

ANNUAL REPORT & ACCOUNTS 1998-99

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**UPPER GANGES
SUGAR &
INDUSTRIES LIMITED**



**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 B. K. Sureka, *Sr. Executive Vice President*
 (*Sidhwalla*)
 Shri R. N. Sharma, *Manager (Tea Garden)*
 Shri S. D. Shukla, *Executive President (Morton)*

AUDITORS

S. R. Batlibol & 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. Sidhwalla, Dist. Gopalganj (Bihar)

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DISTILLERY

Seohara, Dist. Bijnor (U.P.)

MORTON CONFECTIONERY & MILK PRODUCTS FACTORY

Marhowrah, Dist. Saran (Bihar)

CINNATOLLIH TEA GARDEN

Lakhimpur North (Assam)

Upper Ganges Sugar & Industries Limited**Performance at a Glance**

(Rs. in lakh)

	1993-94	1994-95 (nine months)	1995-96	1996-97	1997-98	1998-99
Turnover	13,642.79	10,895.90	13,909.27	16,563.92	20,625.62	22,662.62
Operating Profit	3,049.28	1,703.22	2,164.38	2,924.26	3,614.18	3,858.61
Interest (net)	543.28	284.18	874.70	1,696.98	1,920.48	1,882.57
Depreciation	275.07	227.57	336.58	467.86	628.96	607.97
Profit before Tax	2,230.93	1,191.47	953.10	759.42	1,064.74	1,368.07
Profit after Tax	1,365.93	451.47	773.10	629.73	904.74	1,154.81
Net Worth	4,535.35	5,842.30	6,474.60	6,966.70	7,915.59	8,768.23
Net Worth per Ordinary Share (Rs.)	292.12	125.46	139.05	149.63	109.12*	121.33*
Dividend per Ordinary Share (Rs.)	3.50	3.50	3.50	3.50	3.00*	3.00*
Earning per Ordinary Share (Rs.)	88.05	9.70	16.62	13.53	12.55*	16.01*
Cane Crushed (Season) (Lakh Qtls.)	98.59	129.13	157.87	124.18	134.44	149.38

* After Bonus issue



NOTICE

Notice is hereby given that the Sixty-seventh Annual General Meeting of Upper Ganges Sugar & Industries Limited will be held on Wednesday, the 22nd September, 1999 at 3.00 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, 1999.
2. To declare dividends.
3. To elect a Director in place of Dr. K. K. Birla who retires by rotation and being eligible offers himself for re-election.
4. To elect a Director in place of Shri M. K. Mookerjee who retires by rotation and being eligible offers himself for re-election.
5. To elect a Director in place of Shri R. N. Mody who retires by rotation and being eligible offers himself for re-election.
6. To elect a Director in place of Shri A. V. Lodha who retires by rotation and being eligible offers himself for re-election.
7. To appoint Auditors and fix their remuneration.

9/1, R. N. Mukherjee Road, Calcutta - 700 001
Dated, the 30th July, 1999

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 15th September, 1999 to the 22nd September, 1999, 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/unpaid dividends upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Those members who have so far not claimed their dividends for the said period may claim the same by submitting an application in prescribed Form No. II to the Registrar of Companies, West Bengal, 2nd M.S.O. Building, Nizam Palace, 234/4, Acharya J. C. Bose Road, Calcutta - 700 020.
Consequent upon amendment in Section 205A of the Companies Act, 1956, and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed/unpaid for a period of seven years shall be transferred to the Investor Education and Protection Fund.
Members who have not encashed the dividend warrant(s) so far for the financial year 1994-95, and any subsequent year may make their claim to the Company.
5. The Ordinary Shares of the Company are listed at Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Calcutta - 700001, the Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001, National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400013 and the Uttar Pradesh Stock Exchange Association Ltd., Padam Towers, 14/113, Civil Lines, Kanpur-208001. The annual listing fee has been paid to each of the above Stock Exchanges.

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, 1999.

	(Rs. in lakh)	
FINANCIAL RESULTS	<u>1998-99</u>	<u>1997-98</u>
2. Sales during the year	22,662.62	20,625.62
Gross Profit before Depreciation	1,976.04	1,693.70
To which is added :		
Balance brought forward from the previous year	112.19	242.96
Refund/Excess provision for taxation written back	—	26.87
	112.19	269.83
Making a total of	2,088.23	1,963.53
Out of this provisions have been made for :		
Depreciation	607.97	628.96
Taxation	213.26	160.00
Dividend Tax	27.16	23.85
Debenture Redemption Reserve	250.00	—
General Reserve	600.00	800.00
	1,698.39	1,612.81
Leaving a balance available for disposal of	389.84	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	37.50	28.87
69,79,378 Ordinary Shares of Rs. 10 each @ Rs. 3.00 per share	209.38	209.38
	246.88	238.53
Balance carried to Balance Sheet	142.96	112.19

SUGAR SEASON 1998-99

3. The season 1998-99 has probably been one of the worst in the history of the sugar industry where nature created havoc. The El Nino and the La Nina weather conditions found its way to India resulting in unprecedented rainfall in the whole of North India. Against a normal rainfall in U.P. and Bihar of around 40 inches, U.P. experienced around 64 inches of rain whereas Bihar experienced around 70 inches of rain

during 1998 causing widespread floods. This had a two fold impact on the sugarcane crop. Firstly, the yield was adversely affected resulting in lesser cane being available to the sugar mills than expected. Secondly, stagnating water hampered the sucrose formation in the cane resulting in lower recovery of sugar. In fact, recovery was lower by around 0.75% varying from region to region.



DIRECTORS' REPORT (Contd.)

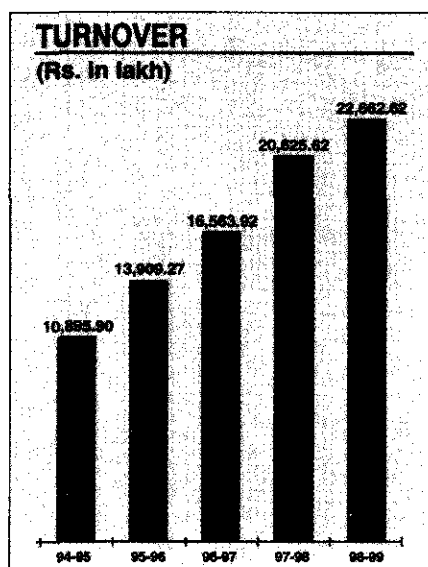
4. The sugar mills in U.P. also faced an additional setback caused by large scale diversion of sugarcane to gur and khandsari units. The khandsari units enjoy an unfair advantage over the sugar mills as they are exempted from any obligations of levy sugar, monthly releases and fixed sugarcane prices.

5. The world sugar market remained weak during the year under review primarily due to increased world production of sugar and sharp devaluation of the currency of Brazil - a major exporter of sugar. Compounding the woes of the sugar industry, the Government of India continued to allow import of sugar despite surplus stocks in the country. While the industry persistently requested for an increase in the import duty on sugar from 5% to 44% plus countervailing duty, the Government finally increased the duty to 27.5% with a countervailing duty of Rs. 850 per tonne. As expected, this hardly had any impact on the quantum of imports from Brazil, China and Pakistan and sugar prices still continue to remain depressed. The Government of India has taken the authority to regulate the supply of imported sugar in the market through the mechanism of monthly releases. The industry expects the Government to regulate the supply as early as possible and is continuing to request the Government to increase the customs duty to more reasonable levels.

6. The production of sugar in India during the season 1998-99 is likely to be higher at 155 lakh tonnes as against 129 lakh tonnes during the season 1997-98. This increase in production is primarily due to a bumper sugarcane crop in the southern states and Maharashtra. The stock of sugar at the start of the season was around 54 lakh tonnes resulting in a total availability of 209 lakh tonnes excluding sugar imported during the year. Against this, the total consumption for season 1998-99 is estimated at 145 lakh tonnes leaving a surplus of 64 lakh tonnes of domestic sugar. The total import of sugar for the current season is estimated at 6 lakh tonnes which leaves a surplus of 70 lakh tonnes of sugar for the Indian market. This mismatch of demand and supply witnessed low levels of sugar prices throughout the year.

7. During the season 1998-99 the sugar industry in U.P. and Bihar paid price of Rs. 80.00 and Rs. 77.50 per quintal of sugarcane respectively, inclusive of advance against liability under Clause 5A of the Sugarcane (Control) Order against Rs. 75.00 and Rs. 73.50 per quintal during the season 1997-98. The State Government of U.P. has announced a

remission of Re. 1 per quintal in cane purchase tax for the seasons 1998-99 and 1999-2000.



SUGAR POLICY

8. Pursuant to the Mahajan Committee Report that had recommended sweeping changes for the sugar industry, the Government has implemented the recommendation of delicensing the industry so far. However, in order to avoid unhealthy competition among the sugar factories and to ensure assured supply of sugarcane to the sugar mills a minimum distance of 15 KM has to be maintained between the existing mill and a new mill. The industry, however, has represented to the Government to increase this distance to 25 KM since 15 KM is not adequate. The Government is yet to take a final view on all other recommendations of the Mahajan Committee.

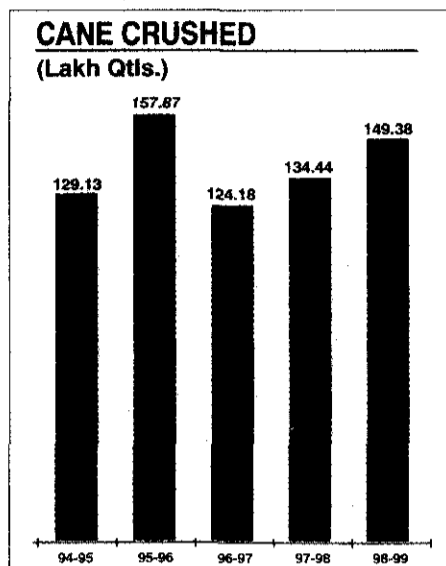
9. The dual pricing policy of sugar under which 40% of sugar is requisitioned by the Government as levy sugar and balance 60% is allowed to be sold in the open market continued for the season 1998-99 as well.

10. The statutory minimum price of sugarcane for the season 1998-99 was fixed by the Government at Rs. 52.70 per quintal as against Rs. 48.45 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. 58.90 and Rs. 59.52 per quintal as against Rs. 53.85 per quintal for the previous season. The price of levy sugar produced by Seohara and Sidhwalia factories was maintained at Rs. 1,012.61 and Rs. 1,125.81 per

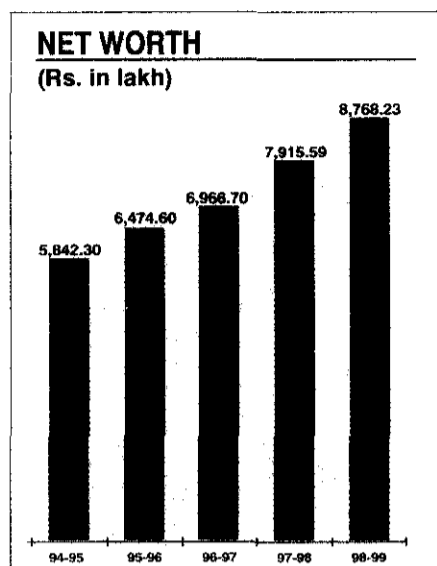
Upper Ganges Sugar & Industries Limited

DIRECTORS' REPORT (Contd.)

quintal as fixed for the season 1997-98. The revised price of levy sugar for the season 1998-99 is yet to be announced by the Government.



continued upto 10th April, 1999 and was higher at 129.53 lakh quintals as against 116.06 lakh quintals during the previous season. The factory worked for



MOLASSES POLICY

11. The Government of U.P. continued its molasses policy under which the sugar mills are to supply 40% of their production to chemical units in U.P., 20% to country liquor manufacturers and the balance 40% could be freely sold in the open market. In Bihar, the earlier policy of free pricing with distribution controlled by the State Government continued for the current year also.

OPERATIONS

12. The crushing of sugarcane by your Company during the season 1998-99 was higher at 149.38 lakh quintals as against 134.44 lakh quintals during the season 1997-98. The production of sugar was 13.23 lakh quintals during the season 1998-99 as against 12.66 lakh quintals during the season 1997-98. The crushing of sugarcane and production of sugar would have been much higher had it not been for the low recovery of sugar due to adverse climatic conditions and large scale diversion of sugarcane to gur and khandsari units.

13. The crushing of sugarcane at Seohara factory during the year under review was 129.84 lakh quintals (4.57 lakh quintals for the season 1997-98 and 125.27 lakh quintals for the season 1998-99 upto 31st March, 1999). The crushing for the season 1998-99

156 days as against 150 days during the previous season. The average recovery for the season was, however, lower at 8.93% as compared to 9.40% during the previous season.

14. The crushing at Sidhwalia factory for the season 1998-99 was 19.85 lakh quintals as against 18.38 lakh quintals during the previous season. The factory worked for 117 days during the season. The average recovery was, however, much lower at 8.47% as against 9.50% during the previous season.

15. The working of the Seohara Distillery remained under pressure during the year under review. Large scale imports of chemicals resulted in poor offtake of industrial alcohol by the chemical industry, which is one of the major consumers. Furthermore, the decision by the Government of U.P. not to allow export of industrial alcohol outside the State of U.P. resulted in surplus alcohol in the State.

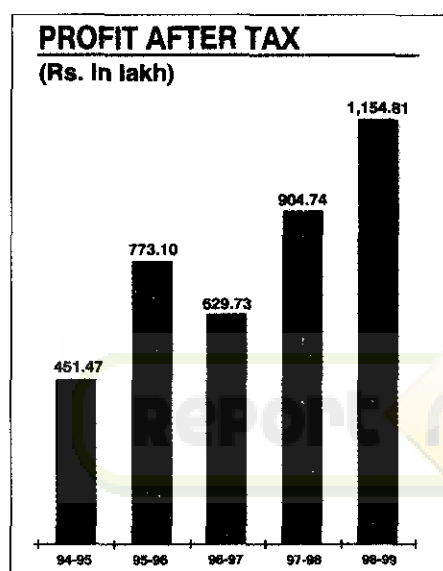
16. The production, sales and working results of Morton Confectionery & Milk Products Factory during the year under review were adversely affected due to general recession in the market and steep increase in the cost of raw and packing materials and other inputs without corresponding increase in the selling price. Further abnormal increase in expenditure on running and maintenance of old plant and machinery also affected the working results making the unit



DIRECTORS' REPORT (Contd.)

unviable. As such, all the manufacturing activities at the unit had to be suspended from 21st April, 1999.

17. The production of tea at the Cinnatollah Tea Garden was at a record high at 11.82 lakh kgs as against 11.11 lakh kgs during the previous year. The garden also maintained its standard of quality which is evident from the premium that it commanded in the market. Stress on improvement of soil continued this year too but prolonged and unprecedented drought in the region hampered the growth of tea bushes. Effective measures have already been taken for improving the irrigational facilities and further improvement in quality of tea.



18. During the year the partnership firm, Birla Textile Mills was reconstituted with Gobind Sugar Mills Ltd. being inducted as a partner with effect from 1st April, 1998 and the share of profit/loss of the Company being increased from 2.5% to 3.5%. The Company retired from the partnership with effect from 1st October, 1998.

FUTURE PROSPECTS

19. The sugar season 1999-2000 is expected to see a jump in production of sugar in North India provided the monsoons are normal. Preliminary reports indicate that the sowing of cane has increased considerably in U.P. and Bihar. However, the health of the sugar industry will largely depend on the quantum of sugar imports and the prevailing sugar prices.

DIRECTORS

20. Dr. K. K. Birla, Shri M. K. Mookerjee, Shri R. N. Mody and Shri A. V. Lodha retire from the Board by rotation and are eligible for re-election.

AUDITORS

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

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

STATUTORY REQUIREMENTS

23. Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 is attached as a separate annexure and forms a part of this Report.

24. 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 is attached as a separate annexure and forms a part of this Report.

25. The Company's hardware and software systems are all Y2K compliant.

ACKNOWLEDGEMENTS

26. Your Directors take this opportunity of recording their appreciation of the financial institutions and bankers for extending their support to the Company. Your Directors are also grateful to the various ministries in the Central and State Governments, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors are thankful to the Indian Sugar Mills Association for the dynamic role it has been playing on behalf of the sugar industry. The Directors also place on record their appreciation for the valuable contribution made by the employees at all levels.

For and on behalf of the Board

Calcutta,
Dated, the 30th July, 1999

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, 1999.**

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	9,40,800	Overall management of the affairs of the Company	I.C.S.E.	26	52	October, 1995	None
Shri C. B. Patodia	Advisor	13,07,724	Advisory	Intermediate	31	50	February, 1990	The New Swadeshi Sugar Mills Ltd., Narkatiaganj

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 Dr. K. K. Birla and Shri C. S. Nopany, Directors of the Company. No other employee is a relative of any Director of the Company.

Calcutta,
Dated, the 30th July, 1999.

For and on behalf of the Board

K. K. BIRLA
Chairman



Statement showing particulars pursuant to Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1999.

A. CONSERVATION OF ENERGY :

- (a) Installation of various machinery and equipments to increase generation of steam as well as to reduce consumption of steam and fuel.
- (b) The Company has installed new fuel efficient, higher capacity boilers to save fuel consumption. One new turbine of 3 MW has also been installed to increase the efficiency in power generation.
- (c) Vapour line juice heaters have been installed for waste heat recovery.
- (d) Continuous pans have been installed for reducing steam consumption.
- (e) Thyrester drive AC Motors have been installed on centrifugal machines for energy saving.
- (f) Installation of high efficiency injection & spray pumps for reducing energy consumption.
- (g) Water recycling system has been installed for conservation of water resources as well as energy saving.

The required data with regard to conservation of energy is furnished below :

(A) Power and Fuel Consumption :

	Current Year		Previous Year	
	Sugar	Tea	Sugar	Tea
1. Electricity :				
(a) Purchased :				
Units (in lakh)	8.68	4.98	7.30	5.50
Total amount (Rs. in lakh)	50.85	18.04	34.68	17.71
Rate/Unit (Rs.)	5.86	3.62	4.75	3.22
(b) Own Generation :				
(i) Through Diesel Generator :				
Units (in lakh)	10.31	1.65	11.81	1.21
Units per litre of diesel oil	2.60	1.37	3.41	1.25
Cost/Unit (Rs.)	4.06	7.45	3.08	7.35
(ii) Through Steam Turbine/Generator :				
Units (in lakh)	268.89	—	329.50	—
Units per litre of fuel oil/gas	Not ascertainable as bagasse which is a by-product is being used as fuel			
Cost/Unit (Rs.)	Not ascertainable as bagasse which is a by-product is being used as fuel			
2. Coal (used at loco and workshop)				
Quantity (Tonnes)	106.57	408.00	151.96	291.00
Total Cost (Rs. in lakh)	3.53	8.66	4.62	6.23
Average Rate (Rs.)	3,310.20	2,121.66	3,041.44	2,141.40
3. Furnace Oil (T. D. Oil for F. B. Dryer)				
Quantity (Litres in lakh)	0.38	2.86	0.55	2.82
Total amount (Rs. in lakh)	2.41	20.45	3.05	20.95
Average Rate (Rs.)	6.29	7.15	5.58	7.44
4. Others/Internal Generation :	Nil	Nil	Nil	Nil

(B) Consumption per unit of production :

No standard has been fixed

Products (Sugar in lakh qtls. & Tea in lakh kgs.)	13.27	11.82	15.91	11.11
Electricity	21.70	0.42	21.91	0.60
Furnace Oil	Nil	0.24	Nil	0.25
Coal (in Kgs.)	Nil	0.35	Nil	0.26
Others (specify)	Nil	Nil	Nil	Nil