

A-PDF MERGER DEMO

13th Annual Report 2006-2007

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Uttam Sugar Mills Limited

C O N T E N T S

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Raj Kumar Adlakha (Chairman & Managing Director)
Rajan Adlakha
Ranjan Adlakha
V.S. Tandon
N.K. Sawhney
R. Vasudevan
P.S. Lalli

REGISTERED OFFICE

Village Libberheri, Tehsil Roorkee,
District Haridwar, Uttarakhand - 247667
Tel. : 01332 - 229193,
Fax : 01332 - 229194

CORPORATE OFFICE

A-2E, 3rd Floor, C.M.A. Tower, Sector – 24,
Noida – 201 301 (U.P.)
Tel. : 0120 - 2412716 - 18, 2412722 - 26
Fax : 0120 - 2412715
E-mail : usmlnoi@sancharnet.in

AUDITORS

B.K. Kapur & Co.
Chartered Accountants

CHIEF - LEGAL AND CORPORATE AFFAIRS &

COMPANY SECRETARY

G. Ramarathnam

BANKERS

Punjab National Bank
IDBI Bank
Indian Overseas Bank
State Bank of India
Oriental Bank of Commerce

FACTORIES

Unit - 1 :

Village Libberheri, Tehsil Roorkee,
District Haridwar, Uttarakhand - 247667
Tel. : 01332 - 229193,
Fax : 01332 - 229194

Unit – 2 :

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

Unit – 3 :

Village Khaikheri,
Tehsil & District Muzaffarnagar (U.P.)
Tel. : 09760002977

Unit – 4 :

Village Shermou,
Tehsil Nakur,
District Saharanpur (U.P.)
Tel. : 01331 - 292080

NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the members of Company will be held at the registered office of the company at Village Libberehri, Tehsil Roorkee, Distt. Haridwar Uttarakhand on Friday the 29th day of February, 2008 at 12.00 Noon to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 30th September, 2007, Profit & Loss Account for the financial year ended on that date together with the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ranjan Adlakha, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. N.K. Sawhney, who retires by rotation and is eligible for re-appointment.
4. To appoint M/s B. K. Kapur & Company, Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :-

“RESOLVED THAT Mr. Prabhakaran Singh Lalli, who was appointed under Section 260 of the Companies Act, 1956 as an additional director of the Company w.e.f. 28th March, 2007 and who holds office till this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, whose period of office is liable to retire by rotation.”

6. To consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :-

“RESOLVED THAT in partial modification of the previous resolutions dated 22nd March, 2002 , 18th October, 2004 and 8th July 2005 passed in this behalf, consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and/or movable properties of the Company, wheresoever situate both present and future and/or whole or substantially the whole of the undertaking(s) of the Company, to or in favour of any public financial institutions, Banks, Central Government, State Governments or any other Lending Institutions participating in extending financial assistance, to secure any term loans, working capital facilities, debentures or any other type of financial assistance, not exceeding Rs. 1250 Crores (Rupees One Thousand Two Hundred Fifty Crores Only) lent and advanced/ agreed to be lent and advanced by them, together with interest, compound interest, additional interest, liquidated damages, premia on pre-payment or on redemption, costs, charges, expenses or monies payable by the Company to them under loan agreements/letters of sanction/debenture trust deed etc”.

“RESOLVED FURTHER THAT the securities to be created by the Company as aforesaid may rank pari passu with the mortgages and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board of Directors and as may be agreed to between the Company and the Lending Institutions/ Banks.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to finalize and execute any and all agreements and documents, necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered by the Board of Directors to be in the best interests of the Company”.

7. To consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :-

“RESOLVED THAT in partial modification of the earlier resolutions passed by the Company in its Extraordinary General Meetings of the Members of the Company held on 7th November, 2000 , 1st September, 2001, 18th October 2004 and 8th July 2005, consent of the company be and is hereby accorded to the Board of Directors of the company pursuant to Sec. 293(1)(d) of the Companies Act, 1956 to borrow any sum or sums of money, from time to time, at its discretion either from the Company’s Bank or any other Banks, Financial Institution, Central Government, State Government, Body Corporate or any other Lending Institution on such terms and conditions as may be considered suitable by the Board of Directors, notwithstanding that the money(s) to be borrowed together with the moneys already borrowed by the company (apart from the temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purposes; provided however the total amount so borrowed shall not exceed Rs. 1000 Crores (Rupees One Thousand Crores Only).”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered by the Board of Directors to be in the best interests of the Company”.

8. To consider and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION** :-

“RESOLVED THAT pursuant to Section 94 and all other applicable provisions, if any, of the Companies Act, 1956, and Articles of Association of the Company, the Authorised Share Capital of the Company be increased from Rs. 30,00,00,000 (Rupees Thirty Crores only) to Rs. 40,00,00,000 (Rupees Forty Crores Only) divided into 4,00,00,000 Equity Shares of Rs. 10/- each by creation of 1,00,00,000 Equity Shares of Rs. 10/- each ranking pari-passu with the existing equity shares of the Company.”

“RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company be substituted by the following clause.

Clause V

The Authorised Share Capital of the Company is Rs. 40,00,00,000/- (Rupees Forty Crores only) divided into 4,00,00,000 (Four Crores) Equity Share of Rs. 10/- (Rupees Ten) each.

9. To consider and if thought fit, to pass with or without modification, the following resolution as an **SPECIAL RESOLUTION** :-

“RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Reserve Bank of India, if required, and such other approvals, permissions and sanctions required by law and subject to such conditions and modifications as may be considered necessary, proper or expedient by the Board of Directors of the Company or as may be prescribed, in granting the said consent, approvals, permissions and sanctions, and which are agreed to by the Board and any other relevant provisions and sanctions of law and guidelines issued by the Government of India, Securities and Exchange Board of India (SEBI) and/or such other provisions, permissions and sanctions as may be necessary and subject to such conditions, stipulations, variations and modifications as may be in the guidelines or by any authorities in granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board to issue and allot at any one time or from time to time out of the Capital of the Company, either in one or more tranches ,upto 1,40,00,000 (One Crore Forty Lacs Only) Equity Shares of Rs.10/- (Rupees Ten Only) each for cash at par or premium, on such terms and conditions and to such persons whether shareholders of the Company or not, as the Board may deem proper.”

“RESOLVED FURTHER THAT the aforesaid issue of equity shares shall rank pari passu with existing Equity Shares of the Company .”

“FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things



and accept any alteration(s) or modification(s) as they may deem fit and proper and to give such directions as may be necessary to settle any question or difficulty that may arise in regard to the issue and allotment of the said equity shares, including the power to allot the unsubscribed equity shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company."

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

Place : Noida
Date : 31st January, 2008

(G. RAMARATHNAM)
Chief-Legal and Corporate Affairs & Company Secretary

NOTES:

1. Explanatory Statement setting out all material facts relating to special business contained in item Nos. 5 to 9, as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The instrument appointing a proxy should, however, be deposited at the registered office of the company not less than 48 hours before the commencement of this meeting. A proxy shall not vote except on a poll. A proxy form is appended with the admission slip.

Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.

3. The Register of Members and the Share Transfer Books of the company will remain closed from 25th February, 2008 to 29th February, 2008 (both days inclusive).
4. Members are requested to bring their copies of Annual Report in the AGM.
5. Any query relating to Accounts must be sent to Company's Corporate Office A-2E 3rd Floor, C.M.A. Tower Sector -24, Noida (U.P.) at least 10 days before the date of the meeting.
6. Members are informed that in the case of joint holders attending the meeting, only such joint holder whose name appears first in the order will be entitled to vote.
7. Members / Proxies are requested to bring the attendance slip sent with Annual Report duly filled in for attending the meeting.
8. Members are requested to always quote their Folio No./ Client ID & DP ID in all correspondence with the Company's Registrars and the Company. Members are also requested to notify any change of address to their Depository Participants. Members are requested to send all communications relating to shares to the Registrar and Share Transfer Agent of the Company at the following address :-

Intime Spectrum Registry Limited
A-40, 2nd Floor, Naraina Industrial Area,
Phase - II, New Delhi - 110 028.
Tel. :- 011-41410592-93, Fax : 011-41410591

Disclosure pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking reappointment at the forthcoming Annual General Meeting

1. Mr. Ranjan Adlakha

Mr. Ranjan Adlakha, aged 44 years, has an overall experience of about 23 years in managerial capacity. He is the Managing Director in Uttam Industrial Engineering Ltd., one of the Promoter company.

Directorship held in other Companies

- 1) Uttam Industrial Engg. Ltd.

- 2) Uttam Sucrotech Ltd.
- 3) Uttam Distilleries Ltd.
- 4) Mansinghgroup Hotels & Resorts Ltd
- 5) The Standard Type Foundry Pvt. Ltd.
- 6) Uttam Car Wash Pvt. Ltd.
- 7) Uttam Properties Pvt. Ltd.
- 8) Shree Uttam Colonisers Pvt. Ltd.
- 9) Shubham Sugars Ltd.
- 10) Idea Engineering Pvt. Ltd.
- 11) Uttam Lifestyle Hotels Pvt. Ltd.
- 12) Janak Handicap Agencies Pvt. Ltd.
- 13) Deepjyoti Electronics Pvt. Ltd.
- 14) Kailash Automobiles Pvt. Ltd.
- 15) Autocare Mart Pvt. Ltd.
- 16) JPC Apparels Pvt. Ltd.
- 17) JPC Mercantiles Pvt. Ltd.
- 18) Idea Pacific Pty. Ltd.

Membership in committees in other Companies

Nil

Shareholding in the Company

858940 Equity Shares

2. Mr. N.K. Sawhney

Mr. N.K. Sawhney aged 65 years, is an Engineer and a Qualified B.Tech (IIT), ANSI (Tech.) and MBA. He has an overall experience of over 37 years with various industries in senior positions. Presently, he is serving as Advisor to the IFFCO Foundation, New Delhi. He retired as the Executive Director of National Co-operative Development Corporation (NCDC) after serving for 18 years. He served as a manager in IFCI Limited during 1973-79. He has also worked with companies like Triveni Engg, Daurala Sugars of DCM and Ganga Sugar Corporation Ltd.

Directorship held in other Companies

Nil

Membership in committees in other Companies

Nil

Shareholding in the Company

Nil

3. Mr. Prabhkaran Singh Lalli

Mr. P.S. Lalli aged 28 years is one of the founding partner of SLK & Associates, a Legal Firm based in New Delhi. Mr. P.S. Lalli obtained his basic Law Degree in India with high honours. He then pursued his Masters in Law at the Oxford University with specialization in areas like Competition Law, Banking and Finance, International dispute settlement, WTO dispute settlement etc. After his return to India he was one of the founding members to set up the above mentioned Legal Firm to provide legal services in India on par with global standards.

Mr. Lalli is practicing in High Court, District Court and appeared in the Supreme Court of India and other Quasi-Judicial Bodies/ Tribunals like D.R.T., B.I.F.R., A.A.I.F.R., C.A.T. etc.

Directorship held in other Companies

Nil

Membership in committees in other Companies

Nil

Shareholding in the Company

Nil

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED AND FORMING PART OF THE NOTICE DATED 31ST DECEMBER, 2007

Item No. 5

Mr. Prabhakaran Singh Lalli was appointed on 28.03.2007 as an Additional Director of the Company under Section 260 of the Companies Act, 1956. He holds office till this Annual General Meeting. A notice u/s 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- has been received from a member of the Company proposing the candidature of Prabhakaran Singh Lalli as Director of the Company.

The Board also considers that it would be in the interest of the Company to have Mr. Prabhakaran Singh Lalli on the Board of the Company for his valuable contribution and members are requested to pass the said resolution as an Ordinary resolution.

None of the Director except Mr. Prabhakaran Singh Lalli is concerned or interested in this resolution.

Item No. 6

The shareholders of the Company have already authorised the Board of Directors under section 293(1)(a) of the Companies Act, 1956 to mortgage and/or charge the assets for the banking/ credit facilities upto limit of Rs. 750 Crores. In view of the likely increase in the borrowings from the Banks/ Financial Institutions/ Sugar Development Fund and other lenders which would be required to be secured by way of mortgaging / charging in favour of the lenders over the Company's movable and/or immovable properties, present and future, the said limits need to be increased to Rs. 1,250 Crores (Rupees One Thousand Two Hundred Fifty Crores Only). The consent of the members is, therefore, required by way of an Ordinary Resolution under section 293(1)(a) for mortgaging/ charges the assets of the Company.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No. 7

The shareholders of the Company have already authorised the Board of Directors under section 293(1)(d) of the Companies Act, 1956 to borrow monies upto to Rs. 500 Crores. In the context of the on going expansion/ diversification plan in respect of sugar cane crushing capacity, ethanol project, co-generation of power, it is felt that the total borrowings of the Company could exceed the limit fixed by the shareholders. The consent of the members is, therefore, required by way of an Ordinary Resolution under section 293(1)(d) of the Companies Act, 1956 to modify the authorisation to borrow monies to the extent of Rs. 1,000 Crores (Rupees One Thousand Crores Only).

None of the Directors of the Company is concerned or interested in the said resolution.

Item No. 8

At present the Authorised Share Capital of the Company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs. 10/- each. To facilitate issue of further capital as and when required, it is considered desirable to increase the Authorised Capital from Rs. 30,00,00,000/- (Rupees Thirty Crores only) to Rs. 40,00,00,000/- (Rupees Forty Crores only) .

Amendment of Clause V of the Memorandum of Association as set out in item No. 8 of the notice is consequential. Your approval is also sought to the proposed resolution. The Directors recommend adoption of the aforesaid resolution.

None of the Directors of the Company is interested in the resolution.



Item No. 9

The Company is in the process of expansion/ diversification in respect of sugar cane crushing capacity, ethanol project, co-generation of power. In order to part fund the capital expenditure involved in expansion/diversification, it is proposed to raise the funds through issue of securities as described in the resolution, in one or more tranches, in such form, on such terms, in such manner, at such price or prices and at such time as may be considered appropriate by the Board, to various categories of investors in the domestic/ international market over the next few years.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the Issued/ Subscribed Capital of a Company by allotment of further shares, such further shares shall be offered to persons who, on the date of the offer, are holders of the equity shares of the Company in proportion to the capital paid-up on that date, unless the shareholders in a General Meeting decide otherwise. The listing agreements executed by the Company with the various Stock Exchanges also provide that the Company shall, in the first instance, offer all securities for subscription pro rata to the existing equity shareholders unless the shareholders in a General Meeting decide otherwise. Hence, consent of the shareholders is sought to authorise the Board of Directors, as set out in the Resolution at Item No. 9, to issue in one or more tranches the securities referred to therein to person/entities, whether shareholders of the Company or not, on a private placement basis or otherwise.

The equity shares on issue shall rank in all respects pari passu with the existing equity shares of the Company.

The proposed issue is in the interest of the Company and your directors recommend the resolution for acceptance. None of the Directors is interested in the resolution.

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

Place : Noida
Date : 31st January, 2008

(G. RAMARATHNAM)
Chief-Legal and Corporate Affairs & Company Secretary

DIRECTOR'S REPORT

The Shareholders of the Company,

Your Directors take pleasure in presenting their Thirteenth Annual Report together with the audited accounts for the year ended 30th September 2007.

FINANCIAL RESULTS

The financial results of the Company for the year ended on 30th September 2007 are as under:-

(Rs. in Lacs)

Details	Year ended 30.09.2007	Year ended 30.09.2006
Net Sales	27886.56	21454.90
Profit/ (Loss) before Depreciation and Tax	(1118.08)	4123.77
Depreciation	(1888.83)	(983.10)
Profit/ (Loss) before Tax	(3006.91)	3140.67
Provision for taxation:		
Current Tax	—	(287.03)
Less MAT credit	—	257.07
Deferred Tax	330.47	(815.58)
Fringe Benefit Tax	(30.77)	(19.79)
Profit/ (Loss) after taxation	(2707.21)	2275.35
Balance brought forward from Previous Year	5420.35	3145.00
Less : Income Tax for earlier year	—	—
Surplus transferred to Balance Sheet	2713.14	5420.35

REVIEW OF OPERATIONS

During the Financial Year 2006-07, your Company crushed 216.72 lacs of qtls of cane and produced 21.35 lacs of qtls of sugar at a recovery rate of 9.86% as compared to 112.39 lacs of qtls of cane crushed and 11.12 lacs of qtls of sugar produced for the previous Financial Year 2005-06. During the year under review, two new Green field sugar plants at Shermau, District Saharanpur (U.P.) and Khaikheri, District Muzaffarnagar (U.P.), have been commissioned with an installed capacity of 5000 TCD and 4500 TCD respectively.

DIVIDEND

In view of the unfavorable performance, your Directors are not in a position to recommend any dividend for the financial year 2006-07.

SHIFTING OF REGISTERED OFFICE

Registered Office of the Company has been shifted from 7C, 1st Floor, 'J' Block Shopping Centre, Saket, New Delhi – 110 017 to Village Libberheri, Tehsil Roorkee, District Haridwar, Uttarakhand with effect from 2nd November, 2007, pursuant to Section 17 read with Section 146 and other applicable provisions of the Companies Act, 1956 as approved by Company Law Board order dated 26th day of October, 2007, confirming the alteration in Clause II of the Memorandum of Association of the Company.

FUTURE OUTLOOK

The Financial Year 2006-07 was not good for the Sugar Industry as a whole. Your Company was no exception despite best efforts to improve the operations of the factories. The depressed sugar market due to high production of about 28 Million MT for the season caused steep fall in the selling price of the sugar. After taking into account consumption, there was a huge carry forward of stocks. The Central Government banned export of sugar some time in July, 2006 which was an unwarranted action when the international price of sugar was favorable. This action on the part of the Central Government resulted in building larger inventory with the consequential impact

on the price of sugar. This factor has severely effected the working result of your company also. Recently, some incentive measures have been announced by the Government for the support of exports and also creation of buffer stock of 5 Million MT. However, all these measures have not improved the situation very much.

The U.P. Government has scrapped the existing sugar incentive policy which was announced by the previous Government being excessive and unreasonably tilted towards larger units. It is reported that the State Government is considering a new alternative policy which is yet to be announced.

EXPANSION

As already reported in the previous year's Directors' Report, your Company has commissioned two new units in Village Khaikheri, District Muzzafarnagar, U.P. and Village Shermau, District Saharanpur, U.P. during the financial year under review.

Expecting a turnaround in the sugar industry in the next season beginning October, your Company is investing Rs. 350 Crore to expand its crushing capacity to 30,250 tonnes crushing daily (TCD) from the existing 22,750 TCD. Post expansion, your company will have the country's seventh-largest crushing capacity. The cogeneration of exportable power will also increase from the current 22 MW to 100 MW by next season while the distillery capacity will go up to 200 kiloliters per day (KLPD) from the current 75 KLPD.

Besides above, your Company is also planning to set up two integrated sugar complexes at Belgaum (Karnataka) with the facilities for manufacturing refined sugar/ raw sugar, cogeneration facilities and ethanol distillery at an estimated outlay of Rs. 325 Crores.

AUDIT COMMITTEE

The Audit Committee was re-constituted on 28th March, 2007 consisting of Mr. N.K. Sawhney, Mr. V.S. Tandon and Dr. R. Vasudevan satisfying the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange.

DIRECTORS

Mr. Ranjan Adlakha and Mr. N.K. Sawhney, Directors of the Company are retiring by rotation at this forthcoming Annual General Meeting of the Company and are eligible for reappointment.

Mr. Prabhakaran Singh Lalli was appointed as an Additional Director of the Company during the period under review and he holds office till this 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.

Mr. U.R.K. Rao, Whole Time Director of the Company has resigned from Directorship of the Company during the period under review. The Board places on record its deep appreciation for the services rendered and valuable guidance provided by him during his tenure.

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) they have, in the selection of the accounting policies consulted the Statutory Auditors and have applied them consistently, and, made judgments 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 losses of the Company for that period;
- (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' OBSERVATION

Regarding the observation of the Auditors' in their Report vide para 4(f), your Directors wish to clarify that Note no. 13(i) to Schedule 19-B is self explanatory and give full information.

CORPORATE GOVERNANCE

As per clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance together with Certificate from a Practising Company Secretary forms part of the Annual report.

Your Directors wish to confirm that the entire proceeds of initial public issue (IPO) has been utilised for the purpose for which it has been raised as stated in the prospectus dated 23rd March, 2006.

The Company's shares are listed on National Stock Exchange and Bombay Stock Exchange. The Company has already paid the Listing fees for the Financial Year 2007-08 to both the Stock Exchanges.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT COST AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars in respect of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo u/s 217(1)(e) of the Companies Act, 1956 are given in a separate Annexure "A" attached hereto and form a part of this Report.

EMPLOYEES

As required by the provisions of sub-section (2A) of Section 217 of the Companies Act, 1956 as amended, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in Annexure "B" to the Director's Report.

AUDITORS

M/s B.K. Kapur & Co., Chartered Accountants, Ghaziabad, Statutory Auditors of the Company retires at the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received a 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.

PUBLIC DEPOSITS

The Company has not accepted any public deposits since incorporation.

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 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.**

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

Place : Noida
Date : 31st December, 2007

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE "A"

(A) CONSERVATION OF ENERGY

ENERGY CONSERVATION MEASURES

- 1) Rearrangement of centrifugal machines loading cycles.
- 2) Rearrangement of process equipments.
- 3) Automation of heat transfer equipments.
- 4) Waste heat recovery through recirculation of hot water.
- 5) Installation of Trick Tripler arrangement to improve cane feed ability of Mills.
- 6) Modification in various steam and vapour lines to use maximum vapours generated by various bodies, which will result in reduction of steam consumption.
- 7) Commissioning of DCS control system for optimum utilization of equipments and consequential improvement in efficiencies.
- 8) Installation of variable frequency drive in place of conventional D.C. drives at mills, Boilers, Juice Pumps, Injection water pumps.
- 9) Variable frequency A.C. drives instead of conventional D.C. drives and damper controls have been installed at I.D., F.D., S.A. fans and feed pumps on boiler.

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	2006-07	2005-06
a) Purchased units		
Units (KWH)	251368	NIL
Total amount (Rs. Lakhs)	7.68	NIL
Rate per unit (Rs.)	3.06	NIL
b) Own generation		
i) Through diesel generator sets		
Units (KWH)	2362642	1272136
Units per ltr. of Diesel Oil	3.31	2.78
Total amount (Rs. Lakhs)	182.73	151.23
Cost/ unit (Rs)	7.73	11.87
ii) Through steam turbine		
Units (KWH)	73507822	36340278
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

	2006-07	2005-06
Sugar Production (in Qtls.)	2133521	1112379
Electricity (KWH per qtls. of Sugar)	37.39	34.39
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)

	2006-07	2005-06
Earnings	NIL	NIL
Outgo		
(i) Interest on Foreign Currency Loan (Including Forward Exchange Contract Premium)	NIL	52.78
(ii) Foreign Travelling	16.66	4.69
(iii) Capital Advance	962.16	NIL

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

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

Place : Noida
Date : 31st December, 2007

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 thousands)	Qualification	Age in Years	Experience in years	Date of commencement of employment	Particulars of last employment
1	Sh. Raj Kumar Adlakha	Managing Director	4795	B.E. (Mech)	52	28	01.09.2001	Whole Time Director Uttam Industrial Engg. Ltd.

Notes :

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

Place : Noida

Date : 31st December, 2007

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

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

1. Philosophy on Corporate Governance

The Board of Directors and the Management of Uttam Sugar Mills Limited commit themselves to attainment of high level of transparency, accountability and equity towards its stake holders, including Shareholders, Bankers/ Financial Institutions, Employees, Lenders and the Government. Your management wishes compliance not just letter of the law but reaching out to the true spirit of the law.

Your Company is fully compliant with all the provisions of Clause 49 of the Listing Agreement of the Stock Exchanges. The details of compliance are as follows :-

2. Board of Directors

A. Composition of the Board (F.Y. 2006-07):-

Name of Director(s)	Designation	Category
Sh. Raj Kumar Adlakha	Chairman & Managing Director	Promoter/ Executive
Sh. Rajan Adlakha	Director	Promoter/ Non-Executive
Sh. Ranjan Adlakha	Director	Promoter/ Non-Executive
Sh. U.R.K. Rao**	Whole Time Director	Non-Promoter/ Executive
Sh. V.S. Tandon	Director	Independent
Sh. N.K. Sawhney	Director	Independent
Dr. R. Vasudevan	Director	Independent
Sh. P.S. Lalli**	Director	Independent

B. Attendance at Board Meeting and last AGM and details of membership of Directors in other Boards and Board Committees (F.Y. 2006-07):-

Name of Director(s)	No. of Board Meeting Attended	Last AGM Attended	No. of Other Directorships* and Committee Memberships/Chairmanships		
			Other Directorship	Committee Memberships	Committee Chairmanships
Sh. Raj Kumar Adlakha	9	Yes	5	—	—
Sh. Rajan Adlakha	9	No	4	—	—
Sh. Ranjan Adlakha	8	No	5	1	—
Sh. U.R.K. Rao**	9	Yes	1	1	—
Sh. V.S. Tandon	9	Yes	—	1	1
Sh. N.K. Sawhney	9	Yes	—	2	1
Dr. R. Vasudevan	5	Yes	—	3	1
Sh. P.S. Lalli**	4	N.A	—	2	—

* Excludes viz. Private / Overseas Companies.

** Sh. U.R.K. Rao relinquished the office of the Directorship w.e.f. 1st September, 2007. Sh. P.S. Lalli was appointed as Independent Director w.e.f. 28th March, 2007 in compliance of the Clause 49 of the Listing Agreement with the Stock Exchanges.

C. Details of the sitting fees paid to the Independent Directors for the year ended September 30, 2007

The Company paid sitting fees to all the Independent Directors for attending the meetings of the Board and / or committees thereof amounting to Rs. 370,000/-. The details are as under :-

S.No.	Name	Sitting Fee (Rs.)
1.	Sh. V. S. Tandon	1,30,000
2.	Sh. N.K. Sawhney	1,30,000
3.	Dr. R. Vasudevan	70,000
4.	Sh. P.S. Lalli	40,000

D. Details of Board Meetings held during the year 2006-2007 :

Date of Meeting	No. of Directors Present
23.11.2006	6
15.12.2006	7
30.01.2007	7
05.03.2007	6
28.03.2007	6
30.04.2007	8
15.05.2007	7
02.06.2007	7
30.07.2007	8

- The time gap between any two meetings did not exceed four months.
- The last AGM was held on 28.03.2007.

E. Details of shareholding of Directors are as under :-

S.No.	Name of Director	Shareholding (Eq. Shares)
1.	Sh. Raj Kumar Adlakha	1624610
2.	Sh. Rajan Adlakha	3607010
3.	Sh. Ranjan Adlakha	858940
4.	Sh. V. S. Tandon	Nil
5.	Sh. N.K. Sawhney	Nil
6.	Dr. R. Vasudevan	Nil
7.	Sh. P.S. Lalli	Nil

3. AUDIT COMMITTEE

(I) TERM OF REFERENCE:-

The scope of functions and terms of references of the Audit Committee are as prescribed under section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges.

(II) COMPOSITION, NAME OF MEMBERS AND CHAIRMAN:-

The committee was re-constituted with effect from 28th March, 2007. The following Directors are the present members :-

Mr. V.S. Tandon : Chairman (Independent Director)
 Mr. N.K. Sawhney : Independent Director
 Dr. R. Vasudevan : Independent Director

Mr. Ranjan Adlakha ceased to be a member of the Audit Committee with effect from 28th March, 2007.

(III) MEETING AND ATTENDANCE:-

During the Financial Year 2006-2007, 4 (Four) audit committee meetings were held on 15.12.2006, 29.01.2007, 28.04.2007 and 28.07.2007. The attendance of the members is as follows:-

S.No.	Name	Attendance
1.	Mr. V.S. Tandon	4
2.	Mr. N.K. Sawhney	4
3.	Mr. Ranjan Adlakha	2
4.	Dr. R. Vasudevan	2

Chief Financial Officer is a permanent invitee of the Audit Committee Meetings and representative of the Statutory Auditors of the Company is also invited to the Audit Committee Meetings.

The Company Secretary acts as secretary to the committee.

4. Remuneration of Directors

The Board of the Company has re-constituted a Remuneration Committee during the year in the Board Meeting held on 28.03.2007, comprising the following Independent, Non-Executive Directors:

S.No.	Name
1.	Mr. N.K. Sawhney
2.	Dr. R. Vasudevan
3.	Mr. Prabhakaran Singh Lalli

During the year under review, no remuneration committee meeting was held.

Details of remuneration paid to Managing Director and Whole Time Director are given in Schedule 19(B) Notes forming part of the Accounts - Serial No. 23.

5. Shareholders / Investors Grievance Committee

The Board constituted a Shareholders/ Investors Grievance Committee to look into redressal of Shareholders / Investors complaints regarding transfer and transmission of shares, non receipt of Balance Sheet and dematerialisation of shares and matters relating to issue of share certificates etc.

The committee comprised of three members viz. Dr. R. Vasudevan, Chairman, Mr. Ranjan Adlakha and Mr. U.R.K. Rao. The Committee was reconstituted in the Board Meeting held on 28.03.2007. The present members of the Shareholders'/Investors' Grievance Committee are Dr. R. Vasudevan, Chairman; Mr. Ranjan Adlakha and Mr. Prabhakaran Singh Lalli. The Board of Directors has delegated the power of approving transfer of securities to the aforesaid Committee of Directors. The attendance of the members is as follows:-

S.No.	Name	Attendance
1.	Dr. R. Vasudevan	9
2.	Mr. Ranjan Adlakha	10
3.	Mr. U.R.K. Rao	6
4.	Mr. Prabhakaran Singh Lalli	4

During the year 2006-07, 51 complaints were received from Shareholders / Investors, all of which were replied / resolved to the satisfaction of the Shareholders/ Investors. There was no outstanding complaint as at 30.09.2007.

6. CEO/CFO Certification

Mr. Raj Kumar Adlakha, Chairman and Managing Director and Mr. Sanjay Bhandari, Chief Financial Officer, have furnished a certificate relating to financial statements and internal controls and systems as per the format prescribed under Clause 49 of the Listing Agreement and the Board took the same on record.

7. General Body Meeting

Details of last three Annual General Meetings:

Meeting	Date	Venue of AGM	Time	Special Resolution Passed
10th AGM	31.12.2004	7-C, 1 st Floor, J Block Shopping Centre, Saket, New Delhi.	10.00 a.m.	• Revision in the Remuneration of Managing Director
11th AGM	14.11.2005	7-C, 1 st Floor, J Block Shopping Centre, Saket, New Delhi.	10.00 a.m.	Nil
12th AGM	28.03.2007	Air Force Auditorium, Subroto Park, New Delhi	10.00 a.m.	<ul style="list-style-type: none"> • Reappointment of Managing Director for a period of 3 years w.e.f. 1st September, 2006. • Revision in the Remuneration of Whole Time Director.

8. Resolution passed through Postal Ballot

During the year under review the Company has passed a resolution regarding shifting of registered office from the State of Delhi to State of Uttarakhand through Postal Ballot. The Postal Ballot exercise was conducted by Shri. Naveen Kumar Rastogi, Company Secretary in Practice as a scrutinizer in a fair and transparent manner. The resolution was passed in terms of Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules 2001. Out of the total valid Postal Ballot received, 99.96% of the total votes were in favour of the resolution.

9. Disclosure

- a) There have been no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., which may have potential conflict with the interests of the Company at large.
- b) There have been no instances of non-compliance with any of the legal provisions of law been made by the Company nor any penalty or strictures imposed by the stock exchange or SEBI or any other statutory authority on any matter related to the capital markets during the last 3 years.
- c) The Company does not have a Whistle Blower Policy at present. No personnel have been denied access to the Audit Committee.
- d) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. Constitution of Remuneration Committee as per the Non-mandatory requirement has been complied with.

10. Means of Communication

The Company is publishing quarterly unaudited / annual audited financial results and notice advertisement in the "The Financial Express" and "Jansatta" (vernacular language) regularly. The Company is also displaying audited financial results, quarterly unaudited financial results, report on corporate governance and shareholding pattern etc. on the SEBI EDIFAR website.

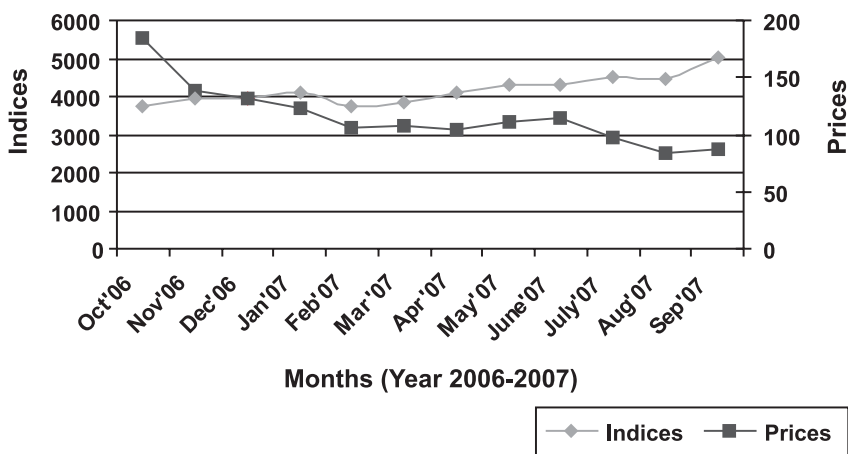
11. General Shareholder information

i. AGM Date, time and venue	29th day of February, 2008 at 12.00 Noon Village Libberheri, Tehsil Roorkee, District Haridwar, Uttarakhand
ii. Financial calendar 2007-08 First quarterly results Second quarterly results Third quarterly results Audited yearly results	Before end of January, 2008 Before end of April, 2008 Before end of July, 2008 Before end of December, 2008
iii. Book closure Date	25th February, 2008 to 29th February, 2008
iv. Dividend payment date	N.A.
v. Listing on Stock Exchange	Bombay Stock Exchange Limited (BSE) 1st Floor, Phiroze, Jeejeebhoy Towers, Dalal Street, Mumbai – 01 National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 51 Note : Your Company has already paid the Listing fees to both the Stock Exchanges for the F.Y. 2007-08
vi. Stock Code Bombay Stock Exchange Limited National Stock Exchange of India Ltd.	532729 UTTAMSUGAR

vii. Market Price Data High/ Low during each month of the Financial Year 2006-07
(Bombay stock Exchange)

Month	High (Rs.)	Low (Rs.)
October'06	201.00	183.30
November'06	191.70	123.00
December'06	162.90	120.15
January'07	148.90	122.05
February'07	125.00	102.00
March'07	115.00	90.70
April'07	146.50	104.00
May'07	122.50	99.50
June'07	117.00	97.00
July'07	115.65	95.05
August'07	96.90	71.00
September'07	103.80	79.80

viii. Relative performance of Uttam Sugar's Share versus NSE Index



ix. Registrars and Share Transfer Agents (for physical & demat shares)	Intime Spectrum Registry Limited A-40, 2nd Floor, Naraina Industrial Area, Phase – II, New Delhi – 110 028 Tel. : 011-41410592-93, Fax : 011-41410591
x. Share transfer system	Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are complete in all respects.

xi. Distribution of shareholding as on 30th September, 2007

(i) Category of Shareholders as on 30.09.2007

S. No	Category of Shareholder	Total Number of Shares	% of shares
(A)	Shareholding of Promoter and Promoter Group		
(1)	Indian		
(a)	Individuals/ Hindu Undivided Family	5673700	22.02
(b)	Bodies Corporate	14479432	56.19
(2)	Foreign	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)	20153132	78.21
(B)(1)	Public Shareholding Institutions		
(a)	Mutual Funds/ UTI	0	0.00
(b)	Financial Institutions/ Banks	81993	0.32
(c)	Central Government/ State Government(s)	0	0.00
(d)	Venture Capital Funds	0	0.00
(e)	Insurance Companies	0	0.00
(f)	Foreign Institutional Investors	335209	1.30
(g)	Foreign Venture Capital Investors	0	0.00
	Sub-Total (B)(1)	417202	1.62
(B)(2)	Non-Institutions		
(a)	Bodies Corporate	1285647	4.99
(b)	Individuals :		
(i)	Individual Shareholders holding nominal share capital up to Rs. 1 lakh	3326586	12.91
(ii)	Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh	330454	1.28
(c)	Any others :		
	Trust	20	0.00
	HUF	111433	0.43
	Clearing Members	116175	0.45
	NRI	28351	0.11
	Sub-Total (B) (2)	5198666	20.17
	Total Public Shareholding (B) = (B)(1) + (B)(2)	5615868	21.79
	TOTAL (A) + (B)	25769000	100.00

(ii) Distribution of Shareholding as on the 30.09.2007

Sl. No.	No. of Equity Shares held	Shareholders holding shares in each category		No. of shares held in each category		% of Equity Capital held in each category	
		No.	%	Physical Form	Demat Form	Physical Form	Demat Form
01.	1 to 2500	25971	89.546	3450	16354230	0.001	6.346
02.	2501 to 5000	1706	5.882	0	6531710	0.000	2.535
03.	5001 to 10000	734	2.531	0	5729110	0.000	2.223
04.	10001 to 20000	307	1.059	0	4539370	0.000	1.762
05.	20001 to 30000	81	0.279	0	1977630	0.000	0.767
06.	30001 to 40000	39	0.134	0	1367890	0.000	0.531
07.	40001 to 50000	41	0.141	0	1870830	0.000	0.726
08.	50001 to 100000	64	0.221	0	4499210	0.000	1.746
09.	100001 and above	60	0.207	16213200	198603370	6.292	77.071
	TOTAL	29003	100.000	16216650	241473350	6.293	93.707
Net Total				257690000		100.000	

xii. Dematerialization of shareholding and liquidity	93.707% of total equity share capital is held in dematerialized form with NSDL and CDSL.
xiii. Plant locations	<p>Unit I Village Libberheri, Tehsil Roorkee, District Haridwar, Uttarakhand</p> <p>Unit II Village Barkatpur, Tehsil Nazibabad, District Bijnor, U.P.</p> <p>Unit III Village Khaikheri, Tehsil & Distt: Muzzafarnagar, U.P.</p> <p>Unit IV Village Shermau, Tehsil Nakur, Distt: Saharanpur, U.P.</p>
xiv. Address for correspondence	<p>Registrar & Share Transfer Agent (For Dematerialisation in Share Transfer related query) Intime Spectrum Registry Limited A-40, 2nd Floor, Naraina Industrial Area, Phase – II, New Delhi – 110 028. Tel. :- 011-41410592-93, Fax : 011-41410591</p> <p>Company (For Annual Report and any other related matters) Uttam Sugar Mills Ltd. A-2E, IIIrd Floor, C.M.A. Tower, Sector – 24, Noida (U.P.)</p>



CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Uttam Sugar Mills Limited
Uttarakhand.

We have examined the compliance of conditions of Corporate Governance by Uttam Sugar Mills Ltd. for the year ended on 30th September, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor to the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For N.K. RASTOGI & ASSOCIATES
Company Secretaries

Place : Noida
Date : 31st December, 2007

NAVEEN K. RASTOGI
Proprietor
C.P. No.- 3785

DECLARATION FOR COMPLIANCE OF CODE OF CONDUCT

The Shareholders,

I, Raj Kumar Adlakha, Chairman and Managing Director, hereby declare that all the Board Members and Senior Management personnel have affirmed compliance with code of conduct of the Company during the financial year 2006-2007.

Place : Noida

Date : 31st December, 2007

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

CEO/CFO CERTIFICATION

We, Raj Kumar Adlakha, Managing Director and Sanjay Bhandari, Chief Financial Officer of the Uttam Sugar Mills Ltd. hereby certify that :-

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) there are no instances of significant fraud which we have to become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For UTTAM SUGAR MILLS LIMITED

Place : Noida

Date : 31st December, 2007

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

(SANJAY BHANDARI)
Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS

The Industry is passing through very significant phase in view of lower prices of sugar globally.

- a) As a long term vision, your Company has taken initiative to focus on downstream projects such as co-generation of power and manufacture of ethanol. Initiative for value creation through brand building and cost control measures, has been taken.
- b) Sugarcane not only yields sugar but also provides valuable by-products like bagasse, molasses and press mud. The availability of these by-products has led to the setting up of integrated sugar complexes producing not only sugar, but also alcohol/ethanol/extra neutral alcohol/co-generation of power and organic manure.

1. INDUSTRY SCENARIO & DEVELOPMENTS

Global Industry Scenario

The Global Sugar Industry has undergone a total metamorphosis with its rising surpluses fuelled by a marked excess in global production over consumption. As estimated by the International Sugar Organization (ISO), in its first revision of sugar balance in 2007-08 made in November 2007, the global sugar surplus is expected to reach a record level of 11.139 million tonnes during 2007-08 which is higher to the surpluses of 11.045 million tonnes during 2006-07 and 2.220 million tonnes during 2005-06.

An estimated detail of world sugar balance for Sugar Year (SY) 2007-08 as per ISO Quarterly market outlook published in November 2007, is as under:-

World Sugar Balance (million tonnes, raw value)

	2007/08	2006/07	Change	
			in Million tonnes	in %
Production	170.308	166.030	4.278	2.58
Consumption	159.169	154.985	4.184	2.70
Surplus / Deficit	11.139	11.045		
Import demand	45.496	46.070	-0.574	-1.25
Export availability	49.768	46.077	3.691	8.01
End Stocks	74.716	67.849	6.867	10.12
Stocks/Consumption ratio in%	46.940	43.780		

Latest reports estimate that the Sugar Production in India during the current season which commenced with a six weeks delay in major cane growing areas, may actually fall short of the earlier forecast of around 310 Lakh tonnes and may be actually near the levels of 2006-07. Nevertheless, the magnitude of the projected global surplus is so high that even an unforeseen massive reduction in output in some key producing nations is not expected to alter the statistical character of the season. Thus, the distinctive surplus phase characterized by a significant excess of global production over consumption, as well as export availability considerably higher than projected import demand will continue for some time to come.

Global Manufacture of Ethanol

Ethanol production has been driven from Brazil which is not only the largest producer but the largest consumer of ethanol. All the major sugar producing countries are also the major ethanol producers, as sugarcane is a major raw material for ethanol production. Brazil and USA together produce more than 68 percent of the total world ethanol production. Brazil produces ethanol directly from sugar juice unlike many other countries where molasses are used to produce Ethanol – after extraction of sugar from sugarcane. USA and some other countries, however, produce ethanol from corn.

Projections upto the year 2015 show booming fuel ethanol consumption based on the market development incentives and explicit inclusion targets identified in the prior analysis. Further, apart from Brazil, feedstocks other than sugarcane (corn and other grains, molasses and cassava) will be mainly used in the major fuel ethanol producing countries. Consequently there is minimal risk of a large diversion of sucrose away from crystal sugar production toward ethanol production at the global level.

Global Production of Molasses

A substantial increase in molasses production and export availability in Asia is envisaged for 2008, ensuring the world market remains amply supplied. This is good news for feed compounders who will likely continue to suffer from high grain prices in the short term. As a result molasses is anticipated to continue to gain shares in the key feed ingredients markets. While prices in Europe have remained firm over recent months, prices have declined significantly in countries where production increases have occurred.

INDIAN PERSPECTIVE OF SUGAR INDUSTRY

The sugar industry is an important driver for rural development supporting the economic growth of the country. The main features of the sugar industry in India are outlined below:

- It sustains around 45 to 50 million sugar cane farmers and their families together with the agricultural labourers constituting around 7.5% the total rural population and sugarcane occupies 2.7% of India's crop area.
- It supports workers of more than 566 sugar mills spread over 16 states apart from the other related personnel such as wholesalers, dealers, middle-men and distributors all over the country.
- The Sugar Industry the country's second largest agro – based industry after Textiles, accounting for around 1% of GDP and with an annual estimated turnover of over Rs. 30,000 Crores, it contributes around 10% to the National exchequer.
- The total capital employed by the Industry is more than Rs. 50,000 Crore. With the current level of growth as well as the fact that Brazil is steadily increasing the production of ethanol directly from Sugar-cane, India may as well become the largest sugar producer in the world in the near future, as estimated by ISO.
- The country is the largest consumer of sugar in the world and the second largest producer – contributing 12% of the global sugar production.

In a raw material-dependant industry, profitability is influenced factors such as availability of cane, Economic size of mills, Technology, Sucrose content, Operating efficiency, Purchase Price of Cane as well as various Government initiatives.

Your Company has plans to expand the existing capacities of its plants to reap benefits of better revenue generation through ethanol manufacture and cogeneration of power.

a) Production

In India, Sugar is produced in eleven major states. During 2006-07, the six major sugar producing states accounted for 91.51% of the total sugar production in India with Maharashtra and Uttar Pradesh leading with 32.13% and 29.95% of the total production.

The State-wise production details for the sugar season (October- September) as per Business Line are given below:-

(in lakh tonnes)

Minor States	2004-05	2005-06	2006-07	Minor States	2004-05	2005-06	2006-07
Uttar Pradesh	50.37	57.84	84.75	Haryana	4.00	4.09	6.52
Maharashtra	22.17	51.97	90.95	Uttarakhand	3.81	4.26	5.35
Karnataka	10.40	19.43	26.60	Punjab	3.15	3.38	4.86
Tamil Nadu	11.26	21.70	25.71	Bihar	2.53	4.22	4.51
Andhra Pradesh	9.82	12.36	16.80	Madhya Pradesh	0.82	1.12	1.83
Gujarat	7.97	11.68	14.17	Others	0.61	0.62	0.95
ALL INDIA					126.91	192.67	283.00

Obviously, if we peruse the figures for the last 40 years, it is seen that the sugar production is of cyclical nature with each cycle being of around 5 years. It is dependent upon monsoons for both production and price realisation There have been periods where the production has gone down which is attributed to reasons such as drought, pests etc. .

b) Consumption

The Indian sugar consumption has steadily increased at an average rate of 3.5% over the last decade.

The consumption figures in 2006 were 18 million tonnes. Sugar consumption is driven by the GDP growth and this has been the case for India as well.

c) Future Outlook

Sugar Manufacture:- The industry in India is also changing dramatically. The concept of the 'Integrated Sugar Plant' (ISP) is now the corner-stone on which the industry growth will be driven. Companies are now changing from being stand-alone sugar producers, to integrated units successfully producing downstream products like ethanol and power. This has not only helped them strengthen their bottom-lines, but has also served to de-risk the business.

Ethanol Manufacture:-

The manufacturing of ethanol is one of the key areas planned for capacity build up by your Company. The blending of ethanol with petrol at 5% was mandated by the Government with effect from 1st October, 2003 in nine States and the four Union Territories but was later discontinued. However, due to persistent hike in international oil prices, the Government has announced blending of petrol with ethanol at 5% from 1st November, 2006 on all India basis excepting North-East States and to raise to 10% as soon as the system for compulsory blending is put in place.

Co-generation:-

Your Company has plans to be a key player in this area since Uttar Pradesh, being a power deficit state, offers ample opportunities for power cogeneration. Moreover, your Company has taken initiatives for getting itself registered to avail Carbon Credits.

As per informed sources, a target for addition of 1,700 MW capacity, consisting of 500 MW of biomass power projects and 1,200 MW of bagasse cogeneration projects has been proposed during the country's XIth plan period i.e. upto 2012. A cumulative biomass power potential of about 18,000 MWs from the surplus agro residues have been estimated in the country.

2. OPPORTUNITIES

Your company is also setting up additional co-generation facilities as well as facilities for the manufacture of ethanol which are expected to be commissioned in 2007-08. Based on bagasse, the distillery and the new co-generation units will open up additional vehicles for strengthening the bottom-line of the company.

Marketing & Branding :

Your company is producing premium sugar for local Retail (Branded) Market and exports and has created over 70% of its capacity for producing Refined/Premium sugar. Your Company has initiated an aggressive branding and retail marketing programme under 'Uttam Quality'. The retail packs of 5 kg, 2 kg and 1 kg have met with great success in the areas where it was launched as test programme. The sugar quality matches European standards. To take this effort further, the company is putting into place an innovative marketing programme under experienced marketing professionals in major states.

3. THREATS

The Indian sugar industry is highly regulated by the government in terms of procurement price of sugarcane and the distribution of sugar. Any policy change in favour of farmers – which is greatly seen as a populist move, will only serve to adversely impact the operating margins of companies. Record production of sugar in the year 2006-07, has had the natural consequence of significantly lowering the selling prices of sugar. To offset the impact of lower profitability, the sugar mills are increasingly going in for production of ethanol from molasses as well as co-generation of power.

4. OUTLOOK

The outlook for the company as also stated in the Director's Report is very good particularly from the Export and downstream products' viability point of view.

5. RISKS AND CONCERNS

Given below is a list of risks as perceived by the Management. The list is not exhaustive and meant for information purpose only for Investors who are requested to rely on their own judgement while assessing the risks associated with the Sugar Industry and your Company.

- a. Raw material risk - Sugarcane is the only raw material and its availability, quality and cost are affecting factors.

- b. Government policies – Especially those pertaining to State Advised Price (SAP) for sugarcane.
- c. Sugar Price risk – Low sugar prices in the Domestic and International markets.
- d. Cyclical Risk – The industry is dependant on monsoons for both production and price realisation. Moreover, switching to other crops by cane growers on account of better returns affect the Industry.
- e. Finance Risk – Availability of timely working capital at competitive interest rates and Long Term Finance for capacity enhancements / economic size of mills and manufacture of by-products.

Your Company has been taking adequate steps to limits the risks by better resources and financial management, timely technology upgrades, increasing mills' size and downstream manufacture of by-products.

6. OPERATIONS

The comparative operational figures of the Company for the last two seasons are given below:

(in lakh quintals)

	SEASON 2006-07					SEASON 2005-06		
	Libberheri	Barkatpur	Khaikheri	Shermau	TOTAL	Libberheri	Barkatpur	TOTAL
CAPACITY (TCD)	6,250	7,000	4,500	5,000	22,750	6,250	7,000	13,250
CANE CRUSHING	75.47	94.54	32.85	13.17	216.03	77.01	35.38	112.39
RECOVERY (%)	10.17	9.90	9.70	8.53	9.58	10.01	9.68	9.85
PRODUCTION								
SUGAR	7.67	9.36	3.19	1.12	21.34	7.71	3.42	11.13
MOLASSES	3.46	4.76	1.70	0.79	10.71	3.40	1.97	5.37
WORKING DAYS	167	168	148	58		168	117	

7. INTERNAL CONTROL SYSTEMS & ADEQUACY

Broadly, the areas of operation have been classified as Procurement, Manufacture, Marketing and Finance. In the functioning of each of those segregations various checks and control systems have been incorporated as Standard Operating Procedures. Even though they are considered adequate, a continuous review is undertaken for further improvement.

8. HUMAN RESOURCES

Industrial relations in your Company have remained cordial throughout the year. However, the increasing number of mills going in for capacity expansion and the upcoming new sugar projects has thrown up the challenges of human resources development and retention. Your company is continuously upgrading the process and the system that helps harmonize cultures of the varied manpower that comes from diverse sources and backgrounds. The Organization vision is to enhance knowledge, skills and competencies of the human resources pool – helping them develop individually while simultaneously improving and upgrading productivity and increasing quality ratios.

CAUTIONARY STATEMENT

The statements in the Management Discussions & Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. As these statements are based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global or domestic demand and supplies, political and economic developments in India or other countries, government regulations and taxation policies, prices and availability of raw materials, prices of finished goods, abnormal climatic and geographical conditions, etc. The Company assumes no responsibility in respect of forward looking statements that may be revised or modified in the future on the basis of subsequent developments, information or events.

(Data and figures relating to industry and future expected developments in the industry have been taken from industry and industry-related publications and web-sites)

AUDITORS' REPORT**TO THE SHAREHOLDERS OF UTTAM SUGAR MILLS LIMITED**

1. We have audited the attached Balance Sheet of **UTTAM SUGAR MILLS LIMITED** as at 30th September 2007, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("The Order"), as issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ("The Act"), we enclose in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of such books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account;
 - d) In our opinion, Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with Accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 30th September 2007 from being appointed as a Director in terms of clause (g) of Sub Section (1) of Section of 274 of the Companies Act, 1956.
 - f) Attention is invited to Note No 13 of Schedule 19 - Notes to Accounts forming part of financial statements, regarding reversal of cane purchase Price liability in view of decision of Hon'ble High Court of Allahabad.
 - g) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and others notes thereon, and attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India: -
 - i) in the case of Balance Sheet, of the State of affairs of the Company as at 30th September, 2007.
 - ii) in the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B.K.Kapur & Co.
Chartered Accountants

(M.S.KAPUR) F.C.A.
Partner
Membership No.74615

Place : Noida
Dated : 31st December, 2007

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our Report of even date to the shareholders of UTTAM SUGAR MILLS LIMITED for the year ended 30th September 2007.)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its principal fixed assets, accordingly the fixed assets have been physically verified by the management during the year. As explained to us no material discrepancies have been noticed on such verification.
(b) In our opinion and according to the information and explanation given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.
2. (a) The physical verification of inventory has been conducted by the management at reasonable intervals.
(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination, in our opinion, the Company has maintained proper records of inventory & discrepancies noticed on such physical verification of inventory as compared to the books records were not material.
3. (a) According to information made available to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act, accordingly clause 4(iii) (b) to (d) of the Order are not applicable to the Company.
(b) According to information made available to us, the Company has taken unsecured loans from two companies covered in the register maintained under section 301 of the Act. Total outstanding for such loans at the year-end amounted to Rs.60,000 thousands and maximum outstanding during the year amounted to Rs.60,000 thousands. Further, the Company has not taken any secured loan from the aforesaid referred parties.
(c) The rate of interest and other terms and condition of the unsecured Loans taken by the Company are prima-facie not prejudicial to the interest of the Company.
(d) As informed to us, the repayment of the principal amount of unsecured loans and interest thereon, wherever there is stipulation as regards the payments, are regular.
4. In our opinion, and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business, for purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanation given to us, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) Based on our examination and according to the information and explanation given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party have been made at prices which are reasonable having regard to prevailing market price at the relevant time.
6. On the basis of information and explanation given to us, the Company has not accepted any public deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions the Act, and rules framed thereunder.
7. The Company has an internal audit system which needs to be more strengthened to make it commensurate with the size and nature of the Company's business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of the cost records under section 209(1) (d) of the Act and are of the opinion that, prima-facie, the prescribed account and records have been maintained and are being made up. We however as not required have not made a detailed examination of such records with a view to determine whether these are accurate or complete.

9. (a) According to the information and explanation given to us the Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it, except few cases of delay in deposit of Tax Deducted at Source, Service Tax and Cess. As explained to us, the provisions of Employees State Insurance are not applicable to the Company, No amount was due to be deposited under investor Education and Protection Fund. Further there was no arrears of undisputed statutory dues outstanding as at 30th September-2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the disputed statutory dues of Income Tax, Sales Tax & Excise duty aggregating to Rs.57520 thousands that have not been deposited are given below:-

Name of Statute	Nature of due	Period to which it pertains	Amount (Rs. in Thousands)	Forum where dispute is pending
Sales Tax Laws	Sales Tax	1999-2000	47	Joint Commissioner (Appeal)
		2003-2004	30723	Joint Commissioner (Appeal)
Central Excise Act, 1944	Excise Duty	2004-2005	23352	CESTAT
Income Tax Act, 1961	Income Tax	2005-2006	3398	CIT (Appeal)
			57520	

Further, in respect of Custom Duty, Wealth Tax, Service Tax and Cess, it has been informed that there are no dues, which have not been deposited on account of any dispute.

10. The Company does not have accumulated losses. However, the Company has incurred cash losses during the year ended 30th September, 2007. The Company did not incurred cash losses in the immediately preceding financial year ended 30th September, 2006.
11. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of its dues to Banks. The particulars of delays which relates to interest/installment during the year ended 30th September, 2007 are as follows: -

(Rs. in thousands)

Particulars	Amount* (including Interest)	Period of Delay
Banks	322,536	1-30
	45,507	31-60
	30,099	61-75
Total	398,142	

* Includes Rs. 337213 thousands paid during the year.

There are no dues of debenture holders.

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a Nidhi / mutual benefit fund / society, therefore provisions of clause 4(xiii) of the order are not applicable to the Company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause 4(xiv) of the order are not applicable to the Company.



15. According to the information and explanation given to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
16. In our opinion and on the basis of information and explanation given to us and on overall basis, term loans availed by the Company were, prima-facie applied by the Company for the purposes for which the loans were raised, other than amounts temporarily held in Cash Credit Account pending utilization of the funds for the stated use.
17. *On the basis of overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, funds raised on the short term basis to the extent of Rs 200568 thousands have been used for long-term investment, primarily in the nature of capital expenditure including capital advances.*
18. During the year Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. .
19. The Company has not issued any debenture, therefore, no comment is required under para 4(xix) of CARO, 2003.
20. We have verified the final and overall end use of money raised by the public issue as declared by the management in the prospectus filed with The Securities and Exchange Board of India and as appearing in Note No 15 of Schedule 19 - Notes to Accounts forming part of financial statements.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Noida
Dated : 31st December, 2007

For B.K.Kapur & Co.
Chartered Accountants

(M.S.KAPUR) F.C.A.
Partner
Membership No.74615

BALANCE SHEET AS AT 30TH SEPTEMBER, 2007

	Schedule No.	As at 30.09.2007 In Rupees	As at 30.09.2006 In Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	257,690,000	257,690,000
Reserves and Surplus	2	1,648,167,071	1,918,887,557
		<u>1,905,857,071</u>	<u>2,176,577,557</u>
Loan Funds			
Secured Loans	3	3,256,671,229	2,473,515,138
Unsecured Loans	4	125,667,845	105,700,000
		<u>3,382,339,074</u>	<u>2,579,215,138</u>
Deferred Tax Liability (Net)	5	129,519,286	162,567,114
TOTAL		<u><u>5,417,715,431</u></u>	<u><u>4,918,359,809</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	4,766,398,124	2,414,529,009
Depreciation		439,815,616	251,030,690
Net Block		<u>4,326,582,508</u>	<u>2,163,498,319</u>
Capital Work in Progress		<u>747,062,106</u>	<u>1,550,688,278</u>
		<u>5,073,644,614</u>	<u>3,714,186,597</u>
Investments	7	7,900,000	200,000
Current Assets, Loans & Advances			
Inventories	8	752,643,748	223,503,389
Sundry Debtors	9	41,336,298	9,094,388
Cash and Bank Balances	10	62,635,285	995,351,947
Loans and Advances	11	249,574,959	345,519,232
		<u>1,106,190,290</u>	<u>1,573,468,956</u>
Less: Current Liabilities & Provisions	12		
Current Liabilities		769,022,031	334,414,313
Provisions		1,011,087	35,231,894
		<u>770,033,118</u>	<u>369,646,207</u>
Net Current Assets		<u>336,157,172</u>	<u>1,203,822,750</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expenses		13,645	150,461
TOTAL		<u><u>5,417,715,431</u></u>	<u><u>4,918,359,809</u></u>
Significant Accounting Policies & Notes forming part of Balance Sheet	19		
The Schedules 1 to 19 form an integral part of Balance Sheet			

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

(V.S. TANDON)
Director

As per our Report of even date
For B.K.Kapur & Co.
Chartered Accountants

(SANJAY BHANDARI)
Chief Financial Officer

(G. RAMARATHNAM)
Chief-Legal and Corporate Affairs &
Company Secretary

(M.S.KAPUR) F.C.A.
Partner
Membership No. 74615

Place : Noida
Dated : 31st December, 2007



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2007

	Schedule No.	Year Ended 30.09.2007 In Rupees	Year Ended 30.09.2006 In Rupees
INCOME			
Sales		2,964,057,450	2,206,423,373
Less : Excise Duty		175,401,512	60,933,579
Net Sales		2,788,655,938	2,145,489,794
Other Income	13	13,744,315	20,314,133
Increase in Stocks	14	495,693,225	124,087,442
TOTAL		3,298,093,478	2,289,891,369
EXPENDITURE			
Material and Manufacturing Expenses	15	2,830,401,200	1,590,396,800
Salaries, Wages and Benefits	16	166,574,242	78,170,727
Administration and Other Expenses	17	69,276,297	45,895,710
Interest and Financial Charges	18	343,649,722	163,050,922
TOTAL		3,409,901,461	1,877,514,159
(Loss)/Profit before Depreciation		(111,807,983)	412,377,210
Depreciation		188,883,110	98,309,669
(Loss)/Profit before Tax		(300,691,093)	314,067,541
Provision for Taxation			
Current Tax		—	28,703,000
Less: Minimum Alternate Tax (MAT) Credit Entitlement		—	(25,707,073)
Deferred Tax (Credit)/Charge		(33,047,828)	81,557,981
Fringe Benefit Tax		3,077,221	1,978,920
(Loss)/Profit after Tax		(270,720,486)	227,534,713
Balance brought forward from Previous Year		542,035,009	314,500,296
Surplus transferred to Balance Sheet		271,314,523	542,035,009
Earning per Share (Note No. 24)			
Nominal Value Rs. 10/-			
Basic		(10.51)	10.04
Diluted		(10.51)	10.04
Significant Accounting Policies & Notes forming part of Profit & Loss Account	19		
The Schedules 1 to 19 form an integral part of Profit & Loss Account			

As per our Report of even date
For **B.K.Kapur & Co.**
Chartered Accountants

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

(V.S. TANDON)
Director

(SANJAY BHANDARI)
Chief Financial Officer

(G. RAMARATHNAM)
Chief-Legal and Corporate Affairs &
Company Secretary

(M.S.KAPUR) F.C.A.
Partner
Membership No. 74615

Place : Noida
Dated : 31st December, 2007

	As at 30.09.2007 In Rupees	As at 30.09.2006 In Rupees
SCHEDULE - 1 : SHARE CAPITAL		
Authorised		
30,000,000 Equity Shares of Rs.10/- each (Previous Year 30,000,000 Equity Shares of Rs.10/- each)	<u>300,000,000</u>	<u>300,000,000</u>
Issued, Subscribed & Paid-up		
25,769,000 Equity Shares of Rs.10/- each fully paid up (Previous Year 25,769,000 Equity Shares of Rs.10/- each fully paid up)	<u>257,690,000</u>	<u>257,690,000</u>
TOTAL	<u><u>257,690,000</u></u>	<u><u>257,690,000</u></u>

SCHEDULE - 2 : RESERVES AND SURPLUS

Share Premium Account		
As per Last Balance Sheet	1,376,852,548	94,159,150
Additions during the year	—	1,334,685,500
	<u>1,376,852,548</u>	<u>1,428,844,650</u>
Less: Share Issue Expenses	—	51,992,102
	<u>1,376,852,548</u>	<u>1,376,852,548</u>
Profit & Loss Account		
Surplus as per Profit & Loss Account	<u>271,314,523</u>	<u>542,035,009</u>
TOTAL	<u><u>1,648,167,071</u></u>	<u><u>1,918,887,557</u></u>

	As at 30.09.2007 In Rupees	As at 30.09.2006 In Rupees
SCHEDULE - 3 : SECURED LOANS		
A) Term Loans		
— From Banks	2,474,393,735	2,194,847,900
— From Govt. of India, Sugar Development Fund (SDF)	166,456,200	166,456,200
— Interest Accrued and Due	24,464,655	11,736,691
	<u>2,665,314,590</u>	<u>2,373,040,791</u>
B) Cash Credit		
— From Banks	588,296,467	94,331,546
	<u>588,296,467</u>	<u>94,331,546</u>
C) Vehicle Loans		
— From Banks	3,060,172	6,129,715
— From Others	—	13,086
	<u>3,060,172</u>	<u>6,142,801</u>
TOTAL	<u><u>3,256,671,229</u></u>	<u><u>2,473,515,138</u></u>

Notes:-

- (1) Term Loans from Banks are secured/to be secured on first pari passu charge by way of joint equitable mortgage on Company's immovable properties and third charge by way of hypothecation of movable assets on pari passu basis and subject to prior charge created/to be created on the current assets in favour of Banks to secure the working capital requirements. (Repayable within one year Rs.541298 thousands (Previous year Rs.271500 thousands)).
- (2) Cash Credit from Banks are secured/to be secured by first pari passu charges by hypothecation/pledge of stocks of raw materials, sugar, molasses, chemicals, stores, spares and other movable assets and third pari passu charge on immovable assets of the Company.
- (3) Term Loans from Banks and cash credit are guaranteed by Managing Director and two other promoter Directors of the Company and corporate guarantees of three Promoter Companies.
- (4) Term Loan from Govt. of India, Sugar Development Fund through Industrial Finance Corporation of India Ltd. is secured/ to be secured by an exclusive second charge on movable assets (except book debts) and second charge on the company's immovable properties.
- (5) Vehicle loans from banks and others are secured by way of hypothecation of specific vehicle. (Repayable within one year Rs. 2054 thousands (Previous year Rs.2677 thousands)).

	As at 30.09.2007 In Rupees	As at 30.09.2006 In Rupees
SCHEDULE - 4 : UNSECURED LOANS		
From Body Corporates	60,000,000	40,000,000
Soft Loan from Uttarakhand State Government (Repayable within one year Rs. 21890 thousands (Previous year Rs.Nil))	65,667,845	65,700,000
TOTAL	125,667,845	105,700,000

SCHEDULE - 5 : DEFERRED TAX LIABILITY (Net)

	As at 01.10.2006	During the Year	As at 30.09.2007
DEFERRED TAX LIABILITY			
Difference between Book & Tax Depreciation	186,784,141	164,707,018	351,491,159
	186,784,141	164,707,018	351,491,159
DEFERRED TAX ASSETS			
Expenses Allowed U/s 43-B on paid basis	725,486	1,464,515	2,190,001
Unabsorbed Business Losses	—	200,582,385	200,582,385
	725,486	202,046,900	202,772,386
NET DEFERRED TAX LIABILITY	186,058,655	(37,339,882)	148,718,773
Tax effect of share issue expenses eligible for Income Tax deduction under section 35D, credited to Share Premium	(23,491,541)	4,292,054	(19,199,487)
	162,567,114	(33,047,828)	129,519,286

SCHEDULE - 6 : FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As on 01.10.2006	Additions during the Year	Sold/Adj. during the Year	As on 30.09.2007	Upto 30.09.2006	For the Year	On Sale/ Adj.	Up To 30.09.2007	As on 30.09.2007	As on 30.09.2006
Freehold Land	174,743,263	54,472,923	—	229,216,186	—	—	—	—	229,216,186	174,743,263
Building	218,634,787	248,490,652	—	467,125,439	16,442,662	12,022,837	—	28,465,499	438,659,940	202,192,125
Plant and Machinery	1,931,077,019	1,974,939,898	100,307	3,905,916,610	211,315,304	163,914,038	2,670	375,226,672	3,530,689,938	1,719,761,715
Furniture and Fixtures	7,794,194	15,960,876	—	23,755,070	3,063,834	2,081,523	—	5,145,357	18,609,713	4,730,360
Office Equipments	19,520,329	10,836,103	—	30,356,432	5,929,870	3,494,847	—	9,424,717	20,931,715	13,590,459
Weigh Bridges	19,465,998	29,115,803	—	48,581,801	2,377,932	1,804,738	—	4,182,670	44,399,131	17,088,066
Vehicles & Tractors	43,058,059	19,268,597	1,115,430	61,211,226	11,901,088	5,565,127	95,514	17,370,701	43,840,525	31,156,971
Live Stock	235,360	—	—	235,360	—	—	—	—	235,360	235,360
Total (Rupees)	2,414,529,009	2,353,084,852	1,215,737	4,766,398,124	251,030,690	188,883,110	98,184	439,815,616	4,326,582,508	2,163,498,319
Previous Year (Rupees)	1,202,942,654	1,224,004,183	12,417,828	2,414,529,009	154,027,711	**98,652,255	1,649,276	251,030,690		
Capital Work-in-Progress:										
Land, Building, Plant & Machinery (including capital advances)									709,292,733	1,505,343,697
Pre-operative Expenses (Pending Capitalisation)									37,769,373	45,344,581
								Total (Rupees)	5,073,644,614	3,714,186,597
								Previous Year (Rupees)	3,714,186,597	1,853,255,927

** includes depreciation charged and capitalised Rs.342586/- during trial run period (Barakapour Unit).

	As at 30.09.2007 In Rupees	As at 30.09.2006 In Rupees
SCHEDULE - 7 : INVESTMENTS (Long Term)		
Other than Trade - Unquoted (At Cost)		
7,90,000 Equity Shares of Rs. 10/- each in Uttam Distilleries Limited-Fully Paid-up (Previous Year 20,000 Equity Shares of Rs. 10/- each)	7,900,000	200,000
TOTAL	7,900,000	200,000
SCHEDULE - 8 : INVENTORIES		
(As taken, valued and certified by the Management)		
Stores, Spares and Packing Materials	50,124,822	39,605,992
Finished Goods	648,980,023	151,870,818
By-Products	53,538,903	32,026,579
TOTAL	752,643,748	223,503,389
SCHEDULE - 9 : SUNDRY DEBTORS		
(Unsecured - Considered good)		
Debts over six months	12,336,352	1,509,207
Others	28,999,946	7,585,181
TOTAL	41,336,298	9,094,388
SCHEDULE - 10 : CASH AND BANK BALANCES		
Cash in Hand	7,424,862	2,038,685
Balance with Scheduled Banks :		
In Current Accounts	22,131,790	65,736,088
In Fixed Deposit Account (incl. in Margin Money & interest Accrued thereon)	32,998,333	927,098,054
In Escrow Account - Public issue	80,300	479,120
TOTAL	62,635,285	995,351,947



	As at 30.09.2007 In Rupees	As at 30.09.2006 In Rupees
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SCHEDULE - 11 : LOANS AND ADVANCES

(Unsecured - Considered good)

Advances Recoverable in cash or in kind or for value to be received	31,405,741	108,908,994
Share Application Money	420,000	7,700,000
Balance with Excise Department	182,443,140	103,553,902
Cenvat Receivable	2,506,125	83,064,315
MAT Credit Entitlement	9,207,073	25,707,073
Security Deposits	8,151,464	12,873,900
Interest Accrued thereon	545,507	346,885
Advance Income Tax (Net of Provision for Taxations)	5,812,896	—
Prepaid Expenses	9,083,013	3,364,163
TOTAL	249,574,959	345,519,232

SCHEDULE - 12 : CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors (including for Projects)	560,512,441	224,899,914
Other Liabilities	119,124,241	55,517,301
Due to Directors	523,396	12,673,950
Advance from Customers	28,232,350	15,715,370
Share Application Money Refundable	80,300	479,220
Security Deposits received	8,385,896	6,616,128
Due to scheduled Bank (Book Overdraft)	12,556,841	—
Interest Accrued but not Due	39,606,566	18,512,430
	769,022,031	334,414,313

Provisions

Provision for Taxation (Net of Advance Payments)	—	34,722,974
Provision for Fringe Benefit Tax (Net of Advance Payments)	1,011,087	508,920
	1,011,087	35,231,894
TOTAL	770,033,118	369,646,207

	Year Ended 30.09.2007 In Rupees	Year Ended 30.09.2006 In Rupees
SCHEDULE - 13 : OTHER INCOME		
Interest Earned (TDS Rs.943173/- Previous Year Rs.419573/-)	2,466,818	1,952,292
Miscellaneous Income	11,274,827	18,361,841
Profit on sale of fixed assets	2,670	—
TOTAL	13,744,315	20,314,133
SCHEDULE - 14 : INCREASE IN STOCKS		
Opening Stocks		
Finished Goods	151,870,818	46,298,419
By-products	32,026,579	10,963,111
	183,897,397	57,261,530
Closing Stocks		
Finished Goods	648,980,023	151,870,818
By-products	53,538,903	32,026,579
	702,518,926	183,897,397
Excise & other duties on Increase of Stocks	(22,928,304)	(2,548,425)
Increase in Stocks	495,693,225	124,087,442
SCHEDULE - 15 : MATERIAL AND MANUFACTURING EXPENSES		
Raw Material Consumed		
Opening Stocks	—	—
Purchases	2,496,969,754	1,470,193,766
	2,496,969,754	1,470,193,766
Less : Closing Stocks	—	—
	2,496,969,754	1,470,193,766
Trial Run Period Cost	105,122,505	26,307,903
Manufacturing Expenses		
Consumption of Stores, Spares & Packing Materials	109,702,466	55,678,280
Power and Fuel	22,193,443	9,834,903
Other Manufacturing Expenses	14,755,514	8,321,106
Repairs to:		
Plant and Machinery	79,140,588	18,193,553
Building	756,574	131,786
Others	1,760,356	1,735,503
TOTAL	2,830,401,200	1,590,396,800



	Year Ended 30.09.2007 In Rupees	Year Ended 30.09.2006 In Rupees
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SCHEDULE - 16 : SALARIES, WAGES & BENEFITS

Salary & Wages	149,270,191	69,716,913
Contribution to Provident and other funds	6,514,489	2,799,891
Staff & Workers Welfare	10,789,562	5,653,923
TOTAL	166,574,242	78,170,727

SCHEDULE - 17 : ADMINISTRATION AND OTHER EXPENSES

Rent	1,108,214	223,567
Rates and Taxes	2,312,265	902,905
Printing and Stationery	3,833,386	2,369,848
Postage, Courier and Telephones	4,295,691	2,430,075
Advertisement and Publicity	463,601	1,631,710
Travelling and Conveyance :		
Directors	622,656	1,022,323
Others	10,998,082	7,750,200
Fees and Subscription	871,744	529,917
Legal and Professional Charges	6,429,770	3,985,397
Auditors' Remuneration	662,404	342,644
Vehicle Running and Maintenance	8,681,592	3,825,781
Insurance	4,920,038	4,120,621
Sugar Handling Expenses	4,701,921	2,116,806
Commission on Sales	11,345,233	9,083,669
Freight Outward	1,594,965	1,204,866
Cane Development Expenses	1,761,448	652,343
Business Promotion	1,783,717	2,457,613
Charity and Donation	314,223	341,650
Wealth Tax	458,178	194,372
Office & Other Administration Expenses	1,606,588	564,007
Loss on sale/damage of Fixed Assets	280,637	—
Miscellaneous Expenditure written off	136,816	136,816
Prior Period Items (Net)	93,128	8,580
TOTAL	69,276,297	45,895,710

SCHEDULE - 18 : INTEREST AND FINANCIAL CHARGES

Interest on Term Loans	203,920,449	108,316,559
Others (including bank charges)	139,729,273	54,734,363
TOTAL	343,649,722	163,050,922

SCHEDULE - '19' : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER, 2007

A. SIGNIFICANT ACCOUNTING POLICIES:

i. Basis of Accounting:

The Company follows the Mercantile System of Accounting and recognizes Income and Expenditure on Accrual Basis. The financial statements are prepared under the historical cost convention and are in accordance with the requirements of Companies Act, 1956 and accepted accounting principles.

ii. Fixed Assets and Depreciation:

Fixed Assets are stated at cost less accumulated Depreciation. Cost of acquisition or construction is inclusive of freight, duties, taxes and incidental expenses incurred during construction period.

Depreciation on fixed assets put to use have been provided on Straight Line Method at the rates in the manner specified in Schedule XIV to the Companies Act, 1956. Low value items costing individually Rs.5,000/- or less are fully depreciated in the year of purchase. Depreciation is charged on pro-rata basis in respect of assets acquired/sold during the year.

Post impairment, depreciation is provided on the revised carrying value of the asset over its remaining useful life.

iii. Lease :

Assets acquired under finance lease are recognized at the lower of the fair value of leased assets at inception and the present value of minimum lease payments, lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to the period during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

In respect of fixed assets taken on finance lease, when there is reasonable certainty that the Company will obtain ownership by the end of the lease term, depreciation is provided in accordance with the policy followed by the Company for owned assets.

iv. Investments :

Long Term Investments are valued at cost. Where applicable, provision is made if there is a permanent diminution in value.

v. Inventories:

Inventories (other than By-products) are valued at lower of cost or net realizable value.

Cost of inventories is determined on weighted average/or FIFO basis. Cost of finished goods has been worked out on absorption cost basis.

By products and residuals are valued at net realizable value.

vi. Taxes on Income :

- a) Current tax is determined on the amount of tax payable in respect of taxable income for the year.
- b) Deferred tax assets/liabilities are provided on significant timing differences arising from the different treatments in accounting and taxation of relevant item. Deferred tax assets/liabilities shall be reviewed as at each Balance Sheet date, based on development during the year, to reassess realization/liabilities.
- c) Deferred Tax Assets in respect of accumulated Loss and Unabsorbed Depreciation are recognized and carried forward only if there is virtual certainty of its realization.
- d) Deferred Tax resulting from timing difference which originate during the tax holiday period but are expected to reverse after tax holiday period is recognized in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the Balance Sheet date.

vii Sales :

Sales includes Excise Duty, Administrative Charges and Entry Tax etc.

viii Borrowing Costs :

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets. A Qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

ix. Impairment of Assets:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value and impairment loss is charged to profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

x. Foreign Currency Transactions:

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary items denominated in foreign currencies at the year end translated at the year end rates which is likely to be realized from, or required to disburse at the balance sheet date. Exchange differences arising on settlement of monetary items at rates different from those at which they were initially recorded are recognized as income or expense in the year in which they arise except exchange differences on liabilities incurred for acquisition of fixed assets from outside India which are capitalized/decapitalized. Premium in respect of forward contract is accounted for over the period of the contract.

xi Treatment of Expenditure During Construction Period:

Expenditure during construction period is included under Pre-operative expenses and the same are allocated to the respective fixed assets on the completion of erection/installation.

xii Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in notes. Contingent assets are neither recognized nor disclosed in the financial statements.

xiii Retirement Benefits :

Contribution to the Employees' Provident Fund is made under the relevant statutes/rules and is charged to the Profit & Loss Account on accrual basis. Provision for leave encashment & gratuity is made on the basis of an actuarial valuation carried out by an independent actuary as at the year end.

xiv Share Issue Expenses :

Share issue expenses have been adjusted from Share Premium account as permissible under section 78 of the Companies Act, 1956.

B. NOTES FORMING PART OF THE ACCOUNTS:

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounting to Rs.710582 thousands (Previous year Rs.863667 thousands)
2. Contingent Liabilities not provided for on account of :
 - a) Outstanding Bank guarantee in favour of Uttarakhand Environment Protection & Pollution Control Board Rs.1100 thousands(Previous year Rs.200 thousands) and U.P.Pollution Control Board Rs. Nil (Previous year 100 thousands).
 - b) Outstanding Bank Guarantee in favour of Chief Director (Sugar) Department of Food and Public Distribution, Ministry of Consumer affairs, New Delhi Rs.20000 thousands(Previous year Rs.Nil) and Outstanding letter of credit in favour of suppliers Rs.202543 thousands (Previous year Rs.Nil).

- c) Outstanding Bank Guarantee in favour of National Stock Exchange of India Ltd. Rs. Nil(Previous year Rs.6800 thousands).
 - d) Excise duty / Sales Tax / Income Tax demands and show cause notices aggregating to Rs.83687 thousands (Previous year Rs.50063 thousands) against which company / Department has preferred appeals/filed replies. However, in the Financial Year 2007-08, out of above cases against which demand of Rs. 34120 thousands was outstanding, has been allowed/remanded back to the appropriate authority.
 - e) In respect of pending court cases by/against ex-employees amount not ascertainable at this stage.
 - f) Cane price payable, if any, for the season 2006-07, on the reassessment and re-fixation of State Advisory Price (SAP) by the U.P. State Government. (Refer Note no. 13)
3. Freehold land appearing under schedule 6 of the Balance Sheet includes land aggregating to Rs. 9224 thousands (Previous Year Rs. 9224 thousands) which is yet to be registered in the name of the Company. Motor Cars appearing in Schedule '6' of Fixed Assets includes:- motor cars having gross book value Rs. 9942 thousands (Previous year Rs. Nil) are yet to be transferred in the name of the company and motor cars having gross book value of Rs. 9122 thousands (Previous Year Rs. 10510 thousands) have been purchased on Hire Purchase basis.
 4. Soft Loan from State Government of Uttarakhand is repayable in three annual installments with an initial moratorium period of three years from the date of sanction (i.e.3rd January 2005).
 5. Amount of borrowing cost capitalized to fixed assets during the period is Rs. 15605 thousands (Previous Year Rs. 47512 thousands).
 6. The amount of exchange rate difference in respect of forward exchange contract recognized in the Profit and Loss Account for the year Rs. NIL thousands (Previous Year Rs. 2198 thousands).
 7. All the Current Assets, Loans and Advances, in the opinion of the Board, have a value on realization which in the ordinary course of business shall at least be equal to the amount, at which it is stated in the Balance Sheet.
 8. Advances recoverable in cash or in kind as appearing in schedule no. 11 of Balance Sheet include Rs. 420 thousands (Previous Year Rs. 7700 thousands) paid as share application money and Rs. 1174 thousands (Previous Year Rs. 38808 thousands)as other advances and also capital advances as appearing in schedule no. 6 of Balance Sheet includes a sum of Rs. 156872 thousands (Previous Year Rs. 75994 thousands) given against purchase of capital goods in ordinary course of business to companies in which some directors of the company are interested as its directors/ shareholders.
 9. Balances of certain Sundry Debtors, Creditors and Advances are subject to confirmation.
 10. The Company has applied for exemption from Trade tax under section 4A of U.P.Trade Tax Act, 1948 (adopted by Uttarakhand Government) for its Unit at Village Libberhedi. Tehsil Roorkee Distt. Haridwar on sale of sugar, molasses and bagasse, presently applicable to sale of molasses only as the sale of sugar & bagasse being exempted from tax. The application for the same is pending for approval with competent authorities. Management is hopeful for obtaining the necessary exemption (eligibility certificate) with in the year.
 11. Sundry Creditors include Rs. 7171 thousands (Previous Year Rs.2726 thousands) due to Small Scale Industrial undertakings (SSIs). The name of Small Scale undertakings to whom an amount was outstanding for more than 30 days, to the extent such parties have been identified from the available information, are as follows :

Accord Communication Limited, Alpha Control Instrument Pvt. Ltd., Arya Machine Tools, Automation Services Pvt. Ltd., Jagat Machinery & Manufacturers Pvt. Ltd., Kay Kay Industries,, Material Conveying Engineers, Material Handling Engineers, Miltech Engineering Works, National Electricals, National Engineering Works, Meerut, Niles Engineering Works Pvt. Ltd., Omfa Rubber Pvt. Ltd., Pradeep Engineering Corporation, Puri Industries, Quest Computers, Spray Engineering Devices, Superior Engineering & Manufacturing Co., Sweta Suppliers & Engineering Works, The Devite Company, Vikas Pump & Project, Waltech India

Information with regard to amount due to SSI units has been determined on the basis of information available with the company and relied upon by auditors. The company is in the process of identifying its suppliers as Micro, Small and Medium Enterprises as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". However the company has not received any intimation/communication from their suppliers regarding applicability of this act to them. Therefore no such disclosure under the said act has been furnished.

12. Since during the year the company has operated in a single primary business segment i.e. manufacturing of sugar and its sale being in the domestic market only, the disclosure requirement of Accounting Standard - 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable.
13. i) The Hon'ble High Court of Allahabad while disposing the various writ petitions filed by sugar producing factories, by its order dated 19th December, 2007 has inter-alia quashed the State Advisory Price (SAP) fixed by the State Government of U.P. for cane price for the season 2006-07 being arbitrary and unreasonable. The Order further requires State Government of U.P. to reassess and re fix SAP it in due consultation with various parties involved. As per legal advice sought by the company the Sugarcane price liability for the season 2006-07 for its units operating in State of Uttar Pradesh has been accounted for, based on actual payment made by the company which is above the Statutory Minimum Price (SMP) fixed by the Central Government. Accordingly, balance of Rs. 255682 thousands outstanding towards the sugarcane price liability as on the date of the decision has been reversed. The final adjustments towards sugarcane price will be given effect on the assessment of revised SAP.
- ii) However, in the absence of any Court's decision in the State of the Uttarakhand, the sugarcane price liability has been provided at SAP fixed by the State Government of Uttarakhand.
14. The Company has made an investment of the requisite amount for setting up New Projects in the State of Uttar Pradesh in accordance with the UP Sugar Industry Promotion Policy, 2004 and has accordingly filed application for eligibility under the above policy on 13th April 2007, which is still pending. However, the new State Government has terminated the Policy with effect from June 4, 2007 and has expressed its intention to introduce another policy. Company has been legally advised that it is eligible for the benefits under the said policy.
15. The Company had made a Public issue of Rs. 40,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 330/- per share for setting up Greenfield projects at Village Khaikheri Distt. Muzaffarnagar and Village Shermau Distt. Saharanpur in Financial Year 2005-06. The share issue proceeds aggregating to Rs. 1360000 thousands have been fully utilized on overall basis during the year and in the immediately preceding year in accordance with the prospectus dated 23rd March, 2006.
16. Share Issue Expenses (Net of Tax) amounting to Rs. Nil thousands (Previous Year Rs. 51992 thousands) are adjusted from Share Premium account as permissible under section 78 of the Companies Act, 1956.
17. Disclosure in respect of Operating Lease:
- i) The Company has entered into Operating Lease for premises. These lease agreements are non-cancelable up to 36 months generally and are usually renewable by mutual consent on mutually agreeable terms. The lease rental of Rs. 346 thousands (Previous Year Rs. 66 thousands) has been charged and included in rent as rent under schedule "17" and Rs. 387 thousands debited to fixed assets of units at Khaikheri & Shermau and Rs. 696 thousands (Previous Year Rs. 590 thousands) are debited to Pre-operative expenses pending capitalization relating to Co-Generation Units at Barkatpur, Khaikheri, Shermau & Distillery Unit at Barkatpur.
- ii) Future obligations by way of lease rentals in respect of these lease arrangements amount to:-

(Rupees in '000's)

Particulars	Current Year	Previous Year
(a) Not later than one Year	217	1060
(b) Later than one year & not later than Five Years	2095	1265
(c) Later than Five years	NIL	NIL

18. Consequent upon AS-28 impairment of assets being made mandatory by the Institute of Chartered Accountants of India w.e.f. April 04, the company has carried out an exercise to ascertain the impairment, if any, in the carrying value of its fixed assets. However no such case was found.
19. Unit at Khaikheri (Distt. Muzaffarnagar) with 4500 TCD & Unit at Shermau (Distt. Saharanpur) with 5000 TCD commenced their commercial production on 1st January 2007 & 01st April 2007 respectively. All expenses incurred before and up to the completion of Trial Run Period have been allocated and amortized to fixed assets of the respective Units.

The details of Pre-operative expenses pending allocation for new units/expansion, which are in Process of being setup, are as under:-

(Amount Rs. in 000's)

Particulars	Current Year	Previous Year
Material Consumed	129976	26073
Other Manufacturing Expenses	85	1182
Consumption of Stores, Spares & Packing Material	6667	1486
Power & Fuel	3484	582
Repair to :		
Plant & Machinery	129	—
Others	103	—
Salary & Wages	71928	50790
Staff & Workers Welfare	3526	2646
Rent	3017	3062
Rates & Taxes	4	20
Printing & Stationary	829	359
Postage, Courier & Telephone	1961	1791
Advertisement & Publishing	407	598
Traveling & Conveyance	9500	6180
Fees & Subscription	676	1431
Legal & Professional Charges	3675	2808
Auditors' Remuneration	52	62
Vehicle Running & Maintenance	2394	2073
Insurance	2733	105
Cane Development Expenses	532	1615
Business Promotion	14	1351
Fringe Benefit Tax	356	—
Interest & Financial Charges	84360	62207
Foreign Exchange Fluctuations	4358	—
Depreciation	—	342
Office & other administration expenses	1104	2356
	331870	169119
Less : Sale of Sugar (during trial run period)	—	5
Sale of Scrap (during trial run period)	—	8
Interest earned {TDS Rs.7205 thousands (Previous Year 876 thousands)}	38739	29247
Misc. Income-Others	532	500
	292599	139359
Less : Allocation to Fixed Assets	149707	67707
Closing Stock of Finished & Semi Finished Goods at the end of trial run period	105123	26308
Total	37769	45345

20. Prior Period Items (net) amounting to Rs. 93 thousands (Previous year Rs. 9 thousands) includes:

(Rs. in 000's)

Particulars	Current year	Previous year
Expenditures :		
Cane Transportation Charges	58	Nil
Legal & Professional Charges	147	Nil
Repair & Maintenance	20	9
Total Debits	225	9
Income :		
Insurance Claim	132	Nil
Total Credits	132	Nil
Net Debits	93	9

21. Related Party Disclosures:

In accordance with the requirements of Accounting Standard (AS)-18 issued by The Institute of Chartered Accountants of India on related party disclosure, the names of the related parties where control exist and/or with whom transaction have taken place during the year and description of relationships as identified and certified by the management, are :

A. Parties where control exists : NIL

B. Other related parties where transaction have taken place during the year

i) Associate :

Uttam Distilleries Ltd.

ii) Key Management Personnel (KMP) :

Sh.Raj Kumar Adlakha — Chairman & Managing Director (CMD)
 Sh.U.R.K.Rao — Whole Time Director (Upto 31.08.2007)
 Sh.V.V.R. Murty — Whole Time Director (Upto 04.01.2006)

iii) Relative of Key Management Personnel and their Relationship:

— Sh.Uttam Chand Adlakha (Father of CMD)
 — Smt.Sunna Adlakha (Mother of CMD)
 — Sh.Rajan Adlakha (Brother of CMD)
 — Sh.Ranjan Adlakha (Brother of CMD)
 — Smt. Amita Adlakha (Wife of CMD)
 — Smt.Rajni Babbar (Sister of CMD)
 — Smt.Ranjana Chopra (Sister of CMD)

iv) Enterprises Significantly Influenced by Directors and/or their relatives :

— Uttam Industrial Engineering Limited
 — Lipi Boilers Ltd.
 — The Standard Type Foundry Pvt.Ltd.
 — Uttam Sucrotech Limited
 — Shubham Sugars Limited

C. Details of Transactions with the above related parties in the ordinary course of business:-

Name of related Parties	Nature of Transactions	Amount of Transactions (Rs. in thousands)		Outstanding Balances (Rs. in thousands)		
		Year Ended 30.09.07	Year Ended 30.09.06		As at 30.09.07	As at 30.09.06
Associate						
Uttam Distilleries Ltd.	Investment	7700	—	Share Application Money	420	7700
	Share Application Money given	420	820			
Key Management Personnel (KMP):-						
Raj Kumar Adlakha	Remuneration & Perquisites	4795	15685	Remuneration Payable	524	12674
	Equity Contribution received	—	17745		—	—
U.R.K.Rao	Remuneration & Perquisites	1918	1788	Remuneration Payable	—	100
V.V.R.Murty	Remuneration & Perquisites	—	225		—	—
Relative of KMP :-						
Amita Adlakha	Office Rent	360	—		—	—
Rajni Babbar	Equity Contribution received	—	1100		—	—
Uttam Chand Adlakha	Equity Contribution received	—	4995		—	—
Sunna Adlakha	Equity Contribution received	—	2993		—	—
Ranjana Chopra	Equity Contribution received	—	1100		—	—
Enterprises Significantly Influenced by Directors and/or their relatives :-						
Uttam Sucrotech Ltd.	Purchase of Fixed Assets	123038	362769			
	Receiving of Services (Machinery)	5437	892	Creditors	23858	14644
	Advances Given	8666	—	Capital Advance	8666	—
	Sugar Sales made	—	2			
	Guarantee received	20997	18173	Guarantee received	61165	40168
	Equity Contribution received	—	4950			
Uttam Industrial Engg. Ltd.	Purchase of Fixed Assets	70972	57504	Capital Advance	29650	—
	Receiving of Services (Machinery)	4082	942	Creditors	58467	25027
	Interest Paid	4650	4282	Loans and Advances	250	—
	Sugar Sales made	6	4	Interest Outstanding	6904	4466
	Equity Contribution received	—	8392			
	Loan Received	—	15000	Unsecured Loan	40000	40000
	Guarantee received	20997	18173	Guarantee received	61165	40168
The Standard Type Foundry P. Ltd.	Purchase of Fixed Assets	74132	76786	Creditors	27526	28778
	Receiving of Services (Machinery & Vehicles)	4140	845	Loans and Advances	—	2180
	Sugar Sales made	—	6			
Lipi Boilers Ltd.	Purchase of Fixed Assets	69579	178060	Capital Advance	118556	53767
	Receiving of Services (Machinery)	368	—	Creditors	2244	—
	Miscellaneous Income	9375	18338	Loans and Advances	924	35010
	Advances Given	119300	—			
	Loan Received	20000	—	Unsecured Loan	20000	—
	Guarantee received	20997	18173	Guarantee received	61165	40168
	Interest Paid	368	—	Interest Outstanding	368	—
Shubham Sugars Ltd.	Purchase of Sugar Cane	174	—	Creditors	174	—
	Equity Contribution received	—	420		—	—

22. Auditors' Remuneration:

(Rs. in 000's)

Particulars	Current Year*	Previous Year
(a) As Statutory Auditors	451	292
(b) For Tax Audit	17	17
(c) For Taxation Matters	10	10
(d) For other Matters	236	140
Total	714	459

*Including Rs.52 thousands(Previous Year Rs.35 thousands) Statutory Audit Fees debited to Pre-operative expenses and Rs. Nil (Previous year Rs. 81 thousands)debited under Share Issue expenses.

23. Remuneration to Directors (included under Schedule 16):

a) Managerial Remuneration :

(Rs. in 000's)

Particulars	Managing Director		Directors	
	Current Year	Previous Year	Current Year	Previous Year
(a) Remuneration	4500	3675	1650	1493
(b) Perquisites	295	110	268	520
(c) Commission	Nil	11900	Nil	Nil
(d) Sitting Fees	Nil	Nil	370*	210*
Total	4795	15685	2288	2223

*Represents payment made to Non-Executive independent Directors.

b) Computation of net profit in accordance with Section 198 of the Companies Act,1956 for the current year has not been given as no commission is paid to Managing Director in view of inadequacy of profits.

(Rs. in 000's)

Particulars	Previous Year
Profit before Taxation	314068
Add: Remuneration to Managing Director:	
Remuneration	3675
Perquisites	110
Commission	11900
Remuneration to Whole Time Directors:	
Remuneration	1493
Perquisites	520
Director's Sitting Fees	210
Profit Under Section 349 of the Companies Act, 1956	331976
Commission to Managing Director	13279
Restricted to	11900

24. Earning per share (EPS)

Particulars	Year ended 30.09.2007	Year ended 30.09.2006
a) (Loss)/Profit attributable to the Equity Shareholders (Rs. in thousands)	(270720)	227535
b) Weighted average number of equity shares outstanding		
i) Basic: Weighted average number of equity shares at the end	25769000	22655474
ii) Diluted: Weighted average number of shares as in b(i) Add : Share application money (Weighted Average)	25769000 —	22655474 10
Total	25769000	22655484
c) Paid up value of share	Rs.10/-	Rs.10/-
d) Basic Earning per share (Rs.) (a/bi)	(10.51)	10.04
e) Diluted Earning per share (Rs.) (a/bii)	(10.51)	10.04

25. Additional information pursuant to the provisions of the paragraphs 3 & 4 of Part - II of Schedule VI to the Companies Act, 1956:

A. Capacity & Production

Products	Unit	Capacity* Installed (As certified by the management)	Production (in Qtls.)
Sugar	TCD (Tonnes crushing per day)	22750 (13250)	2133521 (1112379)
By-Product Molasses			1071307 (573719)

- Note:**
- 1.* Licensed capacity is not applicable in view of deregulation of Sugar Industries.
 2. Production quantity includes 53493 qtls. (4250 qtls.) of Sugar and 36510 qtls. (2220 qtls.) of Molasses produced during Trial Run Period.

B. Stock and Sales

(Rs. in 000's)

Particulars	Opening Stock		Closing Stock		Sales	
	Qty (Qtls)	Value (Rs.)	Qty (Qtls)	Value (Rs.)	Qty (Qtls)	Value (Rs.)
Sugar	111896 (38811)	151871 (46298)	447466 (111896)	648980 (151871)	1797951 (1039291)	2611181 (1994361)
Molasses	62907 (14971)	25920 (6228)	218386 (62907)	45503 (25920)	915828 (525783)	289940 (171640)
Total (Previous year)		177791 (52526)		694483 (177791)		2901121 (2166001)

NOTES:

- Sales appearing in the Profit & Loss Account also include sale of Bagasse Rs. 59937 thousands (Previous Year Rs.34766 thousands), sale of Bio Fertilizer Rs. 2304 thousand (Previous Year Rs.5656 thousands) and other sale Rs.695 thousands.
- Production and stock of Sugar includes Brown Sugar.(BISS)
- Value has been Rounded-Off to the nearest thousand rupee and the quantities have been Rounded-off to the nearest Qtl.

- iv) Sales appearing in Profit & Loss Account do not include Rs. Nil thousand (Previous year Rs. 5 thousands) being sales of Sugar during Trial Run period, which have been reduced from the trial run period cost, Similarly, sales quantity excludes Nil Qtls. (Previous year 3 qtls.) of sugar sold during Trial run period.
- v) Closing stock of by product as appearing in Balance Sheet and Profit & Loss Account also include stock of bagasse Rs. 2922 thousands (Previous Year Rs. 5597 thousands) and stock of Bio-Fertilizer Rs. 5114 thousands (Previous Year Rs. 509 thousands).

C. Raw Material Consumed:

Particulars	Unit	Quantity	Value (Rs. in 000's)
Sugar Cane	Qtls.	21602600 (11238826)	2626946 (1496267)

Note : Raw Material consumed appearing in the Profit & Loss account do not includes 971800 qtls. for Rs. 129976 thousand (Previous year 214900 qtls. for Rs.26073 thousands) being consumed during trial run period.

D. Value of Imported and Indigenous raw materials, stores & spares consumed:

Particulars	Raw Materials		Stores & Spares	
	Value (Rs. in 000's)	Percentage (%)	Value (Rs. in 000's)	Percentage (%)
Imported	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Indigenous	2626946 (1496267)	100 (100)	109702 (55678)	100 (100)
Total (Previous year)	2626946 (1496267)	100 (100)	109702 (55678)	100 (100)

E. Expenditure in Foreign Currency:

(Rs.in 000's)

Interest on Foreign Currency Loan (Including Forward Exchange Contract premium)	Nil (5278)
Foreign Travelling	1666 (469)
Capital Advances	96216 (Nil)

26. The previous year's figures have been re-arranged, regrouped, reclassified, wherever necessary to make them comparable.

27. The other information as required under Paragraphs 3,4 and 4-D of Part-III of Schedule VI to the Companies Act, 1956 not given being either NIL or NOT APPLICABLE.

28. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:-

I. Registration Details:

Registration No.	L99999UR1993PLC032518
State Code	— (Uttarakhand)
Balance Sheet Date	30-09-2007

(Amount in Rs. Thousands)

II. Capital Raised during the year:

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of Mobilization and Deployment of Funds:

Total Liabilities	5417715
Total Assets	5417715

Sources of Funds:

Paid-up Capital	257690
Reserves & Surplus	1648167
Secured Loans	3256671
Unsecured Loans	125668
Deferred Tax Liability	129519

Application of Funds:

Net Fixed Assets	5073644
Investments	7900
Net Current Assets	336157
Miscellaneous Expenditures	14

IV. Performance of Company:

Turnover (including other Income)	2802400
Total Expenditures	3103092
Loss Before Tax	(300692)
Loss After Tax	(270720)
Earning Per Share (Rs.)	(10.51)
Dividend Rate %	—

V. Generic Names of Principal Products/Services of Company:

(as per monetary terms)

Item Code No. (ITC Code)	1701.11
Product Description	White Sugar

29. Schedule 1 to 19 have been duly authenticated.

On behalf of the Board

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

(V.S. TANDON)
Director

For B.K.Kapur & Co.
Chartered Accountants

(SANJAY BHANDARI)
Chief Financial Officer

(G. RAMARATHNAM)
Chief-Legal and Corporate Affairs &
Company Secretary

(M.S.KAPUR) F.C.A.
Partner
Membership No. 74615

Place : Noida
Dated : 31st December, 2007



CASH FLOW STATEMENT FOR THE YEAR ENDED AS ON 30TH SEPTEMBER, 2007

	Year Ended 30.09.2007 In Rupees	Year Ended 30.09.2006 In Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	(300,691,093)	314,067,541
Adjustments for:		
Depreciation	188,883,110	98,309,669
Interest and financial charges	343,649,722	163,050,922
Loss on sale of assets (net)	277,967	—
Wealth Tax	458,178	194,372
Miscellaneous Expenditure written off	136,816	136,816
Interest earned	(2,466,818)	(1,952,292)
Operating Profit before Working Capital changes	<u>230,247,882</u>	<u>573,807,028</u>
Adjustments for:		
Trade & Other Receivables	63,900,984	(210,409,534)
Inventories	(529,140,359)	(155,639,395)
Trade Payables	<u>354,287,096</u>	<u>68,251,961</u>
	<u>(110,952,279)</u>	<u>(297,796,968)</u>
Cash generated from operations	119,295,603	276,010,060
Direct taxes (paid)/refund	(37,756,206)	5,269,340
Net Cash flow from Operating Activities	81,539,397	281,279,400
B. CASH FLOW INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,490,232,193)	(1,858,281,285)
Sale of Fixed Assets	839,586	—
Investments made	(7,700,000)	—
Interest Received	2,268,196	1,868,443
Net Cash used in Investing Activities	(1,494,824,411)	(1,856,412,842)
C. CASH FLOW FINANCING ACTIVITIES		
Proceeds from issue of Shares	—	69,371,000
Share Issue expenses	—	(75,483,643)
Share Premium received	—	1,334,685,500
Share Application money	—	(13,824,000)
Interest paid	(309,827,621)	(146,996,125)
Proceeds from Borrowings	1,060,086,770	1,535,703,000
Repayments of Borrowings	(269,690,797)	(438,199,791)
Net Cash flow from Financing Activities	480,568,352	2,265,255,941
Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(932,716,662)	690,122,498
Cash and Cash Equivalents as at 1st Oct.2006	995,351,947	305,229,449
Cash and Cash Equivalents as at 30th Sept.2007	62,554,985	994,872,827
Balance in Escrow Account as at 30th Sept.2007	80,300	479,120
Cash and Cash Equivalents as at 30th Sept.2007	62,635,285	995,351,947

NOTES:

- Cash and Cash Equivalents represent Cash and Bank Balances (Refer Schedule 10)
- Interest paid is exclusive of interest capitalised Rs. 15604609/- (Previous Year Rs. 47512003/-).
- Previous year figures have been regrouped / rearranged wherever consider necessary.

AS PER OUR SEPERATE REPORT

(RAJ KUMAR ADLAKHA)
Chairman & Managing Director

(V.S. TANDON)
Director

For **B.K.Kapur & Co.**
Chartered Accountants

(SANJAY BHANDARI)
Chief Financial Officer

(G. RAMARATHNAM)
Chief-Legal and Corporate Affairs &
Company Secretary

(M.S.KAPUR) F.C.A.
Partner
Membership No. 74615

Place : Noida
Dated : 31st December, 2007



NOTES

Lined area for notes, consisting of multiple horizontal lines.



Uttam Sugar Mills Limited

Registered Office : Village Libberheri, Tehsil Roorkee,
District Haridwar, Uttarakhand - 247667.

ATTENDANCE SLIP

Folio No. :

DP-ID No. :

Client ID No. :

Name of the Shareholder :

Name of the Proxy (in Block letters)
(to be filled in if the Proxy attends
instead of the member) :

I hereby record my presence at the 13th Annual General Meeting held on 29th February, 2008 at 12.00 Noon at Village Libberheri, Tehsil Roorkee, District Haridwar, Uttarakhand -247667.

.....
Member/ Proxy's Signature



----- TEAR HERE -----



TEAR HERE



Uttam Sugar Mills Limited

Registered Office : Village Libberheri, Tehsil Roorkee,
District Haridwar, Uttarakhand - 247667.

PROXY FORM

I/We.....of.....being
a Member/ Members of Uttam Sugar Mills Ltd., hereby appoint.....
ofor failing him.....
of.....or failing him.....
of.....as my/our proxy to attend and vote for me/ us/ on
my / our behalf at the 13th Annual General Meeting of the Company to be held at Village Libberheri, Tehsil Roorkee,
District Haridwar, Uttarakhand - 247667 on 29th February, 2008 at 12.00 Noon and at any adjournment thereof.

Signed this.....day of.....2008

**Affix
30 paise
Revenue
Stamp**

Folio No. :

DP-ID No. :

Client ID No. :

Note :

This proxy form must be deposited at the Registered Office of the Company at Village Libberheri, Tehsil Roorkee, District Haridwar, Uttarakhand – 247667 or at Corporate Office of the Company at A-2E, 3rd Floor, C.M.A. Tower, Sector – 24, Noida (U.P.), not less than forty-eight hours before the time fixed for holding the aforesaid meeting



BOOK - POST



If undelivered, please return to:

Uttam Sugar Mills Limited

Corporate Office : A-2E, 3rd Floor, C.M.A. Tower,
Sector – 24, Noida – 201 301 (U.P.)