Item No. 8**

Section 293(1)(a) of the Companies Act, 1956, provides inter alia that the Board of Directors of the Company, shall not without consent of the members in the Annual General Meeting, sell, lease, or otherwise dispose off the whole or substantially whole of the undertaking of the company.

The Company has undertaken three new projects at Jewargi, Bagalkot and Sugar Ship for the purpose of expansion. It has to obtain loans from Financial Institutions, Foreign Financial Institutions, Corporations, Banks and persons, bodies, etc. or by issue of secured non-convertible debentures, etc. and the loans will have to be secured by mortgage / or charge on the immovable and/ or movable properties acquired or to be acquired by the Company. Since mortgaging and charging by the Company of its immovable and or / movable properties may be deemed to be disposal off whole of the undertaking of the company within the meaning of section 293(1) (a) of the Companies Act, 1956. Your approval is sought for enhancement in limit upto Rupees 300 Crore for this purpose, including present as well as future borrowings.

**Item No. 9**

The Company is availing professional expertise from some of the non-executive directors viz., Shri.S. N. Inamdar and Shri. M. B. Karmarkar. As per SEBI Guidelines, the payment of professional fees to the non-executive directors requires general body approval. As an enabling provision, the Board has decided to approach general body for a limit of Rs. 5 lakh per annum for availing the professional services and payment of fees for the services availed.

The board recommends passing of the above resolution.

**Item No. 10**

In the 65<sup>th</sup> Annual General Meeting, the general body subject to the approval of Central Government, had authorised Chairman & Managing Director to increase the salary of Shri. Niraj Shirgaokar up to Rs.75,000 per month. As the salary was below Rs. 50,000, approval of Central Governments was not taken. But with the wage board implementation, the salaries of other executives have been increased and hence the basic salary of Shri. Niraj S. Shirgaokar has been increased to Rs. 50,000 per month and he has been promoted as Vice-President in the revised Grade A-III w.e.f. 01/04/2006. We have approached the Central Government for its approval. With this increase in the salary, the existing approval given by the general body will not be sufficient for further increment and promotion.

The proposed resolution is intended for approval of members of the Company for Shri. Niraj S. Shirgaokar who was holding office of profit w.e.f. 01/08/2005 upto 31/03/2006 as Senior Executive and continue to hold office of profit as a Vice President from 01/04/2006 to 31/07/2010. The resolution also seeks an authorisation to the Chairman & Managing Director to sanction increments and in due course to promote Shri. Niraj S. Shirgaokar to higher grade with allowance and benefits as applicable to other executives in



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his grade, for a total salary of not more than Rs. 1,25,000 per month. The resolution is recommended to the members for their approval as a Special Resolution.

**Item No.11, 12 and 13**

In view of the increase in work load due to the three new projects undertaken by the Company, and for the long drawn and devoted services of the Chairman & Managing Director, Executive Director and Whole time Director towards the Company, the increase in the remuneration was considered by the Remuneration Committee in its meeting held on 23<sup>rd</sup> December, 2006. The Committee has recommended the revision in the remuneration and the Board has approved the revision in their meeting held on 23<sup>rd</sup> January, 2007, from 1/4/2007 to 31/3/2009, subject to the approval of the members in Annual General Meeting.

The remuneration and the other terms and conditions have been embodied in draft agreements between the Company and Shri. R.V.Shirgaokar, Chairman & Managing Director, Shri. P.V.Shirgaokar, Executive Director and Shri. Shishir S.Shirgaokar, Wholetime Director. Pursuant to section 302 of the Companies Act, 1956, the following is the abstract of the material terms thereof.

**A) Salary :**

- a) Chairman & Managing Director  
Rs. 2,15,000 per month.
- b) Executive Director  
Rs. 2,00,000 per month.
- c) Whole time Director  
Rs. 2,00,000 per month

**B) Commission :**

One percent (1%) commission on net profit computed in the manner laid down in section 309(5) of the Companies Act, 1956.

**Perquisites :****PART A**

Free furnished accommodation with facilities and amenities/house rent allowance.

- a) Free furnished accommodation valued as per the Income Tax Rules, 1962 or alternatively house rent allowance of Rs.10,000 p.m. as being paid now or any increase as may be decided by Board.
- b) Provision of gas, electricity, water and furnishings valued as per the Income Tax Rules, 1962, subject to ceiling of 10% of salary.
- c) **Medical Reimbursement :**  
Reimbursement of Medical expenses incurred for self and family.
- d) **Leave travel concession :**  
For self and family, once a year, to and from any place in India subject to the condition that only actual fares and no hotel expenses will be allowed.
- e) **Club Fees :**  
Fees of Clubs whether in India or abroad, including admission and life membership fees for business purpose.
- f) **Personal Accident Insurance :**  
Of an amount the annual premium of which does not exceed Rs.5,000. The actual expenditure or liability incurred by the Company for perquisites in part A shall be restricted to annual salary.

## THE UGAR SUGAR WORKS LIMITED

### PART B :

g) **Provident Fund, etc. :**

The Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund shall be as per the prevailing Rules of the Company.

h) **Gratuity :**

Gratuity at a rate not exceeding one month's salary for each completed year of service.

i) **Other Perquisites :**

Within the overall ceiling on the remuneration mentioned herein, the Chairman & Managing Director, Executive Director and Whole time Director may be given any other allowances and perquisites from time to time as per the Rules of the Company.

### PART C :

j) **Leave :**

Not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure will not be included in the computation of ceiling on perquisites.

### Explanation :

1. Wherever context demands, 'family' means the spouse, dependent children and dependent parents of Chairman & Managing Director, Executive Director and Wholetime Director.
2. Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.
3. The aggregate of the consolidated salary, commission and perquisites payable to Chairman & Managing Director, Executive Director and Wholetime Director shall not exceed 10% of the net profit of the Company calculated in accordance with the provisions of section of 198 and 309 of the Companies Act, 1956.

### PART D :

**Minimum Remuneration :** In case of absence or inadequacy of profits (including the case of loss for any year) the Company shall pay to the Chairman & Managing Director, Executive Director and the Wholetime Director the minimum remuneration of Rs 2,00,000 per month and perquisites as detailed above except commission on net profit.

- a) The net profit of the Company shall be determined as provided for in section 349 and any other provision/s of the Companies Act, 1956, applicable thereto.
- b) The termination of services for the purpose of reappointment will not be treated as discontinuation of services for the purposes of gratuity and other benefits accruing to them. Their service will be treated as continuous services for the purpose of Gratuity and other benefits.
- c) The agreement may be terminated by either party giving the other party three months' notice or the Company paying three months' salary in lieu thereof.
- d) If at any time the Chairman & Managing Director, Executive Director and Whole time Director cease to be a Director of the Company for any reason whatsoever, he shall cease to be the Chairman & Managing Director, the Executive Director and the Wholetime Director, as the case may be.