UPPER GANGES SUGAR & INDUSTRIES LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS
[For the quarter ended 30th September, 2011]

The management of Upper Ganges Sugar & Industries Limited is pleased to present its assessment of the Sugar industry for the quarter ended 30th September, 2011.

1. World Sugar Market

International Sugar Outlook (ISO) in its first formal assessment of the global fundamentals for the season started in October 2011 suggested a modest global surplus.After two years of a large statistical deficit (2008-09 & 2009-10) and a season with neatly balanced world production and consumption (2010-11), the world sugar economy is facing a season with a 4.213 mln tonne gap between world production and consumption. The first forecast of the world sugar balance for the period from October 2011 to September 2012 puts **world production** at a new record of 172.370 mln tonnes, raw value, up by 6.689 mln tonnes or 4.0% from the previous season and 4.213 mln tonnes higher than world consumption. The main supply feature of 2011-12 is drop in projected output in Brazil, the world's dominant producer and exporter. However, in many other major producers the new season is expected to bring significantly higher production than 2010-11. **World consumption** is expected to grow to 168.157 mln tonnes. Thus, consumption will grow by 2.01% as against 0.68% only in 2010-11 and the long-term (10- year) average of 2.33%.

A summary of the first assessment of the world sugar balance in 2011-12 is provided below:

World sugar balance (million tonnes, raw value)

	2011-12	2010-11	Change from 2010-11 to 2011-12	
			In mln Tonne	in %
Production	172.370	165.681	6.689	4.0373
Consumption	168.157	164.838	3.319	2.0135
Surplus/Deficit	4.213	0.843		
Import demand	48.447	51.599	-3.152	-6.1086
Export availability	52.160	51.816	0.344	0.6639
End Stocks	57.514	57.014	0.500	0.8770
Stocks/Consumption ratio in%	34.20	34.59		

Indian sugar overview

During 2010-11, sugar production in India rose by over 5 mln tonnes and the country has, as a result, moved from being the world's largest importer in 2009-10 to the world's third largest exporter in 2010-11. However, for the season 2011-12 factors such as changes in government legislation, including cane pricing, as well as influences from world market conditions, including the export/import parity price, will continue to play a key role. Minimum cane prices have again been set higher, cane arrears are rising fast, but the Government allowance of open general licence (OGL) exports over the coming months may provide much needed profitability to millers at a time of stagnant (or even falling) domestic sugar prices.

Operational review

The Company produced 17 lac quintals of sugar in 2010-11, an increase of 20.57% from 14.10 lac quintals in 2009-10.

There was no production of sugar during the quarter ended 30th September, 2011.

Crushing & Production (lac qtls)

	Total Season 2010-11				Total Season 2009-10			
	Seohara	Sidhwalia	Hasanpur	Total	Seohara	Sidhwalia	Hasanpur	Total
1. Total cane crushed	116.10	39.64	20.91	176.65	113.65	21.64	12.63	147.93
2. Average recovery %	9.78	9.31	9.31	9.62	9.65%	9.11%	9.09%	9.52%
3. Sugar Production	11.34	3.68	1.98	17.00	10.98	2.02	1.10	14.10
4.Crushing Started	19.11.10	27.11.10	04.12.10		26.11.09	10.12.09	12.12.09	
5. Crush-ing stopped	04.04.11	07.03.11	20.02.11		09.04.10	16.02.10	08.02.10	

PERFORMANCE REVIEW

Profit/(Loss) before Tax during Quarter ended 30th September, 2011 was Rs. (2344.55) lacs as against Rs. (3135.32) lacs during corresponding Quarter of the previous year. The performance of the Company improved during the quarter, due to better utilization of the capacity on account of availability of sufficient and good quality of sugarcane. Margins however, continued to be under pressure due to various measures being taken by central Government to curtail sugar demand and high food inflation. There has been better performance so far as the operation of the company is concerned with production of sugar, industrial alcohol

and cogeneration of power being higher than the corresponding quarter of the last year though significant rain and adverse weather climate during September adversely affected sugar recovery.

ETHANOL

Growth in global fuel ethanol production and consumption in 2011 has been reduced. Global production is forecast to rise by less than 3% to 87.5 bln litres, compared to average annual growth of 21% over the prior 5 years.

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 2010-2011 Full year ended 30.06.2011	**Year 2009-2010 Full year ended 30.06.2010**	**Year 2010-2011 3 months ended 30.09.2011**
1.	Alcohol Produced (lac ltrs)	211.61	189.38	214.89

CO-GENERATION

The Company has bagasse based co-generation power plants at Seohara and Sidhwalia. There was no production of power during this quarter.

Power Generated (in Units)

	Year 2010-11 (Full Year ended 30.06.2011)			**Year 2009-10 (Full Year ended 30.06.2010)**		
	Seohara	Sidhwalia	Total	Seohara	Sidhwalia	Total
1. Power Generated	80791930	29630000	110421930	56560830	17277672	73838502

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.