


ANNUAL
REPORT
FOR THE
YEAR ENDED
30TH JUNE,
2008

 Eastern Sugar & Industries Limited



Eastern Sugar & Industries Limited

ANNUAL REPORT

2007 - 2008

Board of Directors :

Shri B. K. Nopany, Chairman

Shri S. N. Mishra

Shri D. Y. Manawwar

Shri K. L. Darak

Auditors :

M/s. Vivek Jaiswal & Co.

Chartered Accountants

2, Ganesh Chandra Avenue,

Kolkata-700 013

Compliance Officer & Company Secretary :

Shri M. L. Lahiri

BANKERS :

BANK OF INDIA

REGISTERED OFFICE :

P. O. : Hanuman Sugar Mills

Motihari - 845401

Dist. East Champaran

Bihar

Registrar & Share Transfer Agent :

Maheshwari Datamatics Pvt. Ltd.

(w.e.f 1st December, 2008)

6, Mangoe Lane, 2nd Floor, Kolkata - 700 001

Phone : 033-2248 2248, 2243 5809, Fax : 033-2248 8787



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 on Monday, the 29th day of December, 2008 at 1.00p.m. at the Registered Office of the Company at P. O. Hanuman Sugar Mills, Motihari, Dist East Champaran, Bihar – 845 401 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt audited Annual accounts for the year ended 30th June, 2008 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K. L. Darak, who retires by rotation at this meeting and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT Sri Shailendra Nath Mishra be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

For & on Behalf of the Board

B. K. NOPANY
Chairman

Place : Kolkata
Date : 13th October, 2008



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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. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to Special Business is annexed hereto.
3. The Register members and share transfer Books shall remain closed from the 26th December, 2008 to 29th December, 2008 (both days inclusive).
4. The members are requested to intimate the Company about change in their address, if any, quoting their registered Folio No.
5. Members/Proxies should bring their Attendance Slip duly filled in, for attending the meeting.
6. Members are requested to bring their copy of the Annual Report to the Meeting.
7. Additional Information pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, regarding re-appointment of directors is appearing in the Report on Corporate Governance.
8. 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.
9. As per SEBI directive, shares of all the companies have to be traded compulsorily in dematerialized 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.



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

Mr. S. N. Mishra was appointed as an Additional Director of the Company with effect from 4th December, 2007, and holds office upto the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956.

The Company received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing his name for appointment as a Director of the company. Mr. Mishra does not hold any share in the Company. A brief resume of Mr. Mishra and other information as per Clause 49 of the Listing Agreement are provided under the head "Composition of the Board" in this Annual Report. Mr. Mishra is willing to act as a Director of the Company, if appointed, and has filed with the Company his consent in writing.

The Board of Directors of the Company considers that the appointment of Mr. Mishra as Director of the Company will be beneficial to the Company and accordingly recommends the same.

None of the Directors is interested in the resolution except Mr. S. N. Mishra, the proposed appointee.

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For & on Behalf of the Board

B. K. NOPANY
Chairman

Place : Kolkata
Date : 13th October, 2008



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, 2008.

FINANCIAL RESULTS :

	Year ended 30 th June'08	(Rupees in lac) Year ended 30 th June'07
Profit Before Interest, Depreciation. & Tax	199.15	1099.86
Less : Interest	55.47	49.35
Profit before Depreciation & Tax	143.68	1050.51
Less : Depreciation.	3.13	3.13
Profit Before Tax	140.55	1047.38
Less : Provision For Taxation (including FBT)	0.16	0.29
Profit After Tax	140.39	1047.09
Add : Balance brought forward from Previous Year	45.90	-1001.19
Balance Carried to Balance Sheet	<u>186.29</u>	<u>45.90</u>

REVIEW OF OPERATION AND FUTURE OUTLOOK :

No manufacturing activities were carried on during the year. The income from operation shown in the above financial result was from trading activities. The turnover of the Company during the year was Rs. 1597.15 lacs as compared to Rs. 2884.83 lacs in the previous year. Profit before tax decreased from Rs. 1047.38 lacs in the previous year to Rs. 140.55 lacs during the year under review. This was mainly because of decline in 'Other Income'.

The Sugar Mill of the Company is ready for production and the Management is hopeful of starting to get returns from the use of the Company's Fixed Assets from the ensuing season. The Management also proposes to set up an Ethanol plant in near future.

CONSTRUCTION ACTIVITIES :

The Company purchased construction rights of Rs. 261.38 lacs during the year. The management is hopeful of earning substantial income from construction activities in the coming years.

BPO AND SERVICE CENTRES :

The Company also intends to carry on business of running and operating BPO & Service Centres during the current financial year.

DIVIDEND :

Considering the future expansion plans of the Company, your Directors do not recommend any dividend for the year.



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DIRECTORS :

Mr. M. P. Dhandhanian, Director of the Company passed away on 2nd December, 2007. The Board of Directors of your Company recorded its appreciation for the distinguished services rendered by him during his tenure as Director of the Company and deeply mourn his sudden demise.

During the year Mr. K. L. Darak, Director of the Company retires from the Board by rotation and being eligible offers himself for reappointment.

The Board appointed Sri S. N. Mishra as an Additional Director with effect from 4th December, 2007 to hold office upto the date of next Annual General Meeting and as such he will vacate his office at the forthcoming Annual General Meeting and shall seek election under Section 257 of the Companies Act, 1956.

Brief resume of Mr. K. L. Darak and Mr. S. N. Mishra are given in point No. (B)(a) of the Report on Corporate Governance attached to this report.

AUDITORS :

The Auditors of the company, M/s. Vivek Jaiswal & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if reappointed. The Notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

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 had 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 of the Company for that year;
- iii) that the directors had 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 had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES:

There was no employee who was in receipt of remuneration exceeding the limits specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended.



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CORPORATE GOVERNANCE:

Your company has taken adequate steps to ensure that all the provisions of Corporate Governance as prescribed under the amended Listing Agreement with 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, RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Since there was no production during the year, the particulars in respect of the Conservation of Energy, Research & Development and Technology Absorption as required u/s 217(1)(e) of the Companies Act, 1956 are not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company has neither earned any foreign exchange nor incurred any expenditure in foreign currency during the year under review.

ACKNOWLEDGEMENT:

Your Directors record their sincere appreciation for the valuable co-operation and support extended by the Financial Institution and the Bankers of 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. Your Directors also wish to place on record their deep sense of appreciation of the devoted services rendered by all officers, workers and staff of the Company.

12, Govt. Place East
Kolkata – 700 069
Dated 13th October, 2008

For and on behalf of the Board

B. K. NOPANY

Chairman



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ANNEXURE "1" TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS :

A. Sugar

Indian Sugar Overview

Industry Scenario

- 1 122 countries in the world are producers of sugar. Of the above, 67 produce sugar from Cane and 55 from beet.
- 2 India is the largest consumer and second largest producer of sugar in the world. The Rs. 700 billion Indian sugar industry is also the second largest in the country's rural agro – industrial sector.
- 3 It is a fragmented sector (499 operational sugar factories) with the largest private sector player accounting for a mere 3 per cent of the market.
- 4 There are 571 installed sugar mills in the country with a production capacity of 28 million tonnes (MT) of sugar during 2007-08.
- 5 India, as the world's second largest producer of sugarcane (after Brazil), accounts for around 17 per cent of the global sugar production.
- 6 India remains a key growth driver for world sugar, growing above the Asian and World consumption growth average.
- 7 India entered the raw sugar export market in 2007 by marketing to Dubai's Al Khaleej, the world's largest refinery, prompting it to switch from Brazil to India.
- 8 Although export restrictions and duties have been relaxed, the government still largely controls the industry, particularly the pricing of sugarcane and allocation of land designated for cane growing.
- 9 More than 50% of the area of sugarcane cultivation is located in UP.

Factors affecting the Indian Sugar Industry

The broad dynamics that affect the Indian Sugar Industry revolve around certain parameters.

1. **Capacity growth :** The Indian Sugar Industry has grown horizontally with a large number of small-sized plants being set up throughout the country. The government granted licenses to new units with an initial capacity of 1,250 tonnes crushing per day (TCD) in the 1980s, which was increased to 2,500 TCD. Subsequently, de-licensing of the industry in 1998 provided a growth impetus to the country's sugar units.



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2. **Production :** Sugar production in India has been driven by factors like cane acreage, yield per hectare, drawal (cane crushed by the plant/total cane produced in plants cultivable area) and recovery percentage which in turn depend on rainfall and competitive advantage over other crops. Currently around 5 million hectares of land is under sugarcane production. The average recovery is around 10 per cent.
3. **Consumption :** Sugar consumption depends on population growth and per capita consumption. Sugar consumption in India increased at a CAGR of 4 per cent in the last five years and is expected to grow at the same pace in the coming years. The per capita consumption of sugar is 18.6 kgs.
4. **Production & consumption statistics :** The difference between production and consumption reduced inventory from 11.62 MT in FY 2002-2003 to a projected 8.2 MT in 2007-08. Also, the stock-to-consumption ratio, which was around 63 per cent in FY 2002-03, declined to 36.44 per cent in FY, 2007-08.

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Stock	11.62	8.50	4.00*	3.64	9.20
Production	14.00	12.69	19.27	28.33	26.30
Imports	0.40	2.14	-	-	-
Total supply	26.02	23.34	23.27	31.97	35.50
Consumption	17.29	18.50	18.50	21.00	22.50
Exports	0.22	-	1.13	1.73	4.80
Closing stock	8.50	4.83	3.64	9.20	8.20
Closing stock/consumption	49.16%	26.11%	19.68%	43.81%	36.44%

* Adjustment made as per central excise certificate.

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. In the last 2 seasons, sugar production sky-rocketed to record level due to the irrational and unchecked increase in sugarcane prices due to political considerations. A unique situation existed where the cost component of raw materials was more than the selling price of sugar.

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 :

1. The Government of India extended interest free loans to the sugar mills equivalent to the excise duty payable in the seasons 2006 – 2007 and 2007 – 2008 on sugar for payment of cane arrears and other statutory liabilities.