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ANNUAL
REPORT
AND
ACCOUNTS
FOR THE
YEAR ENDED
30TH JUNE
1997

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(E) Eastern Sugar & Industries Limited

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Eastern Sugar & Industries Limited

BOARD OF DIRECTORS

Shri B.K. Nopany (Chairman)

Shri C. S. Nopany

Shri D. Y. Manawwar

Shri S. M. Chitnis

Shri O. P. Khaitan

Ms. Megha Patil

Shri L. K. Tibrawalla

Shri V. Dave

Shri M. P. Dhandhanian
(Whole-time Director)

COMPANY SECRETARY

Shri O. P. Shah

AUDITORS

Jainsarawgee & Co.,
Chartered Accountants
32A, Chittaranjan Avenue
Calcutta-700012

BANKERS

Bank of India

REGISTERED OFFICE

PO: Hanuman Sugar Mills
MOTIHARI-845401
Dist. East Champaran
Bihar



Eastern Sugar & Industries Limited

NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of Eastern Sugar & Industries Limited will be held at its Registered Office At PO : Hanuman Sugar Mills, Motihari 845 401 District East Champaran (Bihar) on Wednesday, the 31st December, 1997 at 1:00 P.M. to transact the following business :

1. To receive, consider and adopt audited Annual Accounts for the year ended 30th June, 1997 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri D. Y. Manawwar who retires by rotation at this meeting and being eligible offers himself for the re-appointment.
3. To appoint a Director in place of Shri S. M. Chitnis who retires by rotation at this meeting and being eligible offers himself for the re-appointment.
4. To appoint a Director in place of Shri V. Dave who retires by rotation at this meeting and being eligible offers himself for the re-appointment..
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolution, with or without modification, as an Ordinary Resolution :

RESOLVED that the Authorised Share Capital of the Company be increased from Rs.30,00,00,000/- (Rupees thirty crores) to Rs.40,00,00,000/- (Rupees forty crores) by creation of 10,00,000 unclassified shares of Rs. 100/- each with the power to the Board to convert them in classified shares in the manner as the Board may think fit and that clause 5 of the Memorandum of Association of the Company be altered accordingly.

7. To consider and if thought fit, to pass the following resolution, with or without modification, as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of the Articles of Association of the Company and subject to the necessary approvals, permissions and/or sanctions of Securities & Exchange Board of India (SEBI) and any other appropriate authority as may be necessary and subject also to such terms, conditions and modifications as may be prescribed in granting such approvals, agreed to by the Board of Directors of the Company (hereinafter called "The Board", which term shall be deemed to include any committee which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this resolution) the consent of the company, be and is hereby accorded to the Board to raise funds by way of issue of Preference/Equity shares for an aggregate face value of Rs.10 crores to the promoters, direc-



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tors, friends, relatives and associates, employees, NRIs, public and to such other persons as may be willing to subscribe for the same in the manner as the Board may think fit in its absolute discretion at such times and on such terms and conditions as the Board in its discretion think fit and as may be permitted by the concerned authorities.

8. To consider and if thought fit, to pass the following resolution with or without modification as a special Resolution :

RESOLVED that pursuant to the provisions of Section 17 of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1996, the Memorandum of Association of the Company be altered in the manner following, namely :

- i) Existing Clause 3 (1B) be deleted and substituted with the following new clause :

3(1B) To establish, acquire, maintain and carry on the business of producers, manufacturers, refiners, buyers, sellers of and dealers in Sugar Cane, Molasses, Sugar, Sugar products and Sugar by-products, cattle feed, plants, fruits, vegetables, vegetable products and agricultural products, to transact all manufacturing or trading preparing, process and mercantile business that may be necessary or expedient.

- ii) Existing Clause 3(28)(e) be deleted and substituted with the following new clause :

3(28)(e) To plant, raise, manufacture, produce, grow, manipulate, make merchantable, sell, buy or deal in tea, coffee, rubber, cocoa and other agricultural and horticultural products.

Place : Calcutta

Dated : 5th November, 1997

By Order of the Board

O. P. Shah

Secretary

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the time fixed for the commencement of the meeting.
2. The Register of Members and Share Transfer Book of the Company will remain closed from Wednesday, the 24th December, 1997 to Wednesday the 31st December, 1997 (both days inclusive).



Eastern Sugar & Industries Limited

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 6

The resolution is submitted for your approval to increase the Authorised Share Capital of the company from Rs.30,00,00,000/- (Rupees thirty crores) to Rs.40,00,00,000/- (Rupees forty crores) by creation of 10,00,000 unclassified shares of Rs.100/- each and for altering clause V of the Memorandum of Association of the company to give effect to increase in the Share Capital as aforesaid. The Authorised Share Capital is proposed to be increased to further strengthen the Capital base of the Company.

None of the Directors of the Company is interested in the resolution.

Item No. 7

To further improve the working capital requirement of the company which has been increasing gradually and progressively, it is considered desirable to raise funds by way of further issue of securities. Section 81(1A) of the Companies Act, 1956 provides that approval of shareholders is required by Special Resolution for offering the shares to any person (whether or not those persons include persons who at the date of the offer, are holders of the Equity Shares of the company). Accordingly the resolution is submitted for your approval.

None of the Directors of the company is interested in the resolution.

Item No. 8

The Company is envisaging to issue Preference Shares in Company to NRIs/ OCBs by way of Private placement. For having approval of the Reserve Bank of India (RBI), the Company has to ensure, inter alia, that it shall not carry on agricultural/plantation activities. Hence the Alteration of Memorandum of Association in Item No. 8 was proposed.

None of the Directors of the Company is interested in the resolution.

Eastern Sugar & Industries Limited

DIRECTORS' REPORT

TO THE MEMBERS

This is the second year of operation of the mill at Motihari under the Management of your Company.

Your Directors have pleasure in presenting their Report together with the Audited Statement of Accounts for the year ended 30th June, 1997.

Some of the highlights of the Financial Results are indicated below:

FINANCIAL RESULTS

	(In lacs of Rupees)	
	Year ended 30th June 97	Year ended 30th June 96
Sales	2807.75	1015.13
Gross Profit before Interest, Depreciation & Tax	412.74	103.76
Interest	213.47	42.95
Depreciation	145.94	27.84
Net Profit	53.33	32.97
Fixed Assets (Gross Block)	2253.86	1635.15

In view of inadequate profit your Directors express their inability to recommend any dividend.

A Comparison of performance during the year vis-a-vis the promises made in the prospectus dated 20.12.94 is given in Annexure I.

To permit issue of Preference Shares Authorised Capital of your company was increased during the year from Rs.20 crores to Rs.30 crores. To further strengthen the capital base your Board has recommended increasing the Authorised Capital by Rs.10 crores more as Unclassified Shares with the power to Board to issue them in such denomination and manner and on such terms as may be required.

Eastern Sugar & Industries Limited

COMMERCIAL OPERATION

The crushing of sugar cane at Motihari factory during the season 1996-97 which ended on 5th April 1997 was 17.49 lac Quintals (against 24.78 lac Quintals in 1995-96). The target for the year was to crush 26 lacs Quintals. Average recovery was 8.7% (against 8.24% in 1995-96). The factory worked for 117 days (against 181 days)

The sharp fall in number of crushing days is due to short supply of Cane owing to cyclical fall in area under cane. However the mill is expected to achieve higher level of crushing during next season.

EXPANSION-CUM-MODERNISATION

Your Directors are happy to report that installation of all the equipments needed for modernising the mill as well as to simultaneously upgrade its crushing capacity to 2,500 tonnes per day has since been completed and the Mill is now geared in all its departments to attaining full capacity production in the next crushing season. Taking into account the equipments acquired on lease finance basis (which do not figure in the Balance Sheet), the fixed Assets in use as on 30th June, 1997 was Rs.3,246.82 lacs (as against Rs.2081.27 lacs).

In the process of creating this substantial additional capacity there has caused a mismatch in the nature of funds which resulted in shortage of working capital. Efforts are being made by your Directors to correct this imbalance by augmenting the long term resources. Your Directors are confident that this will be achieved very soon.

Being in the status of 'Restructured Project' your company will be getting incentive in the form of the reduced levy sugar quota to be fixed at 40% of last 3 years average production which in effect will amount to increasing the free sale sugar quota by roughly 8% during the current year. On the basis of average prices of levy sugar and free sale sugar at Rs.11.40 and Rs.13.70 per Kg respectively, the benefit on the incremental quantum of free sale sugar will go to improve your company's bottom line next year.

INDUSTRY OUTLOOK

After reaching an all time high production of more than 129 lac tonnes in the sugar season (1996-97), the production during next sugar year (1997-98) is estimated to be 120 lac tonnes. Consequently, the overall availability of levy sugar in the 1997-98 sugar year estimated at 38.40 lac tonnes would be falling short of the estimated requirement by 8.5 lac tonnes. The industry feels that this gap should be met by Government purchasing sugar from the industry out of the free sale sugar quota, rather than resorting to import from abroad or to the mechanism of taking loan from free sale sugar quota. This suggestion has been made in the context of an expected surplus of 22.5 lac tonnes in the quantum of free sale sugar even after providing for higher level of consumption of free sale sugar. Incidentally, purchase of sugar by Government from free sale quota will give a boost to the average price of open market sugar.

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DIRECTORS

Shri D.Y. Manawwar, Shri S. M. Chitnis & Shri V. Dave retire from the Board by rotation and are eligible for re-election.

AUDITORS

M/s.Jain Sarawgee & Co., the auditors of the Company retire at the forthcoming Annual General meeting and being eligible offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars in respect of Conservation of Energy, Technology Absorption and Foreign exchange Earnings and Outgo as required U/s.217 (1)(e) of the Companies Act, 1956 are given in Annexure II attached hereto and forms part of this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 are given in Annexure III attached hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors record their sincere appreciation of the services rendered and the co-operation extended by the Financial Institutions and bankers to the Company and State Government Officials. The Directors also place on record their appreciation for the valuable contribution made by the staff of the company.

For and on behalf of the Board
B. K. Nopany
Chairman

12, Govt. Place East
 Calcutta 700 069
 Dated : 5th November 1997