



**Naraingarh Sugar Mills Ltd.**

**Annual Report 2009-10**

# **17th ANNUAL REPORT 2009-2010**

**NARAINGARH SUGAR MILLS LIMITED**

**BOARD OF DIRECTORS**

Mr. Shashi Bhushan Mehan, Chairman  
 Mr. Onkar Anand, Director & Vice Chairman  
 Mr. Mahavir Singh, Nominee Director (HSIDC)  
 Mr. Sanjay Suroya, Nominee Director (IDBI)  
 Mrs. Renu Anand, Director  
 Mrs. Ravinder Kaur Kang, Director  
 Mr. Vijay Mehan Director  
 Mr. Romesh Chand Sud, Director  
 Mr. Jitendra Anand, Executive Director  
 Mr. Baldev Singh Kang, Managing Director

**COMPANY SECRETARY**

Mrs. Jaswant Kaur

**STATUTORY AUDITORS**

M/s VASUDEVA & ASSOCIATES  
 Chartered Accountants  
 Chandigarh

**COST AUDITORS**

M/s Khushwinder Kumar & Co.,  
 Cost Accountants  
 Jalandhar

**REGISTERED OFFICE & WORKS**

Village Banondi, P.O. Shahzadpur.  
 Tehsil Naraingarh, Distt. Ambala (Haryana)

**BANKERS**

State Bank of India  
 State Bank of Patiala  
 Canara Bank  
 Oriental Bank of Commerce  
 Allahabad Bank

<b>CONTENTS</b>	<b>Page No.</b>
Notice	2-5
Directors' Report	6-11
Corporate Governance Report	12-18
Management Discussion & Analysis Report	19-23
Auditors Certificate on Corporate Governance	24
CEO/CFO Certification	
Declaration on Code of Conduct.	
Auditors' Report	25-29
Balance Sheet	30
Profit & Loss A/c	31-32
Schedules	33-42
Notes on Accounts	43-52
Balance Sheet Abstract & General Business Profile	53-54
Cash Flow Statement	55-56
Proxy Form & Attendance Slip	57



**NOTICE**

**NOTICE** is hereby given that the 17th Annual General Meeting of the company be and is hereby convened to be held on Friday, 27<sup>th</sup> August, 2010 at 11.30 a.m. at the registered office of the company at Village Banondi, PO; Shazadpur, Teh. Naraingarh, Distt. Ambala to transact the following business(s):

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the period ended at that date alongwith the Director's and Auditor's report thereon.
2. To appoint a Director in place of Mrs. Ravinder Kaur Kang who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Mrs. Renu Anand who retires by rotation and being eligible offers herself for reappointment.
4. **To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:**

**To appoint Auditors and fix their remuneration.**

**RESOLVED THAT** M/s. Vasudeva & Associates, Chartered Accountants, having office at SCO: 32-35, 1st Floor, Madhya Marg, Sector 8C, Chandigarh, the Statutory Auditors of the company, retiring at the ensuing Annual General Meeting, be and are hereby appointed as the Statutory Auditors of the company for the financial year ending on 31st March, 2011.

**RESOLVED FURTHER THAT** the Board of Directors of the company be and are hereby authorised to fix the remuneration and all out of pocket expenses in consultation with M/s. Vasudeva & Associates, Chartered Accountants.

**SPECIAL BUSINESS**

5. **To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:**

**Authorisation to Board to exercise Borrowing powers.**

**RESOLVED THAT** pursuant to the provisions of section 293 (1) d) of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the company to borrow money(s) from time to time, at its discretion either from the State Bank of India, being the Company's Bankers or any other Bank(s)/Financial Institution(s) or any other lending institutions or person/persons on such terms and conditions as may be considered suitable by the Board of Directors up to a limit not exceeding Rs. 2,50,00,00,000/- (Rupees Two Hundred Fifty Crores only) which together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business), may exceed the aggregate for the time being of the paid up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.



6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

**Authority to Board to mortgage movable/immovable properties of the company.**

**RESOLVED THAT** the consent of the company be and is hereby accorded to the Board of Directors under section 293(1)(a) of the Companies Act, 1956 for mortgaging/charging the whole or substantially the whole of the undertaking of the company along with all the immovable and movable properties of the company located/available/lying loose or fastened to the earth including all tangible assets or such of them as may be agreed to between the Board and the Banks/Financial Institutions/Buyers for the purpose of repayment of secured loans or any other debts which are due or may become due in future together with the interest, commitment charges, costs and other charges and expenses payable by the company.

**RESOLVED FURTHER THAT** any one of the following viz-a-viz Sh. Onkar Anand, Vice Chairman, Mr. Baldev Singh Kang, Managing Director and Mr. Jitendra Anand, Executive Director of the company be and are hereby authorised to enter into any agreement to sign documents, deeds, negotiate with the Banks/Financial Institutions and to do all such acts, deeds and things which may be required and are incidental to selling/leasing/mortgaging/charging the company's movable/immovable properties.

BY ORDER OF THE BOARD  
FOR NARAINGARH SUGAR MILLS LIMITED

Dated: 24/07/2010  
Place: Chandigarh

sd/-  
(Onkar Anand)  
Vice 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/herself and the proxy need not to be the member of the company. The Proxies in order to be effective be deposited at the registered office of the company at least 24 hrs before the time fixed of the meeting.
2. A member or Proxy should fill the enclosed attendance slip and deposit the same at the entrance of the meeting hall.
3. All correspondence regarding change of address, transfer/transmission of shares etc maybe made to the Registrars and Share Transfer agents M/s Alankit Assignments Limited, 205-206, Anarkali Market, Jhandelwala Extension, New Delhi 110055.
4. The members desirous of obtaining any information concerning the accounts and the operations of the company are requested to send their queries to the company atleast seven days before the date of meeting so as to enable the company to make available the desired information at the meeting.



5. Share Transfer Books and Register of Members will remain closed from Friday, 20th August, 2010 to Friday, 27<sup>th</sup> August, 2010 (both days inclusive).
6. Members are requested to bring their copies of Annual reports as no additional copies will be provided.
7. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Items No.s 5 and 6 is annexed hereto.

**Item-5 & 6**

It is informed that the company wants to expand its area of activity by modernization of its plant and machinery and is in need of funds for meeting both its long term and short term requirements. Accordingly, the Company has approached its Bankers/Financial Institutions for the required funds.

The proposed Financial assistance to be obtained has to be secured against all Movable and Immovable properties of the Company, both present and Future.

Section 293(1) (a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a Public Company shall not, without the consent of such Public Company in general Meeting sell, lease, mortgage or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertakings.

In view of the present proposal to create charge in favour of lending Banks/Financial Institutions to the extent of working capital/term loan to be advanced and since the mortgaging and charging by the Company of its Movable and Immovable properties as aforesaid in favour of Bank and Financial Institution may be regarded as disposal of the Company's properties/undertakings, consent of the members is being obtained in this regard.

Further Section 293(1)(d) of the Companies Act, 1956, requires consent of the Members in the General Meeting for authorizing the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves.

In view of the need for financial assistance in the shape of Working Capital/Term Loan, it is recommended to authorise the Board of Directors of the company to borrow money(s) from time to time, at its discretion either from the Companies Bankers or any other Bank, Financial Institutions or any other lending institutions or person/persons on such terms and conditions as may be considered suitable by the Board of Directors up to a limit not exceeding Rs. 250,00,00,000/- (Rupees Two Hundred and Fifty Crores only) notwithstanding that the money to be borrowed together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business), will exceed the aggregate of the paid up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific business.



Since the said proposal requires the approval of the shareholders in the general meeting under section 293(1) (a) & (d) of the Companies Act, 1956, therefore your Board recommends the passing of the above resolutions as ordinary resolution.

None of the Directors of the Company is concerned or interested in the proposed resolutions.

**BY ORDER OF THE BOARD  
FOR NARAINGARH SUGAR MILLS LIMITED**

**Dated: 24/07/2010  
Place: Chandigarh**

**sd/-  
(Onkar Anand)  
Vice Chairman**



**DIRECTORS' REPORT**

To

The shareholders of  
Naraingarh Sugar Mills Limited  
Naraingarh

Your Directors are pleased to present the 17<sup>th</sup> Annual report of your company alongwith audited annual accounts of the company for the period ended 31<sup>st</sup> March, 2010

**OPERATIONS & FINANCIAL RESULTS**

Rs in Lacs

Particulars	Current year (31.03.2010)	Previous year (31.03.2009)
Total Income	10546.83	7652.53
Total expenditure	9881.26	7066.36
Profit before Depreciation and Tax	665.57	586.17
Depreciation	91.88	119.02
Profit after Depreciation and before tax	573.69	467.15
Taxes	140.94	78.96
Profit after Taxes	432.75	388.19
Earning per share	1.93	1.79

During the financial year under review the company achieved a turnover of Rs. 10380.40 Lacs which is approximately 26% higher than the last year's figure of Rs. 8225.49 Lacs. Profit before depreciation also increased by 14% from Rs. 586.17 Lacs to Rs. 665.57 Lacs. It is worth mentioning that the entire amount is out of the operational profits. The net profit before taxes for the current year is Rs 573.69 Lacs against the previous year figure of Rs. 467.15 Lacs.

**Cane Crushing**

The comparative figures of Cane crushed during the current and last financial year is given hereunder:-

Particulars	Sugar Season (2009-10) 24.11.2009 to 03.04.2010	Sugar Season (2008-09) 12.11.2008 to 14.03.2009
Cane Crushed(Qtls)	2530195.12	2729223
Recovery(%)	9.25	9.18
Production(Qtls)	235500	252430



The company has been able to achieve much better results despite the fact that sugarcane crushing has been low by 199028 qtls as compared to the last financial year. This is mainly because of the following factors:

- (a) Lot of emphasis was given on higher sugar recovery due to insufficient and inconsistent availability of sugarcane. While most of the neighboring sugar factories were not able to achieve their last year pattern, we have been able to increase our sugar recovery substantially.
- (b) Lot of emphasis was laid on improving the quality of sugar. The quality of sugar produced was much better than the production of previous year. The quality has been appreciated by the dealers/actual users who have started considering our sugar at par with the best being produced in the region.
- (c) We started crushing season from 24<sup>th</sup> November, 2009 while other sugar manufacturing concerns started production in the first week of December, 2009. Similarly, our production continued till 03<sup>rd</sup> April, 2010 as compared to other factories which ended their season in second week of March, 2010, because of which we could get more number of working days.
- (d) Though the availability of sugarcane was quiet low, however good market prices with better marketing strategies helped us a lot in improving the profitability.

During the year company had paid higher cane price to our cane growers which is approximately Rs 270/-per quintal as compared to previous year Rs. 180/-per quintal which has affected our profitability adversely.

#### **Future Plans**

Your management is taking keen interest in upgrading the technology and performance of the sugar manufacturing unit. Presently, the sugar mill has an installed capacity of 4000 TCD at its plant. However, the Company has not been able to achieve desired utilization levels on account of various technical limitations in its manufacturing process. Such limitations have affected the company's operational efficiency and created a dent on its profitability. Therefore, the Company's management in conformance with its technical team has decided to overcome such inefficiencies by de-bottlenecking its manufacturing process through modernization of its key plant & machinery in various stages of manufacturing process. The proposed investment in modernization of plant & machinery and optimization of production process coupled with intensive cane development program will result in significant improvements. It will improve the capacity utilization from average 67% to 95% of installed capacity besides bringing a significant improvement in the yield, thereby, providing a one third production increase without substantial investment. The said enhancement will improve the profitability quite substantially to more than double of existing profits as it will not have any additional fixed cost.

Further, with the introduction of new technology, steam consumption shall be reduced from 52% to 40%. Besides this various power saving equipments shall be implemented to obtain optimum utilization of resources. The company has targeted to optimize its capacity to 4000 TCD with 95%





efficiencies. For the purpose, the company has done an in house feasibility with the help of newly recruited, highly competent technical professionals and now envisages implementing a Modernization cum Debottlenecking Scheme. In addition to this, a separate refinery section will be set up to process raw sugar which will be imported from other countries. The processing of raw sugar will be done in off-season when sugarcane is not readily available and most of the sugar factories are shut down. The sugar so processed shall be much better in quality as compared to the sugar produced after crushing of sugarcane. The company intends to eliminate the old mechanical system and substitute the same with power saving equipments thereby reduced the power consumption to 80% of the present consumption. This will increase the viability of the project and will also increase the Sugar recovery rate from 0.5% to 0.9%.

In view of the above, your Board is expecting much better performance in the current year as sugar prices are expected to increase in the coming year.

**DIVIDEND**

Keeping in view the financial constraints of the company, your directors have decided not to recommend any dividend for the year under review.

**DIRECTORS*****Change in Directorship***

There has been no change in the directorship of the company during the year under review. The appointment of Mr. Onkar Anand, Mr. Jitendra Anand and Mrs. Renu Anand were regularized during the last annual general meeting.

***Directors to retire by rotation***

As per provisions of Section 256 of the companies Act, 1956 Mrs. Renu Anand and Mrs. Ravinder Kaur Kang retire by rotation and being eligible offer themselves for re-appointment at the ensuing annual general meeting.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, as required under section 217 (2AA) of the companies (Amended) Act, 2000, in respect of the Financial Statements, confirm that:

- That during the preparation of annual accounts, policies and applicable accounting standards have been followed along with proper explanation relating to material departures.
- That the directors' have selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the statement of affairs of the company at the end of the financial year ended on 31.03.2010 and of the profit or loss of the company for that period.
- That the directors have taken proper and sufficient care for the maintenance of adequate accounting record in accordance with the provision of companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- That the directors have prepared the annual accounts on a going concern basis.



#### **AUDITORS**

M/s Vasudeva & Associates, Chartered Accountants of the company retire at the ensuing Annual General Meeting. The said Chartered Accountants have confirmed their eligibility under section 224(1B) of the Companies Act, 1956. Your Board recommends their reappointment by way of ordinary resolution.

#### **AUDITORS' REPORT AND OBSERVATIONS**

The Auditors' report is self explanatory and does not call for any comments as the auditors have not made any adverse remarks/qualifications in the Auditors' Report.

#### **COST AUDITORS**

M/s Khushwinder Kumar & Co., Cost Accountants, Jalandhar were appointed as Cost Auditors for the financial year ended 31<sup>st</sup> March, 2010. Their report shall be submitted to the Department of Company Affairs, Government of India in accordance with the requirements of law.

#### **REPORT ON CORPORATE GOVERNANCE**

As per clause 49 of the Listing Agreement report on Corporate Governance alongwith Certificate of auditors in respect thereof and Management Discussion and Analysis Report forms an essential part of this report and are annexed herewith as Annexure-B.

#### **PUBLIC DEPOSITS**

The company has not invited any public deposits under section 58A, 58AA of the Companies Act, 1956 during the financial year under review.

#### **HUMAN RELATION**

The Directors wish to place on record their appreciation of the earnest efforts and contributions made by employees at all level for the smooth operation of the company.

#### **PARTICULARS OF EMPLOYEES:**

The Company has not employed any person, the information of which is to be given under section 217 (2A) of the companies act, 1956 read with the companies (Particulars of employees) Rules, 1975.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION**

The particulars as required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the information relating to conservation of energy and technology absorption and Foreign Exchange earning and Outgo forms an integral part of this report and is annexed as Annexure A.