

**THE OUDH SUGAR MILLS LIMITED**  
**[For Quarter Ended 30<sup>th</sup> June, 2008]**

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management of The Oudh Sugar Mills Ltd. (OSM) is pleased to present its report analyzing the Company's operations in its various business segments, and its future prospects based on the current prevailing market conditions. Its main business segments include manufacture of sugar and its by-products, industrial alcohol, bio-compost, and fruits and vegetable products. Sugar, which constitutes 76.50% OSM's total sales, is produced at three sugar factories situated at Hargaon and Rosa in Uttar Pradesh and Narkatiaganj in Bihar. Industrial Alcohol and Bio-Compost (organic fertilizers) are produced at its distilleries at Hargaon and Narkatiaganj. Fruits and vegetable products are produced at Allahabad Canning Co., Allahabad (U.P.). A segment-wise analysis is presented below:

**GLOBAL SUGAR SCENARIO**

**a) Production**

Estimated world sugar production for 2007-08 stands at 168.734MT; 3.315MT above the previous season, according to the ISO report. Production is expected to exceed consumption by up to 7.812MT, contributing to a build-up of global inventories. Developing countries will be responsible for the bulk of the growth in output, led by Brazil, which could produce 6.6 per cent more than in 2006-07. But about 56 per cent of Brazil's sugarcane harvest could be processed into ethanol, compared with 50 per cent in the year 2006-07. In Europe sugar output in the EU-27 rose slightly to 17.45MT in 2007-08, following favourable growing conditions which boosted yields. The EU hopes to cut production by 6MT tonnes over the four years of its sugar restructuring programme. Production in the Russian Federation and Ukraine is also expected to decline, according to the report.

<b>Main production falls and rises in 2007/08</b>			
<b>Falls</b>	<b>Changes from 2006/07 in mln tonnes, raw value</b>	<b>Rises</b>	<b>Changes from 2006/07 in mln tonnes, raw value</b>
India	1.500	Brazil	1.178
Ukraine	0.765	China	1.165
		Thailand	0.903
		Pakistan	0.825
		EU	0.422
<b>WORLD PRODUCTION IN 2007/08 - 168.734 mln tonnes, raw value</b>			
<b>WORLD PRODUCTION IN 2006/07 - 165.419 mln tonnes, raw value</b>			

## b) Consumption

Global sugar consumption in 2007-08 is estimated to reach 160.92 MT; 3.70 MT more than in 2006-07 reflecting increase in Asia, Latin America and the Caribbean. Rising consumption is being driven partly by rising per capita income and population growth in developing countries. In China, consumption will be boosted by rising per capita income, strong demand from the food and beverage sectors and weaker competition from alternative sweeteners. Consumption in the EU-27 is forecast to remain stable, since markets are saturated and population growth is limited. In the US, there is expected to be a greater use of sugar in food and beverage processing.

<b><u>Geographical Distribution of World Sugar Consumption</u></b>					
	<b><u>2007/08</u></b>	<b><u>2006/07</u></b>	<b><u>2005/06</u></b>	<b><u>2004/05</u></b>	<b><u>2003/04</u></b>
<b><u>Total consumption (in mln tonnes raw value)</u></b>					
Western and Central Europe	19.459	19.339	19.249	18.447	19.202
Eastern Europe and FSU	12.070	11.959	11.937	11.967	11.914
North America	10.775	10.510	10.796	10.677	10.307
Central America	8.198	8.078	8.481	8.268	8.336
South America	19.748	19.600	19.568	17.637	17.449
Middle East and North Africa	16.017	15.555	15.314	14.554	14.094
Far east and Oceania	32.215	30.586	29.243	28.984	28.462
Indian Subcontinent	29.666	29.056	25.803	25.903	24.565
Equatorial and Southern Africa	8.579	8.349	8.129	7.373	6.942
<b>World</b>	<b>160.922</b>	<b>157.227</b>	<b>152.715</b>	<b>146.975</b>	<b>144.596</b>

## c) International Trade

World sugar trade is forecast to reach 45.6MT in 2007-08 (Oct/Sept) slightly lower than the 2006-07 trade estimates, reflecting lower imports by some countries including China. There were reduced imports following higher production in the traditional importing countries. Overall, imports by the EU-27 could reach 3.2MT in 2007-08, nearly the same level as in 2006-07 by the EU-27. Export availability is expected to rise slightly in 2007-08 after a strong 16.3 per cent growth in 2006-07. However, Brazil, the world's largest exporter, may cut shipments by 3.2 per cent, reflecting tighter competition in world markets since the return of India as a net-sugar exporter.

## Top sugar exporting countries

The sugar export data below refers to the 2006-2007 period which has now ended and is therefore complete, though some forecasts for the 2007-2008 period are also included.

Country	2006-07	2007-08
Brazil	22.2	20.9
Thailand	4.5	5.8
Australia	3.9	-
SADC	1.1	-
Guatemala	1.9	-
India	1.34	4
Europe	1.2	-

## d) World Sugar Balance

The ISO has in May, 2008 pegged the surplus at around 7.812MT. In its quarterly report released in May 2008, the ISO said global sugar output is estimated at 168.734 MT as against a consumption demand of 160.922 MT. World consumption is projected to grow by 2.35%. For 2007-08, world export availability is projected to be 48.218 MT as against Import demand of 44.907 MT.

<b>World Sugar Balance</b> (mln tonnes, raw value)				
	2007/08	2006/07	Change	
			in mln t	in %
<b>Production</b>	<b>168.734</b>	<b>165.419</b>	<b>3.315</b>	<b>2.00</b>
<b>Consumption</b>	<b>160.922</b>	<b>157.227</b>	<b>3.695</b>	<b>2.35</b>
<b>Surplus/Deficit</b>	<b>7.812</b>	<b>8.192</b>		
<b>Import demand</b>	<b>44.907</b>	<b>46.096</b>	<b>-1.189</b>	<b>-2.58</b>
<b>Export availability</b>	<b>48.218</b>	<b>47.064</b>	<b>1.154</b>	<b>2.45</b>
<b>End Stocks</b>	<b>66.693</b>	<b>62.192</b>	<b>4.501</b>	<b>7.24</b>
<b>Stocks/Consumption ratio in%</b>	<b>41.44</b>	<b>39.56</b>		

## e) Pricing

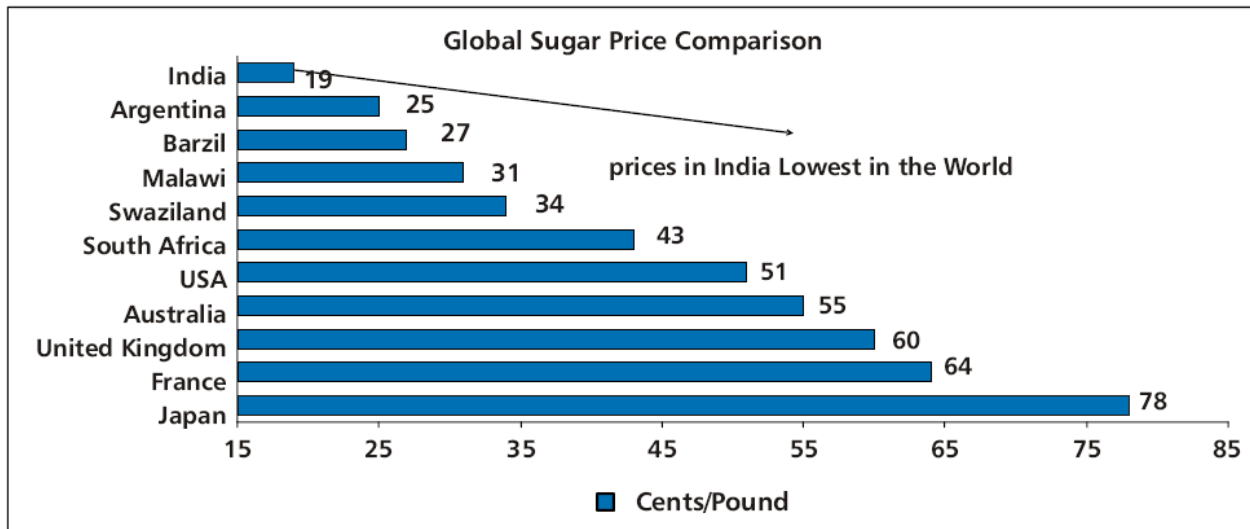
The price outlook for 2007-08 has been bullish despite the fact that preliminary estimates that indicate world sugar production could surpass consumption by as much as 7.812 MT, for the second consecutive season. Market prices have been on an upswing due to downward revision of production levels and increased diversion of sugarcane crop to ethanol due to the strong crude prices. The development over the next few months will most likely depend on the actual size of the production surplus in major exporting countries and the expected build up

of sugar inventories in consuming countries.

The list of factors that drive sugar prices:

- Oil price volatility
- Dollar weakness
- Subsidy cuts
- Tariff changes
- Fundamental supply/demand factors
- Sugarcane to ethanol programs
- Transport fuel price increases
- Containerization
- Interest rate changes
- Destination refineries
- Investment fund speculation

Global Sugar Price Comparison (Chart)



Source: LMSPL Report dtd: 8<sup>th</sup> May 2008

## INDIAN SUGAR OVERVIEW

The Indian sugar industry ranks second among the agro based processing industries in India. Sugar prices are closely monitored by the government and controlled by a set of measures like export restriction, import enhancement and fiscal concession.

### a) Production

Sugar production is likely to witness negative growth for the first time in 2007-08 and 2008-09 after two year's robust growth rate. Sugar production grew at robust 53.6 per cent and 43.2 per cent to 19.2 MT and 27.5 MT in 2005-06 & 2006- 07,

but in the next two years the sugar production is estimated to drop to 26.5MT and 21.5 MT respectively. This is mainly due to a drop in area under cultivation for sugarcane (down 15-20 per cent) amidst mounting arrears and alternate rich crop substitute (Wheat, Paddy).

Source: LMSPL Research

#### Sugar Production to witness negative growth after two years of bumper production

Sugar Season	SS 00-01	SS 01-02	SS 02-03	SS 03-04	SS 04-05	SS 05-06	SS 06-07	SS 07-08E	SS 08-09E
Area (Million Hectares)	4.2	4.3	4.4	4.5	3.9	3.7	4.2	4.2	3.6
Cane Production (Mln Tons)	299.3	296	297.2	287.4	233.9	237.1	281.2	280.9	238.8
Yeild (Tons/Hectare)	70.9	68.5	67.4	63.6	59.5	64.8	66.9	66.9	66.9
Production (million Tonnes)	18.5	18.5	20.1	14.0	12.5	19.2	27.5	25.3	21.5
Recovery Rate (%)	6.2	6.3	6.8	4.9	5.3	8.1	9.8	9	9

(Source: LMSPL Research)

#### b) Consumption

India's domestic sugar consumption for the year 2006-07 was 19.5 MT. The consumption in 2007-08 is estimated at 21.MT.

Indian Demand / Supply Situation (mn mt) (Oct-Sep)									
	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Opening inventory (1 Oct)	10.3	10.4	12.0	7.9	3.7	3.8	11.3	13.9	10.5
Imports	0.0	0.0	0.6	1.5	1.0	0.0	0.0	0.0	0.0
Production	18.9	20.2	13.4	12.7	19.0	28.5	26.9	18.7	17.4
Consumption/Sales	17.8	18.6	18.0	18.4	18.9	19.5	20.3	21.0	21.7
Exports	1.0	0.0	0.0	0.0	1.0	1.5	4.0	1.0	0.0
Closing Inventory	10.4	12.0	7.9	3.7	3.8	11.3	13.9	10.5	6.2
Min. 3 Month inv.*	4.5	4.7	4.5	4.6	4.7	4.9	5.1	5.3	5.4
Excess/ Shortfall	6.0	7.3	3.4	-0.9	-0.9	6.4	8.8	5.3	0.8
<b>Stock to use ratio</b>	<b>58%</b>	<b>64%</b>	<b>44%</b>	<b>20%</b>	<b>20%</b>	<b>58%</b>	<b>68%</b>	<b>50%</b>	<b>28%</b>

Note: \* Government aims at 3 month inventory under Food Securities ACT. (i.e Stock to use ratio of 25%)

#### Government Policies

The sugar industry in India is subject to numerous controls at various levels starting from procurement of sugarcane to sugar distribution, pricing and the use of end-product sugar. Sugar prices are closely monitored by the government and controlled by a set of measures like the release mechanism and levy allocation. The sugarcane prices are fixed by the Central or State Governments to ensure a remunerative return to the farmers. The Government of India fixes Statutory Minimum Price (SMP) for sugarcane. Moreover, certain State Governments like Uttar Pradesh insist for an even higher payment in the form of State Advised Price (SAP).

In the seasons 2006-07 and 2007-08 sugar production skyrocketed to record levels due to the irrational and unchecked increase in sugarcane prices by the State Government in U.P. due to political considerations. A unique situation existed where the cost

component of raw materials was more than the selling price of sugar. The industry challenged the methodology used by the State Government at the High Court in Allahabad and Lucknow Bench of Allahabad High Court for both the seasons. While the Allahabad High Court ruled in favour of the industry by quashing the SAP for the seasons 2006-07 and 2007-08, the Lucknow bench of Allahabad High Court upheld the SAP for the season 2007-08. This matter is now pending at the Supreme Court.

Acknowledging the financial difficulties being faced by the sugar industry, the Government took a number of initiatives to help the industry tide over the present crisis:

- The Government of India extended interest free loans to the sugar mills equivalent to the excise duty payable in the seasons 2006-07 and 2007-2008 on sugar for payment of cane arrears and other statutory liabilities.
- In order to encourage export of sugar, the Government of India agreed to offset the higher freight costs incurred by the Indian sugar industry by extending subsidy of Rs 1,350 per tonne to mills located in the coastal areas and Rs 1,450 per tonne to mills situated in the interiors till September, 2008. As a result, India is exporting about 4.2 MT of sugar in 2007-08 compared with 1.7 MT of the previous year.
- The Government of India created a buffer stock of five million tonnes in the year 2007 to ensure availability of sugar in the domestic market. However, with effect from 1<sup>st</sup> May 2008, 2 million tonnes has been liquidated and the remaining stock of 3 million tonnes has ceased to exist from 31<sup>st</sup> July 2008.
- The State Government of Bihar in order to overcome the crisis being faced by the sugar industry announced cane price subsidy @ Rs.7/- per quintal for the sugar seasons 06-07 and 07-08. Further, the State Government also reduced the cane commission payable to Zonal Development Council for the season 06-07 from 1.8 % to 0.45 % of actual cane price paid.

## **SUGARCANE PRICING:**

In India, the Government announces a minimum support price for sugarcane. The price announced by the Central Government is termed the Statutory Minimum Price (SMP). The Central Government has fixed the SMP for sugarcane at Rs. 80.25 per quintal linked to a recovery of 9.00 per cent for the sugar season 2007-08. Furthermore, factories are required to pay an additional price under Clause 5A of Sugarcane (Control) Order, 1966, which, as calculated by the Government, is based on any additional sugar price realized by the factories.

	<b>Basic Statutory Minimum Price</b> (Rs. per quintal)	
	<b>2007-08</b>	<b>2006-07</b>
Hargaon	93.78	94.65
Rosa	86.58	82.05

Narkatiaganj	81.18	82.95
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### Levy sugar prices:

The Government is yet to fix the levy sugar prices for the season 2007-08. The industry has represented to the Government to urgently finalize the levy prices.

Levy price for season	(Rs. per quintal)
Hargaon	1388.00
Rosa	1330.77
Narkatiaganj	1409.30

### Operations:

- The Company's gross sales decreased by 24.40% from Rs. 46,812.06 lacs in 2006-07 to Rs. 35,393.59 lacs in 2007-08.
- The Company reported net loss of Rs.451.27 lacs in 2007-08 compared to a net loss of Rs. 2689.55 lac in 2006-07
- 22 % decrease in the income from its distilleries from Rs. 1,315.14 lacs in 2006-07 to Rs.1025.79 lacs in 2007-08
- The company was able to achieve significant cost savings due to its superior technical capabilities and usage of state-of-the-art machineries at the plant level.
- Despite huge glut in the industry, the Company was able to contain the losses to a minimum level with proper control on the processes and better management of the resources.
- Going forward, the Company wants to make a strategic shift towards the making of higher quality of sugar, and thus invest on the R&D of the crop plantation and creating awareness among the farmers to make a long-term sustainable product portfolio.
- The Company crushed a lower quantity of sugarcane at 237.06 lac quintals in 2007-08 as against 290.04 lac quintals crushed during the season 2006-07, a decrease of 52.98 lac quintals. Due to decreased crushing, the production of sugar was lower, at 23.54 lac quintals during the season 2007-08 as against 27.81 lac quintals during the season 2006-07.

### Key risks:

Current high level of inflation and higher cane costs are the prime issues faced by the sugar industry.

### Future outlook

The sugar industry seems to be finally coming out of the worst ever recession that it had seen over the past few decades. After successive years of surplus production and uninhibited capacity addition, the sugar output in India has started declining. While it may be still premature to comment on the production estimates for 2008-09, it is evident that production will not exceed consumption as area under sugarcane plantation has

fallen significantly. This development has witnessed a smart rally in sugar prices that have come back to the levels that were prevailing in 2006. There is still uncertainty about the sugarcane prices as the matter is under litigation and will have a significant impact on the profitability of the industry. The sugarcane price for 2008-09 is yet to be determined. Furthermore, with the fall in sugarcane production, prices of by-products such as molasses and bagasse have also started strengthening.

The growth of sugar demand by food industries and other non-household users, estimated to account for about 45% of total consumption, could provide additional impetus to longer-term market growth. Although gur and khandsari are still consumed in rural areas, demand for white sugar is expected to continue to increase. Indian sugar industry can be a global leader provided it comes out of the vicious cycle of acute shortages and surplus of sugarcane. A stable long term policy is needed in which the shackles are removed which constrain this industry from growing in a healthy manner. Against the backdrop of skyrocketing crude prices policymakers have become aware of sugarcane as an energy crop and are encouraging mills to go integrated and produce ethanol and power

The increase in crude prices to \$130 per barrel and government support for ethanol blending is expected to speed up the ethanol blending process. The negotiated price of Rs 21.5 per ltr for ethanol blending is attractive for oil marketing companies, considering the landed cost of petrol Rs 27 per ltr.

## **SUGAR ABROAD**

### **Brazil**

Nearly 8 million hectares of sugarcane crop is under cultivation, but Unica expects this to increase to 14 million hectares by 2020. Brazil is the world's top sugar producer and exporter, with the vast bulk of its output grown in the Centre/South region. The C/S Brazilian sugar output has been estimated at 30.8 MT in the current year. However, the amount of sugarcane crushed in Brazil's C/S region so far in 2008-09 is around 30% lower as against the same period a year ago due to heavy rains.

### **EU**

The EU is well on track towards achieving a target of removing 6 MT of sugar production from the market by 2010, with just 350,000 tonnes left to be surrendered. Opening sugar stocks are estimated at 3.4 MT for the 2008-09 season starting in October, down from 4.2 MT a year ago as the EU's structural sugar surplus continued to rebalance. Under the reform, the EU created a restructuring fund financed by sugar producers to offer generous cash payments to producers and farmers for selling back their annual quotas to Brussels so as to reduce overall supply. Meanwhile, EU made quota allotments for 2008-09 to the ACP countries and India on May 6. A quantity of 10000 tonnes was allotted to India.

### **USA**

The proposed 2008 U.S. farm bill - approved recently by near veto-proof margins in the House and Senate - includes important provisions for sugar producers. The first is the increase in the loan rate since 1985. The rate for raw sugar will increase  $\frac{3}{4}$  of a cent per pound by 2011. The increase will amount to  $\frac{1}{4}$  cent a pound per year. The loan rate tends to set the market price. That is because once the market price falls below the loan rate, companies can forfeit sugar to the government to cover federal operating loans, which are still part of the program. Second, there is the program to send excess imported sugar, which would otherwise depress prices, to U.S. ethanol plants. Third, allotting at least 85% of the U.S. sugar market to American producers, is consistent with their 86% share of the market during the six years of the 2002 Farm Law. Fourth, changing the date to calculate U.S. demand for sugar from Oct. 1 to April 1, would allow more exact knowledge of demand, rather than estimates of it. So on Oct. 1, imports will only come in at the minimum rate guaranteed by treaties. That reduces the possibility of depressed prices through a mistaken estimate allowing in too much foreign sugar. Adjustments could be made sooner in case of a crop emergency.

### **Mexico**

Mexico produced a total of 5.01 MT of sugar upto May 10, up by 6.3 per cent from 4.72 million produced by the same time last year. A total of 48 mills were still operating on May 10, one less than last year. The recovery of sugar reached 11.48 per cent by May 10, compared with 10.79 per cent at the same time last season.

### **Thailand**

The country is likely to produce 7.78-7.79 MT of sugar in 2007-08, above the target of 7.3 MT set before the start of crushing season and also up sharply from the 6.7 MT produced in 2006-07. The rise in sugar output was partly due to increase in sugarcane support prices twice this year, from THB 600 a tonne to THB 700 in January and to THB 807 in April. Exports in 2007-08 are estimated at 5.8 MT, up from 4.7 million a year earlier.

### **Pakistan**

Pakistan has produced about 4.73 MT of sugar to fulfill its domestic consumption for the year 2008-09. This is the first time that the sugar production in Pakistan crossed the 4 million tonne mark. Generally, it consumes about 4.2 MT of sugar per annum. Surplus stock of about 0.52 MT would be kept as a food security measure to tackle any unforeseen situation in the country. The government has set the target to cultivate sugarcane crop on 1.39 million hectares during 2008-09 to further increase sugar production for domestic consumption as well as for export. The total area under sugarcane cultivation in 2007-08 was 1.241 million hectares. Last season 3.5 MT of sugar was produced. A record unsold stock of 2.91 MT was available on March 31.

### **Fiji**

The Fiji Sugar Corporation Ltd and Tate & Lyle have entered into a long-term agreement on the supply of raw sugar for preferential import into the EU market. The contract for the supply of up to 300,000 tonnes of sugar per year will run until 30 September 2015. Tate & Lyle and FSC have had long-term supply agreements since 1975, which marked the inception of the ACP-EU Sugar Protocol. The Sugar Protocol

will come to an end on 30 September 2009, and the preferential exports of sugar to the EU will be governed by the provisions of the Economic Partnership Agreement between Fiji and the European Union.

### **Indonesia**

The Indonesian government is planning to increase import duty on sugar products by up to 50 per cent. It is indicated that the duty on raw sugar will increase from the current 550 rupiah (6 U.S. cents) per kg, and refined sugar from 790 rupiah (9 U.S. cents). The increase is set at between 30 per cent and 50 per cent. The higher duty was proposed by the Indonesian Refined Sugar Producers' Association, which has repeatedly complained about imported refined sugar being sold cheaper than the domestic product.

### **Nigeria**

The Federal Government is said to have imported some 90 per cent of the sugar being consumed in this country. A recent survey by the National Sugar Development Council has shown that about 500,000 hectares of low land suitable for sugarcane cultivation existed nationwide. While sugar production had been made easy with the approved sugar policy, the Government has urged the sugar producers to take advantage of the incentives and support provided by it, which include the new tariff structure and reduction in the cost of license of investors.

### **Zambia**

The Zambian Government has directed Zambia Sugar Company to stop exporting its sugar, as there was still a severe shortage of sugar in the country. The sugar shortage in the country was due to torrential rains, which caused floods, thereby disturbing smooth production. Zambia has been suffering a sugar shortage since early April, as the country's sole sugar producer was unable to reach the target of 265,000 tonnes to meet the local demand

## **INDUSTRIAL ALCOHOL**

With the crude prices sky rocketing, ethanol blending has come up as a much more economical and environment friendly option. As per the government regulation, 5 per cent ethanol blending is compulsory, and this is intended to increase to 10 per cent from October 2008. Apart from ethanol, bagasse is also gaining popularity for its use in paper, organic plastic, Medium Density Fibre (MDF) and particle board manufacture in India and Brazil

World Ethanol Production	
Country	%Share
Brazil	36
USA	32
China	9
India	5
EU	6
Russia	2
South Africa	1
Saudi Arabia	1
Others	8

Source: KPMG

**Demand for Ethanol is expected to rise further on the back of increase in mandatory levels of blending from 5% to 10%**

Particulars	5% Blending	10% Blending
Petrol Consumption (Mln Litres)	11200	11200
Ethanol Requirement	560	1120
Sugar Foregone (Mln Tonnes)	0.8	1.7
Production	25.3	21.5
% of Production	3.2	7.9

(Source: research LMSPL)

The Company has installed Distilleries at Hargaon and Narkatiaganj with a capacity to produce 30 million litres and 15 million litres of industrial alcohol/ethanol per annum respectively.

**Company's performance:**

- The performance of the Company's Bio Compost Plant at Hargaon producing organic fertilizers marketed under the brand name "Oudh Shakti Jaivik Khad" was satisfactory.
- The production and sales of distilleries at Hargaon and Narkatiaganj were improved significantly during the year under review as the oil companies resumed purchase of ethanol.
- The capacity enhancement of both Hargaon and Narkatiaganj distilleries has been completed to 100,000 litres/day and 60,000 litres/day. The Hargaon

distillery is the first in India to install a zero discharge plant where the entire waste is being used as fuel.

- The comparative quantitative figures of production and sales of the Company's Distilleries are as under:

	2007-08	2006-07
<b>Industrial Alcohol/Ethanol(lac litres)</b>		
<b>Production</b>		
Hargaon Distillery	165.47	130.36
Narkatiaganj Distillery	80.02	74.18
<b>Sales</b>		
Hargaon Distillery	170.04	117.19
Narkatiaganj Distillery	69.49	72.89
<b>Bio Compost (quintals)</b>		
<b>Production</b>		
Hargaon	76,645	75,761
Narkatiaganj	104,100	54,460
<b>Sales</b>		
Hargaon	35,206	70,261
Narkatiaganj	105,325	27,642

### CO-GENERATION

Cogeneration of power is a sustainable source of clean green renewable energy. It is a non-cyclical business and has shown robust growth in the past. The business exploits the cost advantage from economy of scope, and has a lot of revenue potential through Clean Development Mechanism (CDM) based carbon credits. The key to this business is establishing long-term power purchase agreements with government and power companies. India's estimated potential of power from sugar co-generation is assessed to be more than 5000 MW. The Company has supplied 20.16 million units and 4.43 million units of power from its plants at Hargaon and Narkatiaganj, respectively, during the year.

### ORGANIC FERTILIZER

Spent wash, an effluent generated from processed molasses, is used with press mud for the production of organic fertilizer. The Company has installed a Bio Compost Plant at Hargaon to produce organic fertilizer, which is marketed under the brand name "Oudh Shakti Jaivik Khad".

### CANNING

The Company has a canning factory at Bamrauli near Allahabad, and markets its processed food products under the brand name "MORTON". The production and sale of the Company's canning division was 4211 Ton and 4054 Ton respectively during the year.

## **CAUTIONARY STATEMENT**

The statements in the Management Discussions and 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.