

SHREE HANUMAN SUGAR & INDUSTRIES LTD.

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ANNUAL REPORT

2008

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. Jainsarawgee & 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 78th Annual General Meeting of the Members of Eastern Sugar & Industries Limited will be held on Wednesday, the 31st day of December, 2008 at 11.00a.m. at the Registered Office of the Company at 12, Government Place East, Kolkata – 700 069 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 declare dividend.
3. To appoint a Director in place of Mr. K. M. Shah, who retires by rotation at this meeting and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

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

“RESOLVED :

- (a) that in accordance with the provisions of Section 13, 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956, or any amendment or re-enactment thereof and the enabling provisions of the Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions, if any, required from any authority, the existing Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each in the Share Capital of the Company be sub-divided such that each Equity Share of the face value of Rs. 10/- (Rupees Ten only) is sub-divided into 5 (five) Equity Shares of the face value of Rs. 2/- (Rupees Two only) each and consequently, the Share Capital of the Company of Rs. 12,50,00,000/- (Rupees Twelve crores fifty lacs only) be divided into 6,25,00,000 (Six crores twenty five lacs) Equity Shares of the face value of Rs. 2/- (Rupees two only) each, with effect from the ‘Record Date’ to be determined by the Board of Directors of the Company (‘the Board’, which term shall be deemed to include any Committee thereof) for the purpose;

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- (b) That consequently, the existing Clause 5 of the Memorandum of Association of the Company be and is hereby altered by deleting the words and figures "The Authorised Share Capital of the Company is Rs. 12,50,00,000/- (Rupees Twelve crores fifty lacs only) divided into 1,25,00,000 Equity Shares of Rs. 10/- each" and subsisting in its place and stead the words and figures "The Authorised Share Capital of the Company is Rs. 12,50,00,000/- (Rupees Twelve crores fifty lacs only) divided into 6,25,00,000 (Six crores twenty five lacs) Equity Shares of Rs. 2/- (Rupees Two only) each".
- (c) That pursuant to the sub-division of the Equity Shares of the Company, the Issued, Subscribed and Paid-up Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each, as existing on the Record Date, shall stand sub-divided into Equity Shares of the face value of Rs. 2/- (Rupees Two only) each fully paid-up, with effect from the Record Date;
- (d) That the issued Equity Shares of the Company as are held by Members in certificate form be cancelled and in lieu thereof fresh share certificates be issued for the sub-divided Equity Shares in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960, and where Members hold Equity Shares (or opt to receive the sub-divided Equity Shares) in dematerialised form, the sub-divided Equity Shares in lieu thereof be credited to the respective beneficiary accounts of the Members with their respective Depository Participants;
- (e) That for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things and give such directions as may be necessary or expedient, and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding."

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

B. K. NOPANY
Chairman – cum – Managing Director

Place : Kolkata

Date : 14th 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 31st December, 2008 (both days inclusive).
4. The members are requested to intimate the Company about change in their address, if any, quoting this 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 director 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 Maheswari Datamatics Private Limited of 6, Mangoe Lane, Kolkata – 700 001 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.

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

Item No. 5

The existing Share Capital of the Company is Rs. 12,50,00,000/- (Rupees Twelve Crores Fifty Lacs only) divided into 1,25,00,000 (One Crore Twenty Five Lacs) Equity Shares of the face value of Rs. 10/- (Ten only) each. The present Issued, Subscribed and Paid-up Share Capital of the Company is Rs. 10,20,00,000/- (Rupees Ten Crores Twenty Lacs only) divided into 1,02,00,000 (One Crore Two Lacs) Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each fully paid-up.

It is proposed to re-organise the Share Capital as well as the Issued, Subscribed and Paid-up Share Capital of the Company by sub-dividing the Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each into Equity Shares of the face value of Rs. 2/- (Rupees Two only) each.

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Accordingly, the Share Capital of the Company will be sub-divided into 6,25,00,000 (Six Crores Twenty Five Lacs) Equity Shares of the face value of Rs. 2/- (Rupees Two only) each. The Issued, Subscribed and Paid-up Share Capital, as existing on the Record Date for the purpose of sub-division of Equity Shares, will also be sub-divided into Equity Shares of the face value of Rs. 2/- (Rupees Two only) each fully paid-up, with effect from Record Date.

The proposed sub-division of the Equity Shares into shares of smaller denomination, as aforesaid, would facilitate easy accessibility to the Company's Equity Shares by investors.

The consent of the Members is being sought in accordance with the provisions of Sections 13, 16 and 94 of the Companies Act, 1956 and Article 56 of the Articles of Association of the Company.

A copy of the Memorandum and Articles of Association of the Company will be available for inspection by the Members at the Registered Office of the Company between 11.00a.m. and 2.00p.m. on all working days up to the date of this Annual General Meeting.

The Board of Directors of the Company recommends the resolution for your approval.

None of the Directors is interested or concerned in the resolution.

For and on behalf of the Board

B. K. NOPANY

Chairman – cum – Managing Director

Place : Kolkata

Date : 14th October, 2008

SHAREHOLDERS' INFORMATION

1. Company's Equity Shares are listed on the Calcutta Stock Exchange Association Ltd. 7, Lyons Range, Kolkata – 700 001.
2. Up-to-date listing fees has been paid to the stock exchange
3. AGM detail : Place : 12, Government Place East, Calcutta – 700 069, Date : 31st December, 2008, Day : Wednesday, Time : 11.00a.m.
4. Book Closure Date : 26th December, 2008 to 31st December, 2008 (both days inclusive)
5. ISIN No. of the Company : INE 101H01013
6. Shareholding Pattern :

Promoters Shareholding :	5908780 Shares (57.93%)
Non – Promoters Shareholding :	4291220 Shares (42.07%)

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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 :

(Rupees in Lacs)

	Year ended 30 th June'07	Year ended 30 th June'06
Profit Before Interest, Depreciation. & Tax	387.72	385.03
Less : Interest	41.03	34.00
Profit before Depreciation & Tax	346.69	351.03
Less : Depreciation.	125.89	122.92
Profit Before Tax	220.80	228.11
Less : Provision For Taxation (including FBT)	15.02	26.89
Profit After Tax	205.78	201.22
Add : Balance brought forward from Previous Year	9.66	191.05
Amount Available for Appropriation	<u>215.44</u>	<u>392.27</u>
Which we recommend to be appropriated as under :		
Dividend (including Tax)	35.80	35.80
Transfer to Special Reserve	113.37	148.00
Transferred to General Reserve	20.00	198.81
Leaving a balance to be carried forward to next year's Account	<u>46.27</u>	<u>9.66</u>

REVIEW OF OPERATION & FUTURE OUTLOOK

The Company had determined the lease with Eastern Sugar & Industries Ltd. in the preceding year. The Sugar mill could not be run during the year because of some major problems in Boiler. However, the Company carried on some trading activities during the year which resulted in a profit of Rs 387.72 lacs before interest, depreciation and taxation, as compared to Rs. 385.03 lacs in the previous year. Profit before tax was marginally lower from Rs. 228.11 lacs in the previous year to Rs 220.80 lacs during the year under review. The turnover of the Company was Rs. 1,163.82 lacs during the year under review as compared to Rs. 725.79 lacs in the previous year. The sugar mill of the company is ready for production and the management expects to commence production in the ensuing season, it found viable and economical.

CONSTRUCTION ACTIVITIES

The Company commenced the construction business in the preceding year and earned a profit of Rs. 148.00 lacs in the year 2006 – 2007 and Rs. 113.38 lacs during the year from the purchase and sale of construction rights. The Company, as a policy, is entered into Joint Ventures with landlords where the land cost will be minimum resulting into lesser risk in this business. The Company has taken a cautioned approach in view of prevailing marketing conditions in the Realty Sector. The Directors expect significant growth in the construction business in the coming years.

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DIVIDEND :

Considering the Company's performance, the Board is pleased to recommend the payment of dividend @ 3% on the increased capital. Dividend tax including surcharge on the amount of dividend shall be payable by the Company. The total outgo on this account will be Rs. 35.80 Lacs.

CAPITAL PROJECTS :

The Company is in the process to :

1. Immediately complete the expansion to 3500 TCD already taken by ESIL.
2. Enhance the capacity to 10000 TCD in phases.
3. Set up an Ethanol plant.
4. Installation of co-generation plant.

The Company is in a position to meet these objectives in view of the fact that it has a small debt component in its books with sizeable reserves which could be leveraged to meet the funding needs.

SPLITTING OF EQUITY SHARES :

The Authorised Share Capital of the Company consists of 1,25,00,000 (One Crore Twenty five Lacs) Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each aggregating Rs. 12,50,00,000/- (Rupees Twelve crores fifty lacs only). The Company proposes to re-organise the authorised as well as Issued, Subscribed and Paid up Share Capital of the Company by sub-dividing Equity Shares of the face value of Rs. 10/- (Rupees Ten only) each into Equity Shares of the face value of Rs. 2/- (Rupees Two only) each.

DIRECTORS :

Shri K. M. Shah, Director of the Company retires 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.

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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.

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 14th October, 2008

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

- 122 countries in the world are producers of sugar. Of the above, 67 produce sugar from Cane and 55 from beet.
- 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.
- 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 tonnes (MT) of sugar during 2007-08.
- India, as the world's second largest producer of sugarcane (after Brazil), accounts for around 17 per cent of the global sugar production.
- India remains a key growth driver for world sugar, growing above the Asian and World consumption growth average.
- India entered the raw sugar export market in 2007 by marketing to Dubai's Al Khaleej, the worlds' largest refinery, prompting it to switch from Brazil to India.
- 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.
- 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.
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 is 18.6 kgs.