

CEO	✓			✓
COO	✓			✓
FO	✓			✓
TRA	NA			✓
AGM	✓	✓		✓
YE	✓	✓		✓

ANNUAL
REPORT &
ACCOUNTS
1997-98

Report  Junction.com

UPPER GANGES SUGAR & INDUSTRIES LTD.



Dr. K. K. Birla, Chairman

Upper Ganges Sugar & Industries Limited

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

Attendance Slip for 66th Annual General Meeting

Date : 2nd September, 1998 Time : 4.00 P.M.

Only Shareholders or the proxies will be allowed to attend the meeting

Signature of the Shareholder /

Proxy Present :

Folio No. :

Name of the Shareholder :

PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP AT THE MEETING

Upper Ganges Sugar & Industries Limited

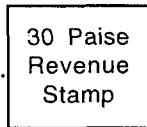
Registered Office : 9/1, R. N. Mukherjee Road, Calcutta - 700 001



I/We.....
of.....
being a member/members of UPPER GANGES SUGAR & INDUSTRIES LIMITED hereby appoint
Shri.....
of.....
or failing him Shri..... of.....
or failing him Shri..... of.....
as my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the
66th Annual General Meeting of the Company to be held on Wednesday, the 2nd September, 1998 at
4.00 P.M. and/or at any adjournment thereof.

Signed this.....day of.....1998

Signature(s).....



NOTE : The Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the Meeting.



**BOARD OF DIRECTORS**

Dr. 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 S.C. Das (*IDBI - Nominee*)
 Shri G.Dhurka

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)

DISTILLERY

Seohara, Dist. Bijnor (U. P.)

MORTON CONFECTIONERY & MILK PRODUCTS FACTORY

Marhowrah, Dist. Saran (Bihar)

CINNATOLLIAH TEA GARDEN

Lakhimpur North (Assam)

CONTENTS

Notice	3
Directors' Report	6
Auditors' Report	14
Balance Sheet	17
Profit & Loss Account	18
Schedules to Accounts	19
Subsidiary Companies'Accounts	41

Upper Ganges Sugar & Industries Limited

Performance at a Glance

	(Rs. in lakh)					
	1992-93	1993-94	1994-95 (nine months)	1995-96	1996-97	1997-98
Turnover	11,210.81	13,642.79	10,895.90	13,909.27	16,563.92	20,625.62
Operating Profit	2141.75	3049.28	1703.22	2164.38	2924.26	3614.18
Interest (net)	689.86	543.28	284.18	874.70	1696.98	1920.48
Depreciation	330.30	275.07	227.57	336.58	467.86	628.96
Profit before Tax	1121.59	2230.93	1191.47	953.10	759.42	1064.74
Profit after Tax	931.59	1365.93	451.47	773.10	629.73	904.74
Net Worth	3215.67	4535.35	5842.30	6474.60	6966.70	7915.59
Net Worth per Ordinary Share (Rs.)	207.03	292.12	125.46	139.05	149.63	109.12*
Dividend per Ordinary Share (Rs.)	3.00	3.50	3.50	3.50	3.50	3.00*
Earning per Ordinary Share (Rs.)	60.05	88.05	9.70	16.62	13.53	12.55*
Cane Crushed (lakh Qtls.)	85.45	98.59	129.13	157.87	124.18	134.44

* After Bonus issue



NOTICE

Notice is hereby given that the Sixty-sixth Annual General Meeting of Upper Ganges Sugar & Industries Limited will be held on Wednesday, the 2nd September, 1998 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, 1998.
2. To declare dividends.
3. To elect Directors in place of Smt. Nandini Nopany, Shri C. S. Nopany, Shri Bhaskar Mitter and Lt. Gen. K. Chiman Singh (Retd.) who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions :

5. "Resolved that Shri G. Dhurka be and is hereby appointed a Director of the Company".
6. "Resolved that the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging of all the immovable and movable properties of the Company, wheresoever situate, present and future, relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.) together with power to takeover the management of the business and concern of the Company's said unit in certain events to or in favour of Industrial Investment Bank of India Ltd. (IIBI) to secure Corporate Loan not exceeding Rs. 800 lacs (Rupees eight crores) only lent and advanced/agreed to be lent and advanced by IIBI together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, cost, charges, expenses and all other monies payable by the Company to IIBI under its loan agreement/letter of sanction/memorandum of terms and conditions entered into/to be entered into by the Company in respect of the said loan.

Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with IIBI the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for

giving effect to the above resolution".

7. "Resolved that the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging of all the immovable and movable properties of the Company wheresoever situate, present and future, relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.) together with power to takeover the management of the business and undertaking of the Company's said unit in certain events to or in favour of the President of India/ Government of India to secure short term loan of Rs. 100 lacs (Rupees one crore) only to be lent and advanced by the Government of India, from Sugar Development Fund together with interest thereon at the agreed rates, compound interest, additional interest, penal interest, liquidated damages, premia on prepayment, cost, charges, expenses and all other monies payable by the Company to the Government of India in terms of the Bipartite Agreement, Letter(s) of Sanction/Memorandum of terms & conditions entered into/to be entered into by the Company in respect of the said short term loan.
Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with the Government of India the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.
Resolved further that the mortgage/charge created/to be created and/or all agreements/documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified."
8. "Resolved that the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging of all the immovable and movable properties of the Company, wheresoever situate, relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.), present and future, and/or conferring power to enter upon and to take possession of assets of the Company's said unit in certain events, to or in favour of Industrial Development Bank of India (IDBI), the Debenture Trustees, to secure 16% Non-Convertible Secured Redeemable Debentures of the aggregate nominal value of

Upper Ganges Sugar & Industries Limited

Rs. 1000 lacs privately placed with the following institutions, viz. :

Name of the Institution	Amount of Debentures (Rs. in lacs)
Industrial Investment Bank of India Ltd. (IIBI)	700.00
Unit Trust of India (UTI)	300.00
	<u>1,000.00</u>

together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, remuneration payable to the Debenture Trustees and all other monies including all costs, charges and expenses payable by the Company to the Debenture holders and the Debenture Trustees under the Subscription Agreement / Letter(s) of Sanction / Trustee(s) Agreement/Memorandum of terms and conditions entered into/to be entered into by the Company in respect of the said Debentures.

Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with the Debenture Trustees the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

9/1, R. N. Mukherjee Road,
Calcutta - 700 001
Dated, the 30th July, 1998

By Order of the Board
S. K. PODDAR
Secretary

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 25th August, 1998 to the 2nd September, 1998, both days inclusive.
3. Members are requested to notify any change in their addresses to the Company.
4. Pursuant to Section 205 A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1993-94 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

Shri G. Dhurka was appointed by the Board of Directors as a Director in the vacancy caused by the registration of Shri H. L. Baheti. Pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 79 (b) of the Articles of Association of the Company he will hold office as Director only upto the date of the Annual General Meeting. As required by Section 257 of the Companies Act, 1956 a notice has been received from a shareholder signifying his intention to propose the appointment of Shri G. Dhurka as a Director. His appointment as Director is considered desirable in the interest of the Company so that the Company may be able to avail his valuable advice. The Directors accordingly recommend the resolution as mentioned in Item No. 5 of the Notice for your approval.

Except Shri G. Dhurka no other Director is interested in the proposed resolution.

Item No. 6

Industrial Investment Bank of India Ltd. (IIBI) has sanctioned to the Company Corporate Loan of Rs. 800 lacs (Rupees eight crores) only for meeting enhanced margin money for working capital for Sugar Mills at Seohara, Dist. Bijnor (U.P.).

The financial assistance from IIBI has to be secured by a first mortgage/charge on all the immovable and movable assets (save and except book debts), present and future, of the Company relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.) ranking pari passu with the charges created in favour of the financial institutions for their term loans and the Trustees to 17.5% Secured Redeemable Non-Convertible Debentures of Rs. 500 lacs privately placed with financial institutions.

Section 293 (1) (a) of the Companies Act, 1956 provides inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company, or where the company owns more than one undertaking the whole or substantially the whole of any such undertaking.

Since the mortgaging and/or charging by the Company of its immovable and movable properties as aforesaid in favour of IIBI may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293



(1) (a) of the Companies Act, 1956 before creation of the said mortgage / charge. Hence the resolution is submitted for your approval.

Copy of the Letter of Intent No. IIBI:EZO:UGSIL:LOI:3966:97 dated 12th December, 1997 received from IIBI and copies of relevant documents / correspondence between IIBI and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

Item No. 7

The Government of India (GOI) has sanctioned to the Company short term loan of Rs. 100 lacs (Rupees one crore) only from Sugar Development Fund for providing inputs for development of sugarcane in the reserved area of the Company's Sugar Mills at Seohara, Dist. Bijnor (U.P.). The said loan is to be secured, inter alia, by creation of mortgage / charge on the immovable and movable properties of the Company relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.) in the manner as may be stipulated by GOI from time to time.

Section 293 (1) (a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking the whole or substantially the whole of any such undertaking.

Since the mortgaging and / or charging by the Company of its immovable and movable properties as aforesaid in favour of GOI may be regarded as disposal of the Company's properties / undertakings, your Directors consider it advisable to obtain necessary consent of the shareholders pursuant to the said Section 293 (1) (a) of the Companies Act, 1956 for creation of the said mortgage/charge. Hence the resolution is submitted for your approval.

Copy of sanction letter No. 15-50/98-SDF dated 27th March, 1998 received from GOI and copies of relevant documents / correspondence between GOI and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

Item No. 8

The Company has issued 16% Non-Convertible Secured Redeemable Debentures to Unit Trust of India (UTI) and Industrial Investment Bank of India Ltd. (IIBI) by way of private placement to augment resources of the Company for long term working capital requirement and normal capital expenditure.

IDBI has agreed to act as the Debenture Trustees. The aforesaid Non-Convertible Debentures aggregating Rs. 1000 lacs are to be secured by a first mortgage / charge of all the immovable and movable properties of the Company, relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.), present and future. The above mortgage / charge shall rank pari passu with the charges created and / or to be created in favour of the financial institutions for their term loans and the Trustees for the holders of 17.5% Non-Convertible Debentures.

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the company owns more than one undertaking the whole, or substantially the whole of any such undertaking.

Since the mortgaging and / or charging by the Company of its immovable and movable properties as aforesaid in favour of the Debenture Trustees may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956 before creation of the said mortgage / charge. Hence the resolution is submitted for your approval.

Copies of the Letters of Sanction received from the subscribing institutions and copies of the relevant documents / correspondence between the subscribing institutions / Debenture Trustees and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

Upper Ganges Sugar & Industries Limited

DIRECTORS' REPORT

To
The Shareholders,

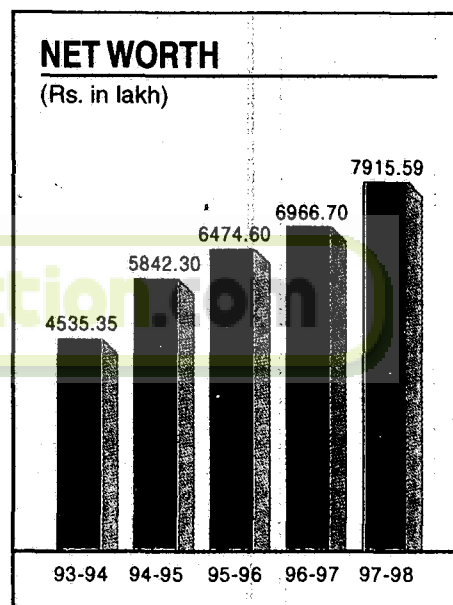
Your Directors have pleasure in presenting their Report and the audited Accounts of the Company for the year ended 31st March, 1998.

Financial Results	(Rs. in lakh)	
2. Sales during the year		20,625.62
Gross Profit before Depreciation		1,693.70
To which is added :		
Balance brought forward from the previous year	242.96	
Refund/Excess provision for taxation written back	26.87	269.83
Making a total of		1,963.53
Out of this provisions have been made for :		
Depreciation	628.96	
Taxation	160.00	
Dividend Tax	23.85	
General Reserve	800.00	1,612.81
Leaving a balance available for disposal of		350.72
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	
3,00,000 12.5% C. R. Preference Shares of Rs. 100 each @ 12.5% per annum (on pro-rata basis from the date of allotment i.e. 24.06.1997)	28.87	
69,79,378 Ordinary Shares of Rs. 10 each @ Rs. 3.00 per share	209.38	238.53
Balance carried to Balance Sheet		112.19

Sugar Season 1997-98

3. The crushing season of 1997-98 witnessed a marginal drop in production of sugar throughout the

country. The major reasons for this drop in production were a shift in the plantation of sugarcane to other cash crops by farmers resulting in decrease in cane acreage and low yields of sugarcane crop due to unseasonal rains. Furthermore, large scale diversion of sugarcane to alternate sweeteners like gur and khandsari also reduced the cane available for crushing with the sugar industry. The production of sugar in the country during the season 1997-98 is likely to be lower at 126 lakh tonnes as against 129 lakh tonnes during the season 1996-97.



4. Even though the production of sugar was lower during the season, the availability of sugar in the domestic market continued to be high due to large stocks of sugar of 65 lakh tonnes carried over from sugar season 1996-97. With an estimated production of 126 lakh tonnes during the season the total availability of sugar would be about 191 lakh tonnes which would be adequate to meet the domestic consumption estimated at about 142 lakh tonnes leaving a stock of about 49 lakh tonnes at the close of the season. Despite the comfortable stock position, the shortsighted policy of the Government to keep the sugar under OGL with no import duty resulted in sugar being flooded into the market creating pressure on domestic sugar prices. After persistent representations, the Government has now levied basic custom duty @5% and countervailing duty @ Rs. 850.00 per tonne on imported sugar. This levy is still inadequate and does not provide a level playing field to the domestic sugar industry. Even now