



12th
ANNUAL REPORT
2005-2006



the **desire**
to excel
the **determination**
to **deliver**



Uttam Sugar Mills Limited

Contents

Corporate Information	02
Directors' Report	03
Corporate Governance Report – Shareholders Information	10
Management Discussion and Analysis Report	20
Auditors' Report	23
Balance Sheet	29
Profit and Loss Account	30
Schedules	31
Cash Flow Statement	53



Corporate Information

Board of Directors

Raj Kumar Adlakha
(Chairman & Managing Director)

U.R.K. Rao
(Executive Director)

Rajan Adlakha

Ranjan Adlakha

V.S. Tandon

N.K. Sawhney

R. Vasudevan

Auditors

B. K. Kapur & Co.
Chartered Accountants

Company Secretary

G. Ramarathnam

Bankers

Punjab National Bank

IDBI Bank

Indian Overseas Bank

State Bank of India

Oriental Bank of Commerce

Registered Office

7-C, 1st Floor,
J-Block Shopping Centre,
Saket, New Delhi-110017
Telefax.: 011-29561721

Corporate Office

A-2E, 3rd Floor,
C.M.A. Tower, Sector-24
Noida-201 301 (U.P.)
Tel.: 0120-2412716-18
0120-2412722-26

Fax: 0120-2412715

Email: usmInoi@sancharnet.in

Works

Unit-1:

Village Libberheri, Tehsil Roorkee,
Distt. Haridwar (Uttarakhand)
Tel.: 01332-229193
Fax: 01332-229194
Email: uttamsugar@sancharnet.in

Unit-2:

Village Barkatpur, Tehsil Nazibabad
Distt. Bijnor (U.P.)
Tel.: 01342-286028
Fax: 01342-286027

Unit-3:

Village Khaikheri,
Tehsil & Distt. Muzaffarnagar (U.P.)
Tel.: 09319146001

Unit-4:

Village Shermau,
Tehsil Nakur Distt. Saharanpur (U.P.)
Tel.: 01331-292080



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Twelfth Annual Report on the operations of your company, together with the Audited Accounts of the Company for the year ended 30th September, 2006.

FINANCIAL RESULTS

The financial results of the Company for the year ended on 30th September 2006 are as under:—

	(Rs. in Lacs)	
	30.09.2006	30.09.2005
Net Sales	21454.90	18793.54
Profit before Depreciation and Tax	4123.77	4157.88
Depreciation	983.10	532.91
Profit before tax	3140.67	3624.97
Provision for taxation		
Current tax	287.03	245.50
Less MAT credit	257.07	—
Deferred tax	815.58	702.93
Fringe Benefit Tax	19.79	5.45
Profit after taxation	2275.35	2671.09
Balance brought forward from Previous year	3145.00	503.68
Less : Income Tax for earlier year	—	29.77
Surplus transferred to Balance Sheet	5420.35	3145.00

REVIEW OF OPERATIONS

During the Financial Year 2005–06, your Company crushed 112.39 lacs of qtls of cane and produced 11.12 lacs of qtls of sugar at a recovery rate of 10.09 % as compared to 75.34 lacs of qtls of cane crushed and 7.68 lacs of qtls of sugar produced for the previous Financial Year 2004–05. During the year under review, a new Green field sugar plant at Barkatpur, District Bijnore U.P. has been commissioned with an installed capacity of 7000TCD.

DIVIDEND

With a view to conserve the resources for the ongoing expansion through Greenfield projects, your Directors have not recommended any dividend for the financial year 2005-06.

FUTURE OUTLOOK

Stand-alone Sugar factories may find it difficult to survive in the long run because of volatile prices of sugar and hence, your Company has decided to embark upon diversification in the core areas like co-generation and down-stream projects like ethanol at the existing factory units at an estimated cost of Rs. 300 Crores for which financial arrangements are being made.

The Central Government banned export of sugar in July, 2006 and this ban is yet to be lifted. This action on the part of the Government has the effect of more sugar availability in the domestic market and consequently the prices started declining. The Government's estimate of sugar production for the sugar season is 227 lacs tons and unless general export ban is lifted, the sugar prices may continue to remain subdued in the short term. The industry is expecting that the ban will be lifted in the New Year. However, the lifting of the ban of export may not have the desired effect on the sugar prices because prices in the global market which was \$ 480 per tonne at the time of ban in early July 2006 have now plummeted to \$ 380 per tonne F.O.B.

EXPANSION (GREENFIELD PROJECTS)

As already reported in the previous year's Directors' Report, your Company has commissioned a Green Field Sugar Plant at Village Barkatpur, District Bijnore, U.P. with an installed capacity of 7000 TCD during the year 2005-06. Besides, another Green Field Project at Village Khaikheri, District Muzzafarnagar, U.P. with an installed capacity 4500 TCD has been commissioned in the month of November, 2006. Fourth unit at Village Shermau, District Saharanpur, U.P. with an installed capacity of 5000 TCD is expected to be commissioned in February, 2007. Thereafter, the total capacity will be 22750 TCD after fourth unit also goes into production. As per the original schedule of implementation Khaikheri and Shermau projects were expected to go on stream by end of October, 2006, but due to unforeseen circumstances there has been slight delay in the commissioning of these plants. With the commissioning of the above mentioned Green Field Projects, your Company qualifies for incentive scheme declared by Government of U.P.

FIXED DEPOSIT

During the year under review your Company has not accepted any deposit within the meaning of Section 58 A of the Companies Act, 1956 and rules made thereunder.

AUDIT COMMITTEE

The Audit Committee was re-constituted on 4th January, 2006 consisting of Mr. N.K. Sawhney, Mr. V.S. Tandon and Mr. Ranjan Adlakha satisfying the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange.



DIRECTORS

Mr. Rajan Adlakha and Mr. V.S. Tandon, Directors of the Company are retiring by rotation at this forthcoming Annual General Meeting of the Company and are eligible for reappointment.

Dr. Ramasamy Vasudevan was appointed as an Additional Director of the Company during the period under review and he holds office till forthcoming Annual General Meeting. However the Company has received a notice u/s 257 of the Companies Act, 1956 from a Shareholder proposing his candidature for the office of Director.

The Board of Directors have re-appointed Mr. Raj Kumar Adlakha as Managing Director of the Company for a period of three years from 1st September, 2006 to 31st August, 2009 subject to necessary approvals. A resolution to this effect is being placed before the members for approval.

DIRECTORS RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The Directors confirm that:-

- (i) In the preparation of annual accounts, the applicable accounting standards have been followed.
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 30th September 2006 and of the Profit of the company for year ended 30th September 2006.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance together with Certificate from a practising Company Secretary is appended to the Annual Report.

CHANGE IN CAPITAL STRUCTURE

Your Company issued and allotted 40,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 330/- per share by way of Initial Public Offer in the month of March, 2006. The issue was oversubscribed. The shares were listed on 10th April, 2006 on NSE and BSE. The proceeds of the IPO were utilized as per the terms of issue. Your Company has paid the annual listing fees to both the Stock Exchanges.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT COST AND FOREIGN EXCHANGE EARNINGS AND OUT GO

The factory is not using any power from State Electricity Board. The maximum power requirements are met from own captive generation through Steam Turbine for which bagasse (a by-product) is used as fuel in the boilers.

Information with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and out-go u/s 217(1)(e) of the Companies Act, 1956 is set out in Annexure "A" of this report which forms a part of the Directors' Report.

PARTICULARS OF EMPLOYEES

The information required as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, is furnished in Annexure "B" of this report which forms a part of the Directors' Report.

AUDITORS

M/s B.K. Kapur & Co., Chartered Accountants, Ghaziabad Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received certificate from Auditors to the effect that their appointment if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Industrial relations continued to remain cordial throughout the year under review.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the support received from the Shareholders, Central Government, Government of Uttarakhand and U.P., Industrial Development Bank of India Ltd., Indian Overseas Bank, Punjab National Bank, State Bank of India, Oriental Bank of Commerce, Sugar Development Fund and customers for their support and co-operation. Finally, your Directors acknowledge the dedicated services rendered by all the employees of the Company.

**By Order of the Board
for UTTAM SUGAR MILLS LTD.**

Place : Noida
Date : 15th December, 2006

RAJ KUMAR ADLAKHA
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS REPORT

ANNEXURE 'A'

(A) CONSERVATION OF ENERGY

ENERGY CONSERVATION MEASURES

- 1) Installation of Variable Frequency Drive in place of Conventional Motors at Centrifugal Machines.
- 2) Installation of Dozing Pump for effective process control.
- 3) Modification of Cooling Tower design to increase the water handling capacity.
- 4) Re-arrangement of process equipments.
- 5) Improvement in cane preparation resulting in lower moisture content in bagasse.

The above measures have resulted in reduction in steam and power consumption.

FORM A

Disclosure of particulars with respect to conservation of energy

I. Power and fuel consumption

1. Electricity	2005-06	2004-05
a) Purchased units		
Units (KWH)	Nil	Nil
Total amount (Rs. Lakhs)	Nil	Nil
Rate per unit (Rs.)	Nil	Nil
B) Own generation		
i) Through diesel generator sets		
Units (KWH)	1272136	650092
Units per ltr. of Diesel Oil	2.78	3.2
Total amount (Rs. Lakhs)	151.23	63.10
Cost/ unit (Rs)	11.87	9.7
ii) Through steam turbine		
Units (KWH)	36340278	21885710
Units per quintal of bagasse (cost/unit)	Steam produced by use of own bagasse	
2. Coal (Quantity)	Nil	Nil
Total Cost & Average Rate	Nil	Nil
3. Furnace oil (KL.)	Nil	Nil
Total amount/ average rate	Nil	Nil
4. Other/internal generation (MT)	Nil	Nil
Quantity Cost/ Rate per unit	Nil	Nil

II. Consumption per unit of production of sugar

	2005-06	2004-05
Sugar Production (in Qtls.)	1112379	768240
Electricity (KWH per ton of Sugar)	34.39	28.39
Furnace Oil	Nil	Nil
Coal	Nil	Nil
Fire Wood	Nil	Nil
Bagasse (Purchased)	Nil	Nil

B. Technology Adaptation & Innovation

The company has not imported any technology for its plant. The company is using well proved indigenous technology.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in Lacs)	
	2005-06	2004-05
Earnings	Nil	Nil
Used	57.47	161.64

**By order of the Board
For UTTAM SUGAR MILLS LTD.**

Place : Noida
Date : 15th December, 2006

RAJ KUMAR ADLAKHA
Chairman & Managing Director

ANNEXURE 'B'

Statement Pursuant to Section 217(2A) of the Companies Act, 1956
and the Companies (Particulars of Employees) Rules, 1975

Sl. No.	Name	Designation / Nature of Duties	Remuneration Received (Rs. in lacs)	Qualification	Age in Years	Experience in years	Date of commencement of employment	Particulars of last employment
1.	Sh. Raj Kumar Adlakha	Managing Director	156.85	B.E. (Mech)	51	27	01.09.2001	Whole Time Director Uttam Industrial Engineering Limited

Notes :

1. The nature of employment is contractual.
2. Sh. Raj Kumar Adlakha is related to Sh. Rajan Adlakha and Sh. Ranjan Adlakha, Directors.
3. Remuneration comprises salary, commission and monetary value of perquisites.

By Order of the Board
For UTTAM SUGAR MILLS LTD.

RAJ KUMAR ADLAKHA
Chairman & Managing Director

Place : Noida

Date : 15th December, 2006