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ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2001

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Eastern Sugar & Industries Limited

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Eastern Sugar & Industries Limited

BOARD OF DIRECTORS :

Shri B. K. Nopany *(Chairman)*

Shri M. P. Dhandhania
(Whole Time Director)

Shri O. P. Khaitan

Shri D. Y. Manawwar

Shri L. K. Tibrawalla

Shri K. L. Darak

Shri D. Sarkar
(I.D.B.I. Nominee)

AUDITORS :

Jainsarawgee & Co.
Chartered Accountants
32A, Chittaranjan Avenue
Kolkata - 700 012

BANKERS :

Bank of India

REGISTERED OFFICE :

P. O. : Hanuman Sugar Mills
Motihari - 845401
Dist. East Champaran
Bihar

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Eastern Sugar & Industries Limited

N O T I C E

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 Monday, the 31st day of December, 2001 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, 2001 together with the reports of the Directors and Auditor thereon.
2. To appoint a Director in place of Shri O. P. Khaitan who retires by rotation at this meeting and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri D. Y. Manawwar who retires by rotation at this meeting and being eligible offers himself for re-appointment.
4. 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 to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s) the following resolution.

5. **(As Special Resolution)**

"RESOLVED that the Equity Shares of the Company be delisted from Ahmedabad, Madras, and Calcutta Stock Exchanges in accordance with relevant laws, rules, regulations or guidelines and subject to such approvals as may be necessary and in compliance with such conditions and modifications as may be necessary for the purpose."

"RESOLVED FURTHER that the Board of Directors of the Company (hereinafter reffered to as the "Board" which term shall be deemed to include any committee thereof exercising the powers conferred by the Board) be and is hereby authorised to seek voluntary delisting to take all necessary steps in this regard as it may in its absolute discretion deem necessary and to settle any question, difficulties, doubts that may arise in regard to delisting of the existing shares, and to execute all such deeds, documents, writings as may be necessary or expedient and for this purpose to delegate the authority to the Whole Time Director or any person whom the Whole Time Director may consider suitable to do various acts, deeds and things required to be done in this behalf.

By Order of the Board
M. P. Dhandhania
Whole Time Director

Place : Kolkata
Date : 31st October, 2001

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Eastern Sugar & Industries Limited

Notes

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.
2. 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.
3. The Register of Members and Share Transfer books of the Company will remain closed from 25th day of December, 2001 to 31st day of December, 2001 (both days inclusive).
4. Members who hold shares in de-materialised form are requested to bring their Client ID and DP ID Nos. for easier identification of attendance at the meeting.

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

Item No. 5

The Equity Shares of the Company are presently listed at Magadh Stock Exchange (Regional stock Exchange), Calcutta, Mumbai, Madras, Ahmedabad and National Stock Exchange. Since the last few years the volume of trading of the Company's shares at Madras, Ahmedabad and Calcutta Stock exchange has reduced considerably which does not justify payment of considerable amount by way of listing fees and other expenses the company is incurring. The Board of Directors of the Company at their meeting held on 31st October, 2001 have therefore decided to get the Shares delisted from the above mentioned Madras, Ahmedabad and Calcutta Exchanges in accordance with the applicable laws, rules, regulations and guidelines.

As required under the Listing Agreement entered by the Company with Madras, Ahmedabad and Calcutta Stock Exchanges, the Company seeks your approval by way of a Special Resolution for delisting the Shares of the Company from the said Stock Exchanges.

Shareholder/Investors in these regions will not suffer due to delisting since with the introduction of screen trading on National Stock Exchange, trading in shares can easily be done from all over the country.

None of the Directors are interested in the said resolution.

Your Directors recommend the passing of the above resolution as special resolution.

By Order of the Board
M. P. Dhandhania
Whole Time Director

Place : Kolkata
Date : 31st October, 2001

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Eastern Sugar & Industries Limited

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Report together with the audited Statement of Accounts for the year ended 30th June, 2001.

This is the sixth year of operation of the Sugar mill at Motihari under the management of your Company.

FINANCIAL RESULTS :

	(In lacs of Rupees)	
	Year ended 30th June'01	Year ended 30th June'00
Sales	2326.33	1094.94
Gross Profit before Interest, Depreciation & Tax	328.85	554.71
Interest	286.97	278.07
Depreciation	287.89	269.24
Net Profit (Loss)	(246.01)	7.40
Fixed Assets (Gross Block)	7422.73	5184.54

DIVIDEND :

In view of Loss, your Directors express their inability to recommend payment of any dividend.

SUGAR SEASON 2000-2001 :

Production of sugar in the country during the year 2000-2001 is marginally higher at 185 lac tons as against 182 lac tons in the previous year. The domestic consumption is expected to be 160 lac tons in the year 2001-2002 as against 154.19 lac tons in the previous year.

OPERATIONS :

The crushing of sugarcane at Motihari Factory during the season 2000-2001 was lower at 14.53 lac quintals as against 19.12 lac quintals during the Crushing Season 1999-2000. The recovery was also marginally lower at 8.56% as compared with 9.01% during the previous season. The factory worked for 82 days as against 108 days during the previous season. The production of sugar was 1.43 lac quintal during the season 2000-2001 as against 1.58 lac quintal during the season 1999-2000.

Last year there was excessive rain in our region. Though the crop condition appeared to be good but at the time of harvesting the yield was too low. As a result the availability of cane was reduced by 40%.

Since SDF Loan which was sanctioned much earlier but disbursed with delay, there was delay in starting the production. It started not before 11th December, 2000 as compared to 28th November, 2000 by other neighbouring sugar factories. Owing to this our crushing days were reduced by 20 which affected our crushing by approx. 5 lac quintal. Further due to excessive rains which lead to water-logging, the recovery was also affected.

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FUTURE PROSPECTS :

Monsoon during the year 2001-02 was wide spread. The total rain fall during the year has been recorded at 84.00 inches as compared to the previous season's 45.31 inches. It is expected that the production of our factory should be 25-30% more than the previous year. Recovery is also expected to be better than the previous season.

Country's sugar production is likely to fall by over 5% to 17.5 million tonnes in the current year ending September 2002.

The current sugar year started in October, 2001 with a huge opening stock of 11.7 million tonnes compared to 10.0 million tonnes a year ago. The opening stock is sufficient enough to take care of 7 months' of domestic consumption. Traders' estimate domestic sugar consumption at 16.0 million tonnes compared with 15.8 million tonnes a year ago.

Sugar export may pick up from next month with a rise in sugarcane crushing activities.

SUGAR & SUGAR POLICY :

The statutory minimum price (SMP) of sugarcane was fixed at Rs. 59.50 per quintal linked with basic recovery of 8.5% with a premium of higher recovery compared to Rs. 56.10 per quintal. in the previous year. In our case the SMP was fixed at Rs. 59.50 per quintal. Sugar factories in Bihar decided to pay the sugarcane price of Rs. 86.00 per quintal on the quantity. which is purchased at gate and Rs. 81.00 per quintal which is purchased from outstation as against Rs. 82.50 per quintal and Rs. 77.50 per quintal. in the previous year respectively.

To increase exports, the Indian Government announced waiver of levy obligation and provided a 5% DEPB benefit on sugar exports. This will help mills to liquidate their excess inventory.

The sugar industry requested the Indian Government to create a buffer stock of 10 lac tons in view of the surplus carry over stock. This proposal is under active consideration.
The issue price of sugar under the public distribution system was raised from Rs. 13/- per kg. to Rs.13.25 per kg. with effect from 1st March 2001.

The ratio of levy and free sugar was changed to 15:85 from 30:70 with effect from 1st February 2001. The price of levy sugar for North Bihar was fixed at Rs. 1165.24 per quintal. for the season 2000-2001 as compared to Rs. 1085.43 per quintal for the previous season.

In our case, we are entitled to sell our entire production in open market under the "incentive scheme".

DIRECTORS :

Shri D. Rajgarhia resigned from the office of Director w.e.f. 5th May, 2001. The Board places on record its sincere appreciation for the valuable advises offered by him during his tenure.

Shri V. Dave resigned from the office of Director w.e.f. 30th July, 2001. The Board places on record its sincere appreciation for the valuable advises offered by him during his tenure.

Shri K. L. Darak was appointed as Director w.e.f. 30th July 2001 to fill up the casual vacancy caused by resignation of Shri V. Dave.

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Shri D. Sarkar has been nominated by Industrial Development Bank of India on the Board of the Company w.e.f. 26th April 2001 in place of Shri S. K. Mondal whose nomination was withdrawn w.e.f. 1st December, 2000. The Board places on record its sincere appreciation for the valuable advises offered by Shri S. K. Mondal during his tenure.

Shri C.S. Nopany resigned from the office of Director w.e.f. 17th September, 2001. The Board places on record its sincere appreciation for the valuable advises offered by him during his tenure.

Shir O. P. Khaitan and Shri D. Y. Manawwar retire from the Board by rotation and being eligible offer themselves for re-election.

AUDITORS :

The Notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

M/s Jainsarawgee & Co., the auditors of the company retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

Director's Responsibility Statement Pursuant to section 217(2AA) of the Companies Act, 1956.

The Directors hereby confirm :-

i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

The requirements of Corporate Governance as provided for in the listing agreement are being implemented. The Board has already constitued Audit Committee, Shareholders Grievance Committee and Remuneration Committee. Your Directors are committed to meet all the requirements fully within the stipulated implementation schedule applicable to the company i.e. by 31st March, 2002

DEMATERIALISATION OF SHARES :

Shares of the Company had been notified in the compulsory dematerialisation segment w.e.f. 25th September, 2000. Shareholders holding approximately 51.77% of the equity share capital have dematerialised their shareholdings as on 30.9.2001.

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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 1 attached hereto and forms part of this Report.

PARTICULARS OF EMPLOYEES :

There was no employee who was in receipt of remuneration required to be disclosed under section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT :

Your Directors record their sincere appreciation for the valuable co-operation and support extended by the Financial Institutions, Bankers to the Company, Central and State Governments and the Sugar Directorate. The Directors are thankful to the Indian Sugar Mills Association for the dynamic role it has been playing on behalf of the Sugar Industry. The Directors also place on record their appreciation of the devoted services rendered by the workers, staff and executives of the company which has largely contributed to its efficient management.

12, Govt. Place East
Kolkata - 700 069
Dated 31st October, 2001.

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

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