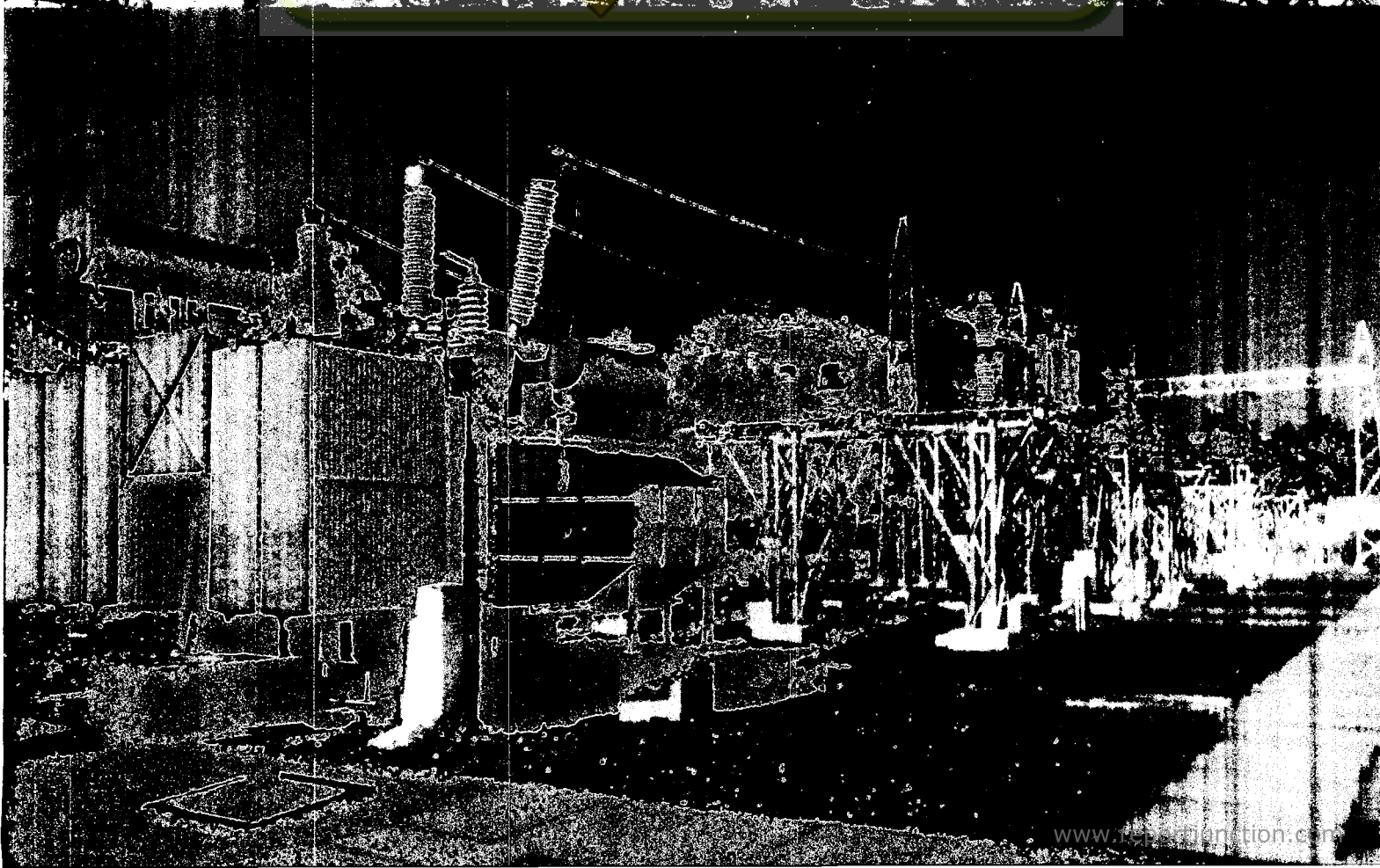


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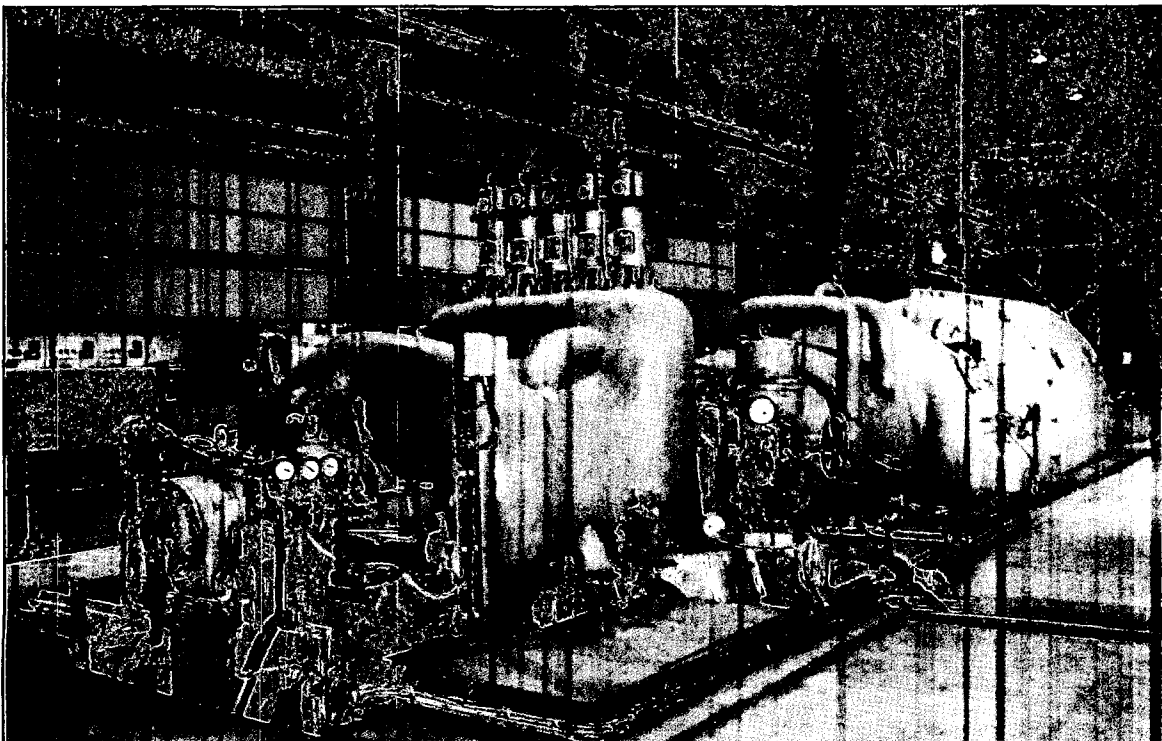
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1997-98*



Machinery for Co-generation Project



22.5 MW Shin Nippon Turbine



30MW Siemens Turbine

MD	✓	BKC	✓
CS	✓	DPY	NA
RO	✓	IV	✓
TRA	NA	AG	✓
AGM	✓	SHI	✓
YE	✓		✓

THE UGAR SUGAR WORKS LTD.,

FIFTY-EIGHTH ANNUAL REPORT 1997-98

BOARD OF DIRECTORS

Shri. S. S. Shirgaokar	Chairman
Shri. V. Balsubramnian	IREDA Nominee
Shri. R. R. Bhide	Director
Shri. M. G. Joshi	"
Shri. R. M. Desai	"
Shri. B. N. Kalyani	"
Shri. A.B. Kage	"
Shri. M. B. Karmarkar	"
Shri. S. N. Inamdar	"
Shri. B.P. Shaha	"
Shri. K.P. Shirgaokar	"
Shri. R.V. Shirgaokar	Managing Director
Shri. P.V. Shirgaokar	Executive Director
Shri. Shishir S. Shirgaokar	Wholetime Director

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* ♦ *

Registered Office :

Mahaveernagar (Wakhar Bhag)
Sangli 416 416

Factory and Administrative Office :

Ugar-Khurd 591 316
Dist. - Belgaum

Company Secretary :

Shri B. G. Kulkarni

Auditors :

Messrs P.G. Bhagwat
Chartered Accountants
Belgaum

Bankers :

Central Bank of India
Bank of Baroda
Union Bank of India
The United Western Bank Ltd.
The Sangli Bank Ltd.

Annual General Meeting :

Saturday, 20th March, 1999, at 11.00 a.m.
at Bhide Mangal Karyalaya, Timber Area, Sangli 416 416.

THE UGAR SUGAR WORKS LIMITED

REGD.OFFICE : MAHAVEERNAGAR[WAKHAR BHAG] SANGLI 416416

NOTICE

NOTICE is hereby given that the Fiftyeighth Annual General Meeting of THE UGAR SUGAR WORKS LIMITED will be held on SATURDAY, the 20th March, 1999 at 11.00 a.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 at 30th September, 1998 and the Profit and Loss Account for the year ended 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.P.Shaha, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. A.B.Kage, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. To appoint a Director in place of Shri.S.N.Inamdar, who was appointed to fill up the casual vacancy u/s 262 of The Companies Act, 1956, and who holds office up to the date of this Annual General Meeting and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Shri.M.G.Joshi, who was appointed to fill up the casual vacancy u/s 262 of The Companies Act, 1956, and who holds office up to the date of this Annual General Meeting and being eligible, offers himself for re-appointment.
8. To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:
 "Resolved that pursuant to the provisions of sections 198,309,310, Schedule XIII and other applicable provisions of The Companies Act, 1956 and in partial modification of the Special Resolution passed by the members at 54th Annual General Meeting held on 23rd September, 1994, consent of the Company be and is hereby accorded for the following amendment in the terms of the remuneration payable to the Managing Director of Company Shri. R.V.Shirgaokar w.e.f. 22nd September 1997 to the rest of the term of the office of the Managing Director. The Company shall contribute to the Provident Fund at the rate of 12% of the salary payable to Managing Director."
9. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution
 "Resolved that pursuant to the provisions of sections 198,309,310, Schedule XIII and other applicable provisions of The Companies Act, 1956 and in partial modification of the Special Resolution passed by the members at 54th Annual General Meeting held on 23rd September, 1994, consent of the Company be and is hereby accorded for the following amendment in the terms of the remuneration payable to the Executive Director of Company Shri. P.V.Shirgaokar w.e.f. 22nd September 1997 to the rest of the term of the office of the Executive Director. The Company shall contribute to the Provident Fund at the rate of 12% of the salary payable to Executive Director."

THE UGAR SUGAR WORKS LIMITED

10. To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:
- "Resolved that pursuant to the provisions of sections 198,309,310, Schedule XIII and other applicable provisions of The Companies Act, 1956 and in partial modification of the Special Resolution passed by the members at 54th Annual General Meeting held on 23rd September, 1994, consent of the Company be and is hereby accorded for the following amendment in the terms of the remuneration payable to the Wholetime Director of Company Shri. Shishir .S.Shirgaokar w.e.f. 22nd September, 1997 to the rest of the term of the office of the Wholetime Director. The Company shall contribute to the Provident Fund at the rate of 12% of the salary payable to Wholetime Director."
11. To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution
- "RESOLVED in supersession of Resolution passed at the Annual General Meeting held on 23rd September, 1994, that, pursuant to provisions of section 269 read together with Schedule XIII to the Companies Act, 1956, section 309 (3), 193 (4), 310 and other applicable provisions of the said Act, and subject to the approval of The Industrial Finance Corporation of India Ltd., the Company hereby accords its approval to the re-appointment of Shri. Rajendra Vinayak Shirgaokar as Managing Director of the Company for a period of Five years from 1st April, 1999, on the terms and conditions set out in the draft agreement a copy thereof initialled by the Chairman for the purpose of identification and submitted to and produced in this meeting, which terms and conditions are hereby specifically sanctioned."
12. To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution
- "RESOLVED in supersession of Resolution passed at the Annual General Meeting held on 23rd September, 1994, that, pursuant to provisions of section 269 read together with Schedule XIII to The Companies Act, 1956, section 309 (3), 193 (4), 310 and other applicable provisions of the said Act, and subject to the approval of The Industrial Finance Corporation of India Ltd., the Company hereby accords its approval to the re-appointment of Shri. Prafulla Vinayak Shirgaokar as Executive Director of the Company for a period of Five years from 1st April, 1999, on the terms and conditions set out in the draft agreement a copy thereof initialled by the Chairman for the purpose of identification and submitted to and produced in this meeting, which terms and conditions are hereby specifically sanctioned."
13. To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution
- "RESOLVED in supersession of Resolution passed at the Annual General Meeting held on 23rd September, 1994, that, pursuant to provisions of section 269 read together with Schedule XIII to The Companies Act, 1956, section 309 (3), 193 (4), 310 and other applicable provisions of the said Act, and subject to the approval of The Industrial Finance Corporation of India Ltd., the Company hereby accords its approval to the re-appointment of Shri. Shishir Suresh Shirgaokar as Wholetime Director of the Company for a period of Five years from 1st April, 1999, on the terms and conditions set out in the draft agreement a copy thereof initialled by the Chairman for the purpose of identification and submitted to and produced in this meeting, which terms and conditions are hereby specifically sanctioned."

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

Panhala
29.01.1999

B. G. Kulkarni
Company Secretary

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from 16th March, 1999 to 25th March, 1999 (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.6 to 13 of the Notice is annexed hereto.
4. If dividend on shares issued prior to 30.09.98 as recommended by the Directors is sanctioned, the dividend warrants will be mailed within fortytwo days from the date of declaration, to those shareholders whose names appear on the Register of Members as on 20th March, 1999.
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 General Meeting.
7. The members who have not yet encashed their dividend warrants for the years 1994-95, 1995-96 & 1996-97 are advised to forward such warrants to the Registered Office for obtaining cheques in lieu thereof.
8. Members are requested to quote their folio number/s in all correspondence with the Company.

ANNEXURE TO THE 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.6 to 13 mentioned in the accompanying Notice dated 29th January, 1999 and should be taken as forming part of it.

Item No 6 :

Shri. S.N.Inamdar was appointed as a Director to fill up the casual vacancy caused by the death of Shri. P.R.Bhagwat. As required u/s 257 of the Companies Act a notice along with deposit of Rs. 500/- has been received from a member signifying his intention to propose appointment of Shri. S.N.Inamdar as a Director. The Board considers it desirable that the Company should continue to avail itself of his services.

Item No 7 :

Shri. M.G.Joshi was appointed as a Director to fill up the casual vacancy caused by the death of Shri. V.D.Diwan. As required u/s 257 of the Companies Act a notice along with deposit of Rs. 500/- has been received from a member signifying his intention to propose appointment of Shri. M.G.Joshi as a Director. The Board considers it desirable that the Company should continue to avail itself of his services.

Item Nos. 8 to 10

In view of the amendment in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 the rate of contribution to Provident Fund has been increased from 10% to 12% of the salary w.e.f. 22nd September, 1997. The Board of Directors of the Company has approved the increased rate of contribution by the Company towards provident fund at 12% of the salary payable to Shri. R.V.Shirgaokar, Managing Director, Shri. P.V.Shirgaokar, Executive Director and Shri. Shishir S. Shirgaokar, Wholetime Director w.e.f. 22nd September, 1997 for rest of the term of office of the Managing Director, Executive Director and Wholetime Director. Approval of the members is presently sought to increase the rate of Provident Fund contribution from 10% to 12% w.e.f. 22nd September, 1997. All other terms of remuneration payable to Shri. R.V.Shirgaokar, Managing Director, Shri. P.V.Shirgaokar, Executive Director and Shri. Shishir S. Shirgaokar, Wholetime Director remain unaltered.

The Board recommends the resolutions for the approval of the members.

Except Shri. R.V.Shirgaokar, P.V.Shirgaokar and Shri. Shishir S. Shirgaokar no other Director of the Company is interested.

Item Nos 11, 12 AND 13

The affairs of the Company are being managed by Shirgaokar family almost from its incorporation. Presently Shri. R.V.Shirgaokar Managing Director, Shri. P.V.Shirgaokar Executive Director and Shri. Shishir S. Shirgaokar Wholetime Director are managing the affairs of the Company very efficiently and effectively in their above capacities.

The present arrangement with these officers is valid upto 5th August, 1999 which will be terminated with mutual consent on 31st March, 1999 and the Board re-appointed them as Managing Directors, Executive Director and Whole-time Director of the Company respectively, for further period of 5 years with effect from 1st April, 1999, in its meeting held on 29th January 1999, subject to the approval of the members in Annual General Meeting and The Industrial Finance Corporation of India Ltd. After getting the approvals necessary agreements will be executed by the Company.

The reappointment of Shri. R.V.Shirgaokar as Managing Director and appointments of Shri. P.V.Shirgaokar and Shishir S. Shirgaokar as Executive Director and Wholetime Director respectively do not require approval of the Central Government, since these are in accordance with the conditions specified in Schedule XIII to The Companies Act, 1956.

Subject to the superintendence, control and direction of the Board of Directors Shri. R.V.Shirgaokar, Managing Director shall be responsible for the general conduct and management of the business and affairs of the Company and shall exercise, subject to such restrictions as may be imposed by the Board, all the powers vested in the Board.

Shri. P.V.Shirgaokar, Executive Director and Shishir S. Shirgaokar, Wholetime Director, shall carry out such duties as may be entrusted to them, subject to the supervision and control of the Board of Directors and they shall also perform such other duties and services as shall from time to time be entrusted to them by the Board of Directors and the Managing Director.

THE UGAR SUGAR WORKS LIMITED

The remuneration and the other terms and conditions have been embodied in draft agreements between the Company and Shri. R.V.Shirgaokar, 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) Managing Director
Rs. 35,000/- per month
 - b) Executive Director
Rs. 30,000/- per month
 - c) Wholetime Director
Rs. 30,000/- 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.

C) Perquisites:

PART A :

- 1) 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 decided by Board.
 - b) Provision of Gas Electricity and 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.5000/-. The actual expenditure or liability incurred by the Company for perquisites in part A shall be restricted to annual salary.

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 Managing Director, Executive Director and Wholetime 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.
- k) Car and Telephone :
Personal long distance calls on telephone and use of car for private purpose shall be billed to them.

Explanation :

1. Wherever context demands, 'family' means the spouse, dependent children and dependent parents of 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 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.

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 Managing Director, the Executive Director and the Wholetime Director the salary mentioned in clause A above and perquisites as detailed above except commission on net profit.

- l) 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.
- m) 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.
- n) 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.
- o) If at any time the Managing Director, Executive Director and Whole Time Director cease to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director, the Executive Director and the Wholetime Director, as the case may be.

Memorandum of Interest

Shri. R.V.Shirgaokar is interested in Resolution under item No. 11 to the extent of remuneration proposed to be paid to him. He may be deemed to be interested in Resolution under item No. 12 as the persons mentioned therein is his relative/ partners, however, he has no pecuniary interest whatsoever.

Shri. P.V.Shirgaokar is interested in Resolution under item No. 12 to the extent of remuneration proposed to be paid to him. He may be deemed to be interested in Resolution under item No. 11 as the persons mentioned therein are his relatives/ partners, however, he has no pecuniary interest whatsoever.

Shri. Shishir S. Shirgaokar is interested in Resolution under item No 13 to the extent of remuneration proposed to be paid to him.

Shri. S.S. Shirgaokar may be deemed to be interested in Resolution No.13 as the person mentioned therein is his relative, however he has no pecuniary interest whatsoever. None of the other Directors is interested in Resolution under Item Nos. 11 to 13.

The copies of previous and proposed agreements with Sarvashri. R.V.Shirgaokar, P.V.Shirgaokar and Shishir S. Shirgaokar are available for inspection of members at the Registered office of the Company between 11.00 a.m. and 1.00 p.m. on all working days from now onwards until the date of ensuing Annual General Meeting.

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

B.G.Kulkarni
Company Secretary

Panhala
29.01.1999

THE UGAR SUGAR WORKS LIMITED**DIRECTORS' REPORT**

To The Members,

Your Directors have pleasure in presenting their 58th Annual Report together with the Audited Financial Statements for the year ended 30th September, 1998.

GENERAL

Although at the beginning of the season 1997-98, it was thought that the production of Sugar would be very low at 120 lakh tonnes, due good yields it was 127 lakh tonnes in our country.

The production for the season 1998-99 is estimated to be around 150 lakh tonnes.

The ratio of sale of levy sugar to free sale sugar is still 40 : 60.

FINANCIAL RESULTS

The financial results of the Company are as shown below:

	30.09.1998 Rs.	(Rs. in lakh) 30.09.1997 Rs.
Profit before Depreciation	1,348.75	717.94
Less : Provision for Depreciation	623.89	428.07
Profit before Tax	724.86	289.87
Less : Provision for Tax	370.44	(32.70)
Net Profit	354.42	322.57
Balance of profit brought forward from previous year	78.19	86.26
Transferred from Investment Allowance (Utilised) Reserve	24.00	12.26
Surplus available for appropriation	456.61	421.09
Appropriation to General reserve	250.00	250.00
Proposed Dividend	101.50	84.45
Corporate Dividend Tax	10.15	8.45
Balance carried in Profit and Loss A/c	94.96	78.19
	<u>456.61</u>	<u>421.09</u>

DIVIDEND

Your Directors recommend, a dividend of Rs.2.25/- (i.e.22.5%) per share, which if approved, will be paid out of the provision made as above.

OPERATIONS

	Accounting Year and Season 1997-98	Accounting Year and Season 1996-97
<u>Sugar Mill</u>		
Date of beginning of crushing season	20.10.1997	19.10.1996
Date of ending of crushing season	10.05.1998	29.04.1997
No of working Days	202	193
Sugarcane crushed (Tonnes)	11,30,355	9,47,340
Recovery	11.45%	11.51%
Sugar Produced (Quintals)	13,10,645	11,05,039
<u>Distillery</u>		
Rectified Spirit (Bulk ltrs)	91,34,807	88,64,590
Denatured Spirit - " -	2,603	98,043
Potable Alcohol - " -	26,53,370	23,35,580