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THE UGAR SUGAR WORKS LIMITED

65th

ANNUAL REPORT 2004 - 2005

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Cane Carrier Puja of Tasgaon S. S. K. Unit taken on lease was performed at the hands of Shri. Dinkar Aba Patil, Shri. R. V. Shirgaokar, Shri. P. V. Shirgaokar, Shri. Chandan Shirgaokar and other dignitaries were present.



Cane Carrier Puja of New Phaltan Sugar Unit taken on lease was performed at the hands of Hon. Minister Shrimant Ramraje Naik Nimbalkar, Shri. Madhavrao Apte, Shri. R. V. Shirgaokar, Shri. Shishir S. Shirgaokar, Shri. Sanjeev Kulkarni and other dignitaries were present.

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The Ugar Sugar Works Limited

SIXTYFIFTH ANNUAL REPORT 2004-05

BOARD OF DIRECTORS

(As on 25 - 01 - 2006)

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. Shaha	,,
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. S. S. Shirgaokar	**Wholetime Director**

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THE UGAR SUGAR WORKS LIMITED

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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 : ugarsugar@sancharnet.in
website : 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
The United Western Bank Ltd.
The Sangli Bank Ltd.
ICICI Bank Ltd.
UTI Bank Ltd.
Rabo India Finance Pvt. Ltd.

Annual General Meeting

Friday, the 17th March, 2006 at 11.30 a.m.
at Bhide Mangal Karyalaya, Timber Area, Sangli 416416

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THE UGAR SUGAR WORKS LIMITED

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

NOTICE

NOTICE is hereby given that Sixty-fifth Annual General Meeting of THE UGAR SUGAR WORKS LIMITED will be held on Friday, the 17th March, 2006 at 11.30 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 on 30th September 2005 and the Profit and Loss Account for the period ended on that date and the Reports of the Directors and Auditors thereon.

2. To declare the 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. M.G. Joshi, 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 consider and if thought fit to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

   "RESOLVED THAT Shri.D.B.Shah who was appointed by the Board of Directors of the Company as an Additional Director on 28th March, 2005 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has, as required by Seciton 257 of the Companies Act, 1956, received a notice in writing from a Member signifying his intention to propose the candidature of Shri.D.B.Shah for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Shri. B. S. Patil, who was appointed to fill the casual vacancy caused by death of Shri S.S.Shirgaokar u/s 262 of the Companies Act. 1956 and who holds office up to the date of this Annual General Meeting and being eligible for appointment, and in respect of whom, a notice in writing under Section 257 of Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Shri. B.S.Patil, for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

Resolved that pursuant to the provision of section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval subject to the approval of Central Government to Shri. Niraj S.Shirgaokar a relative of Shishir S.Shirgaokar, Wholetime Director of the Company, to hold and continue to hold the office of the Senior Executive in the company w.e.f. 01.08.2005 on the salary of Rs. 21,575 per month in the Company Grade A-II i.e. 890 - 475 - 11275 - 575 - 14150 - 825 - 22400 - 950 - 27150 and all other benefits as applicable to other employees of the Company in his grade including Provident Fund, Bonus, Gratuity, Variable Dearness Allowance, House Rent Allowance, Superannuation, etc.

"Resolved further that Chairman & Managing Director be and is hereby authorised to grant him usual annual increments and special increments as the case may be and to promote him in higher grades, from time to time subject to over all limit of salary and benefits not more than Rs. 75,000 per month".

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

Place : Panhala
Date : 25 - 01 - 2006.

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain Closed from **10th March, 2006 to 17th March 2006** (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 8 of the Notice is annexed hereto.
4. If the dividend, as recommended by the Directors is approved, the dividend warrants will be mailed within 30 days from the date of declaration, to those shareholders whose names appear on the Register of Members as on **17th March, 2006.**
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 1997-98, 1998-99, 1999-2000, 2000-2001, 2001-2002 (in the year 2002-03 we have not declared dividend due to loss) and 2003-04 are advised to forward such warrants to the Registered Office for obtaining cheques in lieu thereof. Pursuant to the provisions of Sec 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 Client ID Nos in all correspondence with the Company.

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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. 6 to 8 mentioned in the accompanying Notice dated 25th January, 2006 and should be taken as forming part of it.

Item No. 6 & 7.

Shri. Deepchand Bhalchandra Shah, is on the Board of the Company since 28th March, 2005. He is an Agriculturist and social worker in our area. He was appointed as an additional Director on the Board, liable to retire at the ensuing Annual General Meeting, and being eligible he offers himself for re-appointment. A notice in writing under Sec 257 of Companies Act.1956 has been received from a member by the company proposing the candidature of Shri. Deepchand Bhalchandra Shah, for the office of Director.

Shri.B.S.Patil,(Retired IAS), is on the Board of the Company since 28th March, 2005. He is a Retired Principal Secretary, Government of Karnataka. He was co-opted on the Board to fill the casual vacancy caused by death of Shri. S. S. Shirgaokar. He is a knowledgable person and has vast experience in administration and in many other fields. He retires at ensuing Annual General Meeting, and being eligible he offers himself for reappointment. A notice in writing under Section 257 of Companies Act, 1956 has been received from a member by the company proposing the candidature of Shri. B.S.Patil, for the office of Director.

Considering their experience and guidance, Board recommends the resolutions for approval of the members.

Item No. 8.

Shri. Niraj S. Shirgaokar has Bachelor's degree in Computer Engineering from Bombay University and has worked with M/s. Siemens Information Services Ltd., from 1995 to 2001 and with M/s. Patni Computer System Inc., from 2001 to 2005. He is also very good sportsman chosen to represent India at World Open Squash Championship held at Chennai in November, 2004. Shri. Niraj S.Shirgaokar is son of Shri. Shishir S.Sirgaokar, Wholetime Director of the Company.

The Board of Directors of the Company has approved the appointment of Shri. Niraj S.Shirgaokar as a Senior Executive in the Company Grade A – II w.e.f. 01.08.2005. The Board also approved payment of remuneration of not more than Rs. 75,000 per month, which requires approval of the Shareholders and Central Government under Section 314(1)(b) of the Companies Act, 1956.

The proposed special resolution is intended to obtain approval of members of the Company for Shri. Niraj S.Shirgaokar to hold and continue to hold office of profit as a Senior Executive. The resolution also seeks an authorization to the Chairman & Managing Director to sanction increments and in due course, promotion to Shri. Niraj S.Shirgaokar to higher grade with allowance and benefits as applicable in those grades for a total salary of less than Rs.75,000 per month. The resolution is recommended to the members for their approval as a Special Resolution.

Memorandum of Interest :

None of the directors, except Shri. D. B. Shaha, is interested in Resolution No. 6.
None of the directors, except Shri. B. S. Patil, is interested in Resolution No. 7.
Shri. Shishir S. Shirgaokar may be regarded as concerned with or interested in the resolution, however, he does not have any pecuniary interest whatsoever. No other Director of the Company is interested in the resolution.

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

Place :Panhala
Date : 25 - 01 - 2006.

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 65th Annual Report together with the Audited Financial Statement for the year ended 30th September, 2005.

General :

All India Production of sugar for the season 2004-05, has substantially come down to **127** lac MT as compared to earlier year i.e. **140** lac MT. The sugar production is likely to go up in the season 2005-06 to about **175** lac MT.

As reported during last year the prices of sugar started improving in the whole year and have remained upward through out the year.

Our factory's crushing during the season 2004-05 was for only 129 days and we could crush only 10,46,480 MT with bagging of 1,16,318 MT of sugar. Due to cane shortage and poor quality of sugarcane, the recovery was 10.85%. 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 :

	30.09.2005 Rs. Lakhs	*30.09.2004 Rs. Lakhs*
Profit before Depreciation & Amortisation	2208.98	2682.71
Depreciation & Amortisation	1123.37	1310.78
Profit Before Tax	1085.61	1371.93
Provision for Tax (including Short provision for earlier year and adjustment of Deferred Tax)	71.04	(468.82)
Profit after Tax / Net Profit	1156.65	903.11
Balance of profit brought forward from previous year	202.85	69.68
Surplus available for appropriation	1359.50	972.79
Appropriation to General Reserve	900.00	579.13
Proposed Dividend	180.00	168.75
Corporate Dividend Tax	25.24	22.06
Balance Carried in Profit and Loss A/c.	254.26	202.85

DIVIDEND:

Your Directors are pleased to recommend a dividend @ 20% on the enhanced capital after Bonus Issue, as compared to 30% paid during previous year.

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OPERATIONS :

Particulars	Accounting Year and Season 2004-2005	Accounting Year and Season 2003-2004
Date of beginning of crushing season	01.10.2004	15.10.2003
Date of ending of crushing season	06.02.2005	07.02.2004 & 21.09.2004 to 30.09.2004
Number of Working Days	129	116
Sugar Cane Crushed (Tonnes)	10,46,480	8,37,383
Recovery	10.85%	10.17%
Sugar Produced (MT)	1,16,318	87,643

***Distillery* :**

Rectified Spirit Produced (Bulk Litres)	93,06,586	92,68,889
Denatured Spirit Produced (Bulk Litres)	9,21,108	27,28,187
Potable Alcohol Produced (Bulk Litres)	44,79,449	15,89,839
Arrack	62,54,392	5,54,436
Electricity Generated KW	9,29,14,514	7,63,08,955
Electricity Exported KW	5,09,35,000	3,99,05,000

Your Directors expect to procure about 15 to 17 lakhs MT. of sugarcane during 2005-2006 season, which commenced on the 12th October, 2005.

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 plant for Distillery, Sugar Factory and the Domestic waste and a new Evaporator and Dryer System for effluent treatment for expansion of distillery capacity added to bring in zero water pollution vision is running satisfactorily. In order to utilise full capacity of distillery including old unit, it is proposed to add one more Evaporator and Dryer System.

FIXED DEPOSITS :

The number of Deposit-holders, who have not claimed their deposit after maturity as on 30th September, 2005 was **22** and the amount outstanding as on that date was Rs. **24.80** 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, Mumbai, as Cost Auditor for the year 2004-05. Approval of the Central Government is received for his appointment.

DIRECTORS :

During the year there was a sad demise of our Director Shri. Kumar Prabhakar Shirgaokar on 6th November, 2005. He was on our Board since 1997. The Board places on record his long, helpful services and guidance to the Company.

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Sarvashri. A.B.Kage and Shri. M.G.Joshi, retire by rotation, and being eligible, offer themselves for re-appointment. Shri. D.B.Shah, appointed as an additional Director on the Board and Shri. B.S.Patil, appointed on casual vacancy, hold office up to the date of this meeting and being eligible offer themselves for appointment as Directors. Requisite notice U/s. 257 have been received from member of the Company signifying his intention to propose them for the office of Director. The Board has decided not to fill the vacancy caused by Death of Shri. Kumar Prabhakar Shirgaokar for the time being.

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.

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 9,29,14,514 units, we have exported 5,09,35,000 Units to the Karnataka State Grid by consuming 3,12,411 M.T. of Bagasse which consists of purchased quantity of 954 M.T. from neighbouring sugar factories. Due to increase in Bagasse price generation cost of electricity has gone up.

ETHANOL (ABSOLUTE ALCOHOL) PROJECT :

Due to increase in Rectified Sprit prices, the Sugar Industry had requested for increase in the Ethanol prices, for which Oil Companies had not agreed and the Government had temporarily suspended ethanol procurement for this year. However the Oil Companies have recently finalised the tenders for purchase of ethanol during current year. There are no sales of Ethanol to the Oil Companies during the year.

BONUS AND SUB-DIVISION :

During the year the Company has subdivided the shares of Rs. 10 into shares of Rs.1 each. Further the Company has issued Bonus Shares in the ratio of 3 bonus shares for every 5 shares held as on 6th July, 2005.

DEMATERIALIZATION OF SHARES :

The company has provided connectivity with NSDL & CDSL for dematerialization of its shares for trading in electronic form. So far 5.25 Crore shares have been dematerialised by the shareholders, i.e. 58.38% of total shareholding. The Company has been allotted ISIN-No.INE071E01023 for this purpose the company has appointed M/s. Bigshare Services Pvt. Ltd., as Registrar and Transfer Agent for the purpose of dematerialization of Shares.

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