

The Ugar Sugar Works Limited

70th ANNUAL REPORT 2009-10

BOARD OF DIRECTORS (As on 28-05-2010)

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

Company Secretary & Compliance Officer

Shri. B. G. Kulkarni

Ugarkhurd 591 316 (Dist- Belgaum)

Phone: 08339-272230

Fax: 08339-272232

Email: bg.kulkarni@ugarsugar.com

Auditors

M/s. P. G. Bhagwat

Chartered Accountants

Manoj Arcade, Tilakwadi,

Belgaum: 590 006

Phone: 0831-2429306

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Registered Office :

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

Administrative Office :

Ugar khurd-591 316 (Tal- Athani, Dist- Belgaum)
Phone: 08339-272230
Fax: 08339-272232

Registrar & Transfer Agent :

Bigshare 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

Plants: Ugar Khurd, Malli (Jewargi)

Bankers:

Central Bank of India
Bank of Baroda
IDBI Ltd.,
Bank of India

Axis Bank Ltd.,
Union Bank of India
ICICI Bank Ltd.

Annual General Meeting

Saturday, the 25th day of September, 2010 at 11.00 a.m.
at Rajmati Bhavan, Neminath Nagar, Sangli-416 416.

THE UGAR SUGAR WORKS LIMITED

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

NOTICE

NOTICE is hereby given that Seventieth Annual General Meeting of THE UGAR SUGAR WORKS LIMITED will be held on Saturday, the 25th day of September, 2010 at 11.00 a.m. at Rajmati Bhavan, Neminath Nagar, Sangli, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2010 and the Profit and Loss Account for the period ended as on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri. S. N. Inamdar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. M. G. Joshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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:

5. **To consider and if thought fit, to pass, with or without modification, following resolution as an Ordinary Resolution:**

"Resolved that, Shri. Sanat K. Shirgaokar, who was appointed by the Board of Directors of the Company as an Additional Director on 28th January, 2010, holds office up to the date of this Annual General Meeting and in respect of whom, a notice in writing under section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Shri. Sanat K. Shirgaokar, for the office of Director, being eligible, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"Resolved that, pursuant to the provisions of section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Article No 92 of the Articles of Association of the Company be substituted with the following New Article No. 92:

Article No. 92:

- A. Subject to the provisions of the Act, a Managing Director or Managing Directors and any other Director/s who is/are in the whole-time employment of the Company may be paid remuneration either by way of monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- B. Subject to the provisions of the Act, a Director other than any Director appointed under Articles 110 who is neither in the whole time employment nor a Managing Director may be paid remuneration either:
 - i) by way of monthly, quarterly or annual payment, or
 - ii) by way of commission.
- C. The fees payable to Non-executive Directors for attending a meeting of the Board or Committee thereof shall be within the limits approved by the Central Government from time to time.

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

“Resolved that, pursuant to the provisions of section 198, 309, 310, 349, 350 and any other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, permissions or sanctions as may be necessary, the consent of the shareholders of the Company be and is hereby accorded to the Board of Directors of the Company to decide and pay the remuneration by way of commission (over and above the payment of sitting fees) to the Directors of the Company (other than Managing Director or a Director who is in the wholetime employment of the Company), a sum not exceeding one percent per annum of the Net Profits of the Company computed in the manner laid down in section 349 and 350 of the Companies Act, 1956, in any financial year upto a period of 5 years, commencing from Financial Year ending on 31st March, 2011.

Resolved further that, for the purpose of giving effect to this resolution, the Board of Directors be and are hereby authorized to take all actions and do all such deeds, matters and things as it may in its absolute discretion being necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.”

Place: Pune
Date: 28-05-2010

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

B. G. Kulkarni
Company Secretary

NOTES

1. The Register of Members and the Share Transfer Books of the Company will remain Closed from 13th September, 2010 to 25th September, 2010 (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. 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. The relevant explanatory statement pursuant to section 173(2) of the Companies Act 1956, in respect of Special Business specified under item No.5 to 7 of the Notice is annexed hereto.
4. Members are requested to notify promptly any change in their addresses to the RTA/Company.
5. The members are requested to bring their copies of Annual Report along with them to the Annual General Meeting.
6.
 - i) The members who have not yet encashed their dividend warrants for the years 2003-04, 2004-05, 2005-06, 2007-08, and 2008-09 (In the years 2002-03 and 2006-07 Company has not declared any dividend) are advised to forward such warrants/ request to the Registered Office of the Company 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 2001-02 have been transferred to the Investor Education and Protection Fund.
7. Members are requested to quote their folio number/s or Client ID in all correspondence with the Company.
8. All the shareholders, who have not yet applied for Permanent Account Number (PAN) are requested to apply for the same as investment in shares will require PAN irrespective of amount. SEBI vide its Circular dated 20th May, 2009 has clarified that for securities market transactions and off-market/ private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ RTAs for registration of such transfer of shares.

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. 5 to 7 mentioned in the accompanying Notice dated 28th May, 2010 and should be taken as forming part of it.

Item No. 5

Shri. Sanat K. Shirgaokar was appointed as an Additional Director on 28th January, 2010 on the Board of the Company. He is liable to retire at the ensuing Annual General Meeting and being eligible offered himself for reappointment. A notice in writing proposing the candidature of Shri. Sanat K. Shirgaokar for the office of director is received by the Company, hence this resolution is recommended to the members for their approval as an Ordinary Resolution.

Mr. Sanat Shirgaokar has completed his Bachelors Degree in Commerce from the Shivaji University. In his 20 year old professional career, he has handled several businesses of the Shirgaokar Group ranging from tile / mosaic manufacturing to sugar engineering as well as hotel management. He was also executive director of M/s Sadashiva Sugar Ltd.

He is a keen sportsman, having played football, basketball and swimming at a very good level.

Item No. 6

The present Articles do not provide for Remuneration to Non-Executive Directors. In order to enable the Board to remunerate the Non-Executive Directors for their contribution in the management of the Company, it is proposed to amend the Articles of Association to replace Article No. 92 in the Articles of Association of the Company. The resolution is recommended to the members for their approval as a Special Resolution.

Item No. 7:

The Chairman and Non-executive Directors are required to devote more time and attention, more so with the requirement of the corporate governance policies, the Board of Directors in their meeting held on 19-03-2010, recognised the need to suitably remunerate the Director/ s of the Company who are neither in the wholetime employment with such commission with a ceiling of 1% of the net profits of the Company every year, computed in the matter specified in the Companies Act, 1956 or such other limit as may be approved by the Central Government for a period of 5 years from the financial year commencing from 01st April, 2010. Quantum of the said commission will be apportioned among the Non-executive Directors including Chairman commensurate with their performance which will be adjudged by the Board of Directors. The resolution is recommended to the members for their approval as a Special Resolution.

Memorandum of Interest:

None of the Directors except Shri. Sanat Shirgaokar is interested in the Resolution No. 5.

Except the Executive Directors, all other Directors are interested in Resolution Nos. 6 and 7.

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

B. G. Kulkarni
Company Secretary

Place: Pune
Date: 28-05-2010

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

Your Directors have pleasure in presenting their 70th Annual Report together with the Audited Financial Statements for the period ended 31st March, 2010.

GENERAL:

The Financial Year and Sugar Season 2009-10 was very dramatic for the entire sugar industry. As per the Agriculture Ministry's Report, during the crushing season 2009-10 the production was expected only upto 145 Lakh MT initially which lead to huge spurt in sugar prices upto January, 2010. Further Sugar Imports were allowed duty free and sugar export was banned. Government increased the Levy Sugar Ratio from 10% to 20% to improve the quantity of sugar for public distribution and to ease the sugar prices. The price of Levy Sugar remained unchanged at Rs. 1,345 per Qtl., till 31st March 2010. But suddenly the scenario changed as the production estimates were changed due to late rains and the sugar production was expected around 185 Lakh MT due to which sugar prices tumbled. The cane area is expected to increase during Sugar Season 2010-11 and the production is expected to be around 210 Lakh MT.

Our total crushing at Ugar and Jewargi, during the season 2009-10 was 16.29 Lakh MT of sugar cane with bagging of 18.64 Lakh Qtls. of sugar with a recovery of 11.54% and 10.09% respectively. The ratio of Levy to Free has been changed to 20% Levy and 80% Free sale.

FINANCIAL RESULTS:

The financial results of the Company are as shown below:

Particulars	31.03.2010 Rs. in Lakh	31.03.2009 Rs. in Lakh
Profit before Depreciation & Amortisation	636.11	4,673.21
Depreciation & Amortisation	(3,442.45)	1,690.40
Profit Before Tax	(2,806.34)	2,982.81
Provision for Tax, (including deferred tax adjustment and short / excess provision for tax)	802.70	1,495.90
Profit after Tax / Net Profit	(2,003.64)	1,486.91
Balance of profit brought forward from previous year	604.93	647.07
Profit available for appropriation	(1,398.71)	2,133.98
Appropriation to General Reserve	0.00	1,200.00
Proposed Dividend	0.00	281.25
Corporate Dividend Tax	0.00	47.80
Balance Carried in Profit and Loss Account	(1,398.71)	604.93
Earning Per Share (EPS)	(1.78)	1.54

REASONS FOR LOSS FOR THE FY 2009-10

The Company has suffered a loss of Rs. 1,398.71 Lakh during the Financial Year 2009-10 after adjusting carried

forward profits for previous year as compared to profit of Rs. 2,133.98 Lakh during last year due to following reasons:

- The Company has paid additional cane price of Rs. 300/- (total Rs. 1,700/-) amounting to Rs.3,436.36 Lakh for the season 2008-09.
- The average rate of Electricity exported has come down from Rs.7.48 per unit in the previous year to Rs.3.36 per Unit in current year.
- Depreciation provided on the assets pertaining to Jewargi Unit amounted to Rs. 2,155.22 Lakh and interest on Term Loans pertaining to Jewargi Unit amounted to Rs. 766.17 Lakh aggregating to Rs. 2,921.39 Lakh i.e. depreciation and interest on Jewargi Unit during Financial Year 2009-10.
- Higher payment of Harvesting & Transport charges amounting to Rs. 834.80 Lakh has increased the cost of production at Jewargi Unit and further substantial fall in ex-factory sugar prices from Rs. 3,900 per Qtl. to Rs. 2,600 per Qtl. has resulted into loss at Jewargi Unit being production cost more than the market price.

Management's view on future operations :

Although there is a loss at Jewargi Unit, the unit has performed well during the season 2009-10. We were able to crush around 2.02 Lakh MT of sugar cane and production was 2.08 Lakh Qtls of sugar at a recovery of 10.09%. The harvesting cost will be reduced in the coming season by bringing more cane from nearby area and improvement in the recovery by procuring better quality cane. Management is confident of turning the table during the coming years by improving the performance of Jewargi as well as all other units and to show profits during the coming year.

DIVIDEND:

In view of inadequate profits, your directors have not recommended any dividend for the Financial Year 2009-10.

OPERATIONS:

SUGAR at UGAR :

Particulars	Sugar Season 2009-10	Sugar Season 2008-09
Date of beginning of crushing season	26-10-2009	10-10-2008
Date of ending of crushing season	03-04-2010	01-03-2009
Number of Working Days	160	143
Sugar Cane Crushed (Lakh MT)	14.27	13.34
Recovery	11.54%	10.94%
Sugar Produced (Lakh Qtls.)	16.56	14.68

SUGAR at JEWARGI:

Particulars	Sugar Season 2009-10
Date of beginning of crushing season	02-11-2009
Date of ending of crushing season	21-04-2010
Number of Working Days	171
Sugar Cane Crushed (Lakh MT)	2.02
Recovery	10.09%
Sugar Produced (Lakh Qtls.)	02.08

DISTILLERY, IML PRODUCED & ELECTRICITY GENERATED:

Particulars	Financial Year 2009-10	Financial Year 2008-09
Rectified Spirit Produced (Lakh BL)	85.94	98.87
Denatured Spirit Produced (Lakh BL)	16.95	38.33
Potable Alcohol Produced (Lakh BL)	82.25	53.87
Electricity Generated (Lakh KW)	1,358.60	1,247.71
Electricity Exported (Lakh KW)	772.57	697.11

Electricity includes generation & export of Jewargi Unit.

Your Directors expect to procure about 20 Lakh MT sugarcane at Ugar and Jewargi Unit during 2010-11 crushing season.

ENVIRONMENTAL SAFETY:

Our Company continues to pursue its environmental friendly approach towards Industrial growth. Constant improvements are being made in the process and equipments, to minimize the discharge of effluents and emissions.

FIXED DEPOSITS:

The number of Deposit-holders, who have not claimed their deposits after maturity as on 31st March, 2010 were 4 and the amount outstanding as on that date was Rs. 4.42 Lakh.

COST AUDIT:

Our Company has received the approval of Central Government for the appointment of Shri. V. V. Deodhar- Cost Auditor, Mumbai to conduct the Cost Audit of Sugar and Industrial Alcohol for the Financial Year 2009-10.

DIRECTORS:

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

Shri. Sanat K. Shirgaokar was appointed as an Additional Director on 28th January, 2010. He being eligible, offers himself for re-appointment and a notice from a member proposing his candidature has been received under section 257 of the Companies Act, 1956.

Shri. B. N. Kalyani and Shri. B. S. Patil have resigned from the Board w.e.f. 19th March, 2010. The Board places on record its appreciation for the services rendered by them during their tenure as member of the Board.

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. The shares of our Company 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 SEBI Guidelines, a Corporate Governance Report is annexed.

CO-GENERATION AT UGAR:

During this year electricity generated was 1,128.11 Lakh KW at Ugar of which we have exported 611.72 Lakh KW through Tata Power Trading Company by consuming 4.27 Lakh MT of Bagasse. During the Financial Year 2009-10 the electricity purchase rate was very low, due to which export of power has come down. The repaired turbine was received at the middle of the crushing season 2009-10, however due to low tariff rates we have not operated the same. The average electricity export rate realised during the season was Rs 3.36 at Ugar and Rs 4.25 at Jewargi.

DISTILLERY:

The production of Rectified Spirit was 85.93 Lakh BL as compared to 98.87 Lakh BL during the previous year. The Evaporator and Dryer System of the ETP has underperformed due to technical problems resulting in lower production.

During the year under review, the production of ethanol has come down substantially due to absence of demand from the Oil Companies.

INDIAN MADE LIQUOR (IML):

The Company manufactured 9.39 Lakh cases during this year as against 6.14 Lakh cases during the previous year. During the year the sales have gone up by 53% as compared to last year. Company is making further efforts to enter in the Andhra Pradesh, Delhi liquor market in addition to Karnataka and Kerala.

Company has introduced new premium range "Sandpiper" Whisky and Brandy into the market which is well received. We expect to substantially improve the performance during the next year.

EXPORT ORIENTED SUGAR SHIP (100% EOU):

During the year under review the EOU has exported sugar ships worth Rs. 260 Lakh as against Rs. 71.73 Lakh in the previous year to M/s Frabies (GmbH), Germany including one container each exported to Dubai and Qatar. The export orders from M/s. Frabies could take good shape after their agreement with Netto materialized from November, 2009. Although the supplier of the machinery M/s. Kloeckner, has assured the production of 75,000 ships per hour, the maximum production achieved till the previous year was approximately 50,000 ships per hour. Due to the modifications carried out internally by our staff, the production of 58,000 to 60,000 exportable ships is possible now. M/s. Frabies (GmbH), Germany, who are supposed to buy-back 100% of the capacity, has not been able to do so in the current year. We are following up with both of them in this regard.

The EOU has maintained the positive NFE status as achieved in the previous year. We have received the permission from Asst. Development Commissioner, Bangalore, for sale of sugar ships in Domestic Tariff Area (DTA). The DTA sales activity and brand development as per consultation with SAMSIKA MARKETING CONSULTANTS PVT LTD., MUMBAI are being done. The DTA sales are picking up slowly and we could sell sugar ships worth Rs. 3.98 Lakh during the year.