



THE UGAR SUGAR WORKS LIMITED

**SIXTY-SEVENTH ANNUAL REPORT
2006-2007**

The Ugar Sugar Works Limited

SIXTY SEVENTH ANNUAL REPORT 2006-07

BOARD OF DIRECTORS

(As on 25 - 05 - 2007)

Shri. R. V. Shirgaokar	Chairman & Managing Director
Shri. V. Balsubramanian (I. A. S. Retired)	Director
Shri. M. B. Karmarkar	”
Shri. S. N. Inamdar	”
Shri. B. N. Kalyani	”
Shri. D. B. Shah	”
Shri. M. G. Joshi	”
Dr. M. R. Desai	”
Shri. A. B. Kage	”
Shri. B. S. Patil (I. A. S. Retired)	”
Shri. P. V. Shirgaokar	Executive Director
Shri. Shishir S. Shirgaokar	Wholetime Director

THE UGAR SUGAR WORKS LIMITED**CONTENTS**

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Registered Office:

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

Factory & Administrative Office:

Ugarkhurd 591 316 (Dist- Belgaum)
 Phone: 08339-272230
 Fax: 08339-272232

Registrar & Transfer Agent:

Big Share Services Pvt. Ltd.
 E-2, Ansa Ind. Estate, Sakivihar Rd.,
 Saki Naka, Andheri (E),
 MUMBAI – 400 072.

e-mail: helpdesk@ugarsugar.com

website: www.ugarsugar.com

Company Secretary & Compliance Officer

Shri. B. G. Kulkarni

Auditors

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

Bankers

Central Bank of India
 Bank of Baroda
 Union Bank of India
 The IDBI Bank Ltd.
 The Sangli Bank Ltd.
 ICICI Bank Ltd.
 HDFC Bank Ltd.
 Axis (UTI) Bank Ltd.
 Rabo India Finance Ltd.

Annual General Meeting

**FRIDAY, THE 28TH SEPTEMBER, 2007 AT 11.30 A.M.
 AT BHIDE MANGAL KARYALAYA, TIMBER AREA, SANGLI 416416.**

DIRECTORS' REPORT**DEAR SHAREHOLDERS,**

Your Directors have pleasure in presenting their 67th Annual Report together with the Audited Financial Statements for the period ended 31st March, 2007. **The current Financial Year 2006 – 07 is of six months only.**

GENERAL :

All India Production of sugar for the season 2006-07, has substantially gone up to **245** Lakh MT as compared to earlier year production of **193** Lakh MT. The sugar production is further likely to go up in the season 2007-08 to approximately **275** Lakh MT.

As reported during last year the prices of sugar continued to decline throughout the year.

Our total crushing at Ugar, Tasgaon and Phaltan during the season 2006-07 was 16.68 Lakh MT sugarcane with bagging of 19.41 Lakh Qtls. of sugar. The recovery during the season 2006-07 in Ugar, Tasgaon and Phaltan was 11.88%, 11.39% and 11.02% respectively, as compared to previous year's recovery of 11.50%, 11.35% and 11.01% respectively. The ratio of Levy to Free has remained the same i.e. 10% Levy and 90% Free sale.

FINANCIAL RESULTS:

The financial results of the Company are as shown below :

Particulars	31.03.2007 Rs. In Lakhs	30.09.2006 Rs. In Lakhs
Profit before Depreciation & Amortisation	982.54	1,928.12
Depreciation & Amortisation	655.89	1,069.46
Profit Before Tax	326.65	858.66
Provision for Tax, (Including deferred tax adjustment, Short / excess provision for tax and provision for FBT)	(150.11)	(65.98)
Profit after Tax / Net Profit	176.54	792.68
Balance of profit brought forward from previous year	241.70	254.26
Surplus available for appropriation	418.24	1,046.94
Appropriation to General Reserve	0.00	600.00
Proposed Dividend	0.00	180.00
Corporate Dividend Tax	0.00	25.24
Balance Carried in Profit and Loss Account	418.24	241.70

DIVIDEND:

In view of inadequate profits, your directors have decided not to recommend any dividend for the financial year 2006-07.

THE UGAR SUGAR WORKS LIMITED**OPERATIONS :****1. UGAR**

Particulars	Accounting Year and Season 2006-07	Accounting Year and Season 2005-06
Date of beginning of crushing season	27.11.2006	12.10.2005
Date of ending of crushing season	–	16.04.2006
Number of Working Days	124	187
Sugar Cane Crushed (Lakh MT)	11.40	15.54
Recovery	11.88 %	11.50 %
Sugar Produced (Lakh Qtls)	13.55	18.28

2. TASGAON (Taken on Lease) :

Particulars	Accounting Year and Season 2006-07	Accounting Year and Season 2005-06
Date of beginning of crushing season	19.11.2006	27.11.2005
Date of ending of crushing season	–	24.03.2006
Number of Working Days	143	118
Sugar Cane Crushed (Lakh MT)	3.12	2.22
Recovery	11.39 %	11.35 %
Sugar Produced (Lakh Qtls)	3.49	2.37

3. PHALTAN (Taken on Lease) :

Particulars	Accounting Year and Season 2006-07	Accounting Year and Season 2005-06
Date of beginning of crushing season	22.10.2006	18.11.2005
Date of ending of crushing season	–	13.02.2006
Number of Working Days	162	88
Sugar Cane Crushed (Lakh MT)	2.16	1.00
Recovery	11.02%	11.01 %
Sugar Produced (Lakh Qtls)	2.37	1.10

DISTILLERY, IML AND POWER GENERATION :

Particulars	Accounting Year and Season 2006-07	Accounting Year and Season 2005-06
Rectified Spirit Produced (Lakh BL)	69.86	121.72
Potable Alcohol Produced (Lakh BL)	28.44	53.26
Denatured Spirit Produced (Lakh BL)	4.16	14.17
Arrack (Lakh BL)	9.39	25.57
Electricity Generated (Lakh KW)	862.62	1,342.14
Electricity Exported (Lakh KW)	476.54	716.11

The current Financial Year 2006 – 07 is of six months only, hence figures relating to previous Financial Year 2005-06 are not comparable with those of the current financial year.

Your Directors expect to procure about 22 to 24 Lakh MT sugarcane for all three units during 2007- 08 season.

ENVIRONMENTAL SAFETY :

The Company continues to pursue its environmental friendly approach towards Industrial growth. The Company enjoys good safety record. Constant improvements are being made in the process and equipments, to minimize the discharge of effluents and emissions. The combined effluent treatment and Evaporator and Dryer System for Distillery, Sugar Factory and Domestic waste are running satisfactorily. As already informed, setting up of one more Evaporator and Dryer System is in progress.

FIXED DEPOSITS :

The number of Deposit-holders, who have not claimed their deposits after maturity as on 31st March, 2007 were 23 and the amount outstanding as on that date was Rs. 14.18 Lakh.

COST AUDIT :

Cost Audit in respect of manufacture of Sugar and Industrial Alcohol has been made compulsory for every year. Your directors have appointed Shri. V.V. Deodhar, Cost Accountant, Mumbai, as Cost Auditor for the year 2006 - 07. Approval of Central Government is received for his appointment.

DIRECTORS :

Sarvashri. Shri. S. N. Inamdar, Shri. V. Balsubramanian and Shri. M. G. Joshi, retire by rotation and being eligible offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

We confirm :

- i] That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii] That the directors have selected such accounting policies and applied them consistently and made judgment and estimates that 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 or loss of the Company for that period.
- iii] That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv] That the directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

Your Company has been following good Corporate Governance since its inception. As required under SEBI Guidelines, a Corporate Governance Report is annexed.

CHANGE IN FINANCIAL YEAR :

As informed earlier the Company has changed its Financial Year from 1st October to 30th September every year to 1st April to 31st March every year, from the financial year 2006-07. Hence, the current Financial Year (i. e. F. Y. 2006-07) is only of **six months**.

THE UGAR SUGAR WORKS LIMITED

CO-GENERATION :

Our Co-Generation project is first of its kind in Karnataka State, using non-conventional energy source i.e. Bagasse as fuel. During this year electricity generated was 862.62 Lakh KW of which we have exported 476.54 Lakh KW through Tata Power Trading Company by consuming 3.19 Lakh MT of Bagasse which consists of purchased quantity of 0.9 Lakh MT from neighbouring sugar factories. The generation cost per unit of electricity has gone down in view of reduction in the cost of bagasse.

ETHANOL (ABSOLUTE ALCOHOL) PROJECT :

The Oil Companies have recently finalised the tenders for purchase of ethanol during current year. The demand is likely to go up in this respect. Our Company has received orders from Bharat Petroleum Co. Ltd., Andhra Pradesh Depot for supply of 4 Lakh Ltrs. of Ethanol.

DEMATERIALIZATION OF SHARES :

The Company has provided connectivity with NSDL & CDSL for dematerialization of its shares for trading in electronic form. The Company has been allotted ISIN-No.INE071E01023 for this purpose. So far, 5.83 crore shares have been dematerialised by the shareholders, i.e. 64.82% of total shareholding. As per SEBI requirement a common agency has to be appointed for acting as Registrar and Share Transfer Agent for handling the work relating to physical and dematerialized form of shares. In view of this our Company has appointed M/s. Big Share Services Pvt. Ltd. as the Registrar and Transfer Agents of the Company with effect from 03rd July, 2007 as Common Agency to handle both physical and demat shares work. All the members are requested to take note of this.

EXPANSION AND DIVERSIFICATION :

Greenfield Projects :

1. Jewargi Unit :

The civil work and machinery installation work is in progress and almost 50% to 60% of the machineries have reached the site. We expect to commission the co-generation plant by the end of August, 2007 and trial crushing season will start by beginning of season 2007-08.

2. Joint Venture Sadashiva Sugars Ltd. :

The civil work and machinery installation work is in progress and almost all the machineries have reached the site except Milling Tandem. We expect to commission the co-generation plant by the end of August, 2007 and trial crushing season will start by beginning of season 2007-08.

Packaging Unit :

Considering the packaging need of our 100% EOU, the Company has decided to set up a joint venture packaging unit named as "Ugar Quality Packaging Pvt. Ltd.", at Ratnangiri with Shri. Jitendra Joshi, who has technical expertise in packaging industry and is already having a packaging unit at Ratnangiri, named as "Quality Screen". The machinery installation work is in progress. The commercial production will start by September, 2007.

Export Oriented Unit :

The 100% EOU for manufacture of Sugar Ships is now completely ready and it has commenced its production from January, 2007. During the year under review we have exported 20,165 boxes of Sugar Ships to M/s Fragies (GmbH), Germany, worth nearly Rs. 24.77 Lakh.

ONE M. W. BIO-GAS CO-GENERATION PROJECT FROM BIO-GAS PRODUCED FROM DISTILLERY EFFLUENT :

The Company's 1 MW Bio-gas Power Generation Plant for utilizing Biogas available from Distillery Effluent Treatment plant jointly setup with Indian Institute of Science and National Bio-energy Board is running satisfactory.

ISSUE OF SHARES ON RIGHT BASIS :

The Company is proposing to issue 2.25 crore equity shares of Rs. 1 each at premium of Rs.7 per share (total Rs. 8 per share) on right basis during the Financial Year 2007-08, in the ratio of 1 share for every 4 shares held to augment the long term capital requirement of the company for expansion and new projects. The total amount of money to be raised will be around Rs. 18 crore. The Shareholders approval is required in this respect at the Annual General Meeting.

BOTTLING OF OUR PRODUCTS OUTSIDE UGAR & BOTTLING TILAKNAGAR PRODUCTS AT UGAR DISTILLERY :

We have continued the arrangements to bottle our IML products with M/s. K.S. Distilleries, M/s. Kaycee Distilleries and M/s. S. D. F. Industries in Kerala State. During the year 2006-07 we have bottled 2.28 Lakh cases.

We have produced 1.29 Lakh cases for Tilaknagar Industries, at Ugar and Tilaknagar Industries have produced 0.4 Lakh cases for Ugar, at Tilaknagar during the year 2006-07.

CONSERVATION OF ENERGY AND PARTICULARS OF EMPLOYEES :

Particulars pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo and particulars of employees pursuant to sections 217(1)(e) and 217(2A) respectively of the Companies Act, 1956 have been given under Annexure I & II respectively, forming an integral part of this Report.

AUDITORS :

You are requested to appoint auditors for the ensuing year and to fix their remuneration. Present auditors M/s. P.G. Bhagwat, Chartered Accountants, are eligible for re-appointment.

ACKNOWLEDGMENT :

Your Directors thank the Managements of Central Bank of India, Bank of Baroda, Union Bank of India, The IDBI Ltd. and ICICI Bank Ltd. for providing working capital finance and Central Bank of India, Bank of Baroda, Rabo India Finance Ltd., Rabo Internationals, Axis (UTI) Bank Ltd., Technology Development Board, Sugar Technology Mission, IFCI Ltd. for providing long term finance for capital Investments and Government of India and Government of Karnataka for sanctioning subsidy and Deferment of Cane Purchase Tax and Karnataka Power Transmission Ltd, for transmission of energy export proceeds and Tata Power Trading Co. Ltd., for purchasing power from us.

Your Directors thank the Government of Karnataka, Government authorities, Shareholders, Cane suppliers, workers and staff for their co-operation and contribution to the general progress of the Company.

By order of the Board of Directors
For The Ugar Sugar Works Limited

Place : Panhala
Date : 18-08-2007

R. V. Shirgaokar
Chairman & Managing Director

THE UGAR SUGAR WORKS LIMITED**ANNEXURE I TO THE DIRECTORS' REPORT**

Information pursuant to 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 forming part of the Directors' Report for the period ended 31st March, 2007.

A. CONSERVATION OF ENERGY :

All the energy conservation measures successfully implemented in past are giving satisfactory results. No new equipments have been added during the period starting from 01st October, 2006 to 31st March, 2007 for energy conservation.

FORM A**Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)**

A. <u>Power and Fuel Consumption</u>		31.03.2007	30.09.2006
		(6 months)	(12 months)
1. <u>Electricity :</u>			
a] Purchased Unit :	Lakh KWH	3.09	2.19
Total Amount	Rs. Lakh	16.80	18.68
Rate / Unit	Rs./KWH	5.45	8.52
Import of Unit	Lakh KWH	19.18	35.33
b] Own Generation :			
i) Through Diesel Generator Units	Lakh KWH	1.60	7.11
Standard units /per Ltr. Of Diesel	KWH/Ltr	3.50	3.50
Actual units / per Ltr. Of Diesel	KWH/Ltr	3.67	3.25
ii) Through Steam Turbine / Generator Units	Lakh KWH	861.02	1,335.03
Standard kg Bagasse / KWH		3.00	3.00
Actual KG Bagasse / KWH		3.69	3.58
iii) Total units generated	Lakh KWH	862.62	1,342.14
Total Cost of Generation	Rs. Lakh	2,534.39	4,436.98
Cost Per Unit	Rs.	2.94	3.31
B. <u>Consumption per unit of production :</u>			
Total available electricity (Generation+Purchase)	Lakh KWH	884.88	1,379.66
Less : Exported to Third Party	Lakh KWH	—	716.11
Less : Exported to Tata Power	Lakh KWH	476.54	—
Total electricity available for Consumption	Lakh KWH	408.34	663.55
Less : Consumption of electricity for Distillery, IML, Co-Gen, ETP, FSS, -			
Pumping Stn. And Colony	Lakh KWH	160.53	287.59
Consumption for Sugar Factory	Lakh KWH	247.81	375.96
Electricity - KWH / MT of Sugar		180	205

TECHNOLOGY ABSORPTION**FORM - B**

Disclosure of particulars with respect to Technology Absorption (to the extent applicable).

Research and Development (R & D).**1) Efforts in brief made towards technology absorption, adoption and innovation.**

The Company carries out Research and Development in sugarcane, process modifications in the sugar production, quality liquor and Ethanol production, improvement in Technology, Cogeneration of power and bi-methanation from press mud and zero effluent discharge system.

2) Benefit derived as a result of the above efforts:

Product improvement, cost reduction, product development, imports substitution etc.

Sugarcane :

We are continuing with our efforts to locate more dual – purpose varieties, which could give good cane yields, excellent recoveries and reasonably high fibre content. Co-88025 and Co-94012 (Both are Soma-clones of CoC-671) will replace or supplement CoC-671 (Q63 x Co-775) so as to obtain an average seasonal recovery of 12.50% plus. We are trying to stop the spread of the undesirable variety viz. Co-8011 (Co-740 x Co-6304). We will totally stop receiving Co-7704 (Co-740 x Co-6806) variety during 2007-08 crushing season as it is a good yielder of poor quality cane. Co-8011 and Co-7704 will be replaced by Co-86032 (Co-62198 x CoC-671), Co-85019 (Co-7201 x Co-775) and COM-88121 (Co-740 x Co-6806). Co-7508, Co-85019 and Co-89014 show good promise in saline soils. Co-95020 is in the pipeline and the suitable variety for Co-generation plant.

Bio-fertilizers viz. Azotobacter, Acetobacter, Azospirillum, Phosphate Solubilizing Microbial (P.S.B./P.S.M.) inoculants are cost-effective as their application works out to be substantially less expensive vis-à-vis chemical fertilizers and contribute significantly towards enhancing the Productivity of land.

This is the 9th year of conducting Initial Varietal Trials, AVT (Autumn and Spring), MLVT of All India Co-ordinated Research Project (AICRP) to evaluate the performance of Zonal varieties and thus it will give a chance to select suitable varieties. Important trial on **“Evolving Multitasking technology and studies on the Multitasking Potential of Sugarcane Varieties”** is laid under the guidance of Dr. B. Sundara, Principal Scientist, Head, Crop Production, Sugarcane Breeding Institute, Coimbatore. The S.B.I., Coimbatore supplied 5000 clones for screening of White Woolly Sugarcane Aphid. Three most promising Sugarcane White Woolly Aphid resistant clones, viz. SNK44, SNK49 and SNK754 will be multiplied to conduct large scale yield trials across agro-ecologies on Northern Karnataka to know their suitability for commercial cultivation under the guidance of The University of Agricultural Sciences, Dharwad. CoS derivative of 8436 GC (COVC 2003-165) will also be tested for resistant to White Woolly Sugarcane Aphid.

The trials conducted under the guidance of S.B.I., Coimbatore, U.A.S., Dharwad and AICRP on Sugarcane (ICAR, New Delhi) are highly appreciated by the concern authorities. There are 40 odd new sugarcane varieties under trial in our R and D Farm. The U.A.S., Dharwad sanctioned us a project for multiplication of predator, Brown lace wings (Micromus Sp.) in the laboratory to control White Woolly Sugarcane Aphid – WWSA – Ceratovacuna lanigera Zehnt.