

**ANNUAL
REPORT
FOR THE
YEAR ENDED
30TH JUNE,
2005**

 Eastern Sugar & Industries Limited



Eastern Sugar & Industries Limited

ANNUAL REPORT

2004 - 2005

Board of Directors

Shri B. K. Nopany, *Chairman*

Shri M. P. Dhandhanian

Shri D. Y. Manawwar

Shri K. L. Darak

Auditors

M/s. Santosh Jain & Co.

Chartered Accountants

2, Draper Lane

Kolkata-700 069

Compliance Officer & Company Secretary

Shri M. L. Lahiri

Bankers

Bank of India

Registered Office

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

Registrar & Share Transfer Agent

MCS Ltd.
77/2A, Hazra Road
Kolkata - 700 029
Ph. 033 - 2454-1892 / 1893



Eastern Sugar & Industries Limited

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

NOTICE

NOTICE is hereby given that the Annual General Meeting of Eastern Sugar & Industries Limited will be held on Friday, 31st day of December, 2005 at 1.00 P.M at the Registered Office of the Company at P.O.Hanuman Sugar Mills, Motihari, Dist East Champaran, Bihar - 845401 to transact the business the following business as :

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 30th June, 2005 and Profit & Loss Account for the Year ended, 30th June, 2005 along with Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. D.Y.Manawwar, who retires and being eligible, offers himself for re appointment.
3. To appoint an Auditor in place of M/s. Santosh Jain & Co, Chartered Accountants, Kolkata, who retires and being eligible, offers himself for re appointment.
4. To transact any other business with the permission of the chairman.

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. Proxies in order to be effective must be received at the registered office not less than forty-eight hours before the meeting.
2. The members are requested to intimate the company about any change in their registered address quoting their registered Folio No.
3. Members/ Proxies should bring their Attendance Slips duly filled in, for attending the meeting.
4. All documents referred to in the Notice are open for inspection at the Regd. Office of the Company on all working days up to the date of the meeting.
5. The Register of members and Share transfer Books shall remain closed from the 25th December, 2005 to 31st December 2005 (both days inclusive).
6. Members desirous of obtaining any information as regards to Accounts and operations of the company are requested to write at least one week before the meeting, so that the same could be compiled in advance.
7. Members desirous of making a nomination in respect of their shareholding in the company as permitted under Section 109A of the Companies Act, 1956, are requested to write to the company for prescribed Form 2B.
8. As per SEBI directive, the shares of all the companies have to be traded compulsorily in dematerialised form by all investors. The Company has appointed M/s. MCS. Ltd. of 77/2A, Hazra Road, Kolkata – 700 029 as common agency to act as Registrars for the purpose of electronic connectivity for effecting dematerialisation of shares as well as for transfer of physical shares.

For & on Behalf of the Board

Place : Kolkata
Date : 15.11.2005

B. K. Nopany
Chairman



Eastern Sugar & Industries Limited

DIRECTORS' REPORT

TO THE MEMBERS

Your directors have pleasure in presenting this Annual Report of the Company together with its Audited Accounts, for the year ended 30th June, 2005. This was the tenth year of operation of the Sugar mill at Motihari under the management of your company.

FINANCIAL RESULTS :

(Rupees in Lacs)

	Year ended 30 th June'05	Year ended 30 th June'04
Profit Before Int., Depreciation. & Tax	-63.19	-289.61
Less: Interest	49.35	42.55
Profit before Depreciation & Tax	-112.54	-332.16
Less: Depreciation.	7.69	7.37
Profit Before Tax	-120.23	-339.52
Less: Provision For Taxation	0.00	0.00
Profit After Tax	-120.23	-339.52
Add: Balance b/f from Previous Year	-935.47	-595.94
Balance Carried to Balance Sheet	-1055.70	-935.47

OPERATIONS :

As already informed, due to major break down in the factory, no manufacturing activities were carried on. The income from operation shown in the above financial result was from the sale of stock.

DETERMINATION OF LEASE :

The lease of the Sugar factory at Motihari was due for renewal w.e.f. 1.7.2005 but on the request of Shree Hanuman Sugar & Industries Ltd., it was determined and not renewed. The Company plans to enter into lease with another sugar factory from the coming season.

DIVIDEND :

In view of losses your directors express their inability to declare any dividend for the year.

DIRECTORS :

During the year Mr. D.Y.Manawwar, Director of the Company retires by rotation and being eligible, offers himself for re appointment.

AUDITORS :

The Auditors of the company, M/s. Santosh Jain & Co, Chartered Accountants, retire at the conclusion of the forthcoming AGM and have confirmed their eligibility and willingness to accept the office, if re- appointed. The Notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

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DIRECTORS' 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.

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.

CORPORATE GOVERNANCE :

Your company has taken adequate steps to ensure that all the provisions of Corporate Governance as prescribed under the amended listing Agreement of the Stock Exchanges with which the shares of the Company are listed are complied with. Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, a section on management discussion and analysis is given in Annexure A attached hereto and forms part of this Report.

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance is given in Annexure B attached hereto and forms part of this Report.

SEGMENT REPORTING :

The Company operates only in one segment and hence the segment reporting under AS 17 is not applicable.

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

Since there was no production during the year and the company was facing financial crunch statement containing 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 is not given.

ACKNOWLEDGEMENT :

Your Directors record their sincere appreciation for the valuable co-operation and support extended by the Financial Institution, 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 in 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 have largely contributed to its efficient management.

12, Govt. Place East
Kolkata – 700 069
Dated : 15th November, 2005

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



Eastern Sugar & Industries Limited

ANNEXURE 'A'

MANAGEMENT DISCUSSION AND ANALYSIS:

INDUSTRY OUTLOOK & OPPORTUNITY FOR SUGAR INDUSTRY :

India is the largest consumer of sugar in the world and Indian sugar industry is the 2nd largest agro-industry located in the rural India. With 453 operating sugar mills in different parts of the country, Indian sugar industry has been a focal point for socio-economic development in the rural areas. About 50 million sugarcane farmers and a large number of agricultural labourers are involved in sugarcane cultivation and ancillary activities, constituting 7.5% of the rural population. Besides the industry provides employment to about 2 million skilled/semi skilled workers and others mostly from the rural areas. The area planted under sugarcane had expanded this year to over 41 million hectare against last year's 37.5 million hectare. The industry not only generates power for its own requirement but surplus power for export to the grid based on byproduct bagasse. It also produces ethanol, an eco-friendly and renewable energy for blending with petrol.

GOVT. POLICY :

The Government of India had constituted a committee under the Chairmanship of Mr. Tuteja to make a comprehensive recommendation for the Sugar Industry. Based on the report of Tuteja committee as a part of the budget announcement the Hon'ble Finance minister Mr. P. Chidambaram has clearly stated that the Sugar Industry has been under financial stress from the year 2001. The position he states has been further aggravated by two successive droughts. The government has now decided that sugar factories that were operational in 2002-03 sugar season will be assisted to restructure. NABARD in consultation with the State Governments, RBI, banks and financial institutions will work out a scheme for providing a financial package with a moratorium of two years on both principal and interest, and a schedule of payment having regard to the commercial viability of each unit. It is also proposed to reduce the rate of interest to 2% below the bank rate on all outstanding loans as on 21.10.04. Further, IBA in consultation with NABARD will be working out a scheme for renegotiation of the past high interest loan of the sugar units.

The recent reports indicate that NABARD has finalized the financial package to revive the Sugar Industry and an announcement is expected shortly.

RESEARCH AND DEVELOPMENT :

Research for incremental improvements in areas of sugar cane productivity, quality of sugarcane, plant efficiencies, energy conservation and various other process steps is essential to keep pace with the global trends to successfully face competition. A number of institutions in the country are dedicated towards the above, which, amongst others, include the following:



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- Sugarcane Breeding Institute, Coimbatore
- Indian Institute of Sugarcane Research, Lucknow
- National Sugar Institute, Kanpur
- Vasantdada Sugar Institute, Pune
- Sugar Technology Mission, New Delhi

The findings by the above institutes are made available to the Sugar Industry.

Further modernization and technology upgradation have to be seen as a continuous exercise for cost cutting and taking advantage of economies of scale. The future of sugar industry is also closely linked to this. All attempts to minimize costs have to be technology driven. The technology upgradation of the sugar industry is therefore every important to ensure its global competence and therefore has to be a continuous process. The key drivers in technology use are the following:

- Improvements in Capital Output Ratio
- Improvements in Plant Efficiencies
- Energy Conservation
- Optimising cost of consumables
- Impact of sugar quality on price realization

Recently, there has been rapid advances in the equipment, systems and process designs which the industry should evaluate and adopt to be cost effective. These include the following:

- Low Pressure Extraction System
- Use of Two Roller Mill
- Cane Separation System
- Short Retention Clarifier
- Membranes for juice purification
- Film Type Sulphur Burners
- Continuous Pans
- Advanced Condensing and Cooling System
- High Gravity Centrifugals
- Equipment and Process automation etc.

It is noted that the collective use of some of the above technologies can optimize plant capacities, improve plant efficiencies, and reduce the cost of consumables and manpower. The Company is committed to devote time and money in Research & Development activity.



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CORPORATE SOCIAL RESPONSIBILITY :

Corporate Social Responsibility has been one of the guiding principles of your Company right from its inception. The Company always strives to improve the quality of life of its employees and of the community in which it operates. This year, the company had restated its CSR policy to give better strategic thrust to its CSR activities and make it more relevant to the changing times.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS :

Continuous learning is the cornerstone of the Company's human resource policy. The Company's human resource policy is structured to meet the aspirations of the employees as well as of the organisation. The Company has adopted a progressive policy of continuous development of its human resources by training and motivating its employees to attain greater efficiency and competency. Industrial relations in the unit was cordial throughout the year under review.

INTERNAL CONTROL SYSTEM :

The Company has adequate internal control systems and procedures that reasonably safeguard it against the loss of assets from unauthorized use. Its comprehensive system of internal control ensure an optimal use of resources. Internal audits and checks are carried out regularly to ensure the proper utilization and safeguarding of the Company's resources and also to promote operations efficiently. It also ensure that responsibilities are executed effectively and that adequate system are in place. An Audit Committee, headed by a non executive independent director, periodically reviews the audit observations and all significant issue are brought to the attention.

FINANCIAL CONDITION :

Share Capital : Issued and Subscribed Capital as at June 30, 2005 was Rs. 2201.01 Lacs as against the same amount in the previous year. There was no increase of Share Capital during the year under reporting.

Profit & Loss : The debit balance of Profit & Loss A/c increased from 935.46 Lacs to 1055.70 lacs during the year due to loss incurred by the company due to non operation of factory.

Loan Funds : Secured loans were increased from 7354.54 Lacs to 7980.97 Lacs during the year. The unsecured loans were remain same during the year as compared to previous year.

Fixed Assets : Net Fixed Assets including Capital Work in Progress, as at June 30, 2005 was Rs. 10,830.12 Lacs as compared to Rs. 9671.57 Lacs as at the end of June 30, 2004. The was no change in Investments at the end the year in comparison of the previous year. Net current liabilities were increased to Rs. 1026.63 as at June 30, 2005 from Rs. 374.27 Lacs as at the June 30, 2004



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ENHANCING SHAREHOLDERS VALUE :

The creation of shareholders value is one of the prime objectives of the management. Towards this end all efforts will be made to enhance the value through measures such as cancellation of lease agreement and steps to run the factory on its own, continuous cost control, improving company's position in strategic market and strengthening its brand equity to improve the return to shareholders.

CAUTIONARY STATEMENT :

Statement in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling price of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigations and industrial relations.

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ANNEXURE 'B'

REPORT ON CORPORATE GOVERNANCE

(A) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company firmly believes that good corporate governance is the foundation of corporate excellence. A sound governance process consists of a combination of business practices which result in enhancement of shareholder value and enable the Company to fulfill its obligations to customers, employees, financiers and to the society in general. The Company further believes that such practices are founded upon the core values of transparency, empowerment, accountability, independent monitoring and environmental consciousness. The Company makes its best endeavor to uphold and nurture these core values in all aspects of its operations.

BOARD OF DIRECTORS :

a) Composition of the Board (As on June 30, 2005)

The Board of Directors consists of experienced persons drawn from sugar industry and other diverse fields. The majority of the Directors on the Board are Non Executive and Independent Directors.

The brief profile of your Company's Board of Director is as under :

Name of Director	Brief Resume
Shri B. K. Nopany	Aged about 61 years, a Commerce Graduate from Calcutta University has to his credit more than 40 years experience in Business, spreading over Sugar, Real Estate development, investments etc. He is Chairman of the Board of a leading Academic Institution in Calcutta and is on the Board of another leading Institution (Public School) at Ranchi, which is a member of Indian Public Schools Conference (IPSC).
Shri M. P. Dhandhanian	Aged about 66 years, is a commerce graduate. He is having more than 40 years experience in trade and industry in diverse fields like sugar, engineering, textiles, etc. He is a trustee of Nopany Foundation. He is also on the Board of several investments company.
Shri D. Y. Manawwar	Aged about 70 years, he is having experience of about 40 years on different Govt. posts. Amongst other he held the top executive post of Madhya Pradesh Financial Corporation. He has retired as additional chief secretary, Government of Madhya Pradesh.
Shri K. L. Darak	Aged about 70 years, has more than 45 years' practical experience in the field of Corporate Accounts in various Industry. He is on the Board of various other companies of different fields.