

# SHREE HANUMAN SUGAR & INDUSTRIES LTD.

## ANNUAL REPORT

2007

# SHREE HANUMAN SUGAR & INDUSTRIES LIMITED

## CHAIRMAN CUM MANAGING DIRECTOR :

Shri Bimal Kumar Nopany

## DIRECTORS :

Shri Raj Kumar More

Shri Krishan Murari Shah

Shri Lakshmikanth Tibrawalla

Shri Naw Ratan Sewak

## COMPANY SECRETARY

Shri Subrata Ganguly

## COMPLIANCE OFFICER :

Shri D. R. Gill

## REGISTERED OFFICE :

12 Government Place East,

2nd Floor, Kolkata – 700 069

Phone: 033 – 2230 9336-39

Fax.: 033 – 2243-4284 / 5259

## STATUTORY AUDITORS :

M/s. Jainsarawagee & Co

Chartered Accountants

32-A, Chittaranjan Avenue,

Trust House (2nd Floor)

Kolkata – 700 012

## REGISTRAR & SHARE TRANSFER AGENT :

M/s. Maheshwari Datamatics Pvt. Ltd.

6, Mangoe Lane,

Kolkata – 700 007

Phone : 033 2248 2248 / 2243 5029

Fax.: 033 2248 4787

## BANKERS :

Andhra Bank

Central Bank of India

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**SHREE HANUMAN SUGAR & INDUSTRIES LIMITED****NOTICE**

**NOTICE** is hereby given that the 77th Annual General Meeting of the Members of Shree Hanuman Sugar & Industries Limited will be held at its Registered office at 12 Govt. Place East, Kolkata – 700 069 on Monday, the 31st day of December, 2007 at 11:00 A.M. to transact the following businesses :

**Ordinary Business:**

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 30th June, 2007 and Profit & Loss Account for the year ended 30<sup>th</sup> June, 2007 along with the reports of the Auditor's and Directors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri L. K. Tibrawalla, who retires by rotation at this meeting and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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By order of the Board  
**For Shree Hanuman Sugar & Industries Ltd.**

**S. Ganguly**  
Company Secretary

Place : Kolkata  
Date : 28th September, 2007

## SHREE HANUMAN SUGAR & INDUSTRIES LIMITED

### DIRECTORS

Shri Lakshmikant Tibrawalla, Director retire from the Board by rotation and being eligible offered himself for reappointment.

### AUDITORS

The Notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

M/s Jainsarawgee & Co., the auditors of the company retire at the forth coming Annual General Meeting and are eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that :

- 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 period;
- 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.

### CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

As the factory of the Company was given on lease to Eastern Sugar & Industries Ltd. and after taking over of the factory the company has not started production till date so the particulars in respect of Conservation of Energy, Research & Development and Technology Absorption as required 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 not applicable to the Company.

### 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.

### FOREIGN EXCHANGE EARNINGS AND OUTGO

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

## SHREE HANUMAN SUGAR & INDUSTRIES LIMITED

### PUBLIC DEPOSITS

The Company has neither accepted nor renewed any fixed deposits from public during the year under review.

### LISTING

Your Company is listed with The Calcutta Stock Exchange Association Limited and the Company has paid annual listing fees to the said Stock Exchange. As the trading in equity shares of the Company is permitted only in dematerialized form, the Company has made the requisite arrangements with National Securities Depository Limited and Central Depository Services (India) Limited to enable investors to hold shares in dematerialized form.

### CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with Stock Exchange, a section on management discussion and analysis is given in **Annexure 1** attached hereto and forms part of this Report.

The Company continues to comply with the requirements of the Listing Agreement with the Stock Exchange where the Company's shares are listed. The report on Corporate Governance together with Certificate on its compliance, pursuant to requirements of Clause 49 of the Listing Agreement with Stock Exchange is annexed hereto as **Annexure 2** to this Report.

### 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 on 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 who have largely contributed to its efficient management.

12, Govt. Place East  
Kolkata - 700 069  
Dated 28th September, 2007

For and on behalf of the Board

**B. K. Nopany**  
Chairman Cum Managing Director

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12, Govt. Place East  
Kolkata - 700 069  
Dated 28th September, 2007

For and on behalf of the Board

**B. K. Nopany**  
Chairman Cum Managing Director

## SHREE HANUMAN SUGAR & INDUSTRIES LIMITED

### ANNEXURE "1" TO THE DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS :

#### A. SUGAR

##### Indian Sugar Overview

##### Industry Scenario

- More than 100 countries produce sugar. Nearly 74 per cent is made from sugarcane grown primarily in the tropical and sub tropical zones of the southern hemisphere and the rest from sugar beet grown in the temperate zones of the northern hemisphere.
- India is the largest consumer and second largest producer of sugar in the world. The Rs. 500 billion Indian sugar industry is also the second largest in the country's agro-processing sector.
- 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.
- There are 571 installed sugar mills in the country with a production capacity of 28 million tones (MT) of sugar during 2006-07.
- India, as the world's second largest producer of sugarcane (after Brazil), accounts for around 17 per cent of the global sugar production.
- Although export restrictions and duties have gradually been relaxed, the government still largely controls the industry, particularly the pricing of sugarcane and allocation of land designated for cane growing.
- More than 50% of the area of sugarcane cultivation is located in UP.
- Cane cultivation acreage in UP increased from 2.03 million hectares in 2003-04 to 2.5 million hectares in 2006-07.

##### Factors affecting the Indian Sugar Industry

The board 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.
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 4 million hectares of land i.e., around 2.7 per cent of the cultivated area, 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 at the lowest income level is at 2.2 kgs per month and at the highest income level at 5.11 kgs per month.



## SHREE HANUMAN SUGAR & INDUSTRIES LIMITED

4. **Production & consumption statistics** : The difference between production and consumption reduced inventory from 11.3 MT in FY2001-2002 to a projected 3.9 MT in 2006-07. Also, the stock-to consumption ratio, which was around 67 per cent in FY2001-02, declined to 21.38 per cent in FY2005-06 and gone up to 54.00 per cent in FY2006-07.

(MILLION/TONNE)

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Stock	11.32	11.62	7.67	4.00	3.90
Production	20.14	14.00	12.69	19.27	28.50
Imports	0.04	0.40	2.14	-	-
Total supply	31.50	26.02	23.34	23.27	32.80
Consumption	18.38	18.13	18.50	18.24	20.00
Exports	1.50	0.22	-	1.13	2.00
Closing stock	11.62	7.67	4.00	3.90	10.80
Closing stock/consumption	63.17%	49.18%	21.62%	21.38%	54.00%

### Bihar, the next sugar destination in India

In 1940, Bihar accounted for 32 sugar units out of 148 sugar units in India (over 20 per cent), while presently Bihar is left with only nine functional units out of a total of 480 sugar mills in India. The state's contribution to the total sugar produced by the country declined from 28 per cent in the 1930s to below 2 per cent. But according to a comprehensive study by the Bihar Industries commission, this scenario could correct following various initiatives that the State Government has already embarked upon.

1. **Infrastructure revival** : Bihar's per capita expenditure on infrastructure of Rs. 44.60 (as against a national average of Rs. 118) and irrigation cum flood control of Rs. 104.40 (compared to a national average of Rs. 200) is expected to correct faster than ever before in view of the new State Government and a stated emphasis on infrastructure expansion.
2. **Central grant** : A grant of Rs. 8250 crores was made to Bihar by the Central Government on 14<sup>th</sup> February, 2006 under the Annual Plan for 2006-07 which includes an additional Central assistance of Rs. 50 crores of priority schemes to be initiated in the State.
3. **Unexplored room** : At a time when there is a severe competition for cane in the other parts of the country, a mere four cane growing districts have been explored in Bihar (out of 15), offering an attractive opportunity for sustainable expansion.
4. **Fiscal incentives** : The Bihar government announced several incentive programmes, which include a capital subsidy of 10% or Rs. 10 crores, whichever is less, on the total investment made on plant and machinery, reimbursement of excise duty on the production of sugar, exemption from the payment of purchase tax on the purchase of sugarcane and from the payment of stamp duty and registration fee on the purchase of land etc. These incentives will be available for a period of five years from the date of commencement of production.'

### Sugarcane Pricing

In India, the government announces a minimum support price of sugarcane. The price announced by the central government is termed as Statutory Minimum Price (SMP). The central government fixed the SMP for sugarcane at Rs. 80.25 per quintal linked to a recovery of 9 per cent for the sugar season 2006-07. An additional payment of 88 paise had to be made for every additional 0.1 per cent recovery over the base rate of 9 per cent.

## SHREE HANUMAN SUGAR & INDUSTRIES LIMITED

Furthermore, factories are required to pay an additional price under Clause 5A of Sugarcane (Control) Order, 1966, which is calculated by the Government based on any additional sugar price realised by the factories. Basic SMP of sugarcane for Motihari, Bihar has been fixed @ Rs. 80.25/- per qtl. for the year 2006-07.

### Industry Outlook

The long-term outlook for the industry appears stable due to a sustainable increase in demand, rising population and increased per capita consumption. The balanced demand and supply position in the global industry for the next couple of years should support a stable medium-term price outlook.

### Sugar Manufacturing strategy

- Expansion of Installed capacity
- Achieve greater raw material security
- Continuously improve technology in sugar mills.

### B. ETHANOL AND INDUSTRIAL ALCOHOL

Sugarcane is an energy crop, as its derivatives can be used to produce ethanol – fuel and electricity. Ethanol has been a resounding success especially at times of high and volatile crude oil prices. Countries like Brazil and USA have made ethanol a national priority.

The demand for ethanol is expanding worldwide. Ethanol is a real-world petroleum substitute that is likely to emerge as a complete energy solution in countries like India over the years. To prepare for this eventuality, the Company is expanding its distillery at Seohara from 55 KLPD to 100 KLPD, which will be fully operational during the 2006-07 to meet the increased demand of ethanol from major oil companies.

### Outlook

With the price of fossil fuels (oil and gas) rising to unprecedented levels, the use of substitute fuels (bio-fuels, ethanol) is rapidly increasing. The Government of India re-started its ethanol programme last year in a few states only. An increase in doping of fuel with ethanol to 10% is expected to double the demand for this petroleum substitute significantly over the long term. An estimated ethanol requirement would be 587 million litres and 1100 million litres at 10 % blending. Such quantities will be available indigenously. With molasses and bagasse both being transformed into energy sources (as a substitute for motor fuel and conventional power respectively), the sugar industry is poised to emerge as an important energy player.

### Environmental benefits of using ethanol

- Carbon monoxide (CO) emissions reduced by 20 per cent.
- Sulphur oxide (Sox) emissions reduced by 100 per cent.
- Reduction of photochemical reactivity and toxicity of the emissions.

The Company is planning to set up a Ethanol Plant in the near future.