



2004-2005

Howrah Mills Company Limited

**An ISO 9001-2000 Company
An Export House**



HMCL

HOWRAH MILLS COMPANY LIMITED

●DIRECTORS

ARUN KUMAR CHAKRAVARTY, Chairman
OM PRAKASH MALL, Managing Director
SITANSU BANERJEE, Finance Director
BHAG CHAND JAIN
SHANKAR LAL JHAWAR
S. GUHA ROY (Nominee Director, SBI)
DR. S.B. MEDHI (Special Director, BIFR)

●BANKERS

STATE BANK OF INDIA
R & R BRANCH
11 & 13, SHAKESPEARE SARANI
KOLKATA - 700 071

THE FEDERAL BANK LTD.
BURRA BAZAR BRANCH
33A, TARACHAND DUTTA STREET
KOLKATA - 700 073

●AUDITORS

S. JAYKISHAN
Chartered Accountants
12, HO-CHI-MINH SARANI
KOLKATA - 700 071

●REGISTRAR & TRANSFER AGENT

M/S. MAHESHWARI DATAMATICS PVT. LTD
6, MANGOE LANE, 2ND FLOOR, KOLKATA-700 001

●REGISTERED OFFICE

10, DR. RAJANDRA PRASAD SARANI
KOLKATA - 700 001

●ADMINISTRATIVE OFFICE

"HOWRAH HOUSE"
135, FORESHORE ROAD, (UPPER)
RAMKISTOPUR, HOWRAH - 711 102
PHONE : 2660 2302 / 1446 / 4159
E-MAIL : shreeht@giasclo1.vsnl.net.in

HOWRAH MILLS COMPANY LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that one hundred and seventy ninth Annual General Meeting of the Members of the Howrah Mills Company Limited will be held on Thursday, the 25th day of August 2005 at 11.00 A. M. at the Conference Hall of the Academy of the Fine Arts, 2 Cathedral Road, Kolkata – 700 016 to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005 and the Profit & Loss Accounts for the Accounting year ended on that date and the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri S. L. Jhawar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint of M/s. S. Jaykishan, Chartered Accountants, the retiring 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,
Kolkata – 700 001**

Dated: the 5th day of July 2005

By order of the Board

**P. S. Majumder
Authorised Signatory**

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company. Proxies in order to be effective must be received not less than Forty-Eight hours before the Meeting.
2. The Register of Members and the Share Transfer Register relating to the Equity-Share of the Company will remain closed from 22nd day of August to 25th day of August 2005 both days inclusive.
3. Members are requested to intimate to the Company queries, if any, regarding these accounts/ notice at least ten days before the Annual General Meeting to enable the management to keep the information ready at the meeting.

HOWRAH MILLS COMPANY LIMITED**DIRECTORS' REPORT INCLUDING MANAGEMENT DISCUSSION & ANALYSIS**

Your Directors have pleasure in presenting the Annual Report alongwith the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

| | Rs. IN LAKHS | |
|---|--------------------------------|---|
| | Year Ended On 31.03.2005 | Period Ended on 31.03.2004 (18 Months) |
| Operating Profit before Interest and Depreciation | 366.03 | 141.55 |
| Other Income | 561.03 | 760.71 |
| | 927.06 | 902.26 |
| Less – Interest | 142.81 | 197.04 |
| | 784.25 | 705.22 |
| Less – Depreciation | 165.80 | 224.96 |
| Net Profit before tax | 618.45 | 480.26 |
| Less – Provision for Tax | 8.93 | --- |
| Net Profit after tax | 609.52 | 480.26 |
| Accumulated Profit/ (Loss) brought forward from previous year | 304.55 | (175.71) |
| Accumulated Profit/ (Loss) carried forward to next year | 914.07 | 304.55 |

DIVIDEND

Your Directors regret their inability to recommend any dividend for the period under review despite sufficient internal accruals as the Company is still under BIFR.

MANAGEMENT DISCUSSION & ANALYSIS

The last year had its ups and down. The export market declined whereas the demand in domestic market increased, specially for sacking. Few small units manufacturing jute yarn have come up and they are also competing in the market.

The last tripartite agreement signed by the industry has not been fully implemented. Your Company is pleased to announce that with the support of Unions, productivity linked wages has started in few departments.

OPERATION

The last year had been very significant for your Company. Your Company is proud to mention that we had achieved a production of 38766 MT as against 35907 MT on annualised basis for previous period, which shows a growth of 8%. This has been possible by increasing the productivity and by the installation of new machines. The profitability of the Company has almost doubled on an annualised basis for the previous period. Inspite of the fact that this year there was a big shortage of raw jute crop and the price of the raw material increased by nearly 15%.

During the year many new machines were added to increase the productivity and quality of the product. The Company has also started a new laboratory for daily process checking.

HOWRAH MILLS COMPANY LIMITED

We are glad to report that the Export turnover of the Company has increased by 12.5% on annualised basis for the previous period. The Company is optimistic that in this year export turnover will be further increased.

The Company plans to install ring spinning and high-speed shuttleless looms this year. This will add a new product range and will help to increase the exports and profitability of the Company.

FUTURE OUTLOOK

Though further dilution in the Jute Mandatory Packaging Order (JMP) is withheld for the time being, it is expected that the Government will be under constant pressure to implement the Order. This is a matter of great concern. However, your Company is trying to find new markets both for domestic & Export so that in case of further dilution through Government Order, the Company is not affected in a big way.

OPPORTUNITIES AND THREATS

The jute industry has failed to gain benefits from the opportunity provided by the new labour agreement signed in January 2004. There is an honest need for implementation of the said agreement in true letter and spirit so that industry could capitalise on the opportunity of reducing wage cost and increasing operational efficiency, thereby ensuring survival of the industry.

The following areas of risk and concern continue to pose threat to the industry, which on its own can do precious little to overcome their impact:

Gradual and planned dilution of JMP order.

Cut throat competition from Bangladesh which continues to enjoy cost advantage and the SAARC benefits vis - a - vis India.

Continuous increase in prices of petroleum products leading to uncontrolled rise in cost of various inputs.

Increase in wage cost, which constitute approximately 30% of production cost in a labour intensive industry.

INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems. The job allocation, internal checks and the control parameter designed through software ensure proper checks and balances for eradication of error / frauds and at the same time giving flexibility in operation and decision making. The Company has developed computerised ERP system for all functional areas for better utilisation of resources, quick and better information and control.

Apart from above, concurrent audit regularly conducted on the Company's operation and function serve as a secondary control system for the management.¹

CORPORATE GOVERNANCE

Your Company is committed to business integrity, high ethical values, transparency and professionalism in all its activities. As an essential part of this commitment, the Board of Directors supports high standards in Corporate Governance.

HOWRAH MILLS COMPANY LIMITED**HUMAN RESOURCES**

Your Company firmly believes that the Employees are its most valuable assets. They sustain the Company through the years of change and renewal with their resilience commitment and adaptability. Your Company is gearing up its efforts to create a responsive organisation and is endeavoring to provide a holistic development programme including succession planning to meet both its technical, financial and leadership requirements. During the year under review the industrial relations remain cordial.

BIFR

BIFR issued a formal order dated 28.10.2004 for sale of 2 plots of land at 160 G. T. Road, (S) for Rs.458 lacs and 493/C/B, G. T. Road, (S) for Rs.411 lacs respectively. Both the plots are sold. Sale proceeds from sale of land are utilised to pay old outstanding statutory liability and some rehabilitation loans. The Company has informed BIFR that its net worth has turned positive. It is expected that your Company will come out of BIFR soon after completion of the necessary formalities.

DIRECTORS

Shri S. L. Jhavar retires by rotation and being eligible offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby state that:

- (a) In the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures.
- (b) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent for the operations of the state of affairs of the Company and to obtain proper working result for the financial year of the Company.
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- (d) The Directors have prepared the accounts for the year ended 31.03.2005 on a going concern basis.

PARTICULARS OF EMPLOYEES

The information containing the particulars of employees are 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 this category.

QUALITY ASSURANCE

The Company's Quality Assurance has been upgraded and has received ISO 9001-2000 accreditation by the Bureau of Indian Standards. The Company is committed to maintain the highest quality of its products and stringent quality assurance procedures are in place.

AUDITORS

The Company's Auditors M/s. S. Jaykishan, Chartered Accountants, Kolkata who retires at the conclusion of the Annual General Meeting have expressed their willingness to be re-appointed as Auditors and

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have confirmed that their appointments if made will be in accordance with the limits specified in Sec. 224 (1B) of the Companies Act 1956.

The Auditors in their report have referred to notes forming part of the Accounts, which are self-explanatory and do not require further elucidation.

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

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 forms part of the report.

PUBLIC DEPOSIT

The company has not accepted any deposit from the Public under section 58A of the Companies ACT 1956 and rules framed thereunder.

ACKNOWLEDGEMENT

Your Directors express their sincere appreciation for the continued co-operation and support extended to the Company by the Central Government, Government of West Bengal, Government Agencies & Local Authorities, BIFR, Bankers, Financial Institutions, Business Associates and Shareholders. Your Directors also express their warm appreciation to all the employees for their diligence and contribution.



For and on behalf of the Board

Dated: 5th day of July 2005
Place: Kolkata.

O. P. Mall
Managing Director

S. Banerjee
Finance Director

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

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

A. Conservation of Energy

- a. Energy conservation measures taken : The Company has installed some energy saving motors and equipments.
- b. Additional Investment proposal being : The Company is exploring the possibility implemented for Energy conservation of alternative source of supply of electricity at a cheaper cost.
- c. Impact : To reduce cost of energy & power.
- d. Form A

| | For Year ended on <u>31.03.2005</u> | For 18 months period ended on <u>31.03.2004</u> |
|--|---|---|
| i) Power & Fuel Consumption | | |
| 1. ELECTRICITY | | |
| a. Purchased units | 1,93,44,528 | 2,69,68,320 |
| Total Amount Rs. | 9,31,55,247 | 14,53,95,517 |
| Rate/Unit Rs. | 4.82 | 5.39 |
| b. Own Generation through Diesel Generators – Units | 2, 31, 647 | 2,90,182 |
| Unit per Ltr. of Diesel | 3.38 | 3.37 |
| Cost per unit Rs. | 7.56 | 6.19 |
| 2. COAL | | |
| (B & C Grades used mainly for generation of steam boiler) | | |
| Quantity – Ton | 43 | 157 |
| Total Cost – Rs. | 1,19,619 | 4,13,129 |
| Average Rate – Rs. / Ton | 2,782 | 2,631 |
| ii) Consumption per unit of production | | |
| Production – Ton | 39, 133 | 54,673 |
| Electricity per Ton (Unit) | 500 | 499 |
| Coal (B & C grades) / ton of Production - (Ton) | 0.01 | 0.01 |

B. Technology Absorption

Form B

Research and Development (R & D)

1. Specific areas in which R & D was carried out by the Company:
R & D activities are carried out for improvement in quality of existing products, development of value-added product and production process for better productivity.

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2. The Company has set up a laboratory for quality control check at different stages of production.
3. Benefit derived as a result of the above R & D
Improvement in quality of the product, cost effectiveness and utilisation of waste material and saving of coal.
4. Future plan of action
Follow up of proposal for Hydel Power and / or to obtain bulk power at cheaper rate.
5. Expenditure on R & D

| | |
|-----------------------------|--------------------------------------|
| a. Capital | In accordance with Company's |
| b. Recurring | Consistent practice, expenditure |
| c. Total R & D Expenditure | incurred on R & D activities remains |
| as a percentage of turnover | merged with various heads |

Technology Absorption, Adaptation and Innovation

- | | |
|---|--|
| i). Efforts in brief made towards technology absorption, adaptation & innovation | Suitable machineries & equipment are procured to conform to the latest technology. |
| ii). Benefits derived as a result of above efforts e.g. Output improvement, cost reduction | Improvement in productivity & quality of product. |
| 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.1455.77 lacs directly, apart from export through Merchant Shippers, as against Rs.1935.61 lacs in previous period of 18 months. The Company continues to strive to increase its direct export. |
| b). i) Total Foreign Exchange used | Rs.162.36 Lacs |
| ii) Total Foreign Exchange Earned: | Rs.1455.77 Lacs |

D. Information required to be furnished under the listing agreement

The shares of the Company are listed at: -
The Calcutta Stock Exchange Association Limited
7, Lyons Range, Kolkata – 700001.

The listing fees upto the year 2005 – 2006 has been paid in time to the above stock exchange.

For and on behalf of the Board

Dated: 5th day of July 2005
Place: Kolkata.

O. P. Mall
Managing Director

S. Banerjee
Finance Director

HOWRAH MILLS COMPANY LIMITED**REPORT ON CORPORATE GOVERNANCE****1. Company's Philosophy on Code of Corporate Governance**

The company believes that principles of sound corporate governance not only encompass within its purview the statutory requirements but also that the enterprise is governed in a manner that it meets its objective of growth and prosperity, and has the competitive edge in current market scenario. The company recognizes that transparent, credible and accountable governance is a must in today's scenario. It recognizes that procedures, practices and systems requires constant review for improving standards of sound corporate practices in tandem with the ever changing environment in which the organization is operating to ensure overall growth. The Company has always ensured production of quality products, development & designing of new products for ensuring customer satisfaction. The activities and actions are undertaken considering the concern of all the stakeholders, viz. shareholders, creditors, distributors, customers, employees & the society at large.

2. Board of Directors

The Strength of the Board of Directors as at 31st March, 05 was 7 directors. The Chairman being Executive, more than half of the Board consists of Independent Directors. During the financial year ended 31st March, 2005, four Board Meetings were held on 16th June, 2004, 9th August, 2004, 14th October, 2004, and 24th January, 2005.

The Composition of the Board of Directors as at 31st March, 2005 & the attendance of each Director at the Board Meetings and also at the last Annual General Meeting (AGM) and the number of other Directorships and Board Committee Memberships/Chairmanships including changes since the last report are as follows :

Attendance of each Director at the Board Meetings, last Annual General Meeting & Number of Other Directorship and Chairmanship / Membership of Committee of each Directors in various Companies:

| Name of Director | Category | Attendance Particulars | | Number of Other Directorship and Committee Membership/Chairmanship | | |
|---|------------------------------|------------------------|----------|--|----------------------|------------------------|
| | | Board Meeting | Last AGM | Other Directorship | Committee Membership | Committee Chairmanship |
| MR. A. K. Chakravarty (Chairman) | Independent Non-executive | 2 | No | 10 | 2 | 1 |
| Mr. O.P. Mall (Managing Director) | Promoter Executive | 4 | Yes | 1 | 1 | — |
| Mr. S. Banerjee (Finance Director) | Non Independent Executive | 3 | Yes | 1 | 3 | — |
| Mr. S. L. Jhavar | Promoter Non-Executive | 4 | Yes | 2 | 3 | — |
| Mr. B. C. Jain | Independent Non-Executive | 4 | Yes | 1 | 3 | 2 |
| Mr. S. Guha Roy (Nominee Director, SBI) | Independent Non-Executive | 4 | Yes | — | 1 | — |
| Dr. S. B. Medhi (Special Director, BIFR) | Independent Non-Executive | 3 | Yes | — | 1 | — |
| Mr. G. Ukil | Independent non-Executive | 1 | NA | 3 | 1 | — |

Note: Mr. G Ukil was Director of the Company till 9th August 2004.