

THE UGAR SUGAR WORKS LIMITED

68th ANNUAL REPORT

2007 -2008





Shri. B. N. Kalyani, receiving "**Padmabhushan Award**" at the hands of
Sou. Pratibhatai Patil, Hon'ble President of India.

THE UGAR SUGAR WORKS LIMITED

SIXTY EIGHTH ANNUAL REPORT 2007-08

BOARD OF DIRECTORS

(As on 25 - 07 - 2008)

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

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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.
 Rabo India Finance Ltd.
 ICICI Bank Ltd.
 HDFC Bank Ltd.
 AXIS Bank Ltd.
 Bank of India.

Annual General Meeting

FRIDAY, THE 29TH AUGUST, 2008 AT 11.30 A.M.
AT KHARE MANGAL KARYALAYA, VISHRAMBAG, SANGLI 416415.

THE UGAR SUGAR WORKS LIMITED

REGD. OFFICE: MAHAVEERNAGAR [WAKHAR BHAG], SANGLI- 416416.

NOTICE

NOTICE is hereby given that Sixty-eighth Annual General Meeting of THE UGAR SUGAR WORKS LIMITED will be held on Friday, the 29th day of August, 2008 at 11.30 a.m. at KHARE MANGAL KARYALAYA, VISHRAMBAG, SANGLI to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 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. A. B. Kage, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. B. S. Patil, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri. D. B. Shah, 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.

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

**B. G. Kulkarni
Company Secretary**

Place: Panhala
Date: 25-05-2008

NOTES

1. The Register of Members and the Share Transfer Books of the Company will remain Closed from 18th August, 2008 to 29th August, 2008 (both days inclusive). Dividend @ 20% for the year ended 31st March, 2008, if declared at the AGM, will be paid on and from 30th August, 2008:
 - a) to those Members, holding shares in physical mode, whose name appears on the Register of Members of the Company, at the close of business hours on Thursday, 14th August, 2008 after giving effect to all valid transfers, and

THE UGAR SUGAR WORKS LIMITED

- b) in respect of shares held in electronic form, on the basis of beneficial ownership as per the details furnished by NSDL and CDSL at the close of the business hours on Thursday, 14th August, 2008.
- 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. THE PROXY FORM DULY COMPLETED MUST REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 3 Members are requested to notify promptly any change in their addresses to the Company.
- 4 The members are requested to bring their copies of Annual Report along with them to the Annual General Meeting.
- 5
 - i) The members who have not yet encashed their dividend warrants for the years 2000- 01, 2001-02, (in the year 2002-03 we have not declared dividend due to loss), 2003-04, 2004-05, 2005- 06 and 2006-07 are advised to forward such warrants to the Registered Office for obtaining cheques in lieu thereof.
 - ii) Pursuant to the provisions of section 205-A and 205C, any dividend remaining unclaimed for a period of seven years from the due date of payment is required to be transferred to the Investor Education And Protection Fund. The unclaimed dividends for the financial year ended 1999 - 2000 have been transferred to the Investor Education And Protection Fund.
- 6 Members are requested to quote their folio number/s or Client ID in all correspondence with the Company.



68th ANNUAL REPORT**DIRECTORS' REPORT****DEAR SHAREHOLDERS,**

Your Directors have pleasure in presenting their 68th Annual Report together with the Audited Financial Statements for the period ended 31st March, 2008.

PADMABHUSHAN TO SHRI. B. N. KALYANI:

The Board of Directors are pleased to inform that Shri. B. N. Kalyani, member of our Board has received the prestigious "Padmabhushan Award" at the hands of President of India in the year 2008 for his contribution to the industrial development in India.

GENERAL:

All India Production of sugar for the season 2007-08, has slightly reduced to 270 Lakh MT as compared to earlier year production of 283 Lakh MT. The sugar production is further likely to go down in the season 2008-09 to approximately 245 Lakh MT. The Government of India has announced transport subsidy for export and created Buffer Stock for the year 2006-07 to help the Sugar Industry and stabilize the sugar prices. As much as 40 Lakh MT sugar has been exported by Sugar Mills in this period.

Our total crushing at Ugar (includes Tasgaon 9,613 MT and Phaltan 32,455 MT), during the season 2007-08 was 19.49 Lakh MT of sugar cane with bagging of 22.11 Lakh Qtls. of sugar with a recovery of 11.52%. 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	31.03.2008 Rs. in Lakh	31.03.2007* Rs. in Lakh
Profit before Depreciation & Amortisation	2,846.20	982.54
Depreciation & Amortisation	1,401.38	655.89
Profit Before Tax	1,444.82	326.65
Provision for Tax, (including deferred tax adjustment, short/excess provision for tax and provision for FBT)	5.40	(150.11)
Profit after Tax / Net Profit	1,439.42	176.54
Balance of profit brought forward from previous year	418.24	241.70
Profit available for appropriation	1,857.66	418.24
Appropriation to General Reserve	1,000.00	0.00
Proposed Dividend	180.00	0.00
Corporate Dividend Tax	30.59	0.00
Balance Carried in Profit and Loss Account	647.07	418.24
Earning Per Share (EPS)	1.60	0.20

*Note: The Financial Year ended 31.03.2007 (FY 2006-07) was of 6 months only hence Comparison between FY 2007-08 and FY 2006-07 is not possible.

DIVIDEND:

Your Directors are pleased to recommend a dividend @ 20% i.e. Rs. 0.2 per share.

THE UGAR SUGAR WORKS LIMITED**OPERATIONS:****SUGAR AT UGAR :**

Particulars	Accounting Year and Season 2007-08	Accounting Year and Season 2006-07
Date of beginning of crushing season	17.10.2007	27.11.2006
Date of ending of crushing season	—	—
Number of Working Days	167	124
Sugar Cane Crushed (Lakh MT)	19.07	11.40
Recovery	11.58 %	11.88 %
Sugar Produced (Lakh Qtls.)	21.66	13.55

DISTILLERY, IML PRODUCED & ELECTRICITY GENERATED:

Particulars	Accounting Year and Season 2007-08	Accounting Year and Season 2006-07
Rectified Spirit Produced (Lakh BL)	139.61	69.86
Potable Alcohol Produced (Lakh BL)	67.64	28.44
Denatured Spirit Produced (Lakh BL)	29.32	4.16
Arrack (Lakh BL)	12.95	9.39
Electricity Generated (Lakh KW)	1,821.93	862.62
Electricity Exported (Lakh KW)	1,049.76	476.54

Your Directors expect to procure about 17 Lakh MT sugarcane at Ugar and Jewargi Unit during 2008 - 09 crushing season.

ENVIRONMENTAL SAFETY :

Our Company continues to pursue its environmental friendly approach towards Industrial growth. It 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 one more Evaporator and Dryer System is set up during this year and trials are in progress.

FIXED DEPOSITS :

The number of Deposit-holders, who have not claimed their deposits after maturity as on 31st March, 2008 were 9 and the amount outstanding as on that date was Rs. 4.52 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 Financial Year 2007 - 08. Approval of Central Government is received for his appointment.

DIRECTORS :

Sarvashri. A. B. Kage, B. S. Patil and D. B. Shah, 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 :

Our Company has been following good Corporate Governance since its inception. Our shares are listed on Bombay Stock Exchange Ltd., and we are regularly and timely complying with the filing requirements as per listing agreement. As required under Listing Agreements, SEBI Guidelines, a Corporate Governance Report is annexed.

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 1,821 Lakh KW of which we have exported 1,049 Lakh KW through Tata Power Trading Company by consuming 6.40 Lakh MT of Bagasse which consists of purchased quantity of 0.3 Lakh MT from neighbouring sugar factories.

ETHANOL (ABSOLUTE ALCOHOL) :

The Oil Companies have recently finalised the tenders for purchase of ethanol during current year. The demand for the same has gone up substantially and further it is likely to go up as the international oil prices are touching all time high and that is likely to create huge increase in demand for Ethanol. Our Company has received annual orders for supply of 20.10 Lakh Ltrs., Ethanol from Indian Oil Company, Bharat Petroleum Co. Ltd., and Hindustan Petroleum Corporation Ltd., for various depots in South India.

DEMATERIALIZATION OF SHARES :

Our 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 5.95 Crore shares have been dematerialised by the shareholders, i.e. 66.09% of total shareholding. As per SEBI requirement a common agency M/s. Big Share Services Pvt. Ltd. has been appointed w.e.f 03rd July, 2007 as Registrar and Share Transfer Agent for handling the work relating to physical and dematerialized form of shares and all the shares data, members registers, etc. is transferred to them.

EXPANSION AND DIVERSIFICATION :**Greenfield Projects:****1. Jewargi Unit:**

The civil work and machinery installation work has been completed at this unit and trial crushing has started w.e.f. 29th April, 2008. This unit is expected to produce good results from sugar season 2008-09 onwards.

2: Joint Venture Sadashiva Sugars Ltd.

The civil work and machinery installation work has been completed at this unit and trial crushing has started w.e.f. 7th April, 2008. This unit is expected to produce good results from sugar season 2008-09 onwards.

THE UGAR SUGAR WORKS LIMITED

Leased Units

1. Tasgaon Unit:

The Maharashtra State Co-operative Bank Ltd., has taken over the Tasgaon Palus Taluka Sahakari Sakhar Kharkhana Ltd., Tasgaon under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 on 30th August, 2007 and they have given this unit on lease to Shri. Ganapati Zilla Krishi Audyogik Sarva Seva Sahakari Society Ltd., w.e.f. from 08th October, 2007. This acquisition has resulted in automatic termination of lease between The Ugar Sugar Works Ltd., and Tasgaon Palus Taluka Sahakari Sakhar Kharkhana Ltd.

2. Phaltan Unit:

In view of the non-viability and non-profitable working of this unit our Company has terminated the lease agreement with New Phaltan Sugar Works Ltd., Phaltan w.e.f. 31st October, 2007.

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 completed and the Commercial production has started at this unit from December 2007. This unit is working satisfactorily.

Export Oriented (100% EOU):

The 100% EOU for manufacture of Sugar Ships has commenced its commercial production from 1st February, 2008. During the year under review we have exported 26.37 quintals of Sugar Ships to M/s Frabies (GmbH), Germany, worth nearly Rs. 82.48 Lakh. Although the supplier of the machinery M/s. Kloeckner, has assured the production of 75,000 ships per hour, the machinery has not performed to that extent, similarly expected orders from M/s. Frabies are not coming forward as assured. We are following up with both of them in this regard.

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 India's Institute of Science and National Bio-energy Board was running for last 8 years. As all the four engines have come for major overhauling, we have discontinued the operations and the Bio-gas is now being used for Hot Gas Furnace in our Evaporator & Drying plant.

ISSUE OF SHARES ON RIGHT BASIS :

The Draft Letter of Offer for issue of 2,25,00,000 equity shares of Re.1 at a premium of Rs.7 in the ratio of one share for every four shares held on the record date is filed with SEBI on 1st February, 2008, approval from SEBI is awaited. The company has received in principal approval for listing of our shares issued on Rights basis on Bombay Stock Exchange Ltd., vide their letter no. DCS/PREF/JA/IP-RT/3722/07-08 Dt. 28th March, 2008.

BOTTLING :

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 2007-08 we have bottled 5.18 Lakh cases.

During the year we have bottled 0.52 Lakh cases of Tilaknagar Industries, at Ugar. Tilaknagar Industries has terminated Bottling Agreement for bottling of their products at Ugar w.e.f 1st July, 2007 and we have also terminated our Bottling Agreement for bottling our products at Tilaknagar.