



ANNUAL REPORT



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HOWRAH MILLS COMPANY LTD.

HOWRAH MILLS COMPANY LIMITED

DIRECTORS

ARUN KUMAR CHAKRAVARTY, Chairman
OM PRAKASH MALL, Managing Director
SITANGSU BANERJEE, Finance Director
GAUTAM UKIL
BHAG CHAND JAIN
SHANKAR LAL JHAWAR
R. N. KUNDU (Nominee Director IFCI)
T. DUTTA (Nominee Director SBI)
J. K. BHATTACHARYA (Nominee Director BIFR)

SECRETARY

RAM SWAROOP BIYALA

BANKERS

STATE BANK OF INDIA

AUDITORS

LOVELOCK & LEWES

REGISTERED OFFICE

10, DR. RAJENDRA PRASAD SARANI
CALCUTTA - 700 001.

HOWRAH MILLS COMPANY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that One Hundred and Seventy Forth Annual General Meeting of the members of the above-named Company will be held on Friday, the 10th September, 1999 at 11 A.M. at the Conference Hall of the Academy of Fine Arts, Cathedral Road, Calcutta-700 016 to transact the following business :

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint Director in place of Shri S. L. Jhawar who retires by rotation and being eligible offer himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office :
10, Dr. Rajendra Prasad Sarani
Calcutta-700 001
Dated : the 16th August, 1999

By Order of the Board
R. S. BIYALA
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and a proxy need not be a member of the Company.
2. The Register of members of the Company will be closed from 5th September to 10th September, 1999, both days inclusive.

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HOWRAH MILLS COMPANY LIMITED**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors have pleasure in presenting the Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March, 1999.

1. FINANCIAL RESULTS	CURRENT YEAR	PREVIOUS YEAR
Operating Profit before Interest and Depreciation	22140595	25219211
Other Income	9317926	9509585
	<u>31458521</u>	<u>34728796</u>
Add : Investment Allowance Reserve		
Utilisation written back	—	39209
	<u>31458521</u>	<u>34768005</u>
Less : Interest	15137818	20135939
	<u>16320703</u>	<u>14632066</u>
Less : Depreciation	11270506	7282287
Net Profit	<u>5050197</u>	<u>7349779</u>
Accumulated losses brought forward from previous year	40717419	48067197
Accumulated losses carried forward to next year	<u>35667222</u>	<u>40717418</u>

Your Directors regret their inability to recommend any dividend in the year under review also despite sufficient internal accruals in view of huge outstanding balance of accumulated losses.

2. OPERATIONS

Your Directors are pleased to report that while inspite of very sluggish demand, the Company was able to achieve marginally higher sales turnover, both in the domestic and export market compared to the previous year. The sales in terms of quantity was marginally decreased by 3% in export and 6% in domestic market.

The average Jute price was increased by 14% but this was compensated by increase in the sales price. Due to considerable increase in Fixed Assets, the depreciation has gone up by Rs. 39,00,000. Even after absorbing much higher depreciation, the profit for the year under review was marginally reduced by Rs. 23,00,000 only.

3. ISO 9002

We are pleased to report that from September '98, your Company was awarded ISO 9002 certification for Quality System Standard.

4. MODERNISATION AND DIVERSIFICATION

The modernisation and diversification is almost complete. Now further work will be undertaken for some expansion of capacity. "Soil Saver" is now under regular production, the commercial production of other diversified/value added items expected to be taken up by December 1999.

5. FUTURE OUTLOOK

During the year under review raw jute prices have gone up steadily. Weather conditions being generally satisfactory normal crop is expected. It is anticipated that with the arrival of new crop the demands for raw materials will increase and in view of low carry over stock, the prices are not likely to fall. The domestic market for finished product is showing a moderate recovery, because of good harvest and allround increase both in domestic and export market. The demand for Hydro Carbon free food grade Jute Bags is increasing.

Overall prospect is reasonably good and it is expected that we shall end the millennium in a happy note.

HOWRAH MILLS COMPANY LIMITED

6. DIRECTORS

Mr. S. L. Jhavar retires by rotation and being eligible offers himself for re-election.

Mr. R. N. Kundu, Nominee Director of IFCI has joined the Board in place of Mr. G. C. Mondal with effect from 21.01.1999.

Mr. G. Ukil, Director of the Company could not sign the Accounts as he was out of India.

7. PARTICULARS OF EMPLOYEES

The information containing the particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the rules made thereunder is not given as there is no employee coming under the category.

8. PERSONNEL

Relations with the employees remained cordial throughout the year under review.

9. AUDITORS

Messrs. Lovelock & Lewes, Chartered Accountants, Auditors of the Company retire from the office at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

10. ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

Particulars in respect of conservation of Energy and Technology absorption under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988 are annexed hereto and form part of the report.

11. GENERAL

The Auditors in their reports have referred to some of the notes in Schedule 'M' forming part of the accounts. The said notes are self explanatory and need no further elucidation.

12. ACKNOWLEDGEMENTS

The Directors wish to place on record their sincere appreciation for the continued co-operation, support and assistance extended to the Company by its Shareholders, Central and Local Government Agencies, State Bank of India, Financial Institutions, B.I.F.R. and Valued Customers.

The Directors also take this opportunity to place on record their wholehearted appreciation for unstinted efforts made by Executives, Staff and Workers to the development and improvement in operation of the Company.

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Calcutta, the 16th August, 1999

For and on behalf of the Board

A. K. CHAKRAVARTY
Chairman

HOWRAH MILLS COMPANY LIMITED

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956

A. Conservation of Energy

- a) Energy conservation measures taken : Full Energy Audit for the second time has been completed. Steps are being taken to implement the recommendations of the Audit Report.
- b) Additional Investment and proposals, if any, being implemented for reduction of consumption of energy : Apart from regular purchase of various items to reduce energy consumption an order has been placed for a Jute waste fired boiler.
- c) Impact : The Boiler will save coal consumption and facilitate waste disposal.

d) Form A

a) Power and Fuel Consumption

For the year ended
31st March
1999For the year ended
31st March
1998

1. ELECTRICITY :

a) Purchased units	15413904	13391928
Total Amount Rs.	52725741	48370583
Rate/Unit Rs.	3.42	3.61
b) Own Generation through Diesel Generators-Units	678656	2739905
Unit per Ltr. of Diesel	3.15	3.19
Cost per unit Rs.	3.13	3.03

2. COAL :

(B & C Grades used mainly for Generation of Steam in Boiler)

Quantity - Ton	422	317
Total Cost - Rs.	803851	513048
Average Rate - Rs.	1905	1618

b) Consumption per unit of Production :

Production - Ton	31636	32005
Electricity per Ton	509	504
Coal (B & C Grades) per Ton of Production - Ton	0.01	0.01

HOWRAH MILLS COMPANY LIMITED**B. Technology Absorption****Form B****Research and Development (R & D)**

1. Specific areas in which R & D carried out by the Company :
R & D activities are carried out for improvement in quality of existing products and production process for better productivity.
2. Benefit derived as a result of the above R & D :
Improvement in quality of the product, cost effectiveness and saving from the improved 'Power Factor'.
3. Future plan for action :
Follow up the Energy Auditors report and implement their recommendations.
4. Expenditure on R & D :

(a) Capital	In accordance with Company's
(b) Recurring	consistent practice, expenditure
(c) Total	incurred on R & D activities remains
(d) Total R & D Expenditure as a percentage turnover	merged with various heads.

Technology Absorption, Adaption and Innovation

- | | |
|---|---|
| (i) Efforts in brief made towards technology absorption, adaption and innovation | : Suitable equipments are procured to conform to the latest technology. |
| (ii) Benefits derived as a result of above efforts e.g. output improvement, cost reduction, product development, import substitutions | : Improvement in productivity and quality of products. |
| (iii) Details of Imported Technology | : No technology has been imported. |

C. Foreign Exchange Earnings and Outgo

- | | |
|------------------------------------|---|
| (a) Export activities | : The Company exported Jute Goods worth Rs. 1207.87 lacs directly apart from exports through Merchant shippers as against Rs. 1421.24 lacs in previous year. The Company continues to strive to increase its direct export. |
| (b) i) Total Foreign Exchange used | : Rs. 171.64 lacs. |
| ii) Total Foreign Exchange earned | : Rs. 1207.87 lacs |

D. Information required to be furnished under the listing agreement :

The name and address of The Stock Exchanges where the Company's shares are listed.

- (a) The Calcutta Stock Exchange Association Limited
7, Lyons Range, Calcutta-700 001
- (b) The Listing fees for the year 1999-2000 has been paid on time to the above Stock Exchange.

E. Necessary Steps for ensuring Y2K compliance :

We have undertaken the necessary steps for ensuring the Year 2000 compliance in our Computer Hardware, Software and all Micro Processor based equipments. We are also reviewing Y2K issues with our Customers, Suppliers, Banks and other Service Providers.

For and on behalf of the Board

A. K. CHAKRAVARTY

Chairman

Calcutta, the 16th August, 1999

HOWRAH MILLS COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

- I. We have examined the attached Balance Sheet of **HOWRAH MILLS COMPANY LIMITED** as at 31st March, 1999 and the annexed Profit and Loss Account for the year ended on that date which are in agreement with the books of account.
- II. As required by the Manufacturing and other Companies (Auditor's Report) Order 1988, and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we report that in our opinion :
 - A. (i) The company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets subject to the following remarks :
 - a. In respect of Building, Plant and Machinery, Electric Installation, Sprinkler Installation, Sundry Equipment and Furniture acquired prior to 1st April, 1960 such records were compiled allocating the total cost and depreciation on individual items pro-rata on the basis of physical verification and valuation carried out by the Mill Manager.
 - b. In respect of Building, Plant & Machinery, Electric Installation, Sprinkler Installation, Sundry Equipment and Furniture acquired during the period from 1st April, 1960 to 31st March, 1999 yearwise depreciation has been allocated to individual assets proportionately on the basis of their written down values, for the purpose of entry, in the records.

The fixed assets of the company have been physically verified by the management at reasonable intervals and no material discrepancies between physical inventories and book records were noticed.
 - (ii) The fixed assets of the company have not been revalued during the year.
 - (iii) The Stocks of finished goods, stores and spare parts and raw materials have been physically verified during the year by the management at reasonable intervals.
 - (iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - (v) The discrepancies noticed on physical verification of stocks as compared to book records, which were not material have been properly dealt with in the books of account.
 - (vi) In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.
 - (vii) The company has not taken any loans from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. We are informed that there is no Company under the same management as defined under sub-section (I-B) of Section 370 of the Companies Act, 1956 (so long the section was applicable).
 - (viii) During the year the Company has granted unsecured loan to a Company listed in the Register maintained under Section 301 of the Companies Act, 1956, the rate of interest and other terms and conditions of such loan is not prima facie prejudicial to the interest of the Company. The Company has not granted any loan, secured or unsecured to firms or other parties in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there is no Company under the same management as defined under sub-section (I-B) of Section 370 of Companies Act, 1956 (so long the section was applicable).
 - (ix) Interest free loans or advances in the nature of loan have been given to employees who are generally repaying the principal amounts as per stipulation. Certain loans to other parties amounting to Rs. 2115870 including interest thereon have not been realised as per stipulation. We are informed that necessary steps are being taken by the management for recovery of the said loans.
 - (x) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods, other than the consignment sales (Refer Note 15, schedule "M").
 - (xi) The transactions of purchase of goods and materials, and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating to Rs. 50,000/- or more during the year in respect of each party, have been made at prices which are reasonable having regard to the market prices of such goods, materials and services.