THE OUDH SUGAR MILLS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

[For the quarter ended 31^{st} March, 2008]

The management of The Oudh Sugar Mills Limited is pleased to present its assessment of the prevailing industrial scenario for the quarter ending 31^{st} March, 2008.

Sugar Season 2007-08

1. Contrary to earlier expectations of another record output, India's 2007-2008 production is likely to be around 26.5 million tons. This decline in production can be attributed to a number of factors. Widespread floods in Eastern India coupled with ill-distributed rainfall in the rest of the region resulted in substantially lower yields of sugarcane. Furthermore, a reduction in sugarcane price to farmers in most of the States due to low sugar prices and accumulated sugarcane price arrears resulted in large scale diversion of sugarcane to alternate sweeteners and consequently lower cane was available to sugar factories. This fall in production has somewhat improved the sentiments in the sugar markets and arrested the downward spiral of prices which now have improved marginally. As bulk of the world's sugar surplus is located in India, world sugar prices have also seen an improvement.

2. To facilitate sugar exports, the requirement of release order for export by the Government of India is no longer there. For the first time, India exported raw sugar in sizeable quantities. This has opened a new vista for Indian sugar industry. India exported 1.37 million tonnes of sugar by the middle of February 2008, out of which raw sugar accounted for 0.78 million tonnes. The country's sugar export is likely to be more than 2 million tons in sugar season 2007-2008.

3. Sugarcane pricing is one of the most vital issues that Indian sugar industry is facing. With a view to provide relief to the state sugarcane farmers and the sugar mills owners, the Bihar Government took a bold

and laudable step by announcing a cash subsidy of Rs. 7 per quintal of sugarcane for the season 2007-08 to provide substantial relief to the sugarcane farmers.

4. The central Government has increased the Sugar Cess on sugar by Rs. 9 per quintal increasing from Rs. 15 to Rs. 24 per quintal on sugar dispatched or delivered with effect from 1st March, 2008.

5. Indian Sugar Equation

			All Figures (lakh tonnes)
		Estimates for the season 2007-08	Actual for the season 2006-07
1.	Opening Stock as on 1st October.	95.00	39.02
2.	Production	265.00	283.28
3.	Imports	0.00	0.00
4.	Total availability	360.00	322.30
5.	Domestic Consumption	215.00	210.00
6.	Exports	20.00	17.28
7.	Closing Stock	125.00	95.02

6. The operations at the company's various plants are as follows:

Crushing & Production (lac qtls)

	Season 2006-07								Season 2007-08			
	Total Season				Up to 31.03.2007				Up to 31.03.2008			
	Hargaon	Rosa	Narkatiaganj	Total	Hargaon	Rosa	Narkatiaganj	Total	Hargaon	Rosa	Narkatiaganj	Total
1. Total cane crushed	145.77	69.53	74.74	290.04	117.86	61.17	69.89	248.92	116.07	45.60	69.39	231.07
2. Average recovery %	10.40	9.55	8.06	9.59	10.53	9.59	8.38	9.69	10.57	9.85	8.83	9.91
3. Sugar production	15.15	6.64	6.02	27.81	12.41	5.87	5.86	24.14	12.27	4.49	6.13	22.89
4. Crushing started	11.11.06	04.11.06	20.11.06	-	11.11.06	04.11.06	20.11.06	-	28.11.07	30.11.07	06.12.07	-
5. Crushing stopped	07.05.07	25.04.07	15.04.07	-	Running	Running	Running	-	Running	24.03.08	30.03.08	-

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ETHANOL

7. Global fuel ethanol production and consumption is anticipated to rise by 29% to 66 bln litres in 2008. While USA and Brazil continue to dominate the world production, the strongest growth is forecast in the European Union. Implementation of the mandated E10 blending programme in India from October 2008 will double ethanol output and consumption in the country.

8. The production of industrial alcohol including Ethanol by the company is as follows:

Production (lac litres)

	2006-07						2007-08		
	Up to 30.06.2007			Up to 31.03.2007			Up to 31.03.2008		
	Hargaon	Narkatiaganj	Total	Hargaon	Narkatiaganj	Total	Hargaon	Narkatiaganj	Total
1. Average recovery %	23.10	23.13	23.11	23.52	22.99	23.31	22.09	23.37	22.50
2. Alcohol production	130.36	74.18	204.53	86.93	54.35	141.28	83.61	42.96	126.57

Co-Generation

9. To remain viable in the light of sustained low sugar prices and high raw material prices, sugar mills would have to focus on power conservation, improve efficiency and tap the potential in by-products. The sugar industry has begun to diversify into multiple bye products these include ethanol production for blending with automobile fuel and cogeneration. Bagasse is the main raw material for cogeneration and provides renewable clean energy. The potential of electricity generation through bagasse cogeneration in India is estimated to be around 5575 MW in terms of the plant capacity. Studies have shown that between 3500 MW to 5000 MW power can be generated through co-generation in the sugar industry with a potential of 1000 MW in the state of Uttar Pradesh.

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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10. The Company has power plant at Hargaon and Narkatiaganj. The Export of power to State Grids by the company is as follows:

	2006-07(Unit)						2007-08(Unit)		
	Up to 30.06.2007			Up to 31.03.2007			Up to 31.03.2008		
	Hargaon	Narkatiaganj	Total	Hargaon	Narkatiaganj	Total	Hargaon	Narkatiaganj	Total
Power Exported	24990883	1262321	262532204	16896672	466055	17362728	19282913	1534800	20817713

CAPITAL PROJECTS

11. The Construction of Company's Greenfield Integrated Sugar Project of 7000 TCD along with co-generation Plant at Hata, Kushinagar, (U.P.) is in progress. The distillery at an enhanced capacity of 100 KLPD at Hargaon has started its commercial production in April '08.

OUTLOOK

12. The year 2008 is expected to see a turnaround for the Indian Sugar Industry. While the industry will continue to struggle with large stocks of sugar during the current year, a further fall in production is expected during the season 2008-09. This should result in an improvement in sugar prices that have recently stopped falling.

CAUTIONARY STATEMENT

13. The statements in the Management 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. 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.