

UPPER GANGES SUGAR & INDUSTRIES LIMITED ANNUAL REPORT 2004-05

FORESIGHT IN A TIME OF CHANGE

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Dr. K. K. Birla, Chairman Emeritus

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UPPER GANGES SUGAR & INDUSTRIES LIMITED

CORPORATE INFORMATION

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 G.K. Bhagat

Shri Bhaskar Mitter

Lt. Gen. K. Chiman Singh (Retd.)

Shri Gaurav Swarup

Shri Supriya Gupta

Shri Sunil Kanoria

Shri I.P. Singh Roy

Shri L.P. Aggarwal (IDBI - Nominee)

Shri P.K. Lakhotia

Executives

Shri C.B. Patodia - *Advisor*

Shri S.K. Poddar - *Secretary*

Shri B.K. Malpani, *Executive President (Seohara)*

Shri B.K. Sureka, *Executive President (Sidhwalia)*

Shri R.K. Gupta, *Executive Vice-President (Hasanpur)*

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

Registrar & Share Transfer Agent

Intime Spectrum Registry Ltd.

59C, Chowringhee Road

3rd Floor, Kolkata - 700 020

Telephone : 91-033-2289 0540

Fax : 91-033-2289 0539

e-mail : kolkata@intimespectrum.com

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

Telephone No. 91-033-2243 0497/8

Fax : 91-033-2248 6369

e-mail : birlasugar@birla-sugar.com

Website : www.birla-sugar.com/upperganges

- Established in the year 1932
- Produces sugar, industrial alcohol, ethanol, bio-compost and tea
- Four production units located in three states - Uttar Pradesh, Bihar and Assam.
- Total cane crushing capacity: 14500 TCD
- Total industrial alcohol/ ethanol capacity: 165 lac litres
- Total sales in 2004-05: Rs. 379.39 cr. (31.50 per cent increase over 2003-04)
- Total profit after tax in 2004-05: Rs. 13.69 cr. (18.56 per cent decline over 2003-04)
- Market capitalisation as on 30th June, 2005: Rs. 136.10 cr. (214.77 per cent increase over 2003-04)

ABOUT THE COMPANY

Sugar Mills

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

Distillery

Seohara, Dist. Bijnor (U.P.)

Cinnatolliah Tea Garden

Lakhimpur North (Assam)



UPPER GANGES SUGAR & INDUSTRIES LIMITED

PERFORMANCE AT A GLANCE

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	2000-01	2001-02	2002-03	2003-04	2004-05*
	(Rs. in lacs)				
Total sales	21087.21	21523.49	31513.20	28852.26	37938.80
Operating profit	2823.58	2008.57	1693.04	5882.50	7936.94
Interest (net)	1856.71	2121.38	1990.50	2272.50	1935.11
Depreciation	655.67	739.31	775.01	834.88	858.42
Profit/(loss) before tax	311.20	(852.12)	(1072.47)	2775.12	1915.00
Profit/(loss) after tax	250.88	(499.47)	(717.19)	1681.40	1369.44
Net worth	7985.84	6213.49	5508.21	6977.68	7950.85
Net worth per equity share (Rs.)	110.12	89.03	78.92	99.98	113.92
Dividend per equity share (Rs.)	—	—	—	3.00	4.00
Earning per equity share (Rs.)	3.06	—	—	24.09	19.57
Cane crushed (season) (in lac qtls.)	154.02	184.62	194.43	166.31	169.16

* Including in respect of sugar division of New India Sugar Mills Ltd., merged with the Company with effect from 1st October, 2004.



DIRECTORS' REPORT

Dear Shareholder,

Your Directors take pleasure in presenting their Report and the audited Statements of Account of the Company for the year ended 30th June, 2005.

Financial Results

			(Rs. in lacs)	
	2004 - 05		2003 - 04	
Gross sales	37938.80		28852.26	
Gross profit before depreciation and exceptional items	6001.83		3610.00	
Less: Exceptional items (net)	3228.41		-	
Gross profit before depreciation	2773.42		3610.00	
To which is added:				
Balance brought forward from the previous year	872.17		9.27	
Refund of income-tax/excess provision written back	-		2.58	
Debenture redemption reserve written back	116.75	988.92	168.25	180.10
Making a total of	3762.34		3790.10	
Out of this provisions have been made for:				
Depreciation	858.42		834.88	
Taxation (including Rs. 3.07 lacs for earlier years)	205.98		127.50	
Fringe benefit tax	3.82		-	
Deferred tax liability	335.76		968.80	
Debit balance of profit and loss account of the Sugar Division merged under the Scheme of Arrangement	224.18	1628.16	-	1931.18
Surplus available for appropriation	2134.18		1858.92	
Appropriations:				
Interim dividend	279.18		-	
Proposed dividend	-		209.38	
Dividend tax	39.15		27.37	
Transfer to general reserve	1000.00	1318.33	750.00	986.75
Balance carried to Balance Sheet	815.85		872.17	

Financial performance and dividend

The financial performance of the Company for the year under review has significantly improved. A detailed analysis of the Company's operations, future expectations and business environment has been given in the Management Discussions and Analysis Report, which is attached as a separate annexure and forms a part of this Report.

As the financial results of the Company for the year 2004-05 include the results of sugar business of New India Sugar Mills Ltd. (NISML), they are not comparable with the results for the year 2003-04.

Due to delay in sanctioning the Scheme of Arrangement for de-merger of the Sugar Division of NISML with the Company by the Hon'ble High Courts at Calcutta and Allahabad, the finalization of the Company's accounts and the Annual General Meeting for the year under review has been delayed. In view of this, the Board of Directors paid an interim dividend @ Rs. 4 per Equity Share for the year. The dividend tax including surcharge on the amount of dividend was paid by the Company. The total outflow on this account was Rs. 318.33 lacs.

In view of the payment of interim dividend, no final dividend is recommended now.

Issue of rights shares

The Board of Directors has approved the raising of additional equity aggregating a maximum of Rs. 70 crores by issuing shares on Rights basis. The ratio and premium has not yet been finalized due to the demerger of the Sugar Division of NISML with the Company. The draft Letter of Offer is being filed with SEBI and the ratio and premium would be finalized at an appropriate time. The entire process will be completed during the current year.

Merger

In order to increase the manufacturing capacity of the Company, the Sugar Division of NISML, with all its assets and liabilities has been merged with the Company, with effect from 1st October, 2004, pursuant to a Scheme of Arrangement which has been approved by the Hon'ble High Courts at Calcutta and Allahabad vide their Orders dated 7th December, 2005 and 19th January, 2006 respectively. In terms of the Scheme, the Company has to allot to the shareholders of NISML 25,009 Equity Shares of Rs. 10 each fully paid up in the ratio of 2 Equity Shares of Rs. 10 each credited as fully paid up ranking pari passu in all respects with the existing Equity Shares for every 100 Equity Shares of Rs. 10 each held by them in NISML.

Capital projects

To facilitate greater economies of scale, the sugarcane crushing capacity of Bharat Sugar Mills, Sidhwalia (Bihar), a unit of the Company, is being expanded from 2500 tonnes crushing daily (TCD) to 5000 TCD with a sulphur free sugar refinery. Further, the Company is also in the process of setting up of 18 MW Co-generation Plant at Sidhwalia for export and captive use. The expansion of the crushing capacity to 5000 TCD and the setting up of a 18 MW Co-generation Plant at an estimated capital outlay of Rs. 125 crores is expected to go on stream from the start of crushing operations for the season 2007-08. This project would be entitled to the benefits under the incentive package announced by the Government of Bihar for the promotion of sugar industry in its state, like subsidy of 10 per cent or Rs. 10 crores, whichever is less, on the total investment made on plant and machinery, reimbursement of excise duty on production of sugar, exemption from payment of purchase tax on purchase of sugarcane, payment of duty on electricity and from payment of stamp duty and registration fee on purchase of land, etc. for a period of five years from the date of commencement of production.

In view of the increasing demand for electricity, and to provide for more remunerative utilization of bagasse, a by-product, the installation of a 24 MW Co-generation Plant at Seohara, for export and captive use, at an estimated capital outlay of about Rs. 100 crores is under implementation, and the plant is likely to go on stream at the beginning of the calendar year 2007.

To meet the increasing demand for ethanol, which is a comparatively environment friendly viable alternative to the fast depleting non-renewable fossil fuels, the Company has undertaken the expansion of the Company's distillery at Seohara from the existing capacity of 55 klpd to 100 klpd at an estimated cost of Rs. 36.08 crores which is progressing as per schedule and is expected to commence production at the enhanced capacity from December, 2006.

Corporate Governance

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

Shri A.V. Lodha retired from the Directorship of the Company at the Annual General Meeting held on the 9th December, 2004. The Directors placed on record their appreciation for the valuable services rendered by Shri A.V. Lodha during his tenure as a Director of the Company.

Shri G. Dhurka resigned from the Directorship of the Company. The Directors placed on record their appreciation for the services rendered by Shri G. Dhurka during his tenure as a Director of the Company.

Shri P.K. Lakhota and Shri I.P. Singh Roy who were appointed as additional Directors retire at the Annual General Meeting and are eligible for re-appointment.

Shri L.P. Aggarwal has been nominated on the Board of Directors of the Company by Industrial Development Bank of India Limited in place of Shri S. Sahoo with effect from 4th May, 2005. The Board placed on record its appreciation of the valuable advice received from Shri S. Sahoo during his tenure as a Director of the Company.

The term of Smt. Nandini Nopany, Managing Director of the Company, expired on the 30th September, 2005. She has been re-appointed as Managing Director for a further period of five years with effect from 1st October, 2005, subject to approval of the shareholders.

Shri Bhaskar Mitter, Shri Gaurav Swarup and Shri Supriya Gupta retire from the Board by rotation and are eligible for re-election.

Directors' responsibility statement

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) Such accounting policies have been selected and applied consistently and judgement and estimates made 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 of the Company for that year;
- iii) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a 'going concern' basis.

Auditors

The Notes on Accounts appearing in Schedule 25 and referred to in the Auditors' Report are self-explanatory and therefore, do not call for any comments and explanations.

The Auditors, Messers S. R. Batliboi & Co, Chartered Accountants, retire and are eligible for re-appointment.

Pursuant to the directives of the Central Government under Section 233 B of the Companies Act, 1956, Shri S.N. Mukherjee, Cost Accountant, has been appointed as Cost Auditor to audit the cost accounting records relating to Sugar and Industrial Alcohol for the current year.

Subsidiary Companies

The Hon'ble High Court at Calcutta vide its Order dated 6th July, 2005 has approved the Scheme of Arrangement for amalgamation of Saran Trading Company Limited, a wholly owned subsidiary of the Company, with New India Sugar Mills Ltd. with effect from 1st April, 2004. Accordingly, Saran Trading Company Ltd. ceased to be a subsidiary of the Company with effect from 1st April, 2004.

The audited Accounts of Uttar Pradesh Trading Company Ltd., a subsidiary of the Company, for the year ended 31st March, 2005 are attached as required by Section 212 of the Companies Act, 1956.

Statutory requirements

As required under the Listing Agreement with Stock Exchanges, Consolidated Financial Statements, conforming to the Accounting Standard 21 issued by the Institute of Chartered Accountants of India, are attached.

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.

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

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

Kolkata,

Dated, the 21st February, 2006

Smt. Nandini Nopany

Chairperson cum Mg. Director

UPPER GANGES SUGAR & INDUSTRY

MANAGEMENT'S DISCUSSION AND ANALYSIS