UPPER GANGES SUGAR & INDUSTRIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS
[For the quarter ended 30th September, 2010]

The management of Upper Ganges Sugar & Industries Limited is pleased to present its assessment of the scenario of the Sugar industry for the quarter ended 30th September, 2010.

1. World Sugar Market

Global sugar production in 2009-10 grew to 158.830 million tonnes, while the consumption declined to 163.779 million tonnes. The reasons for this can be ascribed to strong world sugar prices and effects of the 2008-09 global melt down on consumption growth. Despite this reality, the point of interest is that overall consumption in absolute terms was still higher than the global production of sugar, resulting in a deficit of 4.95 million tonnes for 2009-10 according to ISO August, 2010. It is expected that for the season October 2010 to September 2011, the sugar production will be nearly 170.375 million tonnes, an increase of 7.27% and the consumption will show a positive sign with the figures being 167.154 million tonnes, resulting a surplus of 3.221 million tonnes after two years of a large statistical deficits.

World sugar balance (million tonnes, raw value)

	2010-11	2009-10	Change from 2009-10 to 2010-11	
			In mln Tonne	in %
Production	170.375	158.830	11.545	7.27
Consumption	167.154	163.779	3.375	2.06
Surplus/Deficit	3.221	-4.949		
Import demand	48.625	52.772	-4.097	7.77
Export availability	50.577	52.688	-2.131	-4.04
End Stocks	56.192	54.903	1.289	2.35
Stocks/Consumption ratio in%	33.62	33.52		

Indian sugar overview

India's sugar industry is totally controlled by the Government. Starting from land demarcation, sugarcane price, sugarcane procurements, sugar production and sale of sugar in domestic and international markets. Government policy bears a strong influence in the Country's cane and sugar production cycle.

India's sugarcane and sugar production typically follows a 6-8 year cycle, wherein 3- 4 years of glut are followed by 2-3 years of deficiency. After two consecutive years of declining sugar production (2007-08 and 2008-09), production of sugar surged in 2009-10 .

Production & Consumption : India's sugar production in the season October 2009-September 2010 is 18.89 million tonnes. The country's sugar production is expected to be around 25.50 million tonnes in the forthcoming 2010-11 crop year owing to a better harvest. Consumption for the sugar season 2010-11 is projected at 22.00 million tonnes, reflecting a deficit of 3.5 million tonnes. For the season 2010-11 it is expected that sugar production in Uttar Pradesh may rise by 35%

Cane costs: For season 2009-10, the Fair Remunerative Price (FRP) set by the Centre was Rs.129.84 per quintal at a 9.5% recovery rate, against SMP of Rs. 81.18 per quintal in 2008-09 based on a recovery rate of 9%. However, the industry paid around Rs. 220 per quintal against the Centre's FRP of Rs. 129.84 per quintal.

Exports: In the year 2009-10, the country did not export sugar. However, it seems that the country might change its status from importer to net-exporter. The country is expected to export 25 million tonnes in the season 10-11.

Government initiatives: For the sugar season 2009-10, the Central Government raised the Fair Remunerative Price (FRP) to be paid by mills to farmers by 7% to Rs. 139.12 per quintal of cane. Further to help sugar producers, the government has reduced levy sugar quota from existing 20% to 10 %. with effect from 1st October, 2010. The food ministry has decided to consider decontrol of the sector on expectations of bumper sugar output in the 2010-11 crop year.

Operational review

The Company produced 14.10 lakh quintals of sugar in 2009-10, an increase of 17.01% from 12.05 lakh quintals in 2008-09. During the quarter there was no production of sugar.

The operations at the company's various plants during the quarter ended 30th September, 2010 are as follows:

Crushing & Production (lac qtls)

	Total Season 2009-10				Total Season 2008-09			
	Seohara	Sidhwalia	Hasanpur	Total	Seohara	Sidhwalia	Hasanpur	Total
1. Total cane crushed	113.65	21.64	12.63	147.93	89.18	16.34	10.78	116.30
2. Average recovery %	9.65%	9.11%	9.09%	9.52%	9.88%	8.51%	8.25%	9.54%
3. Sugar Production	10.98	2.02	1.10	14.10	9.85	1.36	0.84	12.05
4.Crushing Started	26.11.09	10.12.09	12.12.09		20.11.08	07.12.08	23.12.08	
5. Crush-ing stopped	09.04.10	16.02.10	08.02.10		21.03.09	11.02.09	01.03.09	

PERFORMANCE REVIEW

Loss during Quarter ended 30th September, 2010 has increased to Rs.3135.32 Lac as against Rs.261.34 Lac during corresponding Quarter of the previous year. Main reasons of this comparative increase in Loss by Rs.2873.98 Lac is the difference in Realization on sale of Free Sugar over stock valuation as at start of the Quarter and comparative decrease in rates of Stock Valuation of Free Sugar wiping off Rs.2134.58 Lac and Rs.108.61 Lac respectively on these scores. Moreover a loss of Rs.278.68 Lac due to increase in Interest Cost and Rs.199.35 Lac due to increase in other costs.

Reasons attributable to the increase in loss of Co-Generation Units of the Company by Rs.57.10 Lac are mainly the increase in Interest burden and depreciation.

Loss of Distillery Unit has however, increased by Rs.63.46 Lac due to lower production and Tea Garden Unit has shown an decrease in Profits by Rs 32.20 Lac.

ETHANOL

India's ethanol program is based on producing ethanol from sugar molasses, a by-product of the sugar industry and not directly from sugarcane or corn as in most countries. At a 10% blending level, ethanol demand is expected to ramp to 1,859 million litres by 2011-12.

The production of industrial alcohol including Ethanol by the company during the quarter is as follows:

		Year 2009-2010 Full year ended 30.06.2010)	Year 2010-2011 (3 Months ended 30-09-2010)	Year 2009-2010 (3 months ended 30-09-2009)
1.	Average Recovery %	23.69	21.01	21.54
2.	Alcohol Produced (lac ltrs)	189.38	1.36	11.53

CO-GENERATION

The Company has bagasse based co-generation power plants at Seohara and Sidhwalia. During the current season, availability of bagasse was extremely limited due to the shortfall in sugarcane production. As a result there was no production of power during this quarter.

Production (in lacs of Units)

	Year 2009-10 (Full Year ended 30.06.2010)			Year ended 2010-11 3 months ended 30-09-2010			Year ending 2009-10 3 months ended 30.09.2009		
	Seohara	Sidhwalia	Total	Seohara	Sidhwalia	Total	Seohara	Sidhwalia	Total
1. Power Generated	565.61	172.78	738.39	-	-	-	-	-	-
2. Power Exported	334.68	78.09	412.77	-	-	-	-	-	-

Presently, sugar mills in UP can sell the power produced from bagasse to the State Grid only. There is no development regarding UP sugar industry's request to Uttar Pradesh Electricity Regulatory Commission to permit them to sell cogenerated power in the open market to private traders and users.

Cautionary Statement

The statements in the Management Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements 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. The Company assumes no

responsibility in respect of such forward looking statements which may be revised or modified in the future on the basis of subsequent developments, information or events.