

Annual Report & Accounts 1996-97

MD	L		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
ACM	✓	✓	SHI	✓
YE	✓	✓		✓

Report  junction.com



**UPPER
GANGES
SUGAR &
INDUSTRIES
LIMITED**



Upper Ganges Sugar & Industries Limited

BOARD OF DIRECTORS

Shri K. K. Birla, M.P., *Chairman*
 Smt. Nandini Nopany, *Mg. Director*
 Shri C. S. Nopany
 Shri R. K. Choudhury
 Shri Sudhir Jalan
 Shri G. K. Bhagat
 Shri Bhaskar Mitter
 Shri M. K. Mookerjee
 Lt. Gen. K. Chiman Singh (Retd.)
 Shri S. P. Sen Gupta
 Shri R. N. Mody
 Shri A. V. Lodha
 Shri V. Ananthakrishnan (*IDBI - Nominee*)
 Shri H. L. Baheti

EXECUTIVES

Shri C. B. Patodia, *Advisor*
 Shri S. K. Poddar, *Secretary*
 Shri B. K. Malpani, *Executive President (Seohara)*
 Shri P. R. S. Panickar, *Sr. Executive Vice President (Sidhwalia)*
 Shri R. N. Sharma, *Acting Manager (Tea Garden)*
 Shri S. D. Shukla, *Acting Executive President (Morton)*

AUDITORS

S. R. Batliboi & Co. — *Chartered Accountants*

ADVOCATES & SOLICITORS

Khaitan & Co.

BANKERS

State Bank of India

REGISTERED OFFICE

9/1 R. N. Mukherjee Road,
 Calcutta - 700 001

SUGAR MILLS

1. Seohara, Dist. Bijnor (U.P.)
 2. Sidhwalia, Dist. Gopalganj (Bihar)

CONTENTS

Notice	3
Directors' Report	5
Auditors' Report	12
Balance Sheet	15
Profit & Loss Account	16
Schedules to Accounts	17
Subsidiary Companies' Accounts	41

DISTILLERY

Seohara, Dist. Bijnor (U.P.)

MORTON CONFECTIONERY & MILK PRODUCTS FACTORY

Marhowrah, Dist. Saran (Bihar)

CINNATOLIAH TEA GARDEN

Lakhimpur North (Assam)

Upper Ganges Sugar & Industries Limited

Performance at a Glance

	(Rs. in lakh)					
	1991-92	1992-93	1993-94	1994-95 (nine months)	1995-96	1996-97
Turnover	7,560.73	11,210.81	13,642.79	10,895.90	13,909.27	16,563.92
Operating Profit	1,054.89	2,141.75	3,049.28	1,703.22	2,164.38	2,924.26
Interest (net)	399.36	689.86	543.28	284.18	874.70	1,696.98
Depreciation	276.08	330.30	275.07	227.57	336.58	467.86
Profit before Tax	379.45	1,121.59	2,230.93	1,191.47	953.10	759.42
Profit after Tax	164.45	931.59	1,365.93	451.47	773.10	629.73
Net Worth	2,312.05	3,215.67	4,535.35	5,842.30	6,474.60	6,966.70
Net Worth per Ordinary Share (Rs.)	156.86	207.03	292.12	125.46	139.05	149.63
Dividend per Ordinary Share (Rs.)	2.50	3.00	3.50	3.50	3.50	3.50
Earning per Ordinary Share (Rs.)	11.16	60.05	88.05	9.70	16.62	13.53
Cane Crushed (lakh Qtls.)	108.99	85.45	98.59	129.13	157.87	124.18

Upper Ganges Sugar & Industries Limited

NOTICE

Notice is hereby given that the Sixty-fifth Annual General Meeting of Upper Ganges Sugar & Industries Limited will be held on Tuesday, the 2nd September, 1997 at 4.00 P.M. at 9/1, R. N. Mukherjee Road, Calcutta - 700 001 for the following purposes :

1. To receive and consider the Report of the Directors and to adopt the audited Accounts of the Company for the year ended 31st March, 1997.
2. To declare dividends.
3. To elect Directors in place of Shri R.K. Choudhury, Shri Sudhir Jalan, Shri G.K. Bhagat and Shri S. P. Sen Gupta who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

As Special Business

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

"Resolved that subject to the compliance of the applicable guidelines issued by the Securities and Exchange Board of India (SEBI) under SEBI Act, 1992 a sum of Rs. 2,32,64,600 forming part of the Company's Share Premium Account be capitalised and applied in paying up in full at par 23,26,460 unissued Ordinary Shares of Rs. 10 each in the capital of the Company, such shares shall be appropriated as capital and distributed as fully paid bonus shares to and amongst the holders of the existing Ordinary Shares of the Company, whose names shall appear on the Register of Members of the Company, on such date as may be fixed by the Board of Directors (Board) in proportion of one new Ordinary Share for every two existing Ordinary Shares held by them and so that :

(i) the Ordinary Shares to be so distributed shall confer on the holders thereof such rights including rights to dividends as may be determined by the Board in its discretion and

shall be treated for all purposes as an increase of the capital of the Company held by every holder of Ordinary Shares and not as income ;

- (ii) any such Ordinary Share representing fractional entitlements shall be allotted to such person/ persons as the Board may decide for the purpose of selling the same and distributing the net proceeds pro-rata amongst the persons entitled to fractional shares in the proportion in which they would be so entitled ;
- (iii) no allotment letters shall be issued but certificates in respect of Bonus Ordinary Shares shall be completed and despatched by registered post within three months from the date of allotment and that the allotment of bonus shares to non-resident shareholders shall be subject to the approval of the Reserve Bank of India under Foreign Exchange Regulation Act, 1973 ;
- (iv) subject as aforesaid, the Board be and is hereby authorised to give effect to this resolution and take all necessary action in respect of the issue and allotment and distribution of the aforesaid Bonus Ordinary Shares and settle any question or difficulty whatsoever (including any question or difficulty which may arise in connection with any deceased or insolvent shareholder or any shareholder suffering from any disability) as it may think fit in the interest of the Company ;
- (v) the Board be and is hereby authorised to take such steps as may be necessary or expedient to give effect to this resolution ;
- (vi) and it is further declared that subject to unforeseen circumstances, the first annual dividend on the expanded capital after issue of Bonus Shares shall not be less than 25% and the intention of the Directors in that behalf is hereby approved."

By Order of the Board

9/1, R. N. Mukherjee Road,
Calcutta - 700 001
Dated, the 15th July, 1997

S. K. PODDAR
Secretary

Upper Ganges Sugar & Industries Limited

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members of the Company will remain closed from the 19th August, 1997 to the 2nd September, 1997, both days inclusive.
3. Members are requested to notify any change in their addresses to the Company.
4. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1992-93 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal, Calcutta.

EXPLANATORY STATEMENT :

Item No. 5

In order that the issued capital of the Company more properly represent the capital actually employed, your Directors have proposed to make an issue of Bonus Ordinary Shares in the ratio of 1 : 2. They recommend that a sum of Rs. 2,32,64,600 forming part of the Company's Share Premium Account be capitalised and applied in paying up in full at par 23,26,460 unissued Ordinary Shares of Rs. 10 each in the capital of the Company, such shares being appropriated as capital and distributed to and amongst the holders of existing Ordinary Shares of the Company whose names shall appear on the Register of Members of the Company on such date as may be fixed by the Board of Directors in the proportion of one such fully paid up Ordinary Share for every two existing Ordinary Shares held by them. No fractional certificates or coupons will be issued but the aggregate of the shares representing such fractions will be allotted to such person/persons as

the Board may decide for the purpose of selling the same and distributing the net proceeds prorata amongst the shareholders in proportion to the number of fractions of a share to which they would have been entitled if the fractional certificates/coupons had been issued. To give effect to the above proposal, the above resolution has been submitted to you for consideration.

The Directors place on record that in accordance with the guidelines relating to the issue of bonus shares, their intention, subject to the unforeseen circumstances is to recommend the payment of the first annual dividend of not less than 25% on the expanded capital of the Company.

The Directors of the Company may be deemed to be interested in the resolution to the extent of ordinary shares held by them.

Upper Ganges Sugar & Industries Limited

DIRECTORS' REPORT

To
The Shareholders,

Your Directors have pleasure in presenting their Report and the audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	(Rs. in lakh)	
2. Sales during the year	16,563.92	
Gross Profit before Depreciation	1,227.28	
To which is added :		
Balance brought forward from the previous year	259.77	
Refund/Excess provision for taxation written back	32.90	292.67
Making a total of	1,519.95	
Out of this provisions have been made for :		
Depreciation	467.86	
Taxation (including Dividend Tax Rs. 16.31 lakh)	146.00	
Debenture Redemption Reserve	50.00	
General Reserve	450.00	1,113.86
Leaving a balance available for disposal of	406.09	
The Directors recommend payment of Dividend on :		
2,025 7.14% C. R. Preference Shares of Rs. 100 each @ 7.14% per annum	0.15	
2,555 5% C. R. Preference Shares of Rs. 100 each @ 5% per annum	0.13	
46,52,919 Ordinary Shares of Rs. 10 each @ Rs. 3.50 per share	162.85	163.13
Balance carried to Balance Sheet	242.96	

BONUS ISSUE

3. Your Directors are pleased to recommend the issue of Bonus Shares in the proportion of one new Ordinary Share for every two existing Ordinary Shares held by capitalisation of reserves subject to approval of the shareholders being obtained at the Annual General Meeting.

SUGAR SEASON 1996-97

4. The adverse trend in the sugar industry continuing from the previous year severely affected its operations during the year under review as well. The bumper sugar production of season 1995-96 at 164 lakh tonnes against an estimated consumption of 130 lakh tonnes saw a sharp increase in the inventory levels resulting in low sugar prices. With profitability and liquidity under severe strain, cane arrears by the sugar industry peaked at an all time high of Rs. 1200 crores.

5. The exorbitant cane prices fixed by the State Governments for 1995-96 season ensured no significant decrease in cane plantation despite the adverse condition of the industry. Furthermore, the Government of U.P. arbitrarily increased the price of cane for 1996-97 from Rs. 70 to Rs. 72 per quintal without any economic justification. The industry, which was already crippled, had no option but to challenge the right of the State Government to fix cane prices. The Allahabad High Court, in a historic judgement, ruled that the State Government had no power to fix cane prices.

6. After protracted negotiations with the farmers and the State Government, the sugar industry in U. P. agreed to pay price of Rs. 62 per quintal of sugarcane at gate which comprised of the Statutory Minimum Price fixed by the Central Government for 1996-97 season and advance against liability under Clause 5A of the Sugarcane (Control) Order. The industry also agreed to pay an additional amount of Rs. 4 per quintal after the end of the season. Furthermore, an incentive of Rs. 4 per quintal has been offered, if the cane growers are able to satisfy their mandatory quota of cane supplies during the season 1997-98. The State Government on its part has given a remission of Re. 1 in Cane Purchase Tax for the season 1995-96 and a deferment of Re. 1 for 1996-97 which is payable after two years. The State Government controlled factories, however, continued to pay Rs. 72 as announced by the State Government.

7. In Bihar, the State Government also arbitrarily increased the price of cane from Rs. 71 to Rs. 72 per quintal. The sugar industry in Bihar challenged the right of the State Government in the Patna High Court who, in line with the Allahabad High Court judgement, also held that the State Government had no power to fix cane prices. After negotiations with the cane growers, the industry has agreed to pay Rs. 62 per quintal at gate comprising Statutory Minimum Price

Upper Ganges Sugar & Industries Limited

DIRECTORS' REPORT (Contd.)

for 1996-97 and advance against liability under Clause 5A of the Sugarcane (Control) Order. The industry has also agreed to pay Rs. 8 per quintal as additional amount after the completion of the season.

8. Due to the firm and united stand taken by the sugar industry, the first two months witnessed a period of uncertainty and turmoil. The farmers at a number of factories situated in U.P. and Bihar including Seohara factory went on strike. However, with the unity of the industry and adept handling of the situation, the issue was resolved satisfactorily.

9. *This uncertainty witnessed large scale diversion of sugarcane to gur and Khandsari units in U.P. Furthermore, low yields of sugarcane crop was recorded throughout the country. The overall production of sugar in the country is likely to be around 130 lakh tonnes as against 164 lakh tonnes achieved last year which is equivalent to a fall of 21% compared to the previous year.*

10. Increased molasses production in 1995-96 and easy availability resulted in prices reigning at low levels during the first half of the year under review. Prices started firming up in the second half due to the fall in production of molasses and anticipated shortage in the coming years.

GOVERNMENT POLICY

11. During the year the Central Government initially ordered the creation of buffer stock of 5 lakh tonnes of sugar. At the persistent request of the industry the Government has agreed to increase the buffer stock to 10 lakh tonnes.

12. The Central Government decanalised export of sugar with a view to increase exports. As international sugar prices remained at low levels due to increased availability of sugar in the international markets, the industry was able to export only 1.5 lakh tonnes of sugar as compared to 10 lakh tonnes in the previous year.

13. The Central Government announced a new Incentive Scheme for new sugar units and expansion of the existing units effective from 31st March, 1994. As sufficient capacity is available in the country, the industry through Indian Sugar Mills Association has approached the Government to withdraw the Incentive Scheme.

14. The dual pricing policy of sugar under which 40% of sugar is requisitioned by the Government as levy sugar and balance 60% is allowed to be sold in

the open market continued for the season 1996-97 as well.

15. The statutory minimum price of sugarcane for the season 1996-97 was fixed by the Central Government at Rs. 45.90 per quintal as against Rs. 42.50 per quintal for the previous season linked to a base recovery of 8.5%. In the case of Seohara and Sidhwalia factories the statutory minimum price was fixed at Rs. 52.17 and Rs. 46.47 per quintal as against Rs. 50.60 and Rs. 46.28 per quintal respectively for the previous season. The price of levy sugar produced by Seohara and Sidhwalia factories was fixed at Rs. 994.05 and Rs. 1140.37 per quintal as against Rs. 882.60 and Rs. 942.26 per quintal respectively for the season 1996-97.

OPERATIONS

16. The operations of the sugar factories were better compared to the previous year although overall crushing was lower. The crushing by your Company during the season 1996-97 was lower at 124.18 lakh quintals as against 157.87 lakh quintals during the season 1995-96.

17. The expansion of the sugar factory at Seohara to 10,000 tonnes of sugarcane crushing per day has successfully been completed. The crushing at Seohara factory during the year under review was 103.96 lakh quintals (40.18 lakh quintals for the season 1995-96 and 63.78 lakh quintals for the season 1996-97 upto 31st March, 1997). The crushing for the season 1996-97 continued upto 5th June, 1997 and was lower at 102.86 lakh quintals as against 137.69 lakh quintals during the previous season. The factory worked for 176 days as against 225 days during the previous season. The average recovery was, however, higher at 9.26% compared to 9.11% during the previous season. The lower crushing was mainly due to the late start of the crushing season, strike by the farmers which lasted for 7 days and labour strike for 5 days.

18. The crushing at the Sidhwalia factory during the year under review was 20.70 lakh quintals (0.91 lakh quintals for the season 1995-96 and 19.79 lakh quintals for the season 1996-97 upto 31st March, 1997). The crushing for the season 1996-97 continued upto 11th April, 1997 and was slightly higher at 21.32 lakh quintals as against 20.18 lakh quintals during the previous season. The factory worked for 134 days during the season. The average

Upper Ganges Sugar & Industries Limited

DIRECTORS' REPORT (Contd.)

recovery was also much higher at 9.37% as against 8.55% during the previous season.

19. Despite unfavourable weather conditions during the first half of the season which affected the tea production of the entire North Eastern region, the production of tea at the Cinnatolliah Tea Garden was at a record high. Due to special measures taken, the quality of tea also improved significantly and was reflected in higher price realisation. The production of tea was 10.78 lakh kgs as against 10.07 lakh kgs during the previous year.

20. The production and sales of Seohara Distillery improved significantly as compared to last year. The U.P. Government's decision to allow export of alcohol from U.P. helped the industry to reduce its inventories and improve capacity utilisation. The total production of Distillery increased from 45.54 lakh litres in 1995-96 to 111.34 lakh litres in 1996-97. However, the Central Government's decision to steeply hike the excise duty on molasses from 20% advalorem to Rs. 50 per quintal is likely to adversely affect the profitability of distilleries.

21. The working of Morton Confectionery & Milk Products Factory, during the year under review, was affected due to general recession in the confectionery market. The Company is introducing new varieties which is expected to improve Morton's product range and market share.

22. The Textile unit of Texmaco Ltd. being run by the Company under a working arrangement in partnership with The Hindustan Times Ltd. and Sutlej Industries Ltd. has been closed with effect from 30th November, 1996 as per the Order of the Supreme Court of India. The Textile Mill is being relocated at Baddi in the State of Himachal Pradesh and will be run by the partnership in which Texmaco Ltd. has also joined as a partner with effect from 1st December, 1996. The profit/loss sharing ratio of the Company in the partnership shall remain at 2.5%.

FUTURE PROSPECTS

23. The start of the year 1997-98 has been on a positive note with sugar prices firming up after a gap of over six months. Preliminary reports indicate that there is a sharp fall in cane plantation although it is still too early to predict the production levels for the season 1997-98. There is, however, a threat of sugar imports as sugar can be freely imported without any import duty. The industry has represented to the

Government to impose custom/countervailing duty on sugar imports.

DIRECTORS

24. Shri V. Ananthakrishnan has been nominated by the Industrial Development Bank of India as their nominee on the Board with effect from 17th March, 1997.

25. Shri R. K. Choudhury, Shri Sudhir Jalan, Shri G. K. Bhagat and Shri S. P. Sen Gupta retire from the Board by rotation and are eligible for reelection.

AUDITORS

26. The Notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

27. The Auditors, Messrs S. R. Batliboi & Company, Chartered Accountants, retire and are eligible for reappointment.

STATUTORY REQUIREMENTS

28. Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are given in separate annexure attached hereto and form part of this Report.

29. Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217 (1) (e) of the Companies Act, 1956 are given in separate annexure attached hereto and form part of this Report.

ACKNOWLEDGEMENTS

30. Your Directors take this opportunity of recording their appreciation of the financial institutions, and bankers for extending their support to the Company. The Directors also place on record their appreciation for the valuable contribution made by the employees at all levels. A special mention and thanks needs to be made for the Indian Sugar Mills Association for the dynamic role it has been playing on behalf of the sugar industry.

For and on behalf of the Board

9/1, R. N. Mukherjee Road,
Calcutta - 700 001
Dated, the 30th June, 1997

K. K. BIRLA
Chairman

Upper Ganges Sugar & Industries Limited

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended 31st March, 1997.

Name	Designation	Remuneration Rs.	Nature of Duties	Qualification	Experience (years)	Age (Years)	Date of commen- cement of employment	Last employment held
Employed throughout the year :								
Smt. Nandini Nopany	Mg. Director	8,58,000	Overall management of the affairs of the Company	I, C.S.E.	24	50	October, 1995	None
Shri C. B. Patodia	Advisor	8,78,875	Advisory	Intermediate	29	48	February, 1990	The New Swadeshi Sugar Mills Ltd., Narkatiaganj
Shri B. K. Malpani	Executive President, Seohara	3,40,891	General supervision of Sugar Mills & Distillery	B. Com., M.B.A.	28	50	August, 1969	None
Shri T. K. Mitra	Technical Advisor	3,64,519	Plant maintenance	B. Sc (Engg.)	31	54	July, 1991	Kanoria Industries Ltd., Captainingj
Shri R. P. Srivastava	Production Manager	3,49,110	Sugar production	B. Sc, ANSI	38	60	August, 1992	New India Sugar Mills Ltd.

Notes :

1. The remuneration includes salary, Company's contribution to provident fund and perquisites but does not include contribution to gratuity fund.
2. All appointments except of the Managing Director are non-contractual.
3. Other terms and conditions are as per rules of the Company.
4. Smt. Nandini Nopany is a relative of Shri K. K. Birla and Shri C.S. Nopany, Directors of the Company. No other employee is a relative of any Director of the Company.

For and on behalf of the Board

K. K. BIRLA
Chairman

9/1, R. N. Mukherjee Road,
Calcutta - 700 001.
Dated, the 30th June, 1997.