

CHAIRMAN'S SPEECH

Dear Shareholders,

It is my great pleasure and privilege to welcome you all to the 73rd Annual General Meeting of your Company on 19th September, 2013. The Annual Report together with the Annual Accounts and Auditors Report for the year 2012-13 is in your hands and with your permission, I take them as read.

Economy :

According to the information contained in the new report by the IMF's World Economic Outlook, the world's GDP at the end of 2013 could grow by 3.1%. With regard to this indicator for 2013, it has changed at 2.99%. According to World Economic Outlook Report of IMF the global growth driven to a large extent by appreciable weaker domestic demand and slower growth in several key emerging market economies.

For developing countries, the growth rate is now expected to evolve at a very moderate pace the present rate is some 0.25% point slower than in the month April 2013. The highest rate of growth is in China, India, Brazil and Mexico. The growth of Chinese economy in 2013 will amount to 7.8% and in 2014 – 7.7%. The Indian economy will grow in 2013 by 5.6% in 2014 – by 6.3%. Brazil show 2.5% growth in 2013 and 3.2% in 2014, while Mexican GDP will grow by 2.9% in 2013 to 3.2% – in 2014.

Sugar Industry :

The sugar production for the season 2012-13 would be around 255 lakh tones. The Government of India vide Gazette Notification dated 02/05/2013 has given effect towards partial decontrol of Sugar Industry. The levy obligation has been removed from the production of 2012-13, so also the release mechanism has been done away with.

Working results :

The turnover of the Company during the current Financial Year is Rs. 894.76 Crores as against Rs. 808.93 Crores in the previous year. The Company has been able to earn a net profit of Rs.17.45 Crores during the current year, as compared to net profit of Rs.17.09 Crores during the previous year. After adjusting the brought forward profit of Rs. 2.05 Crores, profit available for appropriation is Rs. 19.50 Crores. Your directors have appropriated Rs.14.23 Crores towards General Reserve and have made provision of Rs.2.63 Crores towards dividend & corporate dividend tax & balance Rs.2.64 Crores is carried forward to Profit & loss account.

Dividend :

Your Directors are pleased to recommend a dividend @ 20% (i.e 20 paise per share of Re.1/-).

Sugar Section (Ugar) :

Availability of sugar cane during sugar season 2012-13 was less due to insufficient rain and also competition from 5 Sugar factories in our Taluka. We have crushed 11.39 Lakh Mt at a recovery of 10.53% as against earlier season crushing of 13.23 Lakh Mt., at a recovery of 11.86%. The recovery has gone down by 1.33% due to insufficient rain and early start of crushing season. The sugar bagging for current season was 11.99 Lakh Qtls. of sugar as against previous year sugar bagging of 15.69 Lakh Qtls. Addition of the equipments for the expanded capacity created many hurdles and stoppages were more. This year we hope to crush much better with better recovery.

Co-generation (Ugar) :

During the year 2012-13 Company has generated 1030.70 Lakh units and exported 611.00 Lakh units at Ugar through Tata Power Trading Company Ltd. During the current year, the export rates did not move up as expected.

Distillery and IML :

During the year 2012-13 the Rectified Spirit Production is 88.48 Lakh BLS as against 116.57 Lakh BLS during the previous year. Potable Liquor production is 95.78 Lakh BLS as against 90.83 Lakh BLS during the previous year.

We have supplied 23.83 Lakh BL Ethanol to the Oil Companies during the year. We have bottled 10.94 lakh cases during the current year as against 10.34 Lakh cases during the previous year at Ugar.

The government has taken initiative for 5% blending of ethanol with petrol and oil companies have started floating tender for supply of ethanol from the sugar companies. We have quoted for the supply of 300000 liters ethanol per month. The government has also revised the rate from Rs.27 to Rs.36 per liter.

Bottling Arrangement :

The company has continued bottling its product at M/s K. S. Distilleries and S. D. F. Industries in Kerala.

Export Oriented Unit :

During the year under review the EOU has made exports worth Rs.153.40 Lakh and has achieved positive Net Foreign Earning Exchange.

Jewargi Unit :

During the crushing season 2012-13 this unit has crushed 3.36 Lakh Mt., at a recovery of 9.82% as against 3.66 Lakh Mt., at a recovery of 10.86% during the previous season. The recovery is down because of shortfall in rain. The total sugar bagging during the current season was 3.29 Lakh Qtls. as against 3.97 Lakh Qtls. during the previous season. The Co-generation has also gone down, we have generated 345.44 Lakh units as against 436.35 lakhs units during previous year and exported 227.82 Lakh Units as against 283.76 lakh units during previous year the rates also did not move up as expected.

With the cane development activity undertaken by us, there will be improvement in the availability of cane from nearby area. We expect to improve the crushing and co-generation at this unit during the coming season.

Corporate Social Responsibility :

Although our company is not mandatorily required to undertake Corporate Social Responsibility, we have already taken the initiative on our own in fulfilling our Social responsibility in the various fields like Health, Safety, Education, literacy, waste management etc. During the last year we have spent around Rs.26.33 lakh for betterment of education through our school, college and ITI and around Rs. 29.41 lakh for health through our hospital. In addition to above; around Rs.12 lakh has been spent for the promotion of sports, donations to charitable purpose, subscriptions etc., in our local area and even beyond our local area.

Future Prospects :

The sugar cane plantation during the sugar season 2013-14 is better and Company expects to crush around 16 to 18 Lakh MT sugar cane including Jewargi unit, with higher recovery than last year. We also expect to achieve better realization from Co-generation, Spirit production and IMFL to improve our bottom-line.

Rewards :

The Company has received “Best Overall Performance, Private Sugar Mill” reward from Bharatiya Sugar in their first Convention on Sugar Technology & Sugar Agriculture held in July, 2013 and Best Technical Efficiency award from South India Sugar Cane and Sugar Technologies Association for the season 2011-2012.

Acknowledgement :

On behalf of the Board of Directors I would like to express the deep sense of gratitude to all the shareholders, cane growers and suppliers, harvesters, workers and staff members for their continued support. I also thank the Central Government, Government of Karnataka, Government of Maharashtra, Sugar Development Fund, Central Bank of India, Bank of Baroda, Union Bank of India, IDBI Ltd., Bank of India, ICICI Bank, Axis Bank, IFCI Ltd., and HDFC Bank for their co-operation.

May I now request the Company Secretary to read the Auditors' Report and thereafter you may raise queries, if any, on the reports and accounts.

Thank you,

SHIRGAOKA
R RAJENDRA

Digitally signed by SHIRGAOKAR RAJENDRA
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R.V. Shirgaokar

Chairman & Mentor
The Ugar Sugar Works Ltd.