

ANNUAL REPORT & ACCOUNTS 2001- 2002



**Upper Ganges Sugar
& Industries Limited**

**CHAIRMAN EMERITUS**

Dr. K.K. Birla

BOARD OF DIRECTORS

Smt. Nandini Nopany

Chairperson-cum-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 R.N. Mody

Shri A.V. Lodha

Shri S. Sahoo (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 (Sidhwalia)

Shri S.S. Binani, Executive Vice President (Tea Garden)

AUDITORS

S.R. Batliboi & Co.

Chartered Accountants

ADVOCATES & SOLICITORS

Khaitan & Co.

BANKERS

State Bank of India

Punjab National Bank

REGISTERED OFFICE

P.O. Seohara, Dist. Bijnor (U.P.)

Pin Code : 246 746

CORPORATE & HEAD OFFICE

9/1, R.N. Mukherjee Road,

Kolkata - 700 001.

SUGAR MILLS

1. Seohara, Dist. Bijnor (U.P.)

2. Sidhwalia, Dist. Gopalganj (Bihar)

DISTILLERY

Seohara, Dist. Bijnor (U.P.)

CINNATOLLIAH TEA GARDEN

Lakhimpur North (Assam)

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UPPER GANGES SUGAR & INDUSTRIES LIMITED

PERFORMANCE AT A GLANCE

	(Rs. in lakh)				
	1997-98	1998-99	1999-2000 (15 months)	2000-01	2001-02
Turnover	20,625.62	22,662.62	24,868.09	19,735.89	20,081.07
Operating Profit	3,614.18	3,858.61	3,463.99	2,823.58	2,008.57
Interest (net)	1,920.48	1,882.57	2,238.80	1,856.71	2,121.38
Depreciation	628.96	607.97	798.76	655.67	739.31
Profit/(Loss) before Tax	1,064.74	1,368.07	426.43	311.20	(852.12)
Profit/(Loss) after Tax	904.74	1,154.81	357.53	250.88	(499.47)
Net Worth	7,915.59	8,768.23	9,136.36	7,985.84	6,213.49
Net Worth per Ordinary Share (Rs.)	109.12	121.33	126.61	110.12	89.03
Dividend per Ordinary Share (Rs.)	3.00	3.00	1.00	—	—
Earning per Ordinary Share (Rs.)	12.55	16.01	5.12	3.06	—
Cane Crushed (Season) (In lakh Qtls.)	134.44	149.38	160.33	154.02	184.62



NOTICE

Notice is hereby given that the Seventieth Annual General Meeting of **Upper Ganges Sugar & Industries Limited** will be held on Friday, the 27th December, 2002 at 11.00 A.M. at the Registered Office of the Company at Sugar Mills Complex, P.O. Seohara, Dist. Bijnor (U.P.), Pin - 246 746 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 30th June, 2002.
2. To declare dividend on Preference Shares.
3. To elect a Director in place of Shri M.K. Mookerjee who retires by rotation.
4. To elect a Director in place of Shri R.N. Mody who retires by rotation.
5. To elect a Director in place of Shri A.V. Lodha who retires by rotation.
6. To elect a Director in place of Shri G. Dhurka who retires by rotation.
7. To appoint Auditors and fix their remuneration.

As Special Business

To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution :

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, present and future, relating to its Sugar Mills at Seohara, Dist. Bijnor (U.P.) together with power to take over the management of the business and concern of the Company's said unit in certain events to or in favour of Industrial Development Bank of India (IDBI) to secure Rupee Term Loan not exceeding Rs. 2500 lakh (Rupees two thousand five hundred lakh only) lent and advanced/agreed to be lent and advanced by IDBI 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 IDBI 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 IDBI 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."

Place : Kolkata
Dated, the 12th September, 2002

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 the Members of the Company will remain closed from the 20th December, 2002 to the 27th December, 2002, both days inclusive.
3. Members are requested to notify any change in their addresses to the Company.
4. In all correspondence with the Company, the members are requested to quote their account/folio numbers and in case their shares are held in the dematerialised form, they must quote their Client ID Number and their DP ID Number.
5. Under the provisions of 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. Members who have so

UPPER GANGES SUGAR & INDUSTRIES LIMITED

far not claimed their dividends for the said period may claim the same by submitting an application in prescribed form to the Registrar of Companies, Uttar Pradesh, West-Cott Building, Mahatma Gandhi Road, Kanpur - 208 001.

Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend remaining unclaimed/unpaid for a period of seven years shall be transferred to the Investor Education and Protection Fund and thereafter no claim shall lie against the Fund or the Company. Therefore, 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.

6. The Ordinary Shares of the Company are listed at Uttar Pradesh Stock Exchange Association Ltd., Padam Towers, 14/113, Civil Lines, Kanpur - 208 001, The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013 and The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata - 700 001. The listing fee for the year has been paid to each of the above Stock Exchanges.

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

Item No. 8

Industrial Development Bank of India (IDBI) has sanctioned to the Company Rupee Term Loan of Rs. 2500 lakh (Rupees two thousand five hundred lakh only) under Corporate Loan Scheme.

The financial assistance from IDBI 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 for Debentures 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 IDBI 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. Hence the resolution is submitted for your approval.

Copy of the Letter of Intent No. IDBI.CBO No. 9800/CFD.827 dated December 21,2001 received from IDBI and copies of relevant documents / correspondence between IDBI 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.

By Order of the Board

Place : Kolkata

S. K. Poddar

Dated, the 12th September, 2002

Secretary



DIRECTORS' REPORT

To
The Shareholders,

Your Directors take pleasure in presenting their Report and the audited Statements of Account of the Company for the year ended 30th June, 2002.

Financial Results	(Rs. in lakh)	
	2001-02	2000-01
2. Turnover	<u>20081.07</u>	<u>19735.89</u>
Gross Profit/(Loss) before Depreciation	(112.81)	966.87
To which is added/deducted :		
Balance brought forward from the previous year	675.21	637.90
Less : Proposed dividend for the year 1999-2000	—	116.67
Provision for Dividend Tax	—	11.90
	<u>675.21</u>	<u>509.33</u>
Refund of Income-tax/excess provision for taxation written back	6.24	9.18
Debenture Redemption Reserve no longer required written back	250.00	—
Deferred Tax Asset for the year	<u>384.41</u>	<u>1315.86</u>
Leaving a credit balance of	<u>1203.05</u>	<u>1485.38</u>
Out of this provisions have been made for :		
Depreciation	739.31	655.67
Taxation	38.00	69.50
Debenture Redemption Reserve	—	85.00
	<u>777.31</u>	<u>810.17</u>
Surplus available	<u>425.74</u>	<u>675.21</u>
Proposed Dividend on Preference Shares (including Rs. 37.50 lakh for previous year) subject to deduction of tax	74.28	—
Balance carried to Balance Sheet	<u>351.46</u>	<u>675.21</u>

Financial Performance & Dividend

3. The financial performance of your Company has been severely affected due to a sharp fall in the prices of sugar during the year under review by over Rs. 2000 per tonne. Profitability was further affected due to an uneconomic increase in the sugarcane prices announced by the State Governments. A

detailed report has been given in the Management Discussions and Analysis Report, which is attached as a separate annexure and forms a part of this Report.

4. In view of inadequacy of distributable profit as per the provisions of the Companies Act, 1956 the Directors have not recommended any dividend on

UPPER GANGES SUGAR & INDUSTRIES LIMITED

DIRECTORS' REPORT (Contd.)

Ordinary Shares for the year. However, since the Preference Shares have been redeemed during the year under review, the Directors considered it proper to pay the outstanding dividend on Preference Shares and have accordingly recommended dividend @ 12.5% per annum on Preference Shares for the year ended 30th June, 2001 and for the year ended 30th June, 2002 (on pro rata basis upto the date of redemption i.e. 23rd June, 2002).

5. In terms of Accounting Standard 22, 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India which has become mandatory in respect of the accounting period commencing on or after 1st April, 2001, deferred tax liability of Rs. 910.51 lakh has arisen upto 30th June, 2001 which has been adjusted against the reserves in the accounts of the Company for the year under review. The deferred tax asset amounting to Rs. 384.41 lakh for the year has been recognised as credit to the Profit & Loss Account.

Capital Projects

6. The Company's project for expansion-cum-modernisation of its sugar factory at Sidhwalia (Bihar) from 1,750 tonnes crushing daily to 2,500 tonnes crushing daily has been successfully completed and the commercial production at the expanded capacity has commenced during the season 2001-02.

Redemption of Preference Shares

7. During the year under review the Company redeemed 12.5% Cumulative Redeemable Preference Shares aggregating to Rs. 300 lakh which were allotted on private placement basis.

Corporate Governance

8. A separate report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges is attached as a separate annexure and forms a part of this Report.

Directors

9. Dr. K.K. Birla resigned from Chairmanship and Directorship of the Company due to his advancing age with effect from 16th August, 2002. Dr. Birla became Director of the Company in 1944 and was appointed Chairman in 1960. Under his distinguished

leadership and guidance the Company developed manifold. The Directors placed on record their high appreciation of the valuable guidance received and contribution made by Dr. Birla as Chairman and Director of the Company.

In recognition of his contribution, Dr. Birla has been conferred the status of "Chairman Emeritus" with effect from 10th September, 2002 by the Board of Directors of the Company so that the Company can continue to receive his guidance and advice from time to time.

10. Smt. Nandini Nopany, Deputy Chairperson, has been appointed Chairperson of the Board of Directors of the Company.
11. Shri M.K. Mookerjee, Shri R.N. Mody, Shri A.V. Lodha and Shri G. Dhurka retire from the Board by rotation.

Directors' Responsibility Statement

12. Your Directors confirm that -

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgements 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 loss of the Company for that year;
- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on going concern basis.

Auditors

13. The Notes on Accounts appearing in Schedule 24 and referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments or explanations.



DIRECTORS' REPORT (Contd.)

14. The Auditors, Messrs S. R. Batliboi & Co, Chartered Accountants, retire and are eligible for re-appointment.
15. Shri S.N. Mukherjee, Cost Accountant, has been appointed as Cost Auditor relating to Sugar and Industrial Alcohol for the current year subject to approval of the Central Government.

Subsidiary Companies

16. The audited Accounts of Uttar Pradesh Trading Company Ltd. and Saran Trading Company Ltd., subsidiaries of the Company, for the year ended 31st March, 2002 are attached as required by Section 212 of the Companies Act, 1956.

Statutory Requirements

17. There was no employee who was in receipt of remuneration as prescribed under Section 217(2A) of the Companies Act, 1956.
18. 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.

Acknowledgements

19. 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 Government and State Governments of Uttar Pradesh, Bihar and Assam, the Sugar Directorate and the Sugar Development Fund for their continued support to the Company. The Directors also place on record their appreciation of the valuable contribution made by the employees at all levels.

For and on behalf of the Board

NANDINI NOPANY
Chairperson-cum-
Mg. Director

Kolkata

Dated, the 12th September, 2002

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UPPER GANGES SUGAR & INDUSTRIES LIMITED

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

The Management of Upper Ganges Sugar & Industries Ltd. (UGS) is pleased to present its report analysing the Company's operations in its various segments and its future prospects based on the current prevailing market conditions.

The activities of UGS include the manufacture and sale of sugar, industrial alcohol and tea. Sugar, which constitutes 83.89% of its sales, is produced in UGS's two sugar factories situated at Seohara in Uttar Pradesh and Sidhwalia in Bihar. Industrial alcohol and Bio-compost are produced at the Company's distillery at Seohara. The Cinnatolliah Tea Garden is located at Lakhimpur North in Assam. The by-products of the sugar factories i.e. molasses and bagasse are partly sold and partly consumed internally by the Company. A segment wise analysis is presented below :

A. SUGAR

1. World Sugar Scenario

- a) The Sugar Industry had been suffering worldwide from surplus production of sugar since last four years. The international sugar markets that had improved somewhat towards the end of 2000-01 came under tremendous pressure during the year under review. A sharp jump in the production at Brazil followed by an increase in their exports coupled with a weak real led to a fall in international prices of sugar. During the year 2001-02 Brazil exported around 11.379 million tonnes against 7.414 million tonnes during 2000-01. Sugar production in Brazil increased to 19.871 million tonnes during 2001-02 from 17.036 million tonnes.
- b) Sugar prices are expected to remain low during 2002-03 due to over production and a supply glut in the international markets. Production is expected to increase to 141.7 million tonnes raw value during 2002-03 as against 135.9 million tonnes during 2001-02. Higher production anticipated in Brazil, European Union, Turkey, South Africa, USA and Australia has affected the sentiments of the international markets adversely despite reports of widespread damage to sugarcane crop in Cuba, anticipated increase in sugar imports by Russia and China and low sugar recovery in Europe.
- c) The UN Food and Agriculture Organisation (FAO) has predicted an increase in sugar consumption

due to strong economic growth in various sugar consuming countries. However, this may be insufficient to make any significant impact in the short term due to the increase in production.

2. Indian Sugar Scenario

- a) The crisis in the Indian Sugar Industry worsened during the year under review with prices of sugar remaining at abysmally low levels. Sugar production remained high largely due to the generous price hike announced in favour of the sugarcane farmers by the State Government in U.P. The problem was further compounded by the decision of the Government of India to decontrol the sugar release mechanism after the successful introduction of futures market. This decision was opposed by the industry and is contrary to the recommendations of the high-powered committee under the Chairmanship of Shri B.B. Mahajan. Anticipating the withdrawal of the release mechanism, several factories started selling sugar beyond the quantity released by the Government. This indiscipline in the market led to an over-supply followed by a sharp fall in prices to levels not seen after the mid-nineties.
- b) The estimated sugar production during the sugar season 2001-02 is expected to be around 184.50 lakh tonnes, which is at the same level of last season's production of 185.12 lakh tonnes. Increase in the production of Uttar Pradesh to 52.60 lakh tonnes as against 43.94 lakh tonnes in the previous year was the major contributory despite a fall in the production in Maharashtra during the year under review. As the sugar industry was already carrying a huge inventory of 102.00 lakh tonnes at the beginning of the season, this increased production further aggravated the difficulties being faced by the sugar industry.
- c) The domestic consumption as estimated by trade circle during the current season 2001-02 is about 175.00 lakh tonnes as compared to 162.78 lakh tonnes during the season 2000-01 reflecting a growth of 7.51%. Exports during the season 2001-02 suffered a setback and is likely to be only around 9.50 lakh tonnes as against 12.44 lakh tonnes achieved during the season 2000-01. The main reason for lower exports can be attributed to the low prices



MANAGEMENT DISCUSSIONS & ANALYSIS REPORT (Contd.)

of sugar prevailing in the international markets. Delay in announcing the internal transport subsidy for encouraging export of sugar by the Government has also contributed to lower exports during the year under review. The sugar season of 2001-02 is likely to close with an inventory at 102.00 lakh tonnes, equivalent to almost eight months' consumption.

d) Estimated Demand & Supply of Sugar in India

(In lakh tonnes)

	2001-02	2000-01
Opening Stock as on 1st October	102.00	92.10
Production during the season (October - September)	184.50	185.12
Total availability	286.50	277.22
Domestic consumption	175.00	162.78
Exports	9.50	12.44
Closing Stock as on 30th September	102.00	102.00

3. Government Policies

- a) In pursuance of the recommendations of the Mahajan Committee for decontrol of sugar, the Government reduced the ratio of levy sugar and free sugar from 15:85 to 10:90 with effect from 1st March, 2002. This relaxation has been welcomed by the industry.
- b) The long awaited amendment to the Sugar Development Fund Act, for defraying expenditure incurred by the sugar factories on transportation of sugar for export from factory upto the point of shipment has been notified by the Government on 21st June, 2002. Keeping in view the sharp decline in the prices of sugar in the international markets, the industry has requested the Government to subsidise ocean freight on export of sugar that is within the provisions of WTO. In order to further boost the sugar export the Government has also increased the deferment benefit for adjustment of release of free sale sugar made for export purpose from 12 months to 18 months.
- c) The Government had amended the Jute Packaging Order restricting the mandatory packing of sugar to the extent of 90% of production in jute bags which was valid upto 30th June, 2002. Subsequently,

by another Notification, the Government relaxed the restriction with effect from 12th July, 2002 that 75% of sugar production is to be packed in jute bags upto 30th June, 2003 and thereafter only 50% of the total production of sugar is to be packed in jute bags upto 30th June, 2004. The Government also required the sugar factories to pack sugar in gunny bags of 50 kgs. as against 100 kgs. at present. However, on the representation of the industry, the Government has allowed the sugar factories to continue to pack in 100 kg jute bags till 28th February, 2003.

- d) The Government has permitted futures trading in sugar. The Government has approved three companies to set up future exchanges and these are expected to be operational by October 2002.
- e) The Government has also issued a notification to the effect that sugar dealers will not require any permit or licence under the Essential Commodities Act and they may freely buy, stock, sell, transport, distribute, dispose, acquire, use or consume any quantity of sugar.
- f) The retail issue price of levy sugar distributed through the Public Distribution System has been increased from Rs. 13.25 to Rs. 13.50 per kg with effect from 1st March, 2002.

4. Sugarcane Pricing

- a) The Statutory Minimum Price (SMP) of sugarcane for the season 2001-02 was fixed by the Government at Rs. 62.05 per quintal as against Rs. 59.50 per quintal for the previous season linked to a base recovery of 8.5% or less. The SMP in respect of the Company's sugar factories was fixed as below :

	Season 2001-02	Season 2000-01
Statutory Minimum Price (Rs. per quintal)		
Seohara	69.35	64.40
Sidhwalia	65.10	65.10

- b) On the advice of the U.P. Government the sugar industry in U.P. paid a price of Rs. 92.50 per quintal of sugarcane for normal variety and Rs. 90.00 per quintal for rejected variety for the season 2001-02