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Upper Ganges Sugar & Industries Ltd. ■ Annual Report 2005-06



Dr. K. K. Birla, *Chairman Emeritus*

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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 P.K. Lakhotia

Committees of Directors

Finance & Corporate Affairs Committee

Smt. Nandini Nopany

Shri C.S. Nopany

Shri G.K. Bhagat

Shri Bhaskar Mitter

Audit Committee

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

Shri R.K. Choudhury

Shri G.K. Bhagat

Shri Supriya Gupta

Investors' Grievance Committee

Shri G.K. Bhagat

Shri C.S. Nopany

Shri Bhaskar Mitter

Remuneration Committee

Shri I.P. Singh Roy

Shri G.K. Bhagat

Shri Bhaskar Mitter

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

Sugar Mills

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

Distillery

Seohara, Dist. Bijnor (U.P.)

Tea Garden

Cinnatollah Tea Garden

Lakhimpur North (Assam)

Upper Ganges Sugar & Industries Ltd.

About the Company

Established in the year 1932.

Produces sugar, industrial alcohol, ethanol, bio-compost and tea.

Production units located in three states-Uttar Pradesh, Bihar and Assam.

Total cane crushing capacity: in the process of increase from 14,250 TCD to 20,000 TCD.

Total industrial alcohol/ ethanol capacity: in the process of increase from 55 klpd to 100 klpd.

Total sales in 2005-06: Rs.443.30 cr.
(16.85 per cent increase over 2004-05)

Total profit after tax in 2005-06: Rs.28.62 cr.
(109 per cent increase over 2004-05)

Earnings per share in 2005-06: Rs.40.86
(108.79 per cent increase over 2004-05)

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 Ltd.

Performance at a glance

Financial Results

(Rs. in lakh)

	2001-02	2002-03	2003-04	2004-05*	2005-06
Gross sales	21,523.49	31,148.74	28,852.26	37,938.80	44,330.68
Operating profit	2,008.57	1,693.04	5,882.50	7,980.12	7,049.81
Interest & Finance charges (net)	2,121.38	1,990.50	2,272.50	1,978.29	1,381.52
Depreciation	739.31	775.01	834.88	858.42	936.40
Profit/(loss) before tax	(852.12)	(1,072.47)	2,775.12	1,915.00	4,731.89
Profit/(loss) after tax	(499.47)	(717.19)	1,681.40	1,369.44	2,862.29
Net worth	6,213.49	5,508.21	6,977.68	7,950.85	10,088.18
Net worth per equity share (Rs.)	89.03	78.92	99.98	113.92	144.03
Dividend per equity share (Rs.)	—	—	3.00	4.00	5.00
Earning per equity share (Rs.)	—	—	24.09	19.57	40.86
Cane crushed (season) (in lac qtls.)	184.62	194.43	166.31	169.16*	186.60

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

Upper Ganges Sugar & Industries Ltd.

Directors' Report

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Dear Shareholders

Your Directors take pleasure in presenting their Report and the audited Statements of Account of the Company for the year ended 30th June 2006.

Financial Results

(Rs. in lakh)

	2005 - 06		2004 - 05	
Gross Sales		44,330.68		37,938.50
Gross Profit before Depreciation and				
Exceptional Items		5,668.29		6,001.83
Less : Exceptional Items (net)		-		3,228.41
Gross Profit before Depreciation		5,668.29		2,773.42
To which is added:				
Balance brought forward				
from the previous year	815.85		872.17	
Debenture Redemption Reserve written back	-	815.85	116.75	988.92
Making a total of		6,484.14		3,762.34
Out of this provisions have been made for :				
Depreciation	936.40		858.42	
Taxation (net)	473.65		205.98	
Fringe Benefit Tax	14.50		3.82	
Deferred Tax Liability	1,381.45		335.76	
Profit & Loss Account debit balance transferred				
under Scheme of Arrangement	-	2,806.00	224.18	1,628.16
Surplus available for Appropriation		3,678.14		2,134.18
Appropriations :				
Interim Dividend	-		279.18	
Proposed Dividend	577.86		-	
Dividend Tax	81.05		39.15	
Transfer to General Reserve	2,000.00	2,658.91	1,000.00	1,318.33
Balance carried to Balance Sheet		1,019.23		815.85

Financial performance & 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 & Analysis Report, which is attached as a separate annexure and forms a part of this report. Furthermore, the financial results for the year 2005-06 includes the results of sugar business of New India Sugar Mills, which was merged with the Company with effect from 1st October, 2004. Accordingly, the results for 2005-06 are not comparable with the results of 2004-05.

Dividend

The Directors have recommended a dividend @ Rs. 5.00 per Equity Share for the year ended 30th June, 2006 on the increased capital. The dividend tax including surcharge on the amount of dividend shall be payable by the Company. The total outflow on this account shall be Rs. 658.91 lakh as compared to Rs. 318.33 lakh in the previous year.

Rights shares

The Company issued and allotted 45,52,852 Equity Shares of Rs. 10

each at a premium of Rs. 140 per share aggregating Rs. 6829.28 lakh on Rights basis in the ratio of 13 Equity Shares for every 20 Equity Shares held. The proceeds of the Rights Issue have been utilised as per the objects of the issue.

Capital projects

To facilitate greater economies of scale, the sugarcane crushing capacity of Hasanpur Sugar Mills, Samastipur (Bihar), a unit of the Company, is being expanded from 1750 tonnes crushing daily (TCD) to 5000 TCD. The aggregate project cost would be about Rs.130 crores.

The expansion of Bharat Sugar Mills, Sidhwalia (Bihar) a unit of the Company, from 2500 TCD to 5000 TCD with a sulphur free Sugar Refinery and a Co-Generation Plant of 18 MW at a capital outlay of about Rs. 125 crores is progressing satisfactorily and is expected to go on stream from the start of crushing operations for the season 2007-08.

The installation of a 24 MW Co-Generation Plant at Seohara, at an estimated capital outlay of about Rs. 100 crores is under implementation, and the plant is progressing as per schedule.

The expansion of the Company's distillery at Seohara from the exiting

capacity of 55 klpd to 100 klpd at an estimated cost of about Rs. 36 crores is progressing as per schedule.

Corporate Governance

A separate report on Corporate Governance, by the Managing Director of compliance and a declaration by all members of the Board and Senior Management Personnel pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges are attached as separate annexure and forms a part of this Report.

Directors

Industrial Development Bank of India Ltd. vide their letter dated 25th April, 2006 had withdrawn the nomination of Shri L.P. Aggarwal as a Director on the Board of the Company. The Directors placed on record their appreciation of the valuable advice received from Shri L.P. Aggarwal during his tenure as a Director of the Company.

Shri R.K. Choudhury, Shri G.K. Bhagat and Shri Sunil Kanoria 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 judgments 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 on Schedule 25 and referred to in the Auditors' Report are self explanatory and therefore, do not call for any further comments and explanations.

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

In accordance with 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 Units situated at Seohara and Sugar unit at Sidhwalia and M/s. D. Radhakrishnan & Co., Cost Accountants have been appointed for Sugar unit at Hasanpur for the current year.

Subsidiary Companies

The audited Accounts of Uttar Pradesh Trading Company Ltd., a subsidiary of the Company, for the year ended 31st March, 2006 are attached.

Statutory requirements

As required under the Listing Agreements with the Stock Exchanges, Consolidated Financial Statements, conforming to the Accounting Standard 21 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

Nandini Nopany

Chairperson-cum-Mg. Director

Kolkata,

Dated, the 18th August, 2006

Upper Ganges Sugar & Industries Ltd.

Management Discussions and Analysis

Business: Sugar, industrial alcohol/ ethanol, bio-compost and tea

Income profile: Sugar is the Company's main business; comprises 91 per cent of its total sales

Presence: Factories in Seohara (UP), Sidhwalia and Hasanpur (Bihar).

Tea garden is situated in Cinnatolliah, Lakhimpur North, Assam