



sustain-able

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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Sustain-ability.

At Howrah Mills, sustainable development stands for three things. The ability to report uninterrupted profits and growth. The ability to extend corporate profitability to community prosperity and the compulsive will to protect the environment.

In view of this, we are not peripheral to the issue of environment management; we are integral to it.

Every day, our people look for opportunities to apply our expertise and technology towards making the company more profitable, bringing a smile on the faces of people and making the world a cleaner place to live in.



It is this concept of sustainability that we profess, practise and preach at the company.

Howrah Mills' extensive – and often proactive - environment compliance enhances stakeholder confidence, drives value creation and strengthens competitive positioning. In view of this, what is good for the environment is inevitably good for business as well.

Like **a tree always does its bit towards environmental sustainability, Howrah Mills too devotes considerable energy and resources to ensure sustainability of the environment.**

It has always been a perfect give and take policy between the company and the environment.

Green AT-TREE-BUTES of the company

Roots – History of the company

Roots indicate the origin of a tree just like a company's history indicates the roots of a company.

Howrah Mills Company Limited is one of the first few jute mills to be established in India. It is one of the largest manufacturer – exporter of jute products in India with over 100 years of experience. We are proud to share that the company is among the top five jute mills in India.

Leaves – our esteemed customers

A tree has umpteen leaves like our company has umpteen customers.

Company exports to markets in the US, Europe, Japan, South Korea, Turkey, Ghana, Brazil, Argentina, Peru, Mexico, Syria, South-East Asia, Africa and Middle East.

Domestic customers also include the Indian Government as well as brand-enhancing private downstream companies.



Fruits – Product range

Just like trees bear fruit, the company bears its fruits, too which are its products.

Company products include:

Hessian cloth, double warp cloth, sacking cloth, tarpauline cloth, canvas cloth, scrim cloth, hessian bags, sacking bags, double warp bags, yarn, geo textiles, soil savers, jute tape, leno fabric, nursery liners and sheets, jute shopping bags etc.

Buds – New products and services

Like a bud is tomorrow's flower, a new product range is tomorrow's value addition to the company's product line.

The new products and services of Howrah Mills include:

- All types of treated fabrics
- Leno fabric
- Food-grade bags
- Jumbo bags

Crown – awards and certificates

Like the crown is the canopy of tree, awards crowned on the company are its pride.

- ISO 9001-2008 certification from the Bureau of Indian Standards
- It is the only mill to run on 100% IJIRA Certified Food Grade Batching Oil
- Export House duly recognised by the Government of India
- Registered under the Clean Development Mechanism (CDM), Kyoto Protocol as certified by United Nations Framework Kyoto Protocol and by United Nations Framework Conventions upon Climate Change (UNFCCC)
- The only jute manufacturing unit in the world to have been awarded with Carbon Credit for its technology of using alternate sources of fuel for the boilers
- We are listed on The Calcutta Stock Exchange Limited

Trunk – capacity

Like a trunk is the main wooden axis that supports a tree, a company's capacity supports the company's growth and sustainability.

The company's various capacities are:

- Annual production - 58,000 MT
- Employee - more than 5000 workers





“Our focus has always been to protect the earth from damage and we have adopted every means to ensure our strong foothold to minimise our carbon footprints on the environment.”

Mr. Sanjay Mall, *Managing Director* – Howrah Mills Company Limited, reviews 2011-12 and outlines the strategic blueprint for the future.

What were some of the highlights of the company's performance in 2011-12?

Most concede that development at the cost of a clean world is generally short-lived. However, the challenge lies in reconciling the growing needs of the present without compromising the interests of the future.

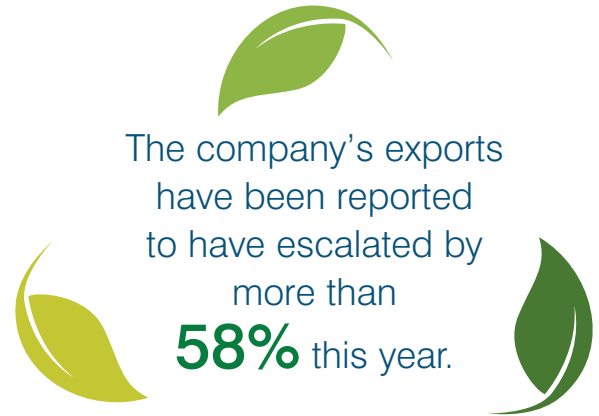
Howrah Mills is a company with a soul. We recognise that we must manage our manufacturing processes with the objective to minimise emissions and make the neighbouring vicinity absolutely safe for all living beings. We have always maintained an eco-friendly relation with the nature and have steered to be one of the most sustainable nature-friendly companies that not only extracts from nature but also gives back in double amounts. Our focus has always been to protect the earth from damage and we have adopted every means to ensure our strong foothold to minimise our carbon footprints on the environment – our strong belief over the 100 years of existence and operation.

The company showed improvement both in topline and bottomline.

- Our production increased by nearly 10%, from 43,440 MT to 47,817 MT
- Our sales escalated by nearly 16% from ₹336.37 cr. to ₹390.05 cr.
- Our exports this year saw a steep increase by more than 58% from ₹45.41 cr. to ₹72.03 cr.
- Our PAT grew by nearly 71% from ₹2.07 cr. to ₹3.53 cr.

What initiatives did the company take in 2011-12 to safeguard its prospects in the face of these challenges?

Armed with a strong management team and an extremely experienced workforce, challenges are dealt with efficiently at Howrah Mills. This year, the major challenge being shortage of manpower, the company introduced various incentive schemes at its shopfloor in order to attain optimum



productivity, maximum attendance and output from the workforce. Such a scheme enthused the labourers and motivated them.

On the other hand, the company has installed new high speed spinning frames and automatic shuttle-less looms, to manufacture value-added products.

How did the jute prices behave in the year under review?

Jute prices have not behaved favourably in the year under review. There was a small carryover of raw jute last year, and with a bumper crop, the prices of raw jute came down to reasonable levels. The initial forecast of this year was that the carryover would be big, but the dearth of rains is still a matter of concern. The increase on minimum support price by nearly 30% by the ministry will now keep the jute price on an upward swing, in spite of the huge carryover stock this year.

Did exports rise? If so, by how much and why?

The company has fully focused on its exports last year. This continuous thrust to increase its exports' share has helped it to improve its performance by a great deal. In the year under

review, the company's exports have been reported to have escalated by more than 58% this year, from ₹45.41 cr. to ₹72.03 cr. The main reason for being able to acquire this whopping figure was due to the increase in exports of jute yarn from the company's Rajam unit.

What are the environment-friendly initiatives undertaken in 2011-12? Any new certifications obtained or in process? Any new product lines explored?

The company is pleased to announce that:

- It is the only company to run with 100% vegetable oil in its processing
- It is the only company to be accredited with UNFCC for its reduction of carbon emission in the environment
- It is an ISO 9001-2008 company
- It is an export house duly recognised by Govt. of India
- It is under process to acquire the BIS for ISO 14001 for Environmental Management System for Industrial Production and BS OHSAS 18001 for Occupational Health and Safety Management Systems, certifications



The company targets
to achieve
₹100 cr.
export by 2014



What is the outlook for the jute industry going forward? Kindly enumerate the opportunities and threats.

Opportunities

The Jute industry scenario looks positive and hints at a better scenario in the future. In many areas, Indian Jute industry is ahead of other jute producing and manufacturing countries. The weakening of the Indian rupee against the US\$ will offer more opportunities for the export of jute goods at attractive prices. Jute, being biodegradable, gets a preference due to the concern of environmental issues and global warming. Also, with an increase in foodgrain production in India, the demand for jute bags will continue to increase. Governments continue to provide its unrelenting support to promote modernisation and technological upgradation in manufacturing facilities.

Threats

Inadequate availability of raw jute as there has been no development of high yielding seeds. The Government of India's policy to review the Jute Packaging Materials (Compulsory Use for Packing Commodities) Act, 1987

(JPMA), every year does not give the industry a clear long-term confidence. The industry hesitates to expand because of shortage of labour, the frequent rise in power cost and the rising competition from cheaper imports from Bangladesh.

What is the future strategy and optimism for the company going forward?

The strategies adopted by the company to ensure a smooth and sustainable future development are:

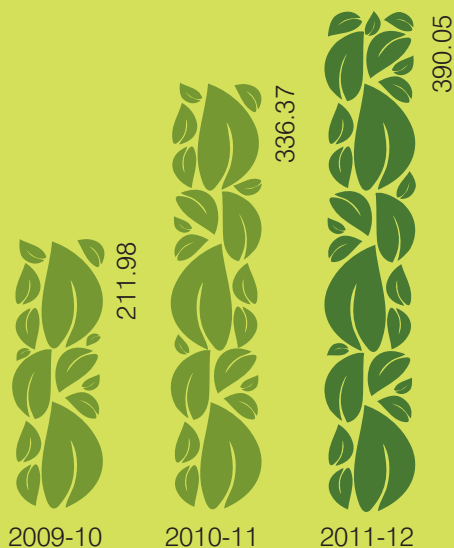
- To continue its efforts to upgrade and modernise its machinery and include more value-added products in its product basket
- To increase its export share by targeting new markets

To conclude an interview for a report based on sustainability, kindly elucidate what the company has done on the community development and corporate social responsibility front?

The company has been consistently contributing towards the welfare and social upliftment of the society, through various welfare trusts in Kolkata.

Highlights, 2011-12

Turnover (₹ in cr.)



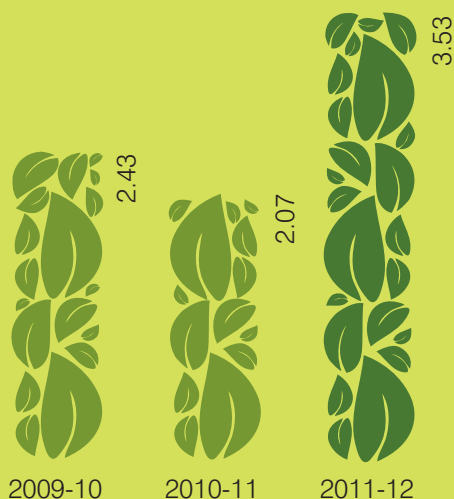
16%

growth in revenues from ₹336.37 cr. in 2010-11 to ₹390.05 cr. in 2011-12

71%

growth in profit after tax from ₹2.07 cr. in 2010-11 to ₹3.53 cr. in 2011-12

Profit After Tax (₹ in cr.)



50%

increase in ROCE from 18% in 2010-11 to 27% in 2011-12

33%

increase in cash profit from ₹6.62 cr. in 2010-11 to ₹8.78 cr. in 2011-12

“There is hope if people will begin to awaken that spiritual part of themselves, that heartfelt knowledge that we are caretakers of this planet.”

- Brooke Medicine Eagle

Being a responsible organisation, we care for our environment and our surroundings where we work. We believe that, in order to survive, we must take care of the environment. However our primary initiative is to keep our atmosphere green.

We have installed another 3TPH Bio-mass fired boiler which has already received the host country approval from NCDMA, Government of India. This project has all eligibilities to be registered as a CDM project.

Our first UNFCCC registered project for operation of 2T Bio-mass fired boiler, is the first-of-its-kind project in the jute industry. It has completed the fifth verification by the verifier successfully and is awaiting the issuance of CER (Certificate Emission Reduction) from the UNFCCC.

At Howrah Mills, we care for the environment in which we operate. Our initiatives are our proactive 'green' concerns opposed to a reactive damage control. Since our project was registered, we have been able to achieve a reduction of GHG Gas (CO₂) to the extent of 23,500 tCO₂e, which is equivalent to savings of energy in terms of coal, to the extent of approximately 9,500 MT.





Corporate Information

Board of Directors

| | |
|---------------------------|---------------------|
| Sanjay Mall | Managing Director |
| Sitansu Banerjee | Whole-time Director |
| Shankar Lal Jhawar | Director |
| Bhag Chand Jain | Director |
| Sankar Kumar Mukhopadhyay | Director |
| Kamal Hyder Siddique | Director |

Company Secretary

Tuhinangsu Roy

Bankers

State Bank of India
The Federal Bank Limited

Auditors

S. Jaykishan
Chartered Accountants
12, Ho-Chi-Minh Sarani
Kolkata – 700 071

Cost Auditor

D. Radhakrishnan & Co.
11A, Dover Lane, Flat No. B1/34
Kolkata-700029

Solicitor & Advocate

Utpal Majumdar
7C, Kiran Shankar Roy Road
Hastings Chamber, 3rd Floor
Kolkata-700001

Registrar & Share Transfer Agent

Maheshwari Datamatics Private Limited
6, Mangoe Lane, 2nd Floor
Kolkata – 700 001
Phone No: +91 33 2243 5029 / 5809
Fax: +91 33 2248 4787
Email: mdpl@cal.vsnl.net.in
mdpl@vsnl.com

Registered Office & Administrative Office

“Howrah House”
135, Foreshore Road,
Howrah – 711 102
Phone: +91 33 2641 2402/4446/4159/2748
E-Mail: howrahfinance@mjindia.com
Fax: +91 33 2641 2796/1447
Website:
www.mjindia.com/jute/howrahmill/html/index.html

Notice

NOTICE is hereby given that the One Hundred and Eighty Sixth Annual General Meeting of the members of Howrah Mills Company Limited will be held on Monday the 24th September 2012 at 11.30 a.m. at the Registered Office of the Company at "Howrah House", 135, Foreshore Road, Howrah – 711 102 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. B.C. Jain who retires by rotation and being eligible, offers himself for reappointment.
4. To re-appoint 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 on a remuneration to be mutually agreed upon with the Board of Directors.

SPECIAL BUSINESS:

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

"**RESOLVED** that in accordance with section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Sankar Kumar Mukhopadhyay, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 81 of the Articles of Association of the Company be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"**RESOLVED** that in accordance with section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Kamal Hyder Siddique, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 81 of the Articles of Association of the Company be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

"**RESOLVED** that in accordance with the provision of sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, approval of the Company be and is hereby accorded to the appointment of Mr. Sanjay Mall as the Managing Director of the Company for a period of three years with effect from 01.06.2012 to 31.05.2015 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting."

"**RESOLVED FURTHER** that the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**.

"**RESOLVED** that in accordance with the provision of sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, approval of the Company be and is hereby accorded to the re-appointment of Mr. Sitansu Banerjee as a Whole time Director of the Company for a period of three years with effect from 01.04.2012 to 31.03.2015 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting."

"**RESOLVED FURTHER** that the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

By order of the Board
For Howrah Mills Company Limited

Tuhinangsu Roy
Company Secretary

Registered Office:
"Howrah House",
135, Foreshore Road,
Howrah-711102

Date: 23rd August, 2012

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the meeting.
3. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of items of special business is annexed hereto and forms a part of this notice.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from 18th September, 2012 to 24th September, 2012 (both days inclusive).
5. The Company's Registrar and Share Transfer Agent M/s. Maheshwari Datamatics Private Limited, 6, Mangoe Lane, 2nd Floor, Kolkata – 700 001 should be contacted:
 - by the Members to notify their change of address if any, and for any queries relating to shares and
 - by the investors to send their documents for transfer/transmission of shares.
6. Shareholders can get their shares dematerialised by opening a demat account with a Depository Participant through National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).
7. The Register of Directors' Shareholding kept pursuant to section 307 of the Companies Act, 1956 shall remain open for inspection by any member of the Company at the Registered Office of the Company during 11.00 a.m. to 1.00 pm. on each working day beginning 14 days before the date of the Annual General Meeting and ending 3 days after the date of its conclusion.
8. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the meeting.
9. Dividend, as recommended by the Board of Directors, if declared at the meeting will be paid on or before 23.10.2012 to members holding shares in physical mode, whose names shall appear in the Company's Register of Members at the close of working hours of the Company on 17.09.2012. In respect of the shares held in electronic form, the dividend will be paid to the persons whose names shall appear as beneficial owner as at the end of the business hours on 17.09.2012 as per details furnished by NSDL & CDSL.
10. Members / Proxies are requested to bring the attendance slip duly filled in for attending the Meeting. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
11. Members are also requested to bring their copy of Annual Report to the Meeting.
12. Members desirous of getting any information about the accounts or operations of the Company are requested to forward their queries to the Company at least seven working days prior to the meeting so that proper information can be made available at the meeting.
13. Members are entitled to make nominations in respect of shares held by them in physical form by sending their request to the Company's Registrar and Share Transfer Agent and for shares held in dematerialized form they are requested to contact their respective DPs.
14. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to inform their e-mail address to the Company's Registrar and Share Transfer Agent M/s Maheshwari Datamatics Private Limited, 6, Mangoe Lane, Kolkata - 700 001, quoting their folio no.(s).
15. In terms of Circular No.51/12/2007-CL-III dated 08.02.2011 issued by the Ministry of Corporate Affairs, the Audited Accounts, Directors' and Auditors Reports of the Company's subsidiaries viz. (a) HMC Jute Park Enterprises Limited and (b) HMC Power Companies Limited for the financial year ended 31.03.2012 are not attached with this Annual Report. The Annual Accounts of the aforesaid subsidiaries are kept at the Registered Office of Howrah Mills Company Limited (Holding Company) and at the Registered Offices of the subsidiary companies for inspection by any shareholder during working days at business hours after prior notice.
16. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order or names are requested to send their share certificates to the Company's Registrar and Share Transfer Agent for consolidation into a single folio.
17. The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Numbers ("PAN") by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN details to their Depository Participants with whom they maintain their Demat Accounts. Members holding shares in physical form should submit their PAN details to the Company's Registrar & Share Transfer Agent.

18. The last dates of claim for the following dividends are as follows:

Equity

| Dividend for the financial year ended | Date of declaration of Dividend | Last date for claiming unpaid Dividend | To be transferred to IEPF within 30 days on & from |
|---------------------------------------|---------------------------------|--|--|
| 31-03-2010 | 21-09-2010 | 27-10-2017 | 28-10-2017 |
| 31-03-2011 | 28-09-2011 | 03-11-2018 | 04-11-2018 |

Preference

| Dividend for the period | Date of declaration of Dividend | Last date for claiming unpaid Dividend | To be transferred to IEPF within 30 days on & from |
|--------------------------|---------------------------------|--|--|
| 15.06.1993 to 14.06.2008 | 23-09-2008 | 05-08-2017 | 06-08-2017 |

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

Item No. 5:

The Board of Directors at its meeting held on 14.05.2012 had, pursuant to the provisions of Section 260 of the Act and Article 81 of the Articles of Association of the Company, appointed Mr. Sankar Kumar Mukhopadhyay as an Additional Director of the Company.

In terms of the provisions of Sections 260 of the Act, Mr. Sankar Kumar Mukhopadhyay will hold office upto the date of this Annual General Meeting. The Company has received a notice in writing along with a deposit of ₹500/- from a member of the Company under Section 257 of the Act proposing the candidature of Mr. Sankar Kumar Mukhopadhyay for the office of Director of the Company. Mr. Mukhopadhyay is not disqualified under Section 274 of the Act and has given his consent to act as a Director, if appointed.

Keeping in view the qualifications and vast experience possessed by Mr. Sankar Kumar Mukhopadhyay your Directors feel that the appointment of Mr. Mukhopadhyay as a Director will be beneficial to the Company and accordingly recommend the Resolution set out in item No. 5 of the convening notice for your approval.

Except Mr. Sankar Kumar Mukhopadhyay no other Director is concerned or interested in the Resolution.

Item No. 6:

The Board of Directors at its meeting held on 14.05.2012 had, pursuant to the provisions of Section 260 of the Act and Article 81 of the Articles of Association of the Company, appointed Mr. Kamal Hyder Siddique as an Additional Director of the Company.

In terms of the provisions of Sections 260 of the Act, Mr. Kamal Hyder Siddique will hold office upto the date of this Annual General Meeting. The Company has received a notice in writing along with a deposit of ₹500/- from a member of the Company under Section 257 of the Act proposing the candidature of Mr. Kamal Hyder Siddique for the office of Director of the Company. Mr. Siddique is not disqualified under Section 274 of the Act and has given his consent to act as a Director, if appointed.

Keeping in view the qualifications and vast experience possessed by

Mr. Kamal Hyder Siddique your Directors feel that the appointment of Mr. Siddique as a Director will be beneficial to the Company and accordingly recommend the Resolution set out in item No. 6 of the convening notice for your approval.

Except Mr. Kamal Hyder Siddique no other Director is concerned or interested in the Resolution.

Item No. 7:

The Board of Directors at its meeting held on 14.05.2012 has approved the appointment of Mr. Sanjay Mall as the Managing Director of the Company for a period of three years with effect from 01.06.2012 till 31.05.2015 on a remuneration in conformity with Schedule XIII of the Act as approved by the Remuneration Committee and upon such terms and conditions as stated herein under.

Mr. Sanjay Mall has managerial and administrative experience and is skilled in export and marketing functions. He joined the Company as a Non-Executive Director on 28.01.2010 and is in the Board of several other companies.

Tenure of Appointment: For a period of three years from 1st June, 2012 till 31st May, 2015.

Remuneration:

A. Basic Salary: ₹1,00,000/- per month with an annual increment of ₹10,000/-.

B. Perquisites & Allowances:

- (i) **Ex-gratia:** One month basic salary once a year.
- (ii) **Medical benefit for self and family:** Re- imbursement of expenses actually incurred the total cost of which to the Company shall not exceed one month basic salary in a year or two months basic salary in a block of two years.
- (iii) **Personal Accident Insurance:** Premium not exceeding ₹2,000/- per annum on sum assured as per the Rules of the Company
- (iv) **Medi-claim Insurance:** Premium not exceeding ₹20,000/- per annum towards medi-claim insurance policy for self and wife and upto two dependent children as per Rules of the Company.

- (v) **Leave travel Concession:** One month basic salary once a year.
- (vi) **Car:** One fully maintained car with driver for Company's business purpose.
- (vii) **House Furnishing & Maintenance Allowance:** Re-imbursment of expenses actually incurred upto ₹60,000/- per annum.
- (viii) **Club:** Re-imbursment of annual membership fees for two clubs. This will not include admission and life membership fees.
- (ix) **Leave Encashment:** Leave accumulated but not availed will be allowed to be encashed on retirement subject to a maximum of 180 days.
- (x) **Telephone:** The Company shall bear the cost of all official calls incurred towards residential telephone and one mobile phone.
- (xi) **Gratuity:** Gratuity payable in accordance with the Gratuity Act, 1972.
- (xii) **Provident Fund:** Contribution to Provident Fund shall be as per the Scheme of the Company.
- (xiii) **Leave:** On full pay and allowances but not more than one month leave for every eleven months of service.

C. Overall Remuneration: The aggregate of the remuneration of salary, perquisites and allowances in any financial year is within the purview of sections 198, 309 and Schedule XIII of the Act.

D. Minimum Remuneration: Where in any financial year, the Company has no profits or its profits are inadequate during the tenure of the Managing Director, the Company will continue to pay the Managing Director, remuneration by way of basic salary, perquisites and allowances as mentioned above.

E. Other Terms and Conditions:

- (i) As long as Mr. Mall functions as the Managing Director of the Company no sitting fees shall be paid to him for attending the meetings of the Board or any Committee thereof.
- (ii) Mr. Mall shall devote himself exclusively to the business affairs of the Company.
- (iii) Either party shall be entitled to terminate the agreement at any time by giving to the other party three months notice in writing or three months basic salary in lieu of notice.
- (iv) Mr. Mall shall not divulge or disclose to others any of the secrets or confidential information of the Company during and /or after his employment with the Company.
- (v) Mr. Mall shall not as long as he functions as the Managing Director of the Company become interested or otherwise concerned directly or indirectly in a contract or arrangement with the Company without the prior approval of the Board.
- (vi) Mr. Mall shall comply with the directions given by the Board and shall also observe the Code of Conduct of the Company and all other Policies and Regulations framed and/or adopted by the Company from time to time.
- (vii) Mr. Mall shall immediately cease to be the Managing Director if he ceases to hold the Office of Directorship in the Board for any reason.

The ordinary resolution set out in the convening notice under item 7 is intended to obtain the approval of the members in this Annual General

Meeting and your Directors recommend the acceptance of the Resolution.

Mr. Sanjay Mall is interested in the Resolution as set out at item No. 7 of the Notice which pertains to his appointment and remuneration payable to him. Save and except Mr. Mall, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

Item No. 8:

In the 184th Annual General Meeting of the Company, Mr. Sitansu Banerjee was re-appointed as the Whole-time Director of the Company for a period of two years with effect from 01.04.2010, the term of which has expired on 31.03.2012.

The Board of Directors at its meeting held on 14.05.2012 has approved the re-appointment of Mr. Sitansu Banerjee as the Whole time Director of the Company for a further period of three years with effect from 01.04.2012 till 31.03.2015 on a remuneration in conformity with Schedule XIII of the Act as approved by the Remuneration Committee and upon such terms and conditions as stated herein under.

Mr. Sitansu Banerjee joined as the Finance Director of the Company on 14.02.1994 and thereafter was appointed as the Wholetime Director of the Company on 01.04.2008. He has over 42 years of experience in finance, accounts and has served in India and abroad in several reputed industrial organizations and global companies in senior positions.

Tenure of Appointment: For a period of three years from 1st April, 2012 till 31st March, 2015.

Remuneration:

A. Basic Salary: ₹50,000/- per month with an annual increment of ₹5,000/-.

B. Perquisites & Allowances:

- (i) **Rent Free Accommodation:** The rent payable by the Company on hiring unfurnished accommodation will be subject to a maximum of 40% of the basic salary per month.
- (ii) **Ex-gratia:** One month basic salary once a year.
- (iii) **Medical benefit for self and family:** Re- imbursement of expenses actually incurred the total cost of which to the Company shall not exceed one month basic salary in a year or two months basic salary in a block of two years.
- (iv) **Personal Accident Insurance:** Premium not exceeding ₹2,000/- per annum on sum assured as per the Rules of the Company.
- (v) **Medi-claim Insurance:** Premium not exceeding ₹40,000/- per annum towards medi-claim insurance policy for self and wife as per the Rules of the Company.
- (vi) **Leave travel Concession:** One month basic salary once a year.
- (vii) **Car:** One fully maintained car with driver for Company's business purpose.
- (viii) **Leave Encashment:** Leave accumulated but not availed will be allowed to be encashed on retirement subject to a maximum of 180 days.

(ix) **Telephone:** The Company shall bear the cost of all official calls incurred towards residential telephone and one mobile phone.

(x) **Gratuity:** Gratuity payable in accordance with the Gratuity Act, 1972.

(xi) **Leave:** On full pay and allowances but not more than one month leave for every eleven months of service.

C. Overall Remuneration: The aggregate of the remuneration of salary, perquisites and allowances in any financial year is within the purview of sections 198, 309 and Schedule XIII of the Act.

D. Minimum Remuneration: Where in any financial year, the Company has no profits or its profits are inadequate during the tenure of the Wholetime Director, the Company will continue to pay the Wholetime Director, remuneration by way of basic salary, perquisites and allowances as mentioned above.

E. Other Terms and Conditions:

(i) As long as Mr. Banerjee functions as the Wholetime Director of the Company no sitting fees shall be paid to him for attending the meetings of the Board or any Committee thereof.

(ii) Mr. Banerjee shall devote himself exclusively to the business affairs of the Company.

(iii) Either party shall be entitled to terminate the agreement at any time by giving to the other party two months notice in writing or two months basic salary in lieu of notice.

(iv) Mr. Banerjee shall not divulge or disclose to others any of the secrets or confidential information of the Company during and /or after his employment with the Company.

(v) Mr. Banerjee shall not as long as he functions as the Wholetime Director of the Company become interested or otherwise concerned directly or indirectly in a contract or arrangement with the Company without the prior approval of the Board.

(vi) Mr. Banerjee shall comply with the directions given by the Board

and shall also observe the Code of Conduct of the Company and all other Policies and Regulations framed and/or adopted by the Company from time to time.

(vii) Mr. Banerjee shall not be subject to retirement by rotation and he shall immediately cease to be the Wholetime Director if he ceases to hold the Office of Directorship in the Board for any reason.

The special resolution set out in the convening notice under item 8 is intended to obtain the approval of the members in this Annual General Meeting and your Directors recommend the acceptance of the Resolution.

Mr. Sitansu Banerjee is interested in the Resolution as set out at item No. 8 of the Notice which pertains to his re-appointment and remuneration payable to him. Save and except Mr. Banerjee, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

By order of the Board
For Howrah Mills Company Limited

Tuhinangsu Roy
Company Secretary

Registered Office:
"Howrah House",
135, Foreshore Road,
Howrah-711102

Date: 23rd August, 2012

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 IV (G) (i) OF THE LISTING AGREEMENT)

| | |
|---|---|
| Name of Director | Mr. B.C. Jain |
| Date of Birth | 10.02.1946 |
| Qualification | Chartered Accountant |
| Expertise in specific functional area | Wide experience in the field of accounts & taxation. |
| Directorships held in other companies (excluding foreign companies) | Interstate Oil Carrier Ltd Gopalpur Tea Co Ltd Merfin Advisors Private Limited B. Jain Consultants Private Limited P.R. Constructions Pvt. Ltd. |
| Committee Membership if any, with position (other than in Howrah Mills Co. Ltd.) | Chairman Audit Committee 1. Gopalpur Tea Co Ltd. 2. Interstate Oil Carrier Ltd Chairman Shareholders' Investors' Grievance Committee 1. Gopalpur Tea Co Ltd. 2. Interstate Oil Carrier Ltd |
| Shareholding in the Company | Nil |

| | |
|---|--|
| Name of Director | Mr. Sankar Kumar Mukhopadhyay |
| Date of Birth | 13.04.1942 |
| Qualification | M.Com, CAIIB, Dip. in Industrial Finance & Co-operation |
| Expertise in specific functional area | Wide experience in the field of Banking, Finance & Administration. |
| Directorships held in other companies (excluding foreign companies) | Nest Dairy Farm (P) Limited |
| Committee Membership if any, with position (other than in Howrah Mills Co. Ltd.) | Nil |
| Shareholding in the Company | Nil |

| | |
|---|---|
| Name of Director | Mr. Kamal Hyder Siddique |
| Date of Birth | 29.02.1944 |
| Qualification | M.Com. B.A. (Special), LL.B, CAIIB. |
| Expertise in specific functional area | Wide experience in the field of Industrial Relations, Retail Banking and Forex. |
| Directorships held in other companies (excluding foreign companies) | Nil |
| Committee Membership if any, with position (other than in Howrah Mills Co. Ltd.) | Nil |
| Shareholding in the Company | Nil |

| | |
|---|--|
| Name of Director | Mr. Sanjay Mall |
| Date of Birth | 17.08.1968 |
| Qualification | B.Com (Hons.) |
| Expertise in specific functional area | Expertise in the management and administration of jute industry and skilled in export and marketing functions. |
| Directorships held in other companies (excluding foreign companies) | Mall Infrastructure Development (P) Ltd West Bengal Agro Textile Corporation Ltd. Bengal Techno Industrial Projects Ltd. Indian Jute Mills Association HMC Jute Park Enterprises Ltd H.R. Polysack (P) Ltd. |
| Committee Membership if any, with position (other than in Howrah Mills Co. Ltd.) | Nil |
| Shareholding in the Company | Nil |

| | |
|---|---|
| Name of Director | Mr. Sitansu Banerjee |
| Date of Birth | 01.07.1933 |
| Qualification | ACMA (Lond.), FICWA, CGMA (USA). |
| Expertise in specific functional area | Wide experience in the field of Finance & Accounts Management. |
| Directorships held in other companies (excluding foreign companies) | H.R. Global Finance Limited H.R. Infracon Limited West Bengal Agro Textile Corporation Ltd. HMC Jute Park Enterprises Ltd. |
| Committee Membership if any, with position (other than in Howrah Mills Co. Ltd.) | Nil |
| Shareholding in the Company | Nil |



Directors' Report

Your Directors have pleasure in presenting their 186th Annual Report alongwith the Audited accounts of the Company for the year ended 31st March 2012.

Financial results

(₹ in lakhs)

| | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|--------------------------|--------------------------|
| Operating Profit before Interest and Depreciation | 1,505.53 | 1,103.66 |
| Other Income | 185.70 | 19.32 |
| | 1,691.23 | 1,122.98 |
| Less – Interest | 812.96 | 461.06 |
| | 878.27 | 661.92 |
| Less – Depreciation | 439.16 | 389.91 |
| Profit before tax | 439.11 | 272.01 |
| Less – Provision for Tax (net) | 85.68 | 65.40 |
| Profit after tax | 353.43 | 206.61 |
| Less – Proposed Dividend on Equity Shares | 27.22 | 24.72 |
| Less – Corporate Dividend Tax | 4.42 | 4.11 |
| | 321.79 | 177.78 |
| Accumulated Profit brought forward from previous year | 1,897.09 | 1,719.31 |
| Accumulated Profit carried forward to next year | 2,218.88 | 1,897.09 |

OPERATIONS

During the year your Company's production was 47817 MT including 8650 MT from Rajam unit as compared to 43440 MT in the previous year. The turnover of the Company has gone up to ₹390.05 crores as compared to ₹336.37 crores in the previous year.

The jute crop during the current season is good and there has been adequate supply of the crop all through the year which ensured that the prices of raw jute remained at reasonable levels throughout the season. The initial forecast of raw jute

crop in the new jute season is good and there would be enough carry over at the end of the year. Prices in the current year are likely to be stable with an upward bias because the minimum support price has been substantially increased by Central Agricultural Ministry from ₹1,725/- to ₹2,250/- per quintal for TD5 South Bengal jute.

The year under review saw your Company posting good performance as the profit after tax for the year has gone up to ₹3.53 crores as against ₹2.07 crores during the year 2010-11 registering a growth of 70.53%.

EXPORTS

Your Company continues its thrust to increase exports which has increased from ₹45.41 crores in the previous year to ₹72.03 crores in the current year an increase by over 58%. The reason for increase in export of jute yarn is for the availability of the same from the Company's Rajam unit. The Company is exploring market in various countries in Africa and Latin America. The Company has a healthy order book and expects to further increase the export turnover in the current year.

MODERNISATION

The modernisation of plant & machinery is a continuous process. We are replacing old spinning frames with high speed frames and installing more of high speed shuttle-less looms.

DIVIDEND

Your Board has recommended a dividend of 5% (Re. 0.50) per equity share for the financial year 2011-2012, as per last year.

SUBSIDIARY COMPANIES

- West Bengal Agro Textile Corporation Limited (WBATCL) has ceased to be a subsidiary as on 31.03.2012. However during the year under review the Revenue from Operations has gone down from ₹26.76 crores in the previous year to ₹25.62 crores in the current year. Profit has gone up from ₹9.61 lacs in the previous year to ₹27.77 lacs in the current year.
- The proposal with the National Jute Board to develop the Jute Park on the basis of a Development Agreement between our subsidiary HMC Jute Park Enterprises Limited and other parties who are interested to set up their units in the proposed Jute Park is still pending with the Government of India.
- The procurement of land for HMC Power Companies Limited for setting up of a 5 MW Bio-mass based power plant in the District of Hooghly is completed. However due to increase in the price of rice husk and also for irregular supply the viability of the project has become uneconomical. Your Company has decided to withhold this project for the time being.

GREEN HOUSE GAS REDUCTION

The Kyoto Protocol has been extended from 2012 till 2017. Your Directors have initiated a negotiation with the existing buyer of CER for a long term contract.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT AND REPORT ON CORPORATE GOVERNANCE

As required in terms of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis Report and a Report on Corporate Governance along with a certificate from the Statutory Auditors on its compliances are annexed forming part of this Report.

DIRECTORS

- The Board at its meeting held on 14.05.2012 had appointed Mr. Sanjay Mall as the Managing Director of the Company for a period of three years with effect from 01.06.2012 till 31.05.2015 on the terms and conditions as stated in the Notice subject to the approval of the members at the forthcoming Annual General Meeting of the Company.
- The Members at the 184th Annual General Meeting of the Company had re-appointed Mr. Sitansu Banerjee as the Whole-time Director of the Company for a period of two years with effect from 01.04.2010 the term of which has expired on 31.03.2012. The Board at its meeting held on 14.05.2012 had re-appointed Mr. Banerjee as the Whole time Director of the Company for a further period of three years with effect from 01.04.2012 till 31.03.2015 on the terms and conditions as stated in the Notice subject to the approval of the members at the ensuing Annual General Meeting.
- Mr. Sankar Kumar Mukhopadhyay and Mr. Kamal Hyder Siddique have been appointed as Additional Directors with effect from 14.05.2012. In terms of Article 81 of the Articles of Association of the Company read with section 260 of the Companies Act, 1956 Mr. Mukhopadhyay and Mr. Siddique will hold their respective offices upto the date of the next Annual General Meeting of the Company. The Company has received a notice in writing pursuant to section 257(1) of the Companies Act, 1956 from a member signifying its intention to propose Mr. Mukhopadhyay and Mr. Siddique for election to the Office of Directors at the ensuing Annual General Meeting.
- In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. B.C. Jain retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors state as follows.

- (a) that in the preparation of the annual accounts, for the financial year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (b) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 the year .
- (c) that 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) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2012 on a going concern basis.

PARTICULARS OF EMPLOYEES

Your Company has not paid any remuneration attracting the provisions of the Companies (Particulars of Employees) Rules, 1975 read with Section 217 (2A) of the Companies Act, 1956. Hence, no information is appended to this Report in this regard.

ACCREDITATIONS FROM BIS

The Company will shortly receive certifications from BIS for ISO 14001 for Environmental Management System for Industrial Production and BS OHSAS 18001 for Occupational Health and Safety Management System. The Company will be the first to receive both the Certificates.

AUDITORS AND AUDITORS' REPORT

M/s. S. Jaykishan, Chartered Accountants, the Auditors of your Company retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

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

COST AUDIT

Pursuant to section 233B of the Companies Act, 1956 and

revised guidelines issued by the Ministry of Corporate Affairs, the Company gets its cost accounts audited by M/s. D. Radhakrishnan & Co., Cost Accountants, of 11A, Dover Lane, Kolkata – 700 029 who are appointed as the Cost Auditor of the Company with the approval of the Ministry of Corporate Affairs. The Cost Audit Report for 2010-2011 was signed on 23.08.2011 and was duly filed. The due date for filing the Cost Audit Report for 2010-2011 was 30.09.2011.

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.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of the Accounting Standards issued by The Institute of Chartered Accountants of India. The audited Consolidated Financial Statements together with Auditors' Report forms part of the Annual Report.

PUBLIC DEPOSIT

The Company has not accepted any deposits from the public under section 58A of the Companies Act, 1956 and rules framed there under.

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, Bankers, Financial Institutions, Business Associates and Shareholders. Your Directors also place on record their deep appreciation of the valuable contribution of the employees at all levels for the progress of your Company during the year and look forward to their continued cooperation in realisation of the corporate goals in the years ahead.

For and on behalf of the Board

| | |
|---------------------|----------------------------|
| Sanjay Mall | <i>Managing Director</i> |
| S. Banerjee | <i>Whole-time Director</i> |
| S. L. Jhawar | <i>Director</i> |

Place: Howrah

Date: 23rd August, 2012



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 continues to install energy saving and more efficient spinning frames, looms, motors and equipments.
- b. Additional investments and proposals being implemented for reduction of consumption of energy. : On installation of the above there will be savings in the consumption of energy.
- c. Impact : To replace fossil fuel with Bio Mass.
- d. Form A :

| Particulars | For the year ended on 31.03.2012 | For the year ended on 31.03.2011 |
|---|----------------------------------|----------------------------------|
| i) Power & Fuel Consumption | | |
| Electricity | | |
| Purchased Unit | 2,38,74,947 | 2,03,00,200 |
| Total Amount | 13,71,86,081 | 10,78,25,844 |
| Rate/Unit | 5.75 | 5.31 |
| Own Generation through Diesel | | |
| Generators – Units | 4,01,142 | 61,250 |
| Unit per Ltr. of Diesel | 2.90 | 2.86 |
| Cost per unit ₹ | 15.90 | 13.62 |
| Coal | | |
| (B & C Grades used mainly for generation of steam boiler) | | |
| Quantity – Ton | - | - |
| Total Cost – ₹ | - | - |
| Average Rate – ₹ / Ton | - | - |
| Consumption per unit of production | | |
| Production – Ton | 47,817 | 38,755 |
| Electricity per Ton (Unit) | 468 | 476 |
| Coal (B & C grades)/ton of production-(Ton) | - | - |

The last year's figures exclude "Rajam Unit".

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 products and production process for better productivity.

2. Benefits derived as a result of above R & D

Improvement in quality of the product, cost effectiveness and utilisation of waste materials.

3. Future plan of action

The Company is planning to establish a new unit under our subsidiary HMC Power Companies Limited for installation and maintenance of solar panels in hotels, malls, large housing/commercial complexes.

4. Expenditure on R & D

- | | |
|--|--|
| a. Capital | In accordance with Company's |
| b. Recurring | consistent practice, expenditure |
| c. Total R & D expenditure as a percentage of turnover | incurred on R & D activities remain merged under 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. product improvement, cost reduction, product development. | : Improvement in productivity & 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 ₹7,203.08 lacs directly, apart from export through Merchant Shippers, as against ₹4,540.53 lacs in the previous year. The Company is exploring new markets and expects to increase its exports substantially. |
| b) i) Total foreign exchange used | : ₹1,466.58 lacs. |
| ii) Total foreign exchange earned | : ₹7,233.03 lacs. |

For and on behalf of the Board

| | |
|--------------|---------------------|
| Sanjay Mall | Managing Director |
| S. Banerjee | Whole-time Director |
| S. L. Jhawar | Director |

Place: Howrah

Date: 23rd August, 2012



Management Discussion and Analysis Report

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Government of India has further extended the compulsory packing at 100% for food grains and sugar under the Jute Packaging Materials (Compulsory use for Packing Commodities) Act, 1987 (JPMA) upto 30.06.2012.

OPPORTUNITIES AND THREATS

OPPORTUNITIES

- Jute, being a bio-degradable and pollution free commodity, should continue to get preference over other substitute products in view of rising concern for environment and global warming;
- Weakening of rupee may offer opportunity for export of jute products at attractive prices;
- The industry continues to get incentives for modernisation and technological up-gradation of manufacturing facilities under different schemes.

RISKS AND CONCERNS / THREATS

- Availability of Raw jute, being an agricultural produce, may vary and thereby adversely affect the performance;
- Increased employee cost subsequent to Tripartite Settlement executed on 12th February, 2010 and ever increasing dearness allowance causing regular increase in the cost of production;
- Increased power cost due to revision in power tariff by CESC from time to time, is another major factor for increased production cost;
- Competition from cheaper substitute synthetic packaging materials;
- Competition from Bangladesh due to huge adverse differentials in wage, power cost and export subsidy offered

by Government of Bangladesh on jute goods;

- High inflation and higher rate of interest may affect demand and shall lead to increase in cost of funds;
- Multi-unionism is one of the major problems faced by the jute industry;
- With recession in economies world over in general and Euro zone in particular demand for jute products may face challenges.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The Company's operation for jute activity has improved and its operational profit has gone up as compared to the last year. In the real estate sector there has been a substantial dip in profits due to delay in obtaining permission from various authorities for further construction.

OUTLOOK

- The initial forecast of raw jute crop for the upcoming season is encouraging and there would be enough carry over stock at the end of the current season. The Central Agricultural Ministry has increased the minimum support price by more than ₹500/- per quintal from ₹1,725/- to ₹2,250/- per quintal for TD5 South Bengal jute. These factors would enable the prices to remain stable;
- The Company continues its thrust to modernize the mill and strive for value added products to improve sales and profitability;
- The Company has performed exceedingly well in the export front and expects to do better in the current year;
- Your Management continues to make all efforts and is hopeful to be able to improve the overall performance of the Company in the years to come.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

- The Company has adequate internal control system which provides reasonable assurance with regard to safeguarding the Company's assets, promoting operational efficiency by cost control, preventing revenue leakages, ensuring adequate financial & accounting controls and compliance with various statutory provisions;
- The services of the Company's Internal Auditor M/s. Kay & Kay Associates, Chartered Accountants has been extended for the Company's Rajam unit;
- The Company has installed a comprehensive ERP system which will provide timely and detailed information for the Management and will strengthen the internal control system;
- The audit observations and Action Taken Reports are placed periodically before the Audit Committee which has been reconstituted with three non-executive independent directors.

Place: Howrah
Date: 23rd August, 2012

DISCUSSION ON FINANCIAL PERFORMANCE

The following are the significant areas of financial performance:

(in ₹)

| Particulars | 2011- 2012 | 2010- 2011 |
|----------------------------|----------------|----------------|
| Revenue from operations | 3,90,05,49,447 | 3,36,36,94,519 |
| Cost of materials consumed | 2,79,31,58,080 | 2,56,19,72,948 |
| Finance costs | 8,12,96,345 | 5,45,88,259 |
| Profit after tax | 3,53,43,051 | 2,06,60,586 |

HUMAN RESOURCES

The Company is continuing its efforts through training to enhance competence of its manpower to make them more resourceful in their present job and also to prepare them for future roles. The Company is in the process of receiving certification for BS OHSAS 18001 for Occupational Health and Safety Management Systems.

CAUTIONARY STATEMENT

Statements made in this Report are made on good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

For and on behalf of the Board

Sanjay Mall *Managing Director*
S. Banerjee *Whole-time Director*
S. L. Jhawar *Director*



Corporate Governance Report for the year 2011-2012

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes that the 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 the 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 require 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 - a product for ensuring customer satisfaction. The activities and actions are undertaken considering the concern of all the stakeholders, viz. shareholders, creditors, distributors, customers, employees and the society at large.

2. BOARD OF DIRECTORS

I. Composition

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors and half of the Board comprises of Independent Directors. The present composition of the Board is as follows:

- One Managing Director
- One Whole-time Director
- Three Non-Executive Independent Directors.
- One Non-Executive Promoter Director.

No Director is related to any other Director on the Board in terms of the definition of "relative" given under the Companies Act, 1956.

- II. 8 (Eight) Board Meetings were held during the financial year ended 31st March 2012. The dates on which the Board Meetings were held are 09.05.2011, 10.08.2011, 23.08.2011, 12.11.2011, 15.12.2011, 24.01.2012, 08.02.2012 and 07.03.2012

III. Attendance of Directors at Board Meetings / last Annual General Meeting and number of other Directorships and Memberships / Chairmanships of Committees of each Director in other companies as on 31st March, 2012:

| Name of Director | Category | Attendance of meetings during 2011-2012 | | Number of Other Directorship and Committee Membership / Chairmanship | | |
|------------------|--------------------------------------|---|----------|--|----------------------|------------------------|
| | | Board Meeting | Last AGM | Other Directorship | Committee Membership | Committee Chairmanship |
| Mr. Sanjay Mall | Non-Executive & Promoter Director | 8 | Yes | 3 | Nil | Nil |
| Mr. S. Banerjee | Whole-time Director | 7 | Yes | 4 | Nil | Nil |
| Mr. S. L. Jhawar | Non-Executive & Promoter Director | 8 | Yes | 1 | Nil | Nil |
| Mr. B. C. Jain | Non-Executive & Independent Director | 7 | No | 2 | 4 | 4 |
| Mr. U. Majumdar | Non-Executive & Independent Director | 2 | No | Nil | Nil | Nil |

Notes:

- The Directorships held by Directors as mentioned above, do not include Directorships in Foreign Companies, Companies registered under section 25 of the Companies Act, 1956, Directorship in Howrah Mills Company Limited and Private Limited Companies.
- In accordance with clause 49 of the Listing Agreement, membership / chairmanship of only Audit Committee and Shareholders' / Investors' Grievance Committees in all Public Limited Companies (excluding Howrah Mills Company Limited) are considered.

3. AUDIT COMMITTEE

The Audit Committee of the Board comprised of Messrs S. Banerjee, B.C. Jain, S.L. Jhawar and Utpal Majumdar. The Board of Directors at its meeting held on 14.05.2012 had re-constituted the Audit Committee which now comprises of Messrs B.C. Jain, Sankar Kumar Mukhopadhyay and Kamal Hyder Siddique. Mr. B.C. Jain is a Non-Executive Independent Director, having adequate financial, accounting qualification and expertise, is the Chairman of the Audit Committee. The other members of the Committee are also financially literate. The Secretary of the Company is also the Secretary of the Committee.

The role and terms of reference of the Audit Committee covers the areas mentioned under clause 49 of the Listing Agreement. Brief descriptions of the terms of reference of the Audit Committee are as follows:

- I. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- II. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees, and also approval of payment for any other services rendered by the statutory Auditor.
- III. Reviewing with the management, the annual financial

statements before submission to the Board for approval with particular reference to:

- Matters required to be included in the Directors' Responsibility Statement is in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
- Changes, if any, in accounting policies and practices and the reasons for the same.
- Major accounting entries involving estimates based on the exercise of judgment by Management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Reviewing compliances with listing and other legal requirements relating to financial statements.
- Qualifications in the draft audit report.
- Discussion with the statutory auditor before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.
- Discussion with internal auditor of any significant findings and follow up thereon.

The particulars of meetings attended by the members of the Audit Committee during the financial year ended 31st March, 2012 are given below:

| Names of Members | Status | Category | Meetings held during the financial year ended on 31st March, 2012 and attendance | | | | |
|------------------|----------|--------------------------------------|--|----------|----------|----------|----------|
| | | | 09.05.11 | 10.08.11 | 23.08.11 | 12.11.11 | 08.02.12 |
| Mr. B. C. Jain | Chairman | Non-Executive & Independent Director | Yes | Yes | Yes | Yes | Yes |
| Mr. S. L. Jhawar | Member | Non-Executive & Promoter Director | Yes | Yes | Yes | Yes | Yes |
| Mr. S. Banerjee | Member | Whole-time Director | No | Yes | Yes | Yes | Yes |
| Mr. U. Majumdar | Member | Non-Executive & Independent Director | Yes | Yes | No | No | Resigned |

4. REMUNERATION COMMITTEE

I. Brief description of terms of reference and remuneration Policy

The Remuneration Committee has been constituted to recommend / review remuneration to the Executive Director(s) based on qualification, experience and the financial position of the Company.

II. Composition, name of members and Chairperson

The Remuneration Committee comprised of Messrs B.C.

Jain, Utpal Majumdar and S.L. Jhawar. The Board of Directors at its meeting held on 14.05.2012 had re-constituted the Remuneration Committee which now comprises of Messrs B.C. Jain, Sankar Kumar Mukhopadhyay, Kamal Hyder Siddique. Mr. B.C. Jain a Non-Executive Independent Director is the Chairman of the Committee. The Committee met on 14.05.2012 in which meeting all the members were present.

III. Details of Remuneration of Directors for the year ended on 31st March, 2012

(In ₹)

| Names | Salary & Allowances | Commission | Other Perquisites | Sitting Fees | Total |
|------------------|---------------------|------------|-------------------|-----------------|-------------------|
| Mr. S. Banerjee | 7,14,000/- | – | 1,49,315/- | – | 8,63,315/- |
| Mr. S. L. Jhawar | – | – | – | 16,200/- | 16,200/- |
| Mr. B. C. Jain | – | – | – | 15,600/- | 15,600/- |
| Mr. U. Majumdar | – | – | – | 2,400/- | 2,400/- |
| Mr. Sanjay Mall | – | – | – | 4,800/- | 4,800/- |
| Total | 7,14,000/- | – | 1,49,315/- | 39,000/- | 9,02,315/- |

5. SHARE TRANSFER & INVESTORS' GRIEVANCE COMMITTEE

I. Composition of the Committee and non-executive Director heading the Committee

The Share Transfer & Investors' Grievance Committee comprised of Messrs S. Banerjee, B.C. Jain and S.L. Jhawar. The Board of Directors at its meeting held on 14.05.2012 had re-constituted the Share Transfer & Investors' Grievance Committee which now comprises of Messrs S. L. Jhawar, Sankar Kumar Mukhopadhyay and S. Banerjee as members. Mr. S. L. Jhawar a Non-Executive Director is the Chairman of the Committee.

II. Brief description of the terms of reference

The terms of reference of the Committee are to approve transfer / transmission of shares, dematerialization of shares and look into the redressal of shareholders' and investors' complaints relating to non receipt of notices, share certificates, dividends, annual reports and other grievances.

III. Meetings and attendance during the year

During the financial year ended 31st March, 2012, 14 (fourteen) meetings of the Share Transfer & Investors' Grievance Committee were held on 30.04.2011, 31.05.2011, 15.07.2011, 30.07.2011, 22.09.2011, 15.10.2011, 12.12.2011, 31.12.2011, 16.01.2012, 31.01.2012, 15.02.2012, 16.02.2012, 29.02.2012 and 31.03.2012.

| Names of Members | Status | Category | No. of Meetings held | No. of Meetings attended |
|------------------|----------|-----------------------------|----------------------|--------------------------|
| Mr. B. C. Jain | Chairman | Non-Executive & Independent | 14 | 14 |
| Mr. S. L. Jhawar | Member | Non-Executive & Promoter | 14 | 14 |
| Mr. S. Banerjee | Member | Whole-time Director | 14 | 12 |

IV. Name and designation of the Compliance Officer

Mr. Tuhinangsu Roy

Company Secretary

Howrah Mills Company Limited

"Howrah House", 135, Foreshore Road.

Howrah-711102

V. During the year ended 31st March 2012 all complaints received from the shareholders / investors were sorted out. There were no pending complaints as on 31st March 2012.

6. GENERAL BODY MEETINGS

Location and time of last three Annual General Meetings are given below.

| Year | Location | Date | Time |
|-------------|---|------------|------------|
| 2008 – 2009 | Registered Office, 'Howrah House', 135, Foreshore Road, Howrah – 711 102. | 22.09.2009 | 11.00 A.M. |
| 2009 – 2010 | Registered Office, 'Howrah House', 135, Foreshore Road, Howrah – 711 102. | 21.09.2010 | 11.30 A.M. |
| 2010 - 2011 | Registered Office, 'Howrah House', 135, Foreshore Road, Howrah – 711 102. | 28.09.2011 | 11.30 A.M. |

There was no resolution in last year's Annual General Meeting that was required to be put through postal ballot. No such resolution is proposed at the forthcoming Annual General Meeting, which is required to be put through postal ballot as per law. Special resolutions passed in the last three Annual General Meetings are given below.

| AGM held on | Special Resolutions passed |
|-------------|--|
| 22.09.2009 | Yes. The following Resolutions were passed: 1) A Special Resolution pursuant to section 31 of the Companies Act, 1956 for alteration of the Articles of Association. 2) A Special Resolution pursuant to section 81 (1A) of the Companies Act, 1956 for further issue of shares. |
| 21.09.2010 | Yes. The following Resolution was passed: A Special Resolution pursuant to section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 for re-appointment of Mr. S. Banerjee as the Whole time Director of the Company. |
| 28.09.2011 | None. |

7. DISCLOSURES

Related party transactions are set out in the Notes to Accounts, forming part of the Annual Report for the year ended on 31st March 2012. There is no other pecuniary relationship or transactions with the non-executive independent directors. During the last three years there were no strictures or penalties imposed on the Company by the Stock Exchange or SEBI or any statutory authority for non-compliance of matter related to Capital Markets. Details of adoption of non-mandatory requirements are shown separately.

8. MEANS OF COMMUNICATION

Quarterly, half yearly and annual results are published in prominent dailies such as Business Standard (English), Arthik Lipi (Bengali) and are also posted in the Company's website www.mjindia.com/jute/howrahmill/html/index.html in the form prescribed under clause 41 of the Listing Agreement.

9. GENERAL SHAREHOLDER INFORMATION

I. Company Registration Details

The Company is registered in the State of West Bengal, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate affairs (MCA) is L51909WB1918PLC000625.

II. Annual General Meeting

Date and Time: Monday, 24th September 2012, at 11.30 a.m.

Venue: "Howrah House", 135, Foreshore Road, Howrah – 711102.

III. Financial calendar for 2012-2013

- Financial year 1st April to 31st March
- 1st quarterly results – on or before 14.08.2012
- 2nd quarterly/half yearly results – on or before 14.11.2012
- 3rd quarterly results – on or before 14.02.2013

- 4th quarterly results – on or before 30.05.2013
- Annual results – on or before 30.05.2013

IV. Date of Book Closure

18.09.2012 to 24.09.2012 (both days inclusive).

V. Dividend Payment Date

On or before 23.10.2012

VI. Listing on Stock Exchange

The Calcutta Stock Exchange Limited
7, Lyons Range, Kolkata – 700 001.

VII. Stock Codes

The Calcutta Stock Exchange Limited: 10018016
Demat ISIN Number for NSDL and CDSL – INE964C01015

VIII. Market Price Data

During the year under review the share prices were not quoted regularly

IX. Performance in comparison to BSE Sensex

Presently the Company is not listed with BSE.

X. Annual Fees

Annual listing fee for the financial year 2012-2013 has been paid by the Company to the CSE and annual custody fees for the financial year 2012-2013 have been paid to NSDL and CDSL..

XI. Registrar and Share Transfer Agent

Maheshwari Datamatics Private Limited
6, Mangoe Lane, 2nd Floor, Kolkata – 700 001.
Phone: (033) 2243 5809 / 2243 5029
Fax: (033) 2248 4787.
E-Mail: mdpl@cal.vsnl.net.in
mdpl@vsnl.com

XII. Share Transfer System

Trading in equity shares of the Company is permitted only in dematerialized form. The applications for

transfer of shares in physical form are processed by the Company's Registrar and Share Transfer Agent, Maheshwari Datamatics (P) Ltd. The Share Transfer & Investors' Grievance Committee constituted for transfer/transmission of shares and allied matters has during the year approved all good deliveries of transfer and transmission of shares and in case of bad deliveries the relevant documents were sent immediately after specifying the defects through a covering letter. The Company obtains from a

Company Secretary in Practice half yearly certificate of compliance pursuant to clause 47(c) of the Listing Agreement and files a copy of the certificate with the CSE. The Company carries out a quarterly reconciliation of share capital audit pursuant to Regulation 55A of SEBI (Depositories & Participants) Regulation, 1996 which is carried out by a Company Secretary in Practice and the same is also filed with CSE.

XIII. Distribution of equity shareholding as on 31.03.2012

| Number of Shares | Shareholders | | Shares | |
|--------------------|--------------|----------------|----------------|----------------|
| | Number | % of Total | Number | % of Total |
| Upto 500 | 1236 | 89.9563 | 131561 | 2.4165 |
| 501 – 1000 | 50 | 3.6390 | 37853 | 0.6953 |
| 1001 – 2000 | 13 | 0.9461 | 20900 | 0.3839 |
| 2001 – 3000 | 4 | 0.2911 | 10500 | 0.1929 |
| 3001 – 4000 | 4 | 0.2911 | 16000 | 0.2939 |
| 4001 – 5000 | 24 | 1.7467 | 120000 | 2.2041 |
| 5001 – 10000 | 16 | 1.1645 | 153500 | 2.8195 |
| 10001 and above | 27 | 1.9651 | 4953993 | 90.9940 |
| Grand Total | 1374 | 100.000 | 5444307 | 100.000 |

XIV. Category of Equity Shareholders as on 31.03.2012

| Category | Number of Shares Held | % of Total |
|------------------------------|-----------------------|----------------|
| Promoters' Group | 2503739 | 45.9882 |
| Financial Institutions/Banks | 115007 | 2.1124 |
| Central / State Governments | 530 | 0.0097 |
| Insurance Companies | 27575 | 0.5065 |
| Foreign Nationals | 2675 | 0.0491 |
| Foreign Companies | 900 | 0.0165 |
| Custodian of Enemy Property | 1025 | 0.0188 |
| Non-Resident Individuals | 1588 | 0.0292 |
| Bodies Corporate | 2181357 | 40.0668 |
| Individuals | 609911 | 11.2028 |
| Grand Total | 5444307 | 100.000 |

XV. Dematerialisation of Equity Shares & Liquidity as on 31.03.2012

| Particulars | Holders | No. of Shares | % of Total |
|--------------------|-------------|----------------|----------------|
| Physical | 1146 | 1412002 | 25.9354 |
| NSDL | 162 | 4029566 | 74.0143 |
| CDSL | 66 | 2739 | 0.0503 |
| Grand Total | 1374 | 5444307 | 100.000 |

XVI. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments

The Company has not issued any GDRs / ADRs / Warrants or any other convertible instruments.

XVII. Works Location

493/C/A, G. T. Road (S), Howrah – 711 102.

XVIII. Address for Correspondence

Any assistance regarding Share transfers, transmissions, change of address, non-receipt of share certificate / duplicate share certificate, demat and other matters and also for redressal of all share related complaints and grievances, the members are requested to write or contact the Registrar and Share Transfer Agent or the Secretarial Department of the Company at the addresses given below:

a) Secretarial Department

Howrah Mills Company Limited
“Howrah House”, 135, Foreshore Road
Howrah – 711 102
Phone No.: +91 33 2641-2402 / 4446 / 4159
Fax No: +91 33 2641-1447 / 2641-2796
Email: secretarialhmcl@gmail.com

b) Registrar & Share Transfer Agent

Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor, Kolkata–700 001
Phone: +91 33 2243 5809 / 2243 5029
Fax: +91 33 2248 4787
E-mail: mdpl@cal.vsnl.net.in
mdpl@vsnl.com

XIX. SEBI Complaints Redress System (SCORES):

The investor complaints are processed in a centralized web based complaints redress system. The salient features of this system are: Centralized data base of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

10. CODE OF CONDUCT

The Company has adopted a code of conduct for its Board of Directors and senior management personnel and the same has been posted on the Company's website.

Compliance of Non Mandatory Requirements

(i) The Board

The Independent Directors of the Company have the requisite qualifications and experience which in the opinion of the Company would enable them to contribute effectively to the Company in their capacity as Independent Directors.

(ii) Remuneration Committee

The Company has a Remuneration Committee comprising of Messrs B.C. Jain, Sankar Kumar Mukhopadhyay and Kamal Hyder Siddique as members.

(iii) Shareholder Rights

The quarterly, half-yearly and annual financial results of the Company are published in prominent dailies such as Business Standard (English), Arthik Lipi (Bengali) and are also posted in the Company's website www.mjindia.com/jute/howrahmill/html/index.html.

(iv) Audit Qualification

The Company is taking steps to move toward a regime of unqualified financial statements.

(v) Training of Board Members

The Company has not yet adopted any training programme for its Directors.

(vi) Mechanism for evaluating non-executive Board Members

There is no mechanism for evaluating non-executive Board Members at present. All the non-executive Board Members are having requisite qualification and expertise in their respective functional areas.

(vii) Whistle Blower Policy

There is no Whistle Blower Policy at present.

For and on behalf of the Board

Sanjay Mall *Managing Director*
S. Banerjee *Whole-time Director*
S. L. Jhawar *Director*

Place: Howrah

Date: 23rd August, 2012

CERTIFICATE BY THE MANAGING DIRECTOR UNDER CLAUSE 49 (V) OF THE LISTING AGREEMENT

Date: 23rd August, 2012

The Board of Directors,
Howrah Mills Company Limited,
"Howrah House"
135, Foreshore Road
Howrah-711102

I, Sanjay Mall, Managing Director of Howrah Mills Company Limited certify to the Board that I have reviewed the financial statement and cash flow statement of the Company for the financial year ended 31st March 2012 and to the best of my knowledge and belief, I certify that:-

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; that the statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards; applicable laws and regulations;
2. There are no fraudulent or illegal transactions;
3. I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which I am aware, have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies;
4.
 - i) There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - iii) There have been no instances of frauds of which I am aware during the year.

Sanjay Mall
Managing Director

DECLARATION – CODE OF CONDUCT

All Board Members and the Senior Management Personnel have, for the year ended 31st March, 2012, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered into with the Stock Exchange.

For Howrah Mills Company Limited

Place: Howrah
Date: 23rd August, 2012

Sanjay Mall
Managing Director

CERTIFICATE OF CORPORATE GOVERNANCE

To
The Members of
Howrah Mills Company Limited

We have examined the compliance of the conditions of Corporate Governance by Howrah Mills Company Limited for the year ended on March 31, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given and representations made by the Directors and the management to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that as per the records maintained by the Registrar and Share Transfer Agent of the Company and presented to the Shareholders / Investor Grievance Committee no investor grievances are pending for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S. Jaykishan
Chartered Accountants,
FRN: 309005E

Y. Gupta
Partner
Membership No. 60539

Place: Kolkata
Date: 23rd August, 2012

**Statement pursuant to section 212 of the Companies Act, 1956,
relating to the Company's interest in subsidiary companies for the year
ended 31st March, 2012**

(₹ in lakhs)

| 1. Name of the Subsidiary Company | HMC Power Companies Limited | HMC Jute Park Enterprises Limited |
|--|--|--|
| 2. The Financial Year of the Subsidiary Company ends on | 31st March 2012 | 31st March 2012 |
| 3. Date from which they became Subsidiary Company | 21st January 2010 | 18th November 2009 |
| 4. Holding Company's Interest | 44,000 Equity Shares of ₹10 each fully paid-up | 30,000 Equity Shares of ₹10 each fully paid-up |
| 5. Extent of Holding | 88% | 60% |
| 6. The net aggregate amount of the Subsidiary Company profit/loss so far as it concerns the members of the Holding Company | | |
| a) Not dealt with in the Holding Company's accounts: | | |
| i) For the Financial Year ended 31st March 2012 | 0.11 | 0.11 |
| ii) For the previous Financial Years of the Subsidiary Company since they become the Holding Company's Subsidiary | (0.33) | (0.60) |
| b) Dealt with in the Holding Company's accounts: | | |
| i) For the Financial Year ended 31st March 2012 | Nil | Nil |
| ii) For the previous Financial Years of the Subsidiary Company since they became the Holding Company's Subsidiary | Nil | Nil |

For and on behalf of the Board

Sanjay Mall *Managing Director*
S. Banerjee *Whole-time Director*
S. L. Jhawar *Director*

T. Roy
Company Secretary

Place: Howrah
Date: 23rd August, 2012

Standalone Financial Section

Auditors' Report

To
The Members of
Howrah Mills Company Limited

1. We have audited the attached Balance Sheet of HOWRAH MILLS COMPANY LIMITED as at 31st March, 2012 and also the Statement of Profit & Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of audit, we enclose in the annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph(3) above, we report that:
 - (a) We have obtained all the informations and explanations, which, to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report, comply with the Accounting Standards, referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956; subject to :

Non-compliance with Accounting Standard - 15, "Employee Benefits" in respect of non ascertainment and provision of accrued gratuity liability.
- (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March'2012 from being appointed as director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said statements of accounts subject to –
 - i) *Note No. 29(i) regarding non ascertainment and provision of accrued gratuity liability.*
 - ii) *Note No. 29(ii) regarding non ascertainment and provision of interest on delay payments of statutory dues such as Gratuity etc.*
 - iii) *Note No. 30 regarding future uncertainty regarding realizations of trade receivables and Export incentives and non-provision against the same.*
 - iv) *Note No 31 regarding non ascertainment and provisions of interest and charges for non/ delay payments of service tax and sales tax.*
 - v) *Note No. 32 regarding non ascertainment and provision of interest on Loan from WBIDC Ltd.*and read with the significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - ii) In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. Jaykishan
Chartered Accountants
FRN: 309005E

Y. Gupta
Partner

Place: Kolkata
Date: 23rd August, 2012

Membership No.60539

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

- i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets subject to the following remarks:
- I. 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 by Mill Manager.
- II. In respect of Building, Plant and Machinery, Electric Installation, Sprinkler Installation, Sundry Equipment and Furniture acquired during the period from 1st April 1960 to 31st March, 1977 year wise depreciation has been allocated to individual assets proportionately on the basis of their written down values, for purpose of entry in the record.
- (b) As explained to us, the fixed assets of significant values have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of fixed assets during the year.
- ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion, the procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company has maintained proper records of inventories. No material discrepancy has been noticed on physical verification as compared to book records.
- iii) (a) The Company has provided interest free advances aggregating to ₹1,25,06,464/- to its two subsidiaries covered in the register maintained u/s. 301 of the Companies Act, 1956.
- (b) In our opinion and according to informations and explanations given to us, the terms and conditions of interest free advances are prima facie not prejudicial to the interest of the Company.
- (c) In the absence of stipulations regarding repayment of such advances, we are unable to comment upon the regularity of repayment of the same.
- (d) As stated above, no repayment schedule has been specified and there are no overdue amounts in excess of Rupees One Lakh.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained U/s. 301 of the Companies Act, 1956. Accordingly, clauses (f) & (g) of para (iii) are not applicable.
- iv) In our opinion and according to the 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 inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, we have neither come across nor have we been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
- v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register required to be maintained under that Section have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakh in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at relevant time.
- vi) The Company has not accepted any deposit during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under.
- vii) In our opinion, the Company has an Internal Audit system commensurate with the size and nature of its business.
- viii) We have reviewed the books of account maintained by the Company pursuant to Rules made by the Central Government for the maintenance of cost records U/s. 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the same.
- ix) (a) According to the books and records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Employees' Pension Scheme, TDS, Sales Tax,

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE

Profession Tax and other statutory dues applicable to it with the appropriate authorities though there has been a slight delay in a few cases.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Sales Tax, Provident fund, ESI and other statutory dues were in arrears as at 31st March, 2012 payable for a period of more than six months from the date they became payable, except the following:-

| Nature of the Dues | Amount (₹) | Period to which the amount relates | Date of Payment |
|--------------------|------------|------------------------------------|-----------------|
| Service Tax | 1,845,684 | 2007-2008 | Not Yet |
| | 276,096 | 2008-2009 | Not Yet |
| | 587,740 | 2009-2010 | Not Yet |
| | 34,123 | 2010-2011 | Not Yet |
| | 214,288 | 2011-2012 | Not Yet |
| Fringe Benefit Tax | 492,005 | 2007-2008 | Not Yet |
| Income Tax | 730,847 | 2006-2007 | Not Yet |
| | 2,560,755 | 2007-2008 | Not Yet |

- (c) According to information & explanations given to us, details of Sales Tax & Urban Land Tax, which have not been deposited on account of any dispute are given below:

| Particular | Amount (₹) | Forum where appeal pending |
|---------------------------|------------|------------------------------------|
| Sales Tax | 1,865,171 | Sales Tax Appellate Revision Board |
| Urban Land Tax (Disputed) | 154,759 | Urban Land Ceiling Department |

- x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- xi) On account of Loan from WBIDC Ltd. of ₹2,57,00,000/- and Loan from IFCI Ltd. of ₹12,69,000/- for which repayment was rescheduled by BIFR in earlier years, no repayment was made during the year. In case of other loans the Company has not defaulted in repayment of dues to other banks and financial institutions.

- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) Clause (xiii) of the Order is not applicable to the Company, as the Company is not a chit fund Company or nidhi / mutual benefit fund / society.
- xiv) Clause (xiv) of the Order is not applicable, as the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- xv) The Company has given corporate guarantee for loans taken by another body corporate from Bank. The terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.
- xvi) On the basis of review of utilisation of funds pertaining to term loan on overall basis and related information as made available to us, the Company has applied the term loan for the purpose for which the loan was obtained during the year.
- xvii) In our opinion and according to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to companies/ firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- xix) No debentures have been issued by the Company and hence the question of creating securities in respect thereof does not arise.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For S. Jaykishan
Chartered Accountants
FRN: 309005E

Y. Gupta
Partner

Place: Kolkata
Date: 23rd August, 2012

Membership No. 60539

Balance Sheet As at 31st March, 2012

(Amount in ₹)

| Particulars | Note No. | As at 31st March, 2012 | As at 31st March, 2011 |
|--|----------|---------------------------|---------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1) SHAREHOLDERS' FUNDS | | | |
| (a) Share Capital | 2 | 54,443,070 | 49,443,070 |
| (b) Reserves & Surplus | 3 | 381,037,519 | 334,879,349 |
| | | 435,480,589 | 384,322,419 |
| 2) NON-CURRENT LIABILITIES | | | |
| (a) Long -Term Borrowings | 4 | 72,658,799 | 103,823,903 |
| (b) Deferred Tax Liabilities (Net) | 5 | 244,756 | 244,756 |
| (c) Other Long -Term Liabilities | 6 | 14,382,942 | 15,435,387 |
| | | 87,286,497 | 119,504,045 |
| 3) CURRENT LIABILITIES | | | |
| (a) Short -Term Borrowings | 7 | 647,963,212 | 610,256,380 |
| (b) Trade Payables | 8 | 741,301,160 | 488,073,132 |
| (c) Other Current Liabilities | 9 | 133,236,121 | 187,645,951 |
| (d) Short -Term Provisions | 10 | 25,469,188 | 18,138,255 |
| | | 1,547,969,680 | 1,304,113,717 |
| TOTAL | | 2,070,736,766 | 1,807,940,182 |
| II. ASSETS | | | |
| 1) NON-CURRENT ASSETS | | | |
| (a) Fixed Assets | 11 | | |
| (i) Tangible Assets | | 490,942,680 | 377,647,898 |
| (ii) Intangible Assets | | 1,980,000 | 29,230 |
| (iii) Capital Work In Progress | | 34,706,152 | 34,022,437 |
| (b) Non Current Investments | 12 | 23,648,204 | 76,699,645 |
| (c) Long-Term Loans & Advances | 13 | 55,469,909 | 53,321,525 |
| (d) Other Non Current Assets | 14 | 52,861,504 | 52,881,504 |
| | | 659,608,448 | 594,602,239 |
| 2) CURRENT ASSETS | | | |
| (a) Inventories | 15 | 680,357,389 | 677,199,908 |
| (b) Trade Receivables | 16 | 450,528,970 | 363,629,144 |
| (c) Cash & Bank Balances | 17 | 30,712,159 | 24,732,631 |
| (d) Short-Term Loans & Advances | 18 | 145,865,066 | 112,054,309 |
| (e) Other Current Assets | 19 | 103,664,734 | 35,721,950 |
| | | 1,411,128,318 | 1,213,337,943 |
| TOTAL | | 2,070,736,766 | 1,807,940,182 |
| Summary of Significant Accounting Policies | 1 | | |

Notes to & forming integral part of Financial Statements

In terms of our attached report of even date.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

Sanjay Mall
Managing Director

(CA Y. GUPTA)
Partner
Membership No. 060539

T. Roy
Company Secretary

S. Banerjee
Wholetime Director

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

S. L. Jhavar
Director

Statement of Profit and Loss For the year ended 31st March, 2012

(Amount in ₹)

| Particulars | Note No. | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|--|----------|--|--|
| I. Revenue From Operations | 20 | 3,900,549,447 | 3,363,694,519 |
| II. Other Income | 21 | 18,569,619 | 2,496,417 |
| III. Total Revenue | | 3,919,119,066 | 3,366,190,936 |
| IV. Expenses: | | | |
| Cost of Materials Consumed | 22 | 2,793,158,080 | 2,561,972,948 |
| Changes In Inventories of Finished Goods & Work-In-Progress | 23 | (42,531,315) | (130,574,784) |
| Employee Benefits Expense | 24 | 572,946,390 | 487,017,079 |
| Finance Costs | 25 | 81,296,345 | 54,588,259 |
| Depreciation and Amortization Expense | 26 | 43,916,066 | 38,991,101 |
| Other Expenses | 27 | 434,603,238 | 328,134,711 |
| Total Expenses | | 3,883,388,805 | 3,340,129,314 |
| V. Profit Before Exceptional Items and Tax: | | 35,730,261 | 26,061,622 |
| VI. Exceptional Items | 28 | 8,181,000 | 1,139,325 |
| VII. Profit Before Tax | | 43,911,261 | 27,200,947 |
| VIII. Tax Expense | | | |
| a) Current Tax | | (8,500,000) | (7,000,000) |
| b) Deferred Tax | | – | 459,639 |
| c) Income Tax for Earlier Year | | (68,210) | – |
| IX. Profit for the Period | | 35,343,051 | 20,660,586 |
| X. Earning Per Equity Share | | | |
| Basic | | 7.10 | 4.18 |
| Diluted | | 7.10 | 4.18 |
| Summary of Significant Accounting Policies | 1 | | |

Notes to & forming integral part of Financial Statements

In terms of our attached report of even date.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

Sanjay Mall
Managing Director

(CA Y. GUPTA)
Partner
Membership No. 060539

T. Roy
Company Secretary

S. Banerjee
Wholetime Director

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

S. L. Jhawar
Director

Summary of Significant Accounting Policies For the year ended 31st March, 2012

1. Basis of preparation of financial statements.

- a) The financial statements are prepared in accordance with Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on accrual basis and on principles of going concern. The accounting policies are consistently applied by the Company.
- b) The financial statements are prepared to comply in all material respects with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 (As amended) and the relevant provisions of the Companies Act, 1956.
- c) The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialize.

2. Revenue Recognition

- a) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
- b) Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the dispatch of goods. Sales are net of Cess, VAT, Returns, claims & rate differences. Export sales are shown at CIF value of exports.
- c) Claims related to sales are recognized in the accounts as and when settled.
- d) Consignment sales are booked on proforma invoice basis at the time of dispatch of goods. Adjustment if any, of actual sale differential and various expenses such as freight, duty, commission, insurance, taxes etc, arising on receipt of account sales are dealt in during the relevant years in which Account Sales are made available.
- e) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f) Market Assistance Receivable from JMDC and other export benefits are accounted for as soon as the entitlements in respect thereof fall due.
- g) Lease Rent & bonus to employees are accounted for on cash basis.
- h) Incomes from certified emission reduction (CERS) & from voluntary emission reduction (VERS) are recognized at

estimated realizable value on confirmation of CERS & VERS by the concerned authorities.

- i) Scrap sales are accounted for on realization basis.

3. Fixed Assets

(i) Tangible Assets

- a) Fixed Assets except for certain assets, which were revalued as at 31st March 1984, are stated at cost less accumulated depreciation and impairment losses, if any.
- b) Cost includes inward freight, duties, taxes, interest till the date of installation and expenses incidental to acquisition and installation. In respect of revalued assets, the resultant net increase in value is transferred to Revaluation Reserve. Costs of major renovation/ replacement, which in the opinion of the Company enhance the life/ efficiency and production capacity of the assets, are capitalized.
- c) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use, which is determined by the present value of the estimated future cash flows.
- d) Depreciation on assets other than freehold land is provided on written down value method at the rates & in the manner specified in Schedule XIV to the Companies Act, 1956. Depreciation on differential increase in values arising out of the revaluation is recouped from Revaluation Reserve.
- e) Costs of the fixed assets not ready for their intended use at the Balance Sheet date together with all related expenses and advances paid to acquire fixed assets are shown as Capital Work-in-progress.

(ii) Intangible Assets

- a) Intangible assets are stated at cost of acquisition less accumulated amortization. Amortization is provided on the straight line method as per rates mentioned below:

| Asset Class | Rate of Amortization |
|-------------|----------------------|
| Software | 10% |

4. Investments

- a) Current investments are stated at Cost or Market Value whichever is lower.
- b) Long term investments are stated at cost unless there is a permanent diminution in the value of investments..

5. Inventories

Summary of Significant Accounting Policies For the year ended 31st March, 2012

Raw materials and Stores and Spares are valued at cost, cost being determined on monthly weighted average basis. Finished goods are valued at lower of cost or contract/market rate as applicable. Work-in-Progress is valued at cost, comprising raw materials and conversion cost incurred in bringing the inventory to their present location & condition.

6. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the time of transactions. Transactions remaining unsettled, other than those contracts covered under Forward Foreign Exchange contracts are translated at the rate prevailing at the end of the financial year. In case of Forward Exchange Contracts, year-end foreign currency assets & liabilities are translated at the rate ruling on the date of transaction as increased or decreased by the proportionate difference between the forward rate and the said exchange rate, such difference having been recognized over the life of the contract. Exchange differences arising out of aforesaid transactions are dealt in the Profit and Loss Account.

7. Retirement Benefits

Contribution to Provident and Family Pension Fund is charged to the Profit & Loss Account of the year. Accrued liability in respect of retirement gratuities are not provided in the accounts. Gratuities are accounted for on cash basis. The Company has no practice of paying leave encashment benefit on retirement.

8. Borrowing Costs

Borrowing costs attributable to the acquisition/ construction of fixed assets are capitalized up to the date when such assets are ready for its intended use. Interest attributable to investment held in subsidiary company West Bengal Agro Textile Corporation Ltd. is capitalized to cost of investments. Other borrowing costs are recognized as an expense for the year in which they are incurred.

9. Subsidy & Incentives

Government grants are recognized on a prudent basis when there is a reasonable assurance that the Company will comply with the conditions attached thereto.

Capital Investment Subsidy/Incentives are accounted for in the accounts as and when actually received. Capital grant relating to specific fixed assets is reduced from the gross value of the respective fixed asset. Incentives/ Subsidy related to revenue are recognized on a systematic basis in the Profit and Loss Account over the period to match them with the related cost which they are intended to

compensate.

10. Amalgamation & Preliminary Expenses

Amalgamation Expenses are written off over a period of 5 years U/s 35DD of the Income Tax Act, 1961.

Preliminary Expenses are written off over a period of 5 years U/s 35D of the Income Tax Act, 1961.

11. Taxes On Income

Tax expenses comprises of current tax and deferred tax.

- a) Current income tax is measured at the amount expected to be paid to the tax authorities, computed in accordance with the applicable tax rates and tax laws. In case of tax payable as per provisions of MAT under section 115JB of the Income Tax Act, 1961, MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period.
- b) Deferred Tax resulting from Timing difference between Book profits and Taxable Profits is accounted for using the tax rates and Laws that are enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets is recognized and carried forward to the extent that there is a reasonable certainty that the asset will be realized in future.

12. Provisions, Contingent liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent assets are neither recognized nor disclosed in the Financial Statements.

13. Earnings per Share (EPS)

- a) Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.
- b) For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

14. Prior Period items:

Prior Period and Exceptional items and Changes in Accounting Policies having material impact on the financial affairs of the Company are separately disclosed.

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 2 | | |
| SHARE CAPITAL: | | |
| (a) Authorised Share Capital | | |
| 6,737,500 (P.Y. 6,737,500) Equity Shares of ₹10/-each | 67,375,000 | 67,375,000 |
| 26,250 (P.Y. 26,250) 9.1% Cumulative Redeemable Preference Shares of ₹100/- each | 2,625,000 | 2,625,000 |
| | 70,000,000 | 70,000,000 |
| (b) Issued ,Subscribed & Paid up Share Capital | | |
| 5,444,307 (P.Y. 4,944,307) Equity Shares of ₹10/- each | 54,443,070 | 49,443,070 |

(c) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|------------------------|---------------|------------------------|---------------|
| | Number of Shares | Amount (₹) | Number of Shares | Amount (₹) |
| At the Beginning of the Period | 4,944,307 | 49,443,070 | 4,944,307 | 49,443,070 |
| Additions During the Year: | 500,000 | 5,000,000 | – | – |
| Shares at the end of the Reporting period | 5,444,307 | 54,443,070 | 4,944,307 | 49,443,070 |

(d) Terms/rights attached to Equity Shares

The Company has only one class of equity share having a par value of ₹10 per share. Each shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of shareholders except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the shareholding.

(e) Details of shareholders holding more than 5% shares in the Company

| Name of Shareholders | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---------------------------------------|------------------------|-----------------|------------------------|-----------------|
| | Number of Shares | % of Holding | Number of Shares | % of Holding |
| 1) HR Global Finance Limited | 1,128,244 | 20.72 | 1,128,244 | 22.82 |
| 2) HR International Limited | 1,014,595 | 18.64 | 1,014,595 | 20.52 |
| 3) Vedansh Traders Private Limited | 870,000 | 15.98 | 820,000 | 16.58 |
| 4) HR Infracon Limited | 780,379 | 14.33 | 500,000 | 10.11 |
| 5) Alankar Commotrade Private Limited | 415,000 | 7.62 | 185,000 | 3.74 |

(f) 17,757 Equity Shares of ₹10 /- each were allotted as fully paid up shares on 28/03/2009 ,pursuant to a Scheme of Amalgamation sanctioned by the Hon'ble High Court at Kolkata, without consideration being received in cash.

(g) During the year, the Company has made preferential allotment of 500,000 Equity Shares of ₹10/- each at a premium of ₹30/- per share, aggregating to ₹20,000,000/- for expanding its business activities and to meet the long term working capital requirements of the Company. The proceeds of the issue have been utilised towards the objects of the said issue.

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 3 | | |
| RESERVES & SURPLUS: | | |
| (a) Revaluation Reserve | | |
| (Created by Revaluation of Land, Buildings & Plant & Machinery) | | |
| As per last Balance Sheet | 57,949,286 | 59,062,794 |
| Less : Transfer to Profit and Loss Account on account of depreciation on amount added on Revaluation | 1,021,194 | 1,113,508 |
| | 56,928,092 | 57,949,286 |
| (b) Capital Reserve | | |
| As per last Balance Sheet | 4,073,671 | 4,073,671 |
| (c) Capital Redemption Reserve | | |
| As per last Balance Sheet | 2,625,000 | 2,625,000 |
| (d) Securities Premium Account | | |
| As per last Balance Sheet | 19,400,000 | 19,400,000 |
| Addition during the year | 15,000,000 | – |
| | 34,400,000 | 19,400,000 |
| (e) Amalgamation Reserve | | |
| As per last Balance Sheet | 1,789,207 | 1,789,207 |
| (f) Investment Allowance Reserve | | |
| As per last Balance Sheet | 129,150 | 129,150 |
| (g) General Reserve | | |
| As per last Balance Sheet | 59,203,800 | 59,203,800 |
| (h) Surplus | | |
| As per last Balance Sheet | 189,709,235 | 171,931,403 |
| Add: Profit for the year | 35,343,051 | 20,660,586 |
| Less: Appropriations | | |
| Proposed Final Dividend on Equity Shares | (2,722,154) | (2,472,154) |
| Tax on Proposed Final Dividend | (441,533) | (410,600) |
| | 221,888,599 | 189,709,235 |
| Grand Total | 381,037,519 | 334,879,349 |

NOTE 4

LONG -TERM BORROWINGS:

(a) Secured

| | | |
|---|--------------------|--------------------|
| i) Term Loans from Banks | | |
| a) State Bank of India | 64,250,860 | 87,078,302 |
| b) The Federal Bank Limited | 40,319,609 | 58,053,593 |
| | 104,570,469 | 145,131,895 |
| Less: Current maturities of Long Term Borrowings transferred to Other Current Liabilities | 31,911,670 | 41,307,992 |
| | 72,658,799 | 103,823,903 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

NOTE 4 (Contd...)

(b) Nature of Security:

Term Loans are secured by / against:

- (i) Hypothecation of all the Stock in Trade, Stores & Book Debts of the Company, ranking Pari-passu
- (ii) First Pari Passu charge on the entire fixed assets
- (iii) Personal guarantees of Shri Om Prakash Mall, Shri Shree Mohan Mall & Shri Nand Kishore Jhawar
- (iv) Rent Receivables

(c) Major Terms of repayment of Long Term Borrowings disclosed in (A) above:

Maturity Profile of Long Term Borrowings outstanding as at 31 March 2012

| | Term Loans | Corporate Loan | Total | Current Maturities |
|--|-------------------|------------------|--------------------|--------------------|
| Loan with residual maturity of upto 1 year | 4,216,607 | 5,397,850 | 9,614,457 | 9,614,457 |
| Loan with residual maturity between 1 & 3 years | – | – | – | – |
| Loan with residual maturity between 3 & 5 years | 35,676,155 | – | 35,676,155 | 9297213 |
| Loan with residual maturity between 5 & 10 years | 59,279,857 | – | 59,279,857 | 13000000 |
| Total | 99,172,619 | 5,397,850 | 104,570,469 | 31,911,670 |

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 5 | | |
| DEFERRED TAX LIABILITIES: | | |
| Deferred Tax Liability on Account of Fixed Asset | 244,756 | 244,756 |
| | 244,756 | 244,756 |

Note:

As a matter of prudence differential amount of deferred tax asset has not been accounted for in the accounts

NOTE 6

OTHER LONG-TERM LIABILITIES:

| | As at 31st March, 2012 | As at 31st March, 2011 |
|-------------------|---------------------------|---------------------------|
| Security deposits | 14,382,942 | 15,435,387 |
| | 14,382,942 | 15,435,387 |

NOTE 7

SHORT- TERM BORROWINGS:

(a) Secured:

| | | |
|---|--------------------|--------------------|
| (i) Working Capital Loans repayable on demand | | |
| (a) From State Bank of India | 285,940,579 | 264,846,951 |
| (b) From The Federal Bank Limited | 131,872,710 | 155,311,565 |
| (ii) I.F.C.I Ltd. | 1,269,000 | 1,269,000 |
| (iii) WBIDC Ltd. | 25,700,000 | 33,881,000 |
| (iv) Under Buyer's Credit arrangement | 45,559,208 | 92,601,670 |
| (v) Bonus Loan from State Bank of India | – | 5,845,813 |
| | 490,341,498 | 553,755,999 |

(b) Unsecured:

| | | |
|---------------------------|--------------------|--------------------|
| (i) From Bodies Corporate | 148,121,714 | 56,500,381 |
| (ii) From a Director | 9,500,000 | – |
| | 157,621,714 | 56,500,381 |
| GRAND TOTAL | 647,963,212 | 610,256,380 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|---|---------------------------|---------------------------|
| NOTE 7 (Contd...) | | |
| (c) Nature of Security: | | |
| Working Capital Loans are secured by : | | |
| (i) Hypothecation of all the Stock in Trade, Stores & Book Debts of the Company, ranking Pari-passu. | | |
| (ii) First Pari Passu charge on the entire fixed assets. | | |
| (iii) Personal Guarantees of Shri Om Prakash Mall, Shri Shree Mohan Mall & Shri Nand Kishore Jhavar. | | |
| NOTE 8 | | |
| TRADE PAYABLES: | | |
| (i) Acceptances | 146,285,998 | 75,694,469 |
| (ii) Other Trade Payables | | |
| (a) Dues to micro, medium & small enterprises | 5,202,388 | 4,955,382 |
| (b) Dues to other than micro, medium & small enterprises | 589,812,774 | 407,423,281 |
| | 741,301,160 | 488,073,132 |
| NOTE 9 | | |
| OTHER CURRENT LIABILITIES: | | |
| Current Maturities of Long Term Borrowings | 31,911,670 | 41,307,992 |
| Unpaid Dividends | 1,062,630 | 829,339 |
| Preference Shares Redemption amount | 432,500 | 432,500 |
| Advance from Customers | 17,752,065 | 66,775,559 |
| Creditors for Capital Goods | 693,000 | 4,516,722 |
| Statutory Liabilities | 15,529,818 | 19,790,842 |
| Income Tax and FBT Payable on Assessment | 3,783,607 | 3,783,607 |
| Book Overdrawn with Scheduled Banks on Current Account | – | 165,075 |
| Other Payables | 62,070,830 | 50,044,314 |
| | 133,236,121 | 187,645,951 |
| Note: There are no amounts due for payment to the Investor Education & Protection Fund u/s 205 C of the Companies Act 1956 | | |
| NOTE 10 | | |
| SHORT-TERM PROVISIONS: | | |
| Provision for Taxation | 22,305,501 | 14,905,501 |
| Provision for Fringe Benefit Tax | – | 350,000 |
| Others | | |
| Proposed Final Dividend on Equity Shares | 2,722,154 | 2,472,154 |
| Dividend Distribution Tax on Proposed Final Dividend | 441,533 | 410,600 |
| | 25,469,188 | 18,138,255 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

NOTE 11

(Amount in ₹)

| Gross Block | Tangible Assets | | | | | | | | | | Intangible | | Total |
|---|-------------------|--------------------|-------------------|-----------------------|----------------------|----------------|---------------------|-------------------|----------------|------------------|--------------------|--|-------|
| | Leasehold Land | Building | Plant & Machinery | Electric Installation | Furniture & Fixtures | Vehicles | Computer Equipments | Office Equipments | Others | Software | | | |
| Estimated Cost/Revaluation and/or Book Value as at 1st April, 2011 | 71,283,743 | 443,666,614 | 474,746,582 | 44,313,729 | 3,297,254 | 682,348 | 6,411,916 | 10,974,013 | 2,235,597 | 36,538 | 1,057,648,334 | | |
| Additions | - | 131,814,168 | 22,023,553 | 2,766,073 | 236,771 | - | 528,797 | 609,567 | 8,099 | 2,200,000 | 160,187,027 | | |
| Deduction/ Adjustment | | | 2,516,791 | | | | | | | | 2,516,790 | | |
| Estimated Cost/Revaluation and/or Book Value as at 31st March, 2012 | 71,283,743 | 575,480,782 | 494,253,344 | 47,079,802 | 3,534,025 | 682,348 | 6,940,713 | 11,583,580 | 2,243,696 | 2,236,538 | 1,215,318,571 | | |
| Depreciation & Amortisation | | | | | | | | | | | | | |
| Upto 1st April, 2011 | - | 253,563,016 | 379,443,555 | 30,404,467 | 2,328,013 | 414,656 | 5,766,016 | 6,233,127 | 1,811,046 | 7,308 | 679,971,204 | | |
| For the year | - | 18,333,356 | 22,984,719 | 2,012,453 | 205,145 | 72,343 | 353,146 | 692,808 | 63,290 | 220,000 | 44,937,260 | | |
| Deductions | | | 2,512,573 | | | | | | | | 2,512,573 | | |
| Upto 31st March, 2012 | - | 271,896,372 | 399,915,701 | 32,416,920 | 2,533,158 | 486,999 | 6,119,162 | 6,925,935 | 1,874,336 | 227,308 | 722,395,891 | | |
| Net Block as on 31st March, 2012 | 71,283,743 | 303,584,409 | 94,337,644 | 14,662,883 | 1,000,867 | 195,349 | 821,551 | 4,657,645 | 369,360 | 2,009,230 | 492,922,680 | | |
| Net Block as on 31st March, 2011 | 71,283,743 | 190,103,599 | 95,303,026 | 13,909,260 | 969,241 | 267,692 | 645,900 | 4,740,886 | 424,551 | 29,230 | 377,677,128 | | |

NOTES:

- The Company revalued its Land, Buildings, Plant & Machinery, Electric Installation and Sprinkler Installation as at 31st March, 1984. The revaluation was carried out by an approved valuer and the net increase in value of ₹ 283,896,474/- (Gross ₹ 401,275,536/- minus accumulated depreciation of ₹ 117,379,062/-) was transferred to Revaluation Reserve.
- The Company has made necessary applications for exemption under Urban Land (Ceiling Regulation) Act, 1976 for the excess land that may be held under the Act.
- Land measuring 651 Cottahs, the original cost of which is ₹ 204,160/- was not revalued since the Company agreed to transfer the portion of land to the workers occupying it. Adjustments in this respect will be made on finalisation of sale agreement.
- Additions to Plant & Machinery and Building during the year includes ₹ 5,590,585/- (P.Y. ₹ 6,017,886/-) on account of expenditure on replacement of certain components and spare parts of Machinery, as in the opinion of the Management the renovation and the replaced components and spare parts which are of better design and technology will enhance the life of the machinery and increase the efficiency and production capacity thereby resulting in long term benefits to the Company.
- Immovable Properties transferred from Howrah Land & Holding Limited pursuant to scheme of Amalgamation are pending to be registered in the name of the Company.
- Deductions under Plant & Machinery gross block includes ₹ NIL (P.Y. ₹ 5,376,600/-) on account of adjustment for subsidy received by the company against the said assets. Excess depreciation charged in the earlier years on the said assets and amounting to ₹ NIL (P.Y. ₹ 1,139,325/-) has been written back in the accounts.

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 12 | | |
| NON CURRENT INVESTMENTS: | | |
| (a) Investments in Equity Instruments | | |
| (i) Investment in Subsidiaries (Unquoted, Trade, at Cost) | | |
| 30,000 (30,000) Equity shares of HMC Jute Park Enterprises Limited of ₹10/- each, fully paid up. | 300,000 | 300,000 |
| 44,000 (44,000) Equity shares of HMC Power Companies Limited of ₹10/- each, fully paid up. | 440,000 | 440,000 |
| (ii) Investment in Joint Venture interest (Unquoted, Trade, at Cost) | | |
| 18,055 (66,655) Nos. of equity shares of West Bengal Agro Textile Corporation Limited of ₹1,000/- each fully paid up. | 22,751,344 | 75,833,885 |
| (iii) Others (Unquoted, at Cost) | | |
| 3,810 (Nil) Equity Shares of Woodland Multispeciality Hospital Limited of ₹10/- each. | 38,100 | – |
| (b) Investment in Government Securities (Unquoted, Non Trade, at Cost) | | |
| National Savings Certificates | – | 7,000 |
| (c) Other Investment (Non Trade, at Cost) | | |
| Gold | 118,760 | 118,760 |
| | 23,648,204 | 76,699,645 |
| (d) Aggregate Book Value of Unquoted Equity Instruments | 23,529,444 | 76,580,885 |
| (e) West Bengal Agro Textile Corporation Ltd. has ceased to be a Subsidiary of the Company with effect from 31.03.2012. | | |
| NOTE 13 | | |
| LONG TERM LOANS AND ADVANCES: | | |
| Unsecured, considered good | | |
| (a) Capital Advances | 13,451 | 5,033,107 |
| (b) Security Deposits | 13,506,094 | 13,109,948 |
| (c) Advances to Related Parties | 12,506,464 | 10,000,000 |
| (d) Other Loans & Advances | | |
| (i) Loans | 25,066,099 | 20,815,670 |
| (ii) Vat Credit Receivable | 3,329,846 | 3,329,846 |
| (iii) ModVat Credit Receivable | 314,578 | 314,578 |
| (iv) Others | 733,376 | 718,376 |
| | 55,469,909 | 53,321,525 |
| NOTE 14 | | |
| OTHER NON-CURRENT ASSETS: | | |
| (a) Export Incentives Receivable | 46,136,397 | 46,136,397 |
| (b) Others Receivables | 6,725,107 | 6,725,107 |
| (c) Unamortised costs towards miscellaneous expenditure to the extent not written off or adjusted | – | 20,000 |
| | 52,861,504 | 52,881,504 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|---|---------------------------|---------------------------|
| NOTE 15 | | |
| INVENTORIES: | | |
| (a) Raw Materials | 295,498,806 | 338,651,472 |
| (b) Work- In- Progress | 45,480,462 | 40,471,425 |
| (c) Finished Goods | 309,052,197 | 271,529,919 |
| (d) Stores, Spares & Loose Tools | 30,325,924 | 26,547,092 |
| | 680,357,389 | 677,199,908 |
| NOTE 16 | | |
| TRADE RECEIVABLES: | | |
| (a) Outstanding for a period exceeding six months: | | |
| Secured, considered good | 137,812 | 101,654 |
| Unsecured, considered good | 9,351,963 | 92,768,685 |
| Doubtful | 720,673 | 1,005,232 |
| | 10,210,448 | 93,875,571 |
| Less: Provision for Doubtful debts | 720,673 | 1,005,232 |
| | 9,489,775 | 92,870,338 |
| (b) Outstanding for a period less than six months: | | |
| Secured, considered good | 3,362,596 | 3,308,842 |
| Unsecured, considered good | 437,676,599 | 267,449,963 |
| | 450,528,970 | 363,629,144 |
| NOTE 17 | | |
| CASH & BANK BALANCES : | | |
| (a) Cash & Cash Equivalents | | |
| i) Balance With Banks in - | | |
| Current Account | 1,757,718 | 2,107,354 |
| ii) Cash In Hand | 1,156,751 | 829,945 |
| iii) Bank Deposits with original maturity less than 3 months | – | 2,855,000 |
| | 2,914,468 | 5,792,299 |
| (b) Other Bank Balances | | |
| i) In Unpaid Dividend Account | 1,062,519 | 829,228 |
| ii) In Bank Deposits Account | | |
| Bank Deposits with original maturity more than 3 months and less than 12 months. | 3,911,724 | 2,007,939 |
| Bank Deposit with original maturity more than 12 months. | 22,823,447 | 16,103,165 |
| | 27,797,690 | 18,940,332 |
| TOTAL | 30,712,159 | 24,732,631 |
| (c) Bank deposits amounting to ₹26,735,171 /- (P.Y. ₹20,966,104/-) pledged against borrowings from Banks. | | |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 18 | | |
| SHORT TERM LOANS & ADVANCES: | | |
| Unsecured, Considered good | | |
| (a) Advances | 103,059,911 | 72,942,822 |
| (b) Security Deposit | 6,833,365 | 7,913,701 |
| (c) Prepaid Expenses | 5,961,494 | 6,056,193 |
| (d) Income Tax deducted at source | 11,129,653 | 9,646,491 |
| (e) Income Tax Payments | 3,676,636 | 2,607,596 |
| (f) Service Tax Receivable | 7,986,723 | 5,757,198 |
| (g) Vat Credit Receivable | 3,217,284 | 3,130,309 |
| (h) Mat Credit Entitlement | 4,000,000 | 4,000,000 |
| | 145,865,066 | 112,054,309 |
| (i) Of the above advances dues from officers of the Company is ₹947,000/- (P.Y. ₹340,591/-) | | |

| | | |
|---|--------------------|-------------------|
| NOTE 19 | | |
| OTHER CURRENT ASSETS: | | |
| (a) Export Incentives Receivables | 23,248,369 | 12,610,712 |
| (b) Claims and other Receivable (Unsecured, Considered good) | 79,235,330 | 22,526,347 |
| (c) Interest accrued on Bank Deposit | 1,161,035 | 532,791 |
| (d) Unamortised Cost towards miscellaneous expenditure to the extent not written off or adjusted | 20,000 | 52,100 |
| | 103,664,734 | 35,721,950 |

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|---|--------------------------------|--------------------------------|
| NOTE 20 | | |
| REVENUE FROM OPERATIONS: | | |
| (a) Sale of Products | 3,800,142,043 | 3,235,130,111 |
| (b) Rental Income | 30,487,336 | 22,719,652 |
| (c) Other Operating Revenues: | | |
| Export Incentives | 58,269,724 | 23,554,022 |
| Credit for Certified Emission Reduction | 2,995,200 | 7,018,375 |
| Premium on Long Term Lease of Land | 8,655,143 | 75,272,359 |
| | 3,900,549,447 | 3,363,694,519 |
| Note: | | |
| Details of Sale of Products | | |
| Jute Goods | 3,800,142,043 | 3,235,130,111 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|--|--------------------------------|--------------------------------|
| NOTE 21 | | |
| OTHER INCOME: | | |
| (a) Interest Income | | |
| - On Bank Deposits | 2,203,300 | 947,911 |
| - Other Deposits | 30,670 | 27,566 |
| - Miscellaneous | 55,094 | - |
| (b) Net Gain on Sale of Fixed/Discarded Assets | 2,645,782 | - |
| (c) Miscellaneous Receipts | 109,793 | 523,461 |
| (d) Provision for Doubtful Bebtbs Written Back | 284,559 | - |
| (e) Liability no longer required written back | 13,240,421 | 433,058 |
| (f) Net Profit on Currency Fluctuation and Translation | - | 564,421 |
| | 18,569,619 | 2,496,417 |

| | | |
|------------------------------------|----------------------|----------------------|
| NOTE 22 | | |
| COST OF MATERIALS CONSUMED: | | |
| Opening Balance of Stock | 338,651,473 | 243,711,935 |
| Purchase of Raw-Materials | 2,398,135,546 | 2,451,758,893 |
| | <u>2,736,787,019</u> | <u>2,695,470,828</u> |
| Less: Closing Balance of Stock | 295,498,806 | 338,651,472 |
| | <u>2,441,288,213</u> | <u>2,356,819,356</u> |
| Purchase of Gunnies | 350,243,487 | 205,031,938 |
| Others | 1,626,381 | 121,654 |
| | 2,793,158,080 | 2,561,972,948 |

| | | |
|---|--------------------|--------------------|
| NOTE 23 | | |
| CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS: | | |
| Closing Stock | | |
| Finished Goods | 309,052,197 | 271,529,919 |
| Work-In-Progress | 45,480,462 | 40,471,425 |
| | <u>354,532,659</u> | <u>312,001,344</u> |
| Opening Stock | | |
| Finished Goods | 271,529,919 | 163,254,647 |
| Work-In-Progress | 40,471,425 | 18,171,913 |
| | <u>312,001,344</u> | <u>181,426,560</u> |
| | 42,531,315 | 130,574,784 |

| | | |
|---|--------------------|--------------------|
| NOTE 24 | | |
| EMPLOYEE BENEFITS EXPENSE: | | |
| Salaries, Wages, Bonus and Gratuity | 471,704,382 | 401,939,724 |
| Contribution To Provident & Other Funds | 48,849,077 | 48,328,822 |
| Medical & Welfare Expenses | 52,392,931 | 36,748,533 |
| | 572,946,390 | 487,017,079 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|---|--------------------------------|--------------------------------|
| NOTE 25 | | |
| FINANCE COST: | | |
| (a) Interest Expense {Net of Interest Received / Capitalised ₹11,239,784 /-(P.Y. ₹11,825,465)} | 69,367,472 | 46,106,082 |
| (b) Other Borrowing Cost | 11,928,873 | 8,482,177 |
| | 81,296,345 | 54,588,259 |

| | | |
|--|-------------------|-------------------|
| NOTE 26 | | |
| DEPRECIATION AND AMORTISATION EXPENSES: | | |
| On Tangible Assets | 44,717,260 | 40,104,609 |
| On Intangible Assets | 220,000 | – |
| | 44,937,260 | 40,104,609 |
| Less :Transfer from Revaluation Reserve | 1,021,194 | 1,113,508 |
| | 43,916,066 | 38,991,101 |

| | | |
|--|--------------------|--------------------|
| NOTE 27 | | |
| OTHER EXPENSES: | | |
| Consumption of Stores & Spare Parts | 86,499,952 | 78,106,965 |
| Power & Fuel | 126,449,688 | 106,562,035 |
| Rent | 20,958,452 | 14,511,130 |
| Repairs to Building | 1,297,605 | 1,670,008 |
| Repairs to Machinery | 2,890,109 | 3,077,153 |
| Insurance | 5,453,421 | 4,680,366 |
| Rates & Taxes | 1,254,772 | 898,635 |
| Net Loss on Currency Fluctuation and Translation | 10,182,926 | – |
| Bad debts written off | 8,618,846 | – |
| Miscellaneous Expenses | 170,997,466 | 118,628,419 |
| | 434,603,238 | 328,134,711 |

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|---|---------------------------|---------------------------|
| NOTE 27.1 | | |
| Details of payments to auditors (included in Miscellaneous expenses) | | |
| a) Audit Fees | 210,000 | 210,000 |
| b) Certification matters | 45,000 | 45,000 |
| c) For other services | 50,500 | 10,000 |
| | 305,500 | 265,000 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

NOTE 28

Details of exceptional items are as follows :-

| Particulars | (Amount in ₹) | |
|--|--------------------|------------------|
| | 31st March, 2012 | 31st March, 2011 |
| a) Excess Depreciation charged in earlier years written back | – | 1,139,325 |
| b) Interest payable to WBIDC written back | (8,181,000) | – |
| Total | (8,181,000) | 1,139,325 |

NOTE 29

- i. Gratuity is accounted on cash basis. Due to severe financial constraints, provision for future liability of gratuity could not be made, hence it was not determined actuarially. There is no practice for payment of leave encashment and hence actuarial valuation not required.
- ii. Interest arising out of non-payment in due time of retirement gratuity in respect of retired employees has not been ascertained and provided for. However, no claim for interest on delayed payments in this account has been received.

NOTE 30

Trade Receivables include ₹17,036,816/- (P.Y.-₹17,066,011/-), Loans and advances include NIL (P.Y.-₹4,078,012/-) and Exports Incentives Receivables includes ₹40,370,615/- (P.Y.-₹40,370,615/-) outstanding for more than three years and are doubtful. However, management is of the opinion that the said dues will be recoverable in full and hence no provision is required in this regard.

NOTE 31

Interest and other charges for Non-Payment/ Delayed payment of Sales Tax and Service Tax, if any, has not been ascertained and provided for.

NOTE 32

No provision is considered necessary by the management in respect of interest on WBIDC loan of ₹257 lacs as the company's application for waiver / reduction thereof is under consideration with the authorities. Also, the provision already made in the earlier years amounting to ₹8181000/- has been written back in the accounts for the year.

NOTE 33

Contingent Liabilities not provided for:

| Particulars | (Amount in ₹) | |
|--|------------------------|------------------------|
| | 31st March, 2012 | 31st March, 2011 |
| a) Bank guarantees given on behalf of the company | 40,996,598 | 36,628,695 |
| b) West Bengal and Central Sales Tax assessments under appeal for the period 1st October, 2002 to 31st March, 2004 | 1,865,171 | 1,865,171 |
| c) Bills discounted from bank (Since realized) | 21,450,897 | 27,216,732 |
| d) Letters of Credit issued in favour of various parties | 186,481,920 | 176,110,256 |
| e) Corporate guarantee given to State Bank of India on behalf of West Bengal Agro Textile Corporation Ltd | 33,860,000 | 33,860,000 |
| f) Interest / penalties for non payment of Service Tax realized by the company | Amount not ascertained | Amount not ascertained |
| g) Rent/interest & penalties for non-payment of Lease Rent to Kolkata Port Trust | Amount not ascertained | Amount not ascertained |

NOTE 34

Certain Borrowings, Sundry Creditors, Sundry Debtors, Loans & Advances are subject to Confirmation/ Reconciliation from the respective parties. The Management however does not expect any material variations.

Notes to and forming integral part of Financial Statements As at 31st March, 2012

NOTE 35

Estimated amount of Commitments on Capital Account outstanding as on 31st March 2012 was ₹186.48 Lacs (P. Year- ₹732.60 Lacs) net of advances.

NOTE 36

Disclosure in respect of Joint Venture:

a) Details of Joint Venture :-

| Name of Joint Venture | Country of Incorporation | Description of Interest | Proportion of Ownership Interest | |
|---|--------------------------|---------------------------|----------------------------------|------------------|
| | | | As at 31.03.2012 | As at 31.03.2011 |
| West Bengal Agro Textile Corporation Ltd. | India | Jointly Controlled Entity | 20.04% | 73.98% |

b) The Company's Financial Interest in the aforesaid Joint Venture Company is set out below :

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| ASSETS | | |
| Non-current assets | | |
| (a) Fixed assets | | |
| (i) Tangible assets | 4,614,608 | 17,691,809 |
| (ii) Intangible assets | – | – |
| (iii) Capital work-in-progress | – | – |
| (iv) Intangible assets under development | – | – |
| (b) Non-current investments | – | – |
| (c) Deferred tax assets (net) | – | – |
| (d) Long-term loans and advances | 454,002 | 167,6001 |
| (e) Other non-current assets | 12,311,594 | 4,225,2951 |
| Current assets | | |
| (a) Current investments | – | – |
| (b) Inventories | 10,143,887 | 3,135,9401 |
| (c) Trade receivables | 2,287,373 | 14,810,191 |
| (d) Cash and cash equivalent | 332,815 | 1,149,215 |
| (e) Short-term loans and advances | 171,767 | 52,834 |
| (f) Other current assets | 217,450 | 132,433 |
| TOTAL | 30,533,496 | 109,124,834 |
| LIABILITIES | | |
| Non-current liabilities | | |
| (a) Long-term borrowings | 1,019,590 | 5,626,090 |
| (b) Deferred tax liabilities (Net) | – | – |
| (c) Other Long term liabilities | – | – |
| (d) Long-term provisions | 23,305 | 86,033 |
| Current liabilities | | |
| (a) Short-term borrowings | 2,937,744 | 8,948,666 |
| (b) Trade payables | 12,351,614 | 44,910,824 |
| (c) Other current liabilities | 1,429,465 | 4,469,103 |
| (d) Short-term provisions | 440,060 | 1,614,947 |
| TOTAL | 18,201,777 | 65,655,664 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

b) The Company's Financial Interest in the aforesaid Joint Venture Company is set out below: (contd...)

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|---|--------------------------------|--------------------------------|
| INCOME | | |
| Revenue from operations | 51,351,706 | 197,947,999 |
| Other income | 210,924 | 2,243,645 |
| TOTAL | 51,562,630 | 200,191,644 |
| EXPENSES | | |
| Raw Materials Consumed | 25,915,748 | 124,351,283 |
| Change in Inventory of Finished Goods & WIP | (445,497) | (6,503,792) |
| Purchase of Finished Goods | 1,038,866 | 1,304,313 |
| Purchase of Raw Jute (Trading A/c) | 769,625 | 3,817,312 |
| Employee Benefits Expense | 13,580,081 | 43,893,371 |
| Finance Cost | 615,425 | 1,976,754 |
| Depreciation and Amortization Expense | 656,798 | 2,580,309 |
| Other expenses | 8,874,968 | 28060592 |
| TOTAL | 51,006,015 | 199,480,141 |

NOTE 37

No provision is considered necessary by the management in respect of claim for damages of ₹5,008,807/- (PY ₹5,008,807/-) by the ESI Authorities for delayed payment of dues for the earlier years, as the company's application for waiver / reduction thereof is under consideration of the authorities.

NOTE 38

There were five parties covered under Micro, Small and Medium Enterprises to whom the Company owes dues, which were outstanding for more than 45 days as at 31st March, 2012 to the extent of ₹3,585,499/- (PY- ₹2,787,404/-). No interest was paid / payable to the said party during the year. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

Notes to and forming integral part of Financial Statements As at 31st March, 2012

NOTE 39

Segmental Reporting as per AS -17 :-

(Amount in ₹)

| Particulars | Jute Activity | Real Estate | Total |
|---|-----------------|---------------|-----------------|
| Revenue | 3,879,976,587 | 39,142,479 | 3,919,119,066 |
| | (3,268,198,925) | (97,992,011) | (3,366,190,936) |
| Segment Results | 97,971,654 | 19,054,954 | 117,026,608 |
| (Profit before Interest, tax & Exceptional Items) | (3,154,605) | (83,804,486) | (80,649,881) |
| Interest | 65,179,708 | 16,116,637 | 81,296,345 |
| | (39,859,861) | (14,728,398) | (54,588,259) |
| Exceptional Items | 8,181,000 | – | 8,181,000 |
| | (1,139,325) | (–) | (1,139,325) |
| Profit Before tax | 40,972,946 | 2,938,317 | 43,911,263 |
| | (-41,875,141) | (69,076,088) | (2,720,0947) |
| Less: Income Tax | – | – | 8,568,210 |
| | – | – | (654,0361) |
| Profit after tax | – | – | 35,343,053 |
| | – | – | (20,660,586) |
| Other Information | | | |
| Assets | 1,933,762,674 | 136,974,094 | 2,070,736,768 |
| | (1,675,297,745) | (132,642,437) | (1,807,940,182) |
| Liabilities | 1,525,682,467 | 109,328,954 | 1,635,011,421 |
| | (1,297,495,349) | (126,122,414) | (1,423,617,763) |
| Capital Expenditure | 160,870,743 | – | 160,870,743 |
| | (16,660,005) | (60,589,605) | (77,249,610) |
| Depreciation & Amortisation | 33,262,428 | 10,653,638 | 43,916,066 |
| | (34,194,082) | (4,797,019) | (38,991,101) |

NOTE 40

Earnings Per Share (EPS):

(Amount in ₹)

| | | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|--|-----------------|--------------------------------|--------------------------------|
| Net Profit for the period attributable to equity shareholders: (₹) | (a) | 35,343,051 | 20,660,586 |
| Weighted average number of Equity Shares of ₹10/- each outstanding during the period | (b) | 4,978,460 | 4,944,307 |
| Add: Dilutive number of Equity Shares outstanding during the year | (c) | NIL | NIL |
| Diluted number of Equity Shares outstanding during the year | (d) | NIL | NIL |
| Earnings Per Share (₹): | | | |
| Basic | (e) = (a) / (b) | 7.10 | 4.18 |
| Diluted | (f) = (a) / (d) | 7.10 | 4.18 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

NOTE 41

| Related Party Disclosure: (Amount in ₹) | | |
|--|---|--|
| Relationship | Name | Transactions during the year |
| Key Managerial Personnel (Whole time Director) | Mr. S. Banerjee | Managerial Remuneration – ₹863,315/- (P.Y. ₹856,474/-) |
| Joint-venture (P.Y. Joint-venture cum Subsidiary) | (i) West Bengal Agro Textile Corporation Ltd. | Purchases - ₹20,217,512/- (P.Y. ₹38,134,400/-) Stores Purchase - ₹417,287/- (P.Y. ₹434,530/-) Sales - ₹17,920/- (P.Y. ₹1,302,868/-) Balance payable at the end ₹20,744/- (P.Y. 44,90,122/-) |
| Subsidiary | (ii) HMC Power Companies Ltd. | Advance given ₹2,506,464 (P.Y. NIL) Receivables Closing Balance – ₹7,506,464/- (P.Y. ₹5,000,000/-) |
| Subsidiary | (iii) HMC Jute Park Enterprises Ltd. | Advance given – NIL (P.Y. NIL) Receivables Closing Balance - ₹5,000,000/- (P.Y. ₹5,000,000 /-) |

NOTE 42

a) Value of Raw Materials and Stores (including components & spare parts) consumed:-

| Particulars | 31.03.2012 | | 31.03.2011 | |
|---------------------------------|----------------------|---------------|----------------------|---------------|
| | Value (₹) | Percentage | Value (₹) | Percentage |
| Raw Materials* | | | | |
| Imported | 103,650,888 | 4.25 | 66,278,486 | 2.81 |
| Indigenous | 2,337,637,325 | 95.75 | 2,290,540,870 | 97.19 |
| Total | 2,441,288,213 | 100.00 | 2,356,819,356 | 100.00 |
| Stores & Spare Parts | | | | |
| Imported | NIL | 0 | 1,556,730 | 1.99 |
| Indigenous | 86,499,952 | 100 | 76,550,235 | 98.01 |
| Total | 86,499,952 | 100 | 78,106,965 | 100 |

*Raw Material consumed includes cost of packing materials and other materials.

b) Work In Progress:

| Work In Progress as on (Amount in ₹) | | |
|---|------------------|------------------|
| | 31st March, 2012 | 31st March, 2011 |
| W.I.P of Jute goods | 45,480,462 | 40,471,425 |

c) Closing finished goods:

| Inventory (Amount in ₹) | | |
|--|------------------|------------------|
| | 31st March, 2012 | 31st March, 2011 |
| Jute goods | 309,052,197 | 271,529,919 |

Notes to and forming integral part of Financial Statements As at 31st March, 2012

(Amount in ₹)

| Particulars | 31st March, 2012 | 31st March, 2011 |
|---|------------------|------------------|
| d) Earnings in Foreign Exchange: | | |
| Export of Finished Goods (CIF Basis) (Excludes export through Merchant Shippers) | 720,307,552 | 454,052,829 |
| Certified Emission Reduction | 2,995,200 | 7,018,375 |
| e) Value of Imports (CIF Basis): | | |
| Raw Jute | 103,650,888 | 66,278,486 |
| Gunny & others | 26,447,609 | 1,556,730 |
| f) Expenditure in Foreign Currencies: | | |
| Export Expenses | 1,555,384 | 1,539,195 |
| Traveling Expenses | 505,159 | 859,961 |
| Claims to foreign Buyers | 14,498,938 | – |

NOTE 43

Proposed Dividend:

The final dividend for the year is as follows:

(Amount in ₹)

| | 31st March, 2012 | 31st March, 2011 |
|--------------------------------|------------------|------------------|
| On Equity shares of ₹10/- each | | |
| Amount of dividend proposed | 2,722,154 | 2,472,154 |
| Dividend per Equity shares | 0.50 | 0.50 |

NOTE 44

The financial statements for the year ended 31st March, 2011 had been prepared as per then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signatures of the Notes 1 to 44

In terms of our attached report of even date.

For S. JAYKISHAN

Chartered Accountants

FRN : 309005E

(CA Y. GUPTA)

Partner

Membership No. 060539

Place: 12, Ho Chi Minh Sarani, Kolkata

Date: 23rd August, 2012

Sanjay Mall

Managing Director

T. Roy

Company Secretary

S. Banerjee

Wholetime Director

S. L. Jhawar

Director

Cash Flow Statement For the year ended 31st March, 2012

(Amount in ₹)

| | | For the year ended 31st March, 2012 | | For the year ended 31st March, 2011 |
|--|---------------|---|---------------|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit before tax & exceptional items | | 35,730,261 | | 26,061,621 |
| Adjustments for: | | | | |
| Depreciation and amortization expenses | 43,916,066 | | 38,991,101 | |
| Interest expense | 81,296,345 | | 46,106,082 | |
| Interest income | (2,233,970) | | (975,477) | |
| Profit on Sale of Fixed Asset | (2,645,782) | | – | |
| Depreciation Adjusted against J.M.D.C. incentive | – | | (1,139,325) | |
| Liability No longer required written back | (13,524,980) | | (433,058) | |
| Preliminary Expenses Written off | 20,000 | | 20,000 | |
| Amalgamation Expenses Written off | 32,100 | 106,859,779 | 32,100 | 82,601,423 |
| Operating Profit Before Working Capital Changes | | 142,590,040 | | 108,663,044 |
| Adjustments for: | | | | |
| (Increase)/decrease in trade receivables | (86,899,826) | | (242,707,376) | |
| (Increase)/decrease in loans & advances | (35,959,140) | | (94,348,206) | |
| (Increase)/decrease in other assets | (67,974,884) | | (532,791) | |
| Increase/(decrease) in trade payables | 253,228,028 | | 226,723,206 | |
| Increase/(decrease) in other liabilities | (42,170,585) | | 111,577,116 | |
| (Increase)/decrease in inventories | (3,157,481) | 17,066,112 | (224,841,800) | (224,129,851) |
| Cash Generated From / (Used In) Operations | | 159,656,152 | | (115,466,807) |
| Less: Taxes Paid | | 1,518,212 | | 6,082,631 |
| Cash Flow Before Exceptional Items | | 158,137,940 | | (121,549,438) |
| Exceptional Items | | 8,181,000 | | 1,139,325 |
| Net Cash From / (Used In) Operating Activities – A | | 166,318,940 | | (120,410,113) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (160,870,743) | | (77,238,720) | |
| Sale proceeds of fixed assets | 2,650,000 | | – | |
| Purchase of investments | (38,100) | | (7,000) | |
| Sale proceeds of investments | 61,243,000 | | – | |
| Interest received | 2,233,970 | | 975,477 | |
| Capital Subsidy from J.M.D.C. capitalised | – | | 5,376,600 | |
| Net Cash From / (Used In) Investing Activities – B | | (94,781,873) | | (70,893,643) |

Cash Flow Statement For the year ended 31st March, 2012

(Amount in ₹)

| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|---|---|---|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Final Dividend paid | (2,238,863) | (3,378,003) |
| Corporate Dividend Tax on final dividend | (410,600) | (420,142) |
| Interest paid | (89,449,804) | (54,304,340) |
| Proceed from issue of equity shares | 20,000,000 | – |
| Increase/ (decrease) in long-term borrowings | (31,165,104) | 19,500,381 |
| Increase/ (decrease) in short-term borrowings | 37,706,832 | 241,856,274 |
| Preference Shares Redeemed | – | (838,700) |
| Net Cash From / (Used In) Financing Activities – C | (65,557,539) | 202,415,470 |
| Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C) | 5,979,528 | 11,111,714 |
| Cash & Cash Equivalents at the beginning of the year | 24,732,63 | 13,620,917 |
| Cash & Cash Equivalents at the closing of the year | 30,712,159 | 24,732,631 |

Note:

1. The Cash Flow Statement has been prepared under the "Indirect method" set out in the Accounting Standard-3 on "Cash Flow Statement" notified in the companies (Accounting Standards) Rules, 2006.
2. Cash and Cash Equivalents include Cash in hand and Bank balances on current account and Fixed deposit Accounts. (Refer Note 17)
3. Figures in brackets indicate Cash outflow.
4. Previous Year's figures have been regrouped/rearranged, wherever considered necessary to conform to this year's classification.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

Sanjay Mall
Managing Director

(CA Y. GUPTA)
Partner
Membership No. 060539

T. Roy
Company Secretary

S. Banerjee
Wholetime Director

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

S. L. Jhawar
Director

Consolidated Financial Section

Consolidated Auditors' Report

To

The the Board of Directors,

Howrah Mills Company Limited

1. We have audited the attached Consolidated Balance Sheet of Howrah Mills Company Limited ('the company' and its subsidiaries constitute 'the group'), as at 31st March, 2012, the Consolidated Statement of Profit and Loss and also the Consolidated Cash flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well, as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement of the subsidiaries namely, HMC Jute Park Enterprises Limited and HMC Power Companies Limited. Total net worth's as at 31st March, 2012, the total revenues and net loss (after tax) for the year ended on that date reflected in financial statements of the subsidiary Companies are as follows:

Amount in ₹

| Particulars | HMC Jute Park Enterprises Limited | HMC Power Companies Limited |
|----------------------------|-----------------------------------|-----------------------------|
| Net Worth | 407,735 | 472,211 |
| Total Revenues | – | – |
| NetProfit/(Loss) After Tax | 11,177 | 10,520 |

These financial statements have been incorporated in the consolidated financial statements on the basis of audited accounts of HMC Jute Park Enterprises Limited and HMC Power Companies Limited duly audited by other auditors, certified copies of same, as provided to us, by the Management.

4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard-21, 'Consolidated Financial Statements

'issued by the Institute of Chartered Accountants of India.

5. Based on our audit and on consideration of separate audited financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, and subject to the following comments:

- i) *Non-compliance with Accounting Standard - 15, "Employee Benefits" in respect of non ascertainment and provision of accrued gratuity liability and leave encashment.*
- ii) *Note No. 29(i) regarding non ascertainment and provision of interest on delay payments of statutory dues such as Gratuity, etc.*
- iii) *Note No. 30 regarding future uncertain ability regarding realization of trade receivables and export incentives and non provision against the same.*
- iv) *Note No. 31 regarding non ascertainment and provision of interest and charges for non/ delay payments of Service tax and sales tax.*
- v) *Note No. 32 regarding non ascertainment and provision of interest on loan from WBIDC Ltd.*

and read with other notes on accounts and significant accounting policies, in our opinion give a true and fair view, in conformity with the accounting principles generally accepted in India.

- i. In the case of Consolidated Balance Sheet of the State of Affairs of the group as at 31st March, 2012;
- ii. In the case of Consolidated Statement of Profit and Loss of the Profit of the group for the year ended 31st March, 2012; and
- iii. In the case of Consolidated Cash flow statement, of the Cash flows of the group for the year ended 31st March, 2012.

For **S. Jaykishan**

Chartered Accountants

FRN: 309005E

Y. Gupta

Partner

Place: Kolkata

Date: 23rd August, 2012

Membership No.60539

Consolidated Balance Sheet As at 31st March, 2012

(Amount in ₹)

| Particulars | Note No. | As at 31st March, 2012 | As at 31st March, 2011 |
|--|----------|---------------------------|---------------------------|
| I EQUITY AND LIABILITIES | | | |
| 1) SHAREHOLDERS' FUNDS | | | |
| (a) Share Capital | 2 | 54,443,070 | 49,443,070 |
| (b) Reserves & Surplus | 3 | 380,957,707 | 331,135,598 |
| | | 435,400,777 | 380,578,668 |
| 2) MINORITY INTEREST | | | |
| | | 219,759 | 5,806,229 |
| 3) NON-CURRENT LIABILITIES | | | |
| (a) Long -Term Borrowings | 4 | 72,658,799 | 111,428,783 |
| (b) Deferred Tax Liabilities (Net) | 5 | 244,756 | 244,756 |
| (c) Other Long -Term Liabilities | 6 | 14,382,942 | 15,501,851 |
| | | 87,286,497 | 127,175,390 |
| 4) CURRENT LIABILITIES | | | |
| (a) Short -Term Borrowings | 7 | 647,963,212 | 624,153,906 |
| (b) Trade Payables | 8 | 741,301,160 | 541,131,726 |
| (c) Other Current Liabilities | 9 | 134,490,026 | 195,250,612 |
| (d) Short -Term Provisions | 10 | 25,469,188 | 20,437,500 |
| | | 1,549,223,585 | 1,380,973,743 |
| TOTAL | | 2,072,130,619 | 1,894,534,031 |
| II ASSETS | | | |
| 1) NON-CURRENT ASSETS | | | |
| (a) Fixed Assets | 11 | | |
| (i) Tangible Assets | | 490,942,682 | 401,562,212 |
| (ii) Intangible Assets | | 1,980,000 | 29,230 |
| (iii) Capital Work In Progress | | 39,122,660 | 38,322,994 |
| (b) Non Current Investments | 12 | 27,908,204 | 125,760 |
| (c) Long-Term Loans & Advances | 13 | 47,713,445 | 55,337,004 |
| (d) Other Non Current Assets | 14 | 52,916,527 | 110,089,957 |
| (e) Goodwill | | – | 19,020,114 |
| | | 660,583,517 | 624,487,271 |
| 2) CURRENT ASSETS | | | |
| (a) Inventories | 15 | 680,357,389 | 719,588,933 |
| (b) Trade Receivables | 16 | 450,528,970 | 376,000,210 |
| (c) Cash & Bank Balances | 17 | 31,071,532 | 26,371,519 |
| (d) Short-Term Loans & Advances | 18 | 145,885,066 | 112,145,725 |
| (e) Other Current Assets | 19 | 103,704,145 | 35,940,373 |
| | | 1,411,547,102 | 1,270,046,760 |
| TOTAL | | 2,072,130,619 | 1,894,534,031 |
| Summary of Significant Accounting Policies | 1 | | |

Notes to & forming integral part of Financial Statements
In terms of our attached report of even date.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

Sanjay Mall
Managing Director

(CA Y. GUPTA)
Partner
Membership No. 060539

T. Roy
Company Secretary

S. Banerjee
Wholetime Director

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

S. L. Jhavar
Director

Consolidated Statement of Profit and Loss For the year ended 31st March, 2012

(Amount in ₹)

| Particulars | Note No. | For the Year Ended 31st March, 2012 | For the Year Ended 31st March, 2011 |
|--|----------|--|--|
| I. Revenue From Operations | 20 | 4,136,560,051 | 3,591,392,334 |
| II. Other Income | 21 | 19,291,246 | 5,529,188 |
| III. Total Revenue | | 4,155,851,298 | 3,596,921,522 |
| IV. Expenses: | | | |
| Cost of Materials Consumed | 22 | 2,902,242,747 | 2,690,623,382 |
| Changes In Inventories of Finished Goods & Work-In-Progress | 23 | (44,754,353) | (139,366,069) |
| Purchases of Stock in Trade | | 9,024,404 | 6,922,986 |
| Employee Benefits Expense | 24 | 640,711,267 | 546,348,481 |
| Finance Costs | 25 | 84,367,328 | 57,260,270 |
| Depreciation and Amortization Expense | 26 | 47,193,503 | 42,478,948 |
| Other Expenses | 27 | 478,536,922 | 365,723,145 |
| Total Expenses | | 4,117,321,819 | 3,569,991,144 |
| V. Profit Before Exceptional Items and Tax: | | 38,529,479 | 26,930,378 |
| VI. Exceptional Items | 28 | 8,181,000 | 1,139,325 |
| VII. Profit Before Tax | | 46,710,479 | 28,069,703 |
| VIII. Tax Expense | | | |
| a) Current Tax | | (8,500,000) | (7,000,000) |
| b) Deferred Tax | | - | 459,639 |
| c) Income Tax for Earlier Year | | (68,210) | - |
| IX. Profit for the Period before minority interest | | 38,142,269 | 21,529,342 |
| Less : Minority Interest | | 5,733 | (9,474,292) |
| Profit for the Period | | 38,136,536 | 31,003,634 |
| X. Earning Per Equity Share | | | |
| Basic | | 7.66 | 4.35 |
| Diluted | | 7.66 | 4.35 |
| Summary of Significant Accounting Policies | 1 | | |

Notes to & forming integral part of Financial Statements

In terms of our attached report of even date.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

Sanjay Mall
Managing Director

(CA Y. GUPTA)
Partner
Membership No. 060539

T. Roy
Company Secretary

S. Banerjee
Wholetime Director

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

S. L. Jhawar
Director

Summary of Significant Accounting Policies For the year ended 31st March, 2012

1. Basis of Consolidation

The consolidated financial statements relate to Howrah Mills Company Limited (the Company) and its subsidiary companies. The Company and its subsidiaries constitute the Group

a) Basis of Accounting :

- I. The financial statements of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Company, i.e. for the year ended 31st March, 2012.
- II. The financial statements of the Group have been prepared in accordance with the applicable Accounting Standards in India and other generally accepted accounting principles.

b) Principles of Consolidation:

The consolidated financial statements have been prepared on the following basis:

- I. The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis

by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting unrealized profit as per applicable Accounting Standards in India.

- II. The excess of the cost to the Company of its investment in subsidiary over the Company's portion of equity as at the dates on which the investments in subsidiary companies are made is recognized in the financial statements as "Goodwill on Consolidation".
- III. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Company for its separate financial statements. Differences if any, in accounting policies have been disclosed separately.
- IV. The operations of the Company's subsidiaries are considered as non-integral operations for the purpose of consolidation.

c) Particulars of subsidiaries:

| Name of the Company | Country of Incorporation | Percentage of Voting Power as at 31st March, 2012 |
|-----------------------------------|--------------------------|---|
| HMC Jute Park Enterprises Limited | India | 60.00% |
| HMC Power Companies Limited | India | 88.00% |

2. Basis of preparation of financial statements.

- a. The financial statements of group are prepared in accordance with Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on accrual basis and on principles of going concern. The accounting policies are consistently applied by the Company.
- b. The financial statements of group are prepared to comply in all material respects with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006 (As amended) and the relevant provisions of the Companies Act, 1956.
- c. The preparation of the financial statements of group requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known / materialize.

3. Revenue Recognition

- a. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.
- b. Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the dispatch of goods. Sales are net of Cess, VAT, CST, Excise Duty, returns, claims & rate differences. Export sales are shown at CIF value of exports.
- c. Claims related to sales are recognized in the accounts as and when received.
- d. Consignment sales are booked on proforma invoice basis at the time of dispatch of goods. Adjustment if any, of actual sale differential and various expenses such as freight, duty, commission, insurance, taxes etc, arising on receipt of account sales are dealt in during the relevant years in which Account Sales are made available.
- e. Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Summary of Significant Accounting Policies For the year ended 31st March, 2012

- f. Market Assistance Receivable from JMDC and other export benefits are accounted for as soon as the entitlements in respect thereof fall due.
- g. Lease Rent and bonus to employees, are accounted for on cash basis.
- h. Incomes from certified emission reduction (CERS) & from voluntary emission reduction (VERS) are recognized at estimated realizable value on confirmation of CERS & VERS by the concerned authorities.
- i. Scrap sales are accounted for on realization basis.

4. Fixed Assets

(i) Tangible Assets

- a. Fixed Assets except for certain assets, which were revalued as at 31st March 1984 by the company are stated at cost less accumulated depreciation and impairment losses, if any.
- b. Cost includes inward freight, duties, taxes, interest till the date of installation and expenses incidental to acquisition and installation. In respect of revalued assets, the resultant net increase in value is transferred to Revaluation Reserve. Costs of major renovation/ replacement, which in the opinion of the Company enhance the life/ efficiency and production capacity of the assets, are capitalized.
- c. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use, which is determined by the present value of the estimated future cash flows.
- d. Depreciation on assets other than freehold land is provided on written down value method at the rates & in the manner specified in Schedule XIV to the Companies Act, 1956. Depreciation on differential increase in values arising out of the revaluation is recouped from Revaluation Reserve.
- e. Costs of the fixed assets not ready for their intended use at the Balance Sheet date together with all related expenses and advances paid to acquire fixed assets are shown as Capital Work-in-progress.

(ii) Intangible Assets

- a) Intangible assets are stated at cost of acquisition less accumulated amortization. Amortization is provided on the straight line method as per rates mentioned below:

| Asset Class | Rate of Amortization |
|-------------|----------------------|
| Software | 10% |

5. Investments

- a. Current investments are stated at Cost or Market Value whichever is lower.
- b. Long term investments are stated at cost unless there is a permanent diminution in value of investments.

6. Inventories

Raw materials and Stores and Spares are valued at cost, cost being determined on monthly weighted average basis. Finished goods are valued at lower of cost or contract/market rate as applicable. Work-in-Progress is valued at cost, comprising raw materials and conversion cost incurred in bringing the inventory to their present location & condition.

7. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the time of transactions. Transactions remaining unsettled, other than those contracts covered under Forward Foreign Exchange contracts are translated at the rate prevailing at the end of the financial year. In case of Forward Exchange Contracts, year-end foreign currency assets & liabilities are translated at the rate ruling on the date of transaction as increased or decreased by the proportionate difference between the forward rate and the said exchange rate, such difference having been recognized over the life of the contract. Exchange differences arising out of aforesaid transactions are dealt in the Statement of Profit and Loss.

8. Retirement Benefits

Contribution to Provident and Family Pension Fund is charged to the Statement of Profit and Loss of the year. Gratuities are accounted for in the group on cash basis. The Company has no practice of paying leave encashment benefit on retirement.

9. Borrowing Costs

Borrowing costs attributable to the acquisition/ construction of fixed assets are capitalized up to the date when such assets are ready for its intended use. Interest attributable to investment held in subsidiary company West Bengal Agro Textile Corporation Ltd is capitalized to cost of investments. Other borrowing costs are recognized as an expense for the year in which they are incurred.

Summary of Significant Accounting Policies For the year ended 31st March, 2012

10. Subsidy & Incentives

Government grants are recognized on a prudent basis when there is a reasonable assurance that the Company will comply with the conditions attached thereto.

Capital Investment Subsidy/Incentives are accounted for in the accounts as and when actually received. Capital grant relating to specific fixed assets is reduced from the gross value of the respective fixed asset. Incentives/ Subsidy related to revenue are recognized on a systematic basis in the Statement of Profit and Loss over the period to match them with the related cost which they are intended to compensate.

11. Goodwill on Consolidation

Goodwill on Consolidation represents the difference between the Group's share in the net worth of the investee companies at the time of acquisition and the carrying amount of investment made. The said goodwill is not amortized. It is tested for impairment at each Balance Sheet date and impairment loss, if any, is provided for.

12. Amalgamation & Preliminary Expenses

Amalgamation Expenses are written off over a period of 5 years U/s 35DD of the Income Tax Act, 1961.

Preliminary Expenses are written off over a period of 5 years U/s 35D of the Income Tax Act, 1961.

13. Taxes On Income

Tax expenses comprises of current tax and deferred tax.

- a. Current income tax is measured at the amount expected to be paid to the tax authorities, computed in accordance with the applicable tax rates and tax laws. In case of tax payable as per provisions of MAT under section 115JB of the Income Tax Act, 1961, MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the

Company will pay normal income tax during the specified period.

- b. Deferred Tax resulting from Timing difference between Book profits and Taxable Profits is accounted for using the tax rates and tax laws that are enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets is recognized and carried forward to the extent that there is a reasonable certainty that the asset will be realized in future.

14. Provisions, Contingent liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent assets are neither recognized nor disclosed in the Financial Statements.

15. Earnings per Share (EPS)

- a) Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.
- b) For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

16. Prior Period items:

Prior Period and exceptional items and Changes in Accounting Policies having material impact on the financial affairs of the Company are separately disclosed.

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 2 | | |
| SHARE CAPITAL: | | |
| (a) Authorised Share Capital | | |
| 6,737,500 (P.Y. 6,737,500) Equity Shares of ₹10/- each | 67,375,000 | 67,375,000 |
| 26,250 (P.Y. 26,250) 9.1% Cumulative Redeemable Preference Shares of ₹100/- each | 2,625,000 | 2,625,000 |
| | 70,000,000 | 70,000,000 |
| (b) Issued ,Subscribed & Paid up Share Capital | | |
| 5,444,307 (P.Y. 4,944,307) Equity Shares of ₹10/- each | 54,443,070 | 49,443,070 |
| | 54,443,070 | 49,443,070 |

(c) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---|------------------------|------------|------------------------|------------|
| | Number of Shares | Amount (₹) | Number of Shares | Amount (₹) |
| At the Beginning of the Period | 4,944,307 | 49,443,070 | 4,944,307 | 49,443,070 |
| Additions During the Year: | 500,000 | 5,000,000 | – | – |
| Shares at the end of the Reporting period | 5,444,307 | 54,443,070 | 4,944,307 | 49,443,070 |

(d) Terms / rights attached to Equity Shares

The Company has only one class of equity share having a par value of ₹10 per share. Each shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of shareholders except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the shareholding.

(e) Details of shareholders holding more than 5% shares in the Company

| | As at 31st March, 2012 | | As at 31st March, 2011 | |
|---------------------------------------|------------------------|--------------|------------------------|--------------|
| | Number of Shares | % of holding | Number of Shares | % of holding |
| 1) HR Global Finance Limited | 1,128,244 | 20.72 | 1,128,244 | 22.82 |
| 2) HR International Limited | 1,014,595 | 18.64 | 1,014,595 | 20.52 |
| 3) Vedansh Traders Private Limited | 870,000 | 15.98 | 820,000 | 16.58 |
| 4) HR Infracon Limited | 780,379 | 14.33 | 500,000 | 10.11 |
| 5) Alankar Commotrade Private Limited | 415,000 | 7.62 | 185,000 | 3.74 |

(f) 17,757 Equity Shares of ₹10/- each were allotted as fully paid up shares on 28/03/2009, pursuant to a Scheme of Amalgamation sanctioned by the Hon'ble High Court at Kolkata, without consideration being received in cash.

(g) During the year, the Company has made preferential allotment of 500,000 Equity Shares of ₹10/- each at a premium of ₹30/- per share, aggregating to ₹20,000,000/- for expanding its business activities and to meet the long term working capital requirements of the Company. The proceeds of the issue have been utilised towards the objects of the said issue.

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 3 | | |
| RESERVES & SURPLUS: | | |
| (a) Revaluation Reserve | | |
| (Created by Revaluation of Land, Buildings & Plant & Machinery) | | |
| As per last Balance Sheet | 57,949,286 | 59,062,794 |
| Less : Transfer to Profit and Loss Account on account of depreciation on amount added on Revaluation | 1,021,194 | 1,113,508 |
| | <u>56,928,092</u> | <u>57,949,286</u> |
| (b) Capital Reserve | | |
| As per last Balance Sheet | 4,073,671 | 4,073,671 |
| (c) Capital Redemption Reserve | | |
| As per last Balance Sheet | 2,625,000 | 2,625,000 |
| (d) Securities Premium Account | | |
| As per last Balance Sheet | 19,400,000 | 19,400,000 |
| Addition during the year | 15,000,000 | – |
| | <u>34,400,000</u> | <u>19,400,000</u> |
| (e) Amalgamation Reserve | | |
| As per last Balance Sheet | 1,789,207 | 1,789,207 |
| (f) Investment Allowance Reserve | | |
| As per last Balance Sheet | 129,150 | 129,150 |
| (g) General Reserve | | |
| As per last Balance Sheet | 59,203,800 | 59,203,800 |
| (h) Surplus | | |
| As per last Balance Sheet | 185,965,484 | 157,844,604 |
| Add : Profit for the year | 38,136,536 | 31,003,634 |
| Add: Adjustment | 870,454 | – |
| Less : Appropriations | | |
| Proposed Final Dividend on Equity Shares | (2,722,154) | (2,472,154) |
| Tax on Proposed Final Dividend | (441,533) | (410,600) |
| | <u>221,808,787</u> | <u>185,965,484</u> |
| Grand Total | 380,957,707 | 331,135,598 |

| | As at 31st March 2012 | As at 31st March 2011 |
|---|--------------------------|--------------------------|
| NOTE 4 | | |
| LONG-TERM BORROWINGS | | |
| (a) Secured | | |
| i) Term Loans from Banks | | |
| a) State Bank of India | 64,250,860 | 94,683,182 |
| b) The Federal Bank Limited | 40,319,609 | 58,053,593 |
| | <u>104,570,469</u> | <u>152,736,775</u> |
| Less: Current Maturities of Long Term Borrowings transferred to Other Current Liabilities | 31,911,670 | 41,307,992 |
| | <u>72,658,799</u> | <u>111,428,783</u> |

NOTE 4 (Contd...)

(b) Nature of Security

Term Loans are secured by / against :

- (i) Hypothecation of all the Stock in Trade, Stores & Book Debts of the Company, ranking Pari-passu
- (ii) First Pari Passu charge on the entire fixed assets
- (iii) Personal guarantees of Shri Om Prakash Mall, Shri Shree Mohan Mall & Shri Nand Kishore Jhawar
- (iv) Rent Receivables

(c) Major Terms of repayment of Long Term Borrowings disclosed in (A) above :

| Maturity Profile of Long Term Borrowings outstanding as at 31 March 2012 | Term Loans | Corporate Loan | Total | Current maturities |
|--|-------------------|------------------|--------------------|--------------------|
| Loan with residual maturity of upto 1 year | 4,216,607 | 5,397,850 | 9,614,457 | 9,614,457 |
| Loan with residual maturity between 1 & 3 years | – | – | – | – |
| Loan with residual maturity between 3 & 5 years | 35,676,155 | – | 35,676,155 | 9,297,213 |
| Loan with residual maturity between 5 & 10 years | 59,279,857 | – | 59,279,857 | 13,000,000 |
| Total | 99,172,619 | 5,397,850 | 104,570,469 | 31,911,670 |

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 5 | | |
| DEFERRED TAX LIABILITIES: | | |
| Deferred Tax Liability on Account of Fixed Asset | 244,756 | 244,756 |
| | 244,756 | 244,756 |

Note: As a matter of prudence differential amount of deferred tax asset has not been accounted for in the accounts

NOTE 6

| OTHER LONG-TERM LIABILITIES: | | |
|-------------------------------------|-------------------|-------------------|
| Security deposits | 14,382,942 | 15,501,851 |
| Loan to / from Subsidiary Company | – | – |
| | 14,382,942 | 15,501,851 |

NOTE 7

| SHORT-TERM BORROWINGS: | | |
|---|--------------------|--------------------|
| (a) Secured: | | |
| (i) Working Capital Loans repayable on demand | | |
| (a) From State Bank of India | 285,940,579 | 276,943,012 |
| (b) From The Federal Bank Limited | 131,872,710 | 155,311,565 |
| (ii) I.F.C.I Ltd. | 1,269,000 | 1,269,000 |
| (iii) WBIDC Ltd. | 25,700,000 | 33,881,000 |
| (iv) Under Buyer's Credit arrangement | 45,559,208 | 92,601,670 |
| (v) Bonus Loan from State Bank of India | – | 5,845,813 |
| | 490,341,498 | 565,852,060 |
| (b) Unsecured: | | |
| (i) From Bodies Corporate | 148,121,714 | 58,301,846 |
| (ii) From a Director | 9,500,000 | – |
| | 157,621,714 | 58,301,846 |
| Grand Total | 647,963,212 | 624,153,906 |

NOTE 7 (Contd...)

(c) Nature of Security:

Working Capital Loans are secured by :

- (i) Hypothecation of all the Stock in Trade, Stores & Book Debts of the Company, ranking Pari-passu.
- (ii) First Pari Passu charge on the entire fixed assets.
- (iii) Personal Guarantees of Shri Om Prakash Mall, Shri Shree Mohan Mall & Shri Nand Kishore Jhavar.

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 8 | | |
| TRADE PAYABLES: | | |
| (i) Acceptances | 146,285,998 | 75,694,469 |
| (ii) Other Trade Payables | | |
| (a) Dues to micro, medium & small enterprises | 5,202,388 | 4,955,382 |
| (b) Dues to other than micro, medium & small enterprises | 589,812,774 | 460,481,875 |
| | 741,301,160 | 541,131,726 |

NOTE 9

| | | |
|--|--------------------|--------------------|
| OTHER CURRENT LIABILITIES: | | |
| Current maturities of Long Term Borrowings | 31,911,670 | 41,307,992 |
| Unpaid Dividends | 1,062,630 | 829,339 |
| Preference Shares Redemption amount | 432,500 | 432,500 |
| Advance from Customers | 17,752,065 | 66,841,061 |
| Creditors for Capital Goods | 693,000 | 4,516,722 |
| Statutory Liabilities | 15,529,818 | 20,413,989 |
| Income Tax and FBT Payable on Assessment | 3,783,607 | 3,783,607 |
| Book Overdrawn with Scheduled Banks on Current Account | 595,060 | 1,058,920 |
| Other Payables | 62,729,675 | 56,066,481 |
| | 134,490,026 | 195,250,612 |

Note: There are no amounts due for payment to the Investor Education & Protection Fund u/s 205 C of the Companies Act 1956

NOTE 10

| | | |
|--|-------------------|-------------------|
| SHORT-TERM PROVISIONS: | | |
| Provision for Taxation | 22,305,501 | 14,905,501 |
| Provision for Fringe Benefit Tax | - | 466,292 |
| Provision for Bonus | - | 2,182,951 |
| Others | | |
| Proposed Final Dividend on Equity Shares | 2,722,154 | 2,472,154 |
| Dividend Distribution Tax on Proposed Final Dividend | 441,533 | 410,600 |
| | 25,469,188 | 20,437,500 |

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

NOTE 11

(Amount in ₹)

| Gross Block | Tangible Assets | | | | | | | | | | Intangible Software | Total |
|---|-------------------|--------------------|----------------------|--------------------------|-------------------------|----------------|----------------|----------------------|----------------|------------------|------------------------|-------|
| | Leasehold Land | Building | Plant & Machinery | Electric Installation | Furniture & Fixtures | Vehicles | Computer | Office Equipments | Others | | | |
| Estimated Cost/Revaluation and/or Book Value as at 1st April, 2011 | 71,283,743 | 443,666,614 | 474,746,582 | 44,313,729 | 3,297,254 | 682,348 | 6,411,916 | 10,974,013 | 2,235,597 | 36,538 | 1,057,648,334 | |
| Additions | - | 131,814,168 | 22,023,553 | 2,766,073 | 236,771 | - | 528,797 | 609,567 | 8,099 | 2,200,000 | 160,187,027 | |
| Deduction/Adjustment | | | 2,516,791 | | | | | | | | 2,516,790 | |
| Estimated Cost/Revaluation and /or Book Value as at 31st March, 2012 | 71,283,743 | 575,480,782 | 494,253,344 | 47,079,802 | 3,534,025 | 682,348 | 6,940,713 | 11,583,580 | 2,243,696 | 2,236,538 | 1,215,318,571 | |
| Depreciation & amortisation | | | | | | | | | | | | |
| Upto 1st April, 2011 | - | 253,563,016 | 379,443,555 | 30,404,467 | 2,328,013 | 414,656 | 5,766,016 | 6,233,127 | 1,811,046 | 7,308 | 679,971,204 | |
| For the year | | 18,333,356 | 22,984,719 | 2,012,453 | 205,145 | 72,343 | 353,146 | 692,808 | 63,290 | 220,000 | 44,937,260 | |
| Deductions | | | 2,512,573 | | | | | | | | 2,512,573 | |
| Adjustments on Change in Depreciation method | | | | | | | | | | | | |
| Upto 31st March, 2012 | - | 271,896,372 | 399,915,701 | 32,416,920 | 2,533,158 | 486,999 | 6,119,162 | 6,925,935 | 1,874,336 | 227,308 | 722,395,891 | |
| Net Block as on 31st March 2012 | 71,283,743 | 303,584,409 | 94,337,644 | 14,662,883 | 1,000,867 | 195,349 | 821,551 | 4,657,645 | 369,360 | 2,009,230 | 492,922,680 | |
| Net Block as on 31st March 2011 | 74,180,251 | 194,281,077 | 109,755,497 | 14,916,321 | 1,260,676 | 963,143 | 805,136 | 4,975,563 | 424,551 | 29,230 | 401,591,442 | |

NOTES:

- The Company revalued its Land, Buildings, Plant & Machinery, Electric Installation and Sprinkler Installation as at 31st March, 1984. The revaluation was carried out by an approved valuer and the net increase in value of ₹283,896,474/- (Gross ₹401,275,536/- minus accumulated depreciation of ₹117,379,062/-) was transferred to Revaluation Reserve.
- The Company has made necessary applications for exemption under Urban Land (Ceiling Regulation) Act, 1976 for the excess land that may be held under the Act.
- Land measuring 651 Cottahs, the original cost of which is ₹204,160/- was not revalued since the Company agreed to transfer the portion of land to the workers occupying it. Adjustments in this respect will be made on finalisation of sale agreement.
- Additions to Plant & Machinery and Building during the year includes ₹5,590,585/- (P.Y. ₹6,017,886/-) on account of expenditure on replacement of certain components and spare parts of Machinery, as in the opinion of the Management the renovation and the replaced components and spare parts which are of better design and technology will enhance the life of the machinery and increase the efficiency and production capacity thereby resulting in long term benefits to the Company.
- Immovable Properties transferred from Howrah Land & Holding Limited pursuant to scheme of Amalgamation are pending to be registered in the name of the Company.
- Deductions under Plant & Machinery gross block includes NIL (P.Y. ₹5,376,600/-) on account of adjustment for subsidy received by the company against the said assets. Excess depreciation charged in the earlier years on the said assets and amounting to NIL (P.Y. ₹1,139,325/-) has been written back in the accounts.

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 12 | | |
| NON CURRENT INVESTMENTS: | | |
| (a) Investment in Immoveable Property | 5,000,000 | – |
| (b) Investments in Equity Instruments | | |
| (i) Investment in Joint Venture interest (Unquoted, Trade, at Cost) 18,055 (66,655) Nos. of equity shares of West Bengal Agro Textile Corporation Limited of ₹1,000/- each fully paid up. | 22,751,344 | – |
| (ii) Others (Unquoted, at Cost) 3,810 (Nil) Equity Shares of Woodland Multispeciality Hospital limited of ₹10/- each. | 38,100 | – |
| (c) Investment in Government Securities (Unquoted, Non Trade, at Cost) | | |
| National Savings Certificates | – | 7,000 |
| (d) Other Investment (Non Trade, at Cost) | | |
| Gold | 118,760 | 118,760 |
| | <u>27,908,204</u> | <u>125,760</u> |
| (e) Aggregate Book Value of Unquoted Equity Instruments | <u>22,789,444</u> | <u>7,000</u> |

NOTE 13

LONG TERM LOANS AND ADVANCES:

Unsecured, considered good

| | | |
|---------------------------------------|-------------------|-------------------|
| (a) Capital Advances | 13,451 | 7,298,586 |
| (b) Security Deposits | 13,506,094 | 13,109,948 |
| (c) Other Loans & Advances | | |
| (i) Loans | 25,066,099 | 20,815,670 |
| (ii) Vat Credit Receivable | 3,329,846 | 3,329,846 |
| (iii) ModVat Credit Receivable | 314,578 | 314,578 |
| (iv) Others | 5,483,376 | 10,468,376 |
| | <u>47,713,445</u> | <u>55,337,004</u> |

NOTE 14

OTHER NON-CURRENT ASSETS:

| | | |
|--|-------------------|--------------------|
| (a) Long term Trade Receivable | – | 7,585,678 |
| (b) Export Incentives Receivable | 46,136,397 | 46,136,397 |
| (c) Others Receivables | 6,725,107 | 56,253,448 |
| (d) Unamortised costs towards miscellaneous expenditure to the extent not written off or adjusted | 55,023 | 114,434 |
| | <u>52,916,527</u> | <u>110,089,957</u> |

NOTE 15

INVENTORIES:

| | | |
|----------------------------------|--------------------|--------------------|
| (a) Raw Materials | 295,498,806 | 349,621,891 |
| (b) Work- In- Progress | 45,480,462 | 53,704,041 |
| (c) Finished Goods | 309,052,197 | 282,252,586 |
| (d) Stores, Spares & Loose Tools | 30,325,924 | 34,010,415 |
| | <u>680,357,389</u> | <u>719,588,933</u> |

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 16 | | |
| TRADE RECEIVABLES: | | |
| (a) Outstanding for a period exceeding six months | | |
| Secured, considered good | 137,812 | 101,654 |
| Unsecured, considered good | 9,351,963 | 92,768,685 |
| Doubtful | 720,673 | 1,005,232 |
| | 10,210,448 | 93,875,571 |
| Less : Provision for Doubtful debts | 720,673 | 1,005,232 |
| | 9,489,775 | 92,870,338 |
| (b) Outstanding for a period less than six months | | |
| Secured, considered good | 3,362,596 | 3,308,842 |
| Unsecured, considered good | 437,676,599 | 279,821,029 |
| | 450,528,970 | 376,000,210 |

NOTE 17

CASH & BANK BALANCES :

(a) Cash & Cash Equivalents

| | | |
|---|------------------|------------------|
| i) Balance With Banks in - | | |
| Current Account | 1,830,691 | 2,221,360 |
| ii) Cash In Hand | 1,443,151 | 1,224,885 |
| iii) Bank Deposit with original maturity less than 3 months | - | 2,855,000 |
| | 3,273,842 | 6,301,245 |

(b) Other Bank Balances

| | | |
|--|-------------------|-------------------|
| i) In Unpaid Dividend Account | 1,062,519 | 829,228 |
| ii) In Bank Deposits Account | | |
| Bank Deposits with original maturity more than 3 months and less than 12 months. | 3,911,724 | 3,137,881 |
| Bank Deposit with original maturity more than 12 months. | 22,823,447 | 16,103,165 |
| | 27,797,690 | 20,070,274 |
| TOTAL | 31,071,532 | 26,371,519 |

(c) Bank deposits amounting to ₹ 26,735,171/- (P.Y. ₹20,966,104/-) pledged against borrowings from Banks.

NOTE 18

SHORT TERM LOANS & ADVANCES:

Unsecured, Considered good

| | | |
|-----------------------------------|--------------------|--------------------|
| (a) Advances | 103,079,911 | 73,034,238 |
| (b) Security Deposit | 6,833,365 | 7,913,701 |
| (c) Prepaid Expenses | 5,961,494 | 6,056,193 |
| (d) Income Tax deducted at source | 11,129,653 | 9,646,491 |
| (e) Income Tax Payments | 3,676,636 | 2,607,596 |
| (f) Service Tax Receivable | 7,986,723 | 5,757,198 |
| (g) Vat Credit Receivable | 3,217,284 | 3,130,309 |
| (h) Mat Credit Entitlement | 4,000,000 | 4,000,000 |
| | 145,885,066 | 112,145,725 |

(i) Of the above advances dues from officers of the Company is ₹947,000/- (P.Y. ₹340,591/-)

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|--|---------------------------|---------------------------|
| NOTE 19 | | |
| OTHER CURRENT ASSETS: | | |
| (a) Export Incentives Receivables | 23,248,369 | 12,610,712 |
| (b) Claims and other Receivable (Unsecured, Considered good) | 79,235,330 | 22,526,347 |
| (c) Interest accrued on Bank Deposit | 1,161,035 | 711,803 |
| (d) Unamortised Cost towards miscellaneous expenditure to the extent not written off or adjusted | 59,411 | 91,511 |
| | 103,704,145 | 35,940,373 |

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|---|--------------------------------|--------------------------------|
| NOTE 20 | | |
| REVENUE FROM OPERATIONS: | | |
| (a) Sale Of Products | 4,036,152,648 | 3,462,827,926 |
| (b) Rental Income | 30,487,336 | 22,719,652 |
| (c) Other Operating Revenues | | |
| Export Incentives | 58,269,724 | 23,554,022 |
| Credit for Certificate Emission Reduction | 2,995,200 | 7,018,375 |
| Premium on Long Term Lease of Land | 8,655,143 | 75,272,359 |
| | 4,136,560,051 | 3,591,392,334 |
| Note: | | |
| Details of Sale of Products | | |
| Jute Goods | 4,036,152,648 | 3,462,827,926 |

NOTE 21

| | | |
|--|-------------------|------------------|
| OTHER INCOME | | |
| (a) Interest Income | | |
| - On Bank Deposits | 2,290,178 | 1,033,759 |
| - Other Deposits | 39,889 | 35,128 |
| - Miscellaneous | 55,094 | – |
| (b) Agricultural Income | 86,400 | – |
| (c) Net Gain on Sale of Fixed/Discarded Assets | 2,645,782 | – |
| (d) Miscellaneous Receipts | 648,923 | 617,429 |
| (e) Provision for Doubtful Debts Written Back | 284,559 | – |
| (f) Liability no longer required written back | 13,240,421 | 3,278,451 |
| (g) Net Profit on Currency Fluctuation and Translation | – | 564,421 |
| | 19,291,246 | 5,529,188 |

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|------------------------------------|--------------------------------|--------------------------------|
| NOTE 22 | | |
| COST OF MATERIALS CONSUMED: | | |
| Opening Balance of Stock | 349,621,892 | 263,777,629 |
| Purchase of Raw-Materials | 2,525,974,326 | 2,605,123,518 |
| | 2,875,596,218 | 2,868,901,147 |
| Less: Closing Balance of Stock | 308,939,748 | 349,621,892 |
| | 2,566,656,469 | 2,519,279,255 |
| Purchase of Gunnies | 333,959,897 | 171,222,473 |
| Others | 1,626,381 | 121,654 |
| | 2,902,242,747 | 2,690,623,382 |

NOTE 23

| | | |
|---|-------------------|--------------------|
| CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS: | | |
| Closing Stock | | |
| Finished Goods | 311,251,758 | 273,039,922 |
| Loose Stock | 8,924,640 | 9,212,664 |
| Work-In-Progress | 60,534,582 | 53,704,041 |
| | 380,710,980 | 335,956,627 |
| Opening Stock | | |
| Finished Goods | 273,039,922 | 164,038,333 |
| Loose Stock | 9,212,664 | 5,065,704 |
| Work-In-Progress | 53,704,041 | 27,486,521 |
| | 335,956,627 | 196,590,558 |
| | 44,754,353 | 139,366,069 |

NOTE 24

| | | |
|---|--------------------|--------------------|
| EMPLOYEE BENEFITS EXPENSE: | | |
| Salaries, Wages, Bonus and Gratuity | 527,200,968 | 451,662,153 |
| Contribution To Provident & Other Funds | 53,566,623 | 52,669,690 |
| Medical & Welfare Expenses | 59,943,676 | 42,016,638 |
| | 640,711,267 | 546,348,481 |

NOTE 25

| | | |
|---|-------------------|-------------------|
| FINANCE COST: | | |
| (a) Interest Expense (Net of Interest Received / Capitalised ₹11,239,784 /- (P.Y. 11,825,465)) | 72,438,455 | 48,778,093 |
| (b) Other Borrowing Cost | 11,928,873 | 8,482,177 |
| | 84,367,328 | 57,260,270 |

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

(Amount in ₹)

| | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|--|--------------------------------|--------------------------------|
| NOTE 26 | | |
| DEPRECIATION AND AMORTISATION EXPENSES: | | |
| On Tangible Assets | 47,994,697 | 43,592,456 |
| On Intangible Assets | 220,000 | – |
| | <u>48,214,697</u> | <u>43,592,456</u> |
| Less :Transfer from Revaluation Reserve | 1,021,194 | 1,113,508 |
| | 47,193,503 | 42,478,948 |

NOTE 27

| | | |
|--|--------------------|--------------------|
| OTHER EXPENSES: | | |
| Consumption of Stores & Spare Parts | 98,950,768 | 90,107,928 |
| Power & Fuel | 140,845,227 | 119,316,806 |
| Rent | 21,491,776 | 15,086,854 |
| Repairs to Building | 1,324,405 | 1,715,124 |
| Repairs to Machinery | 2,951,174 | 3,133,708 |
| Insurance | 5,753,052 | 4,984,642 |
| Rates & Taxes | 1,387,574 | 1,283,470 |
| Net Loss on Currency Fluctuation and Translation | 10,182,926 | – |
| Bad debt written off | 8,618,846 | – |
| Miscellaneous Expenses | 187,031,174 | 130,094,613 |
| | 478,536,922 | 365,723,145 |

(Amount in ₹)

| | As at 31st March, 2012 | As at 31st March, 2011 |
|---|---------------------------|---------------------------|
| NOTE 27.1 | | |
| DETAILS OF PAYMENTS TO AUDITORS (included in Miscellaneous expenses) | | |
| a) Audit Fees | 262,135 | 261,363 |
| b) Certification matters | 45,000 | 48,000 |
| c) For other services | 50,500 | 10,000 |
| | 357,635 | 319,363 |

NOTE 28

Details of exceptional items are as follows :-

| Particulars | 31st March, 2012 | 31st March, 2011 |
|--|--------------------|------------------|
| a) Excess Depreciation charged in earlier years written back | – | 1,139,325 |
| b) Interest payable to WBIDC written back | (8,181,000) | – |
| Total | (8,181,000) | 1,139,325 |

NOTE 29

- i. Gratuity is accounted on cash basis. Due to severe financial constraints, provision for future liability of gratuity could not be made, hence it was not determined actuarially. There is no practice for payment of leave encashment and hence actuarial valuation not required.
- ii. Interest arising out of non-payment in due time of retirement gratuity in respect of retired employees has not been ascertained and provided for. However, no claim for interest on delayed payments in this account has been received.

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

NOTE 30

Trade Receivables include ₹17,036,816/- (P.Y.- ₹20,808,011/-), Loans and advances include NIL (P.Y.- ₹48,159,012/-) and Exports Incentives Receivables includes ₹40,370,615/- (P.Y.- ₹40,370,615/-) outstanding for more than three years and are doubtful. However, management is of the opinion that the said dues will be recoverable in full and hence no provision is required in this regard.

NOTE 31

Interest and other charges for Non-Payment/ Delayed payment of Sales Tax and service tax, if any, has not been ascertained and provided for.

NOTE 32

No provision is considered necessary by the management in respect of interest on WBIDC loan of ₹257 lacs as the company's application for waiver / reduction thereof is under consideration with the authorities. Also, the provision already made in the earlier years amounting to ₹8181000/- has been written back in the accounts for the year.

NOTE 33

Contingent Liabilities not provided for:

(Amount in ₹)

| Particulars | 31st March, 2012 | 31st March, 2011 |
|--|------------------------|------------------------|
| a) Bank guarantees given on behalf of the company | 40,996,598 | 39,043,254 |
| b) West Bengal and Central Sales Tax assessments under appeal for the period 1st October, 2002 to 31st March, 2004 | 1,865,171 | 4,010,349 |
| c) Bills discounted from bank (since realized) | 21,450,897 | 27,216,732 |
| d) Letters of Credit issued in favour of various parties | 186,481,920 | 176,110,256 |
| e) Corporate guarantee given to State Bank of India on behalf of West Bengal Agro Textile Corporation Ltd. | 33,860,000 | 33,860,000 |
| f) Interest / penalties for non payment of Service Tax realized by the company | Amount not ascertained | Amount not ascertained |
| g) Rent/interest & penalties for non-payment of Lease Rent to Kolkata Port Trust | Amount not ascertained | Amount not ascertained |

NOTE 34

Certain Borrowings, Sundry Creditors, Sundry Debtors, Loans & Advances are subject to Confirmation/ Reconciliation from the respective parties. The Management however does not expect any material variations.

NOTE 35

Estimated amount of Commitments on Capital Account outstanding as on 31st March 2012 was ₹186.48 Lacs (P. Year- ₹732.60 Lacs) net of advances

NOTE 36

No provision is considered necessary by the management in respect of claim for damages of ₹5,008,807/- (P.Y ₹5,008,807/-) by the ESI Authorities for delayed payment of dues for the earlier years, as the company's application for waiver / reduction thereof is under consideration of the authorities.

NOTE 37

There were five parties covered under Micro, Small and Medium Enterprises to whom the Company owes dues, which were outstanding for more than 45 days as at 31st March, 2012 to the extent of ₹3,585,499/- (P.Y.- ₹2,787,404/-). No interest was paid / payable to the said party during the year. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

Notes to and forming integral part of Consolidated Financial Statements As at 31st March, 2012

NOTE 38

Segmental Reporting as per AS -17 :-

(Amount in ₹)

| Particulars | Jute Activity | Real Estate | Total |
|--|-----------------|---------------|-----------------|
| Revenue | 4,116,708,818 | 39,142,479 | 4,155,851,298 |
| | (3,498,929,511) | (97,992,011) | (3,596,921,522) |
| Segment Results (Profit before Interest, tax & Exceptional Items) | 103,841,852 | 19,054,954 | 122,896,807 |
| | (386,162) | (83,804,486) | (84,190,648) |
| Interest | 68,250,691 | 16,116,637 | 84,367,328 |
| | (42,531,872) | (14,728,398) | (57,260,270) |
| Exceptional Items | 8,181,000 | – | 8,181,000 |
| | (1,139,325) | (–) | (1,139,325) |
| Profit Before tax | 43,772,162 | 2,938,317 | 46,710,479 |
| | (-41,006,385) | (69,076,088) | (28,069,703) |
| Less : Income Tax | – | – | 8,568,210 |
| | – | – | (654,0361) |
| Profit after tax | – | – | 38,142,269 |
| | – | – | (21,529,342) |
| Other Information | | | |
| Assets | 1,935,156,525 | 136,974,094 | 2,072,130,619 |
| | (1,761,891,594) | (132,642,437) | (1,894,534,031) |
| Liabilities | 1,526,936,371 | 109,328,954 | 1,636,265,326 |
| | (1,381,781,963) | (126,122,414) | (1,507,904,377) |
| Capital Expenditure | 160,986,694 | – | 160,986,694 |
| | (22,176,150) | (60,589,605) | (82,765,755) |
| Depreciation & Ammortisation | 36,539,865 | 10,653,638 | 47,193,503 |
| | (37,681,929) | (4,797,019) | (42,478,948) |

NOTE 39

Earnings Per Share (EPS):-

(Amount in ₹)

| | | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|--|-----------------|--------------------------------|--------------------------------|
| Net Profit for the period attributable to equity shareholders: (₹) | (a) | 38,136,536 | 31,003,634 |
| Weighted average number of Equity Shares of ₹10/- each outstanding during the period | (b) | 4,978,460 | 4,944,307 |
| Add: Dilutive number of Equity Shares outstanding during the year | (c) | NIL | NIL |
| Diluted number of Equity Shares outstanding during the year | (d) | NIL | NIL |
| Earnings Per Share (₹): | | | |
| Basic | (e) = (a) / (b) | 7.66 | 6.27 |
| Diluted | (f) = (a) / (d) | 7.66 | 6.27 |

NOTE 40

Related Party Disclosure:

(Amount in ₹)

| Relationship | Name | Transactions during the year |
|---|----------------------|--|
| Key Managerial Personnel (Whole-time Director) | Mr. S. Banerjee | Managerial Remuneration – ₹863,315/- (P.Y. ₹856,474/-) |
| Key Managerial Personnel (Managing Director) | Mr. Jyoti Mohan Mall | Managerial Remuneration ₹520,000/- (P.Y. ₹535,584/-) |
| Related to Key Management Personnel | Surya Twines P. Ltd. | Sales - NIL (P.Y. ₹1,000/-) Purchase - NIL (P.Y. ₹378,000 /-) |

NOTE 41

The consolidated financial statements for the year ended 31st March, 2011 had been prepared as per then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the consolidated financial statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

Signatures of the Notes 1 to 41

In terms of our attached report of even date.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

Sanjay Mall
Managing Director

(CA Y. GUPTA)
Partner
Membership No. 060539

T. Roy
Company Secretary

S. Banerjee
Wholetime Director

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

S. L. Jhawar
Director

Consolidated Cash Flow Statement For the year ended 31st March, 2012

(Amount in ₹)

| | For the year ended 31st March, 2012 | | For the year ended 31st March, 2011 | |
|---|--|----------------------|--|----------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit before tax & exceptional items | | 38,529,479 | | 26,930,378 |
| Adjustments for: | | | | |
| Depreciation and amortization expenses | 47,193,503 | | 42,478,948 | |
| Interest expense | 84,367,328 | | 48,952,371 | |
| Interest income | (2,330,067) | | (1,068,887) | |
| Profit on Sale of Fixed Asset | (2,645,782) | | – | |
| Depreciation Adjusted against J.M.D.C. incentive | – | | (1,139,325) | |
| Liability No longer required written back | (13,524,980) | | (3,278,451) | |
| Preliminary Expenses Written off | 59,411 | | 59,411 | |
| Amalgamation Expenses Written off | 32,100 | 113,151,513 | 32,100 | 86,036,168 |
| Operating Profit Before Working Capital Changes | | 151,680,992 | | 112,966,546 |
| Adjustments for: | | | | |
| (Increase)/decrease in trade receivables | (74,528,760) | | (253,367,804) | |
| (Increase)/decrease in loans & advances | (26,115,781) | | (97,689,129) | |
| (Increase)/decrease in other assets | (10,681,853) | | (1,316,001) | |
| Increase/(decrease) in trade payables | 200,169,434 | | 317,273,676 | |
| Increase/(decrease) in other liabilities | (48,587,805) | | 36,507,873 | |
| Increase/(decrease) in provisions | (2,182,951) | | – | |
| (Increase)/decrease in inventories | 39,231,544 | 77,303,827 | (227,030,676) | (225,622,061) |
| Cash Generated From / (Used In) Operations | | 228,984,820 | | (112,655,515) |
| Less: Taxes Paid | | 1,518,216 | | 6,082,631 |
| Cash Flow Before Exceptional Items | | 227,466,604 | | (118,738,146) |
| Exceptional Items | | 8,181,000 | | 1,139,325 |
| Net Cash From / (Used In) Operating Activities – A | | 235,647,604 | | (117,598,821) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (160,986,694) | | (78,454,304) | |
| Sale proceeds of fixed assets | 2,650,000 | | – | |
| Purchase of investments | (5,038,100) | | (7,000) | |
| Sale proceeds of investments (Net) | 20,228,064 | | – | |
| Interest received | 2,330,067 | | 1,068,887 | |
| Capital Subsidy from J.M.D.C. capitalised | – | | 5,376,600 | |
| Net Cash From / (Used In) Investing Activities – B | | (140,816,663) | | (72,015,817) |

Consolidated Cash Flow Statement For the year ended 31st March, 2012

(Amount in ₹)

| | For the year ended 31st March, 2012 | | For the year ended 31st March, 2011 | |
|---|--|---------------------|--|--------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Final Dividend paid | (2,238,863) | | (3,378,003) | |
| Corporate Dividend Tax on final dividend | (410,600) | | (420,142) | |
| Interest paid | (92,520,787) | | (57,150,629) | |
| Proceed from issue of equity shares | 20,000,000 | | – | |
| Increase/ (decrease) in long-term borrowings | (38,769,984) | | 104,557,236 | |
| Increase/ (decrease) in short-term borrowings | 23,809,306 | | 158,480,209 | |
| Preference Shares Redeemed | – | | (838,700) | |
| Net Cash From / (Used In) Financing Activities – C | | (90,130,928) | | 201,249,971 |
| Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C) | | 4,700,012 | | 11,635,333 |
| Cash & Cash Equivalents at the beginning of the year | | 26,371,519 | | 14,736,186 |
| Cash & Cash Equivalents at the closing of the year | | 31,071,532 | | 26,371,519 |

Note:

- The Cash Flow Statement has been prepared under the "Indirect method" set out in the Accounting Standard-3 on "Cash Flow Statement" notified in the companies (Accounting Standards) Rules, 2006.
- Cash and Cash Equivalents include Cash in hand and Bank balances on current account and Fixed deposit Accounts. (Refer Note 17)
- Figures in brackets indicate Cash outflow.
- Previous Year's figures have been regrouped/rearranged, wherever considered necessary to conform to this year's classification.

For S. JAYKISHAN
Chartered Accountants
FRN : 309005E

(CA Y. GUPTA)
Partner
Membership No. 060539

Place: 12, Ho Chi Minh Sarani, Kolkata
Date: 23rd August, 2012

Sanjay Mall
Managing Director

T. Roy
Company Secretary

S. Banerjee
Wholtime Director

S. L. Jhawar
Director



Howrah Mills Company Limited

Registered & Administrative Office

'Howrah House', 135, Foreshore Road, Howrah - 711 102



HOWRAH MILLS COMPANY LIMITED

Registered Office: "Howrah House", 135, Foreshore Road, Howrah-711102

Proxy Form

I/ We
of
.....being a Member(s) of the above named Company,
hereby appoint.....of.....
or failing him/her..... of
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Monday,
the 24th September, 2012, at 11.30 a.m. and at any adjournment thereof.

Signed this day of 2012

Signature

Affix
Revenue
Stamp

FOLIO No.

DP ID No.

Client ID No.

Note:

This Proxy form must be deposited at the Registered Office of the Company, "Howrah House", 135, Foreshore Road, Howrah - 711102, not less than 48 hours before the time of holding the meeting.



HOWRAH MILLS COMPANY LIMITED

Registered Office: "Howrah House", 135, Foreshore Road, Howrah-711102

Attendance Slip

(To be handed over at the entrance of the Meeting Hall)

I hereby record my presence at the Annual General Meeting of the above named Company held at "Howrah House", 135, Foreshore Road, Howrah-711102 on Monday, the 24th September, 2012, at 11.30 a.m.

Full Name of Member/ Proxy attending the meeting

Full Name of the First Holder (if joint holder/proxy attending)

FOLIO No.

DP ID No. Signature of the Member/ Proxy

Client ID No. (To be signed at the time of handing over this slip)

Members, who come to attend the meeting, are requested to bring their copies of the Annual Report with them.