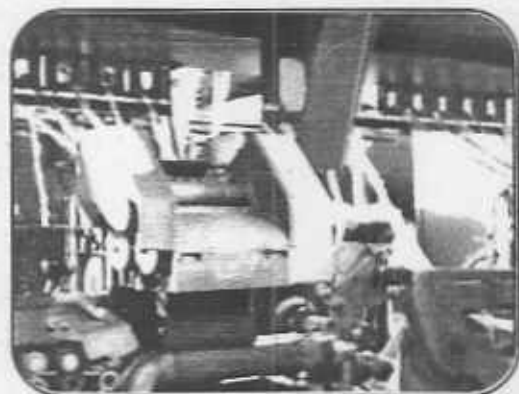
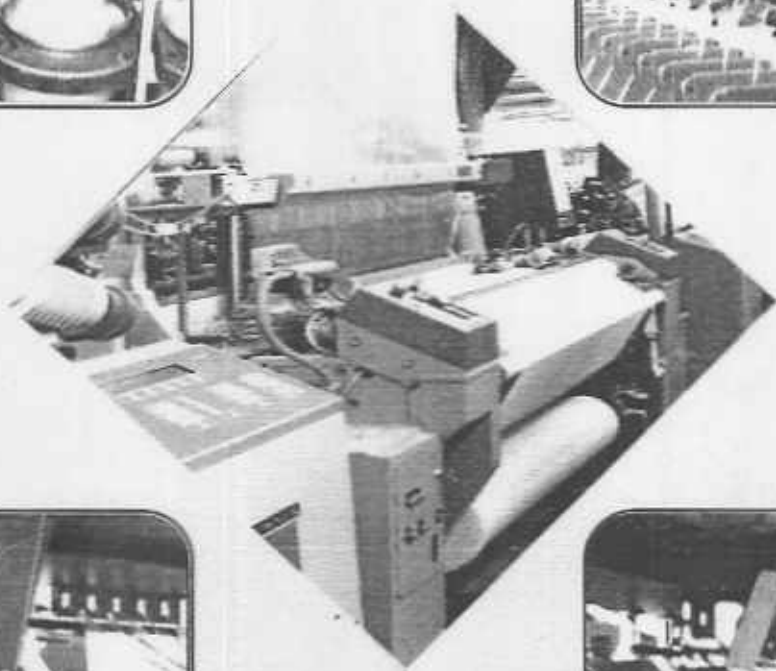
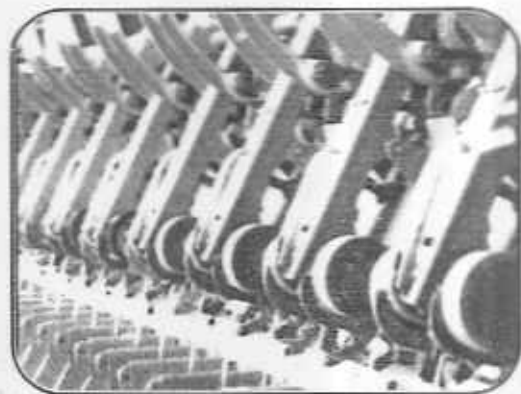
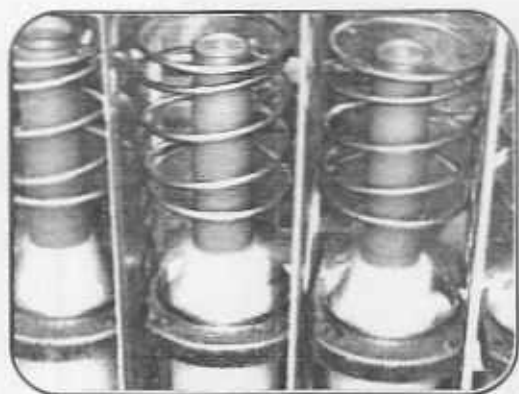


ANNUAL REPORT



2007-2008
Howrah Mills Company Limited

An ISO 9001-2000 Company
An Export House



HMCL

HOWRAH MILLS COMPANY LIMITED

● **DIRECTORS**

OM PRAKASH MALL, Managing Director
SITANSU BANERJEE, Whole-Time Director
BHAG CHAND JAIN
SHANKAR LAL JHAWAR
UTPAL MAJUMDAR

● **COMPANY SECRETARY**

J. PRASAD

● **BANKERS**

STATE BANK OF INDIA
COMMERCIAL BRANCH
24, PARK STREET
KOLKATA - 700 016

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

● **AUDITORS**

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

● **COST AUDITOR**

D. RADHAKRISHNAN
11A, DOVER LANE, KOLKATA - 700 029

● **SOLICITORS & ADVOCATES**

UTPAL MAJUMDAR
7C, KIRAN SHANKAR ROY ROAD
HASTINGS CHAMBER, 3RD FLOOR
KOLKATA - 700 001

● **REGISTRAR & TRANSFER AGENT**

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

● **REGISTERED OFFICE &
ADMINISTRATIVE OFFICE**

'HOWRAH HOUSE'
135, FORESHORE ROAD, HOWRAH - 711 102
PHONE : 2641-2402/4446/4159
E-MAIL : shreehrt@viascl01.vsnl.net.in
shreehrt@vsnl.com
Fax : 033-2641-1447 / 2796

HOWRAH MILLS COMPANY LIMITED

DIRECTORS' REPORT INCLUDING MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have the pleasure in presenting the 182nd Annual Report alongwith the Audited accounts of the Company for the year ended 31st March 2008.

<u>FINANCIAL RESULTS</u>	Rs. in Lakhs	
	Year Ended 31.03.2008	Year Ended 31.03.2007
Operating Profit before Interest and Depreciation	1254.89	751.11
Other Income	77.20	36.58
	1332.09	787.69
Less – Interest	403.29	225.80
	928.80	561.89
Less – Depreciation	304.51	207.71
Profit before tax	624.29	354.18
Less – Provision for Tax	4.04	43.13
Profit after tax	620.25	311.05
Less – Transfer to General Reserve	600.00	–
Add-Excess Provision for tax in earlier year written back	–	4.20
	20.25	315.25
Add Surplus of Amalgamating Company	16.45	–
Add Deferred Tax Liabilities Reversed	1.98	–
	38.68	315.25
Accumulated Profit / (Loss) brought forward from previous year	1478.50	1163.25
Accumulated Profit / (Loss) carried forward to next year	1517.18	1478.50

DIVIDEND

Your Directors regret that to preserve the resources they are unable to recommend any dividend for the year under review. 9.1% Cumulative Preference Share was due for redemption on 14th June'08. Cumulative Dividend upto 14th June'08 will be paid alongwith the redemption of share value at per.

OPERATION

Production during the year was 42228 M. Ton as compared to 31241 M. Ton during previous year, when the working was affected due to 63 days long strike in Jute Industry. The Company has achieved 100% increase in profit and nearly 40% increase in Exports. But this growth and this profit will be difficult to maintain in the current year. The Raw Jute prices have already increased and with the next year forecast for lower jute crop both in India and Bangladesh the Raw Jute prices are likely to increase further, margins will be under pressure. The increase in price of petroleum products, iron and steel inputs and the increase in wages and interest cost will add further pressure on the margins.

Your Company's effort to replace the old machines for modernization is continuing and we have

HOWRAH MILLS COMPANY LIMITED

already installed a number of modern machines and are in the process of installing additional new machines such as Rapier Looms. Your Company has continued its efforts to diversify and develop new products.

FUTURE OUTLOOK

The Compulsory packaging at 100% for both foodgrains and sugar under Jute Packaging Materials Act 1987 has been extended till July 2009 by the Government. This order was awaited eagerly by the Jute Industry.

The External Market Assistance (EMA) Scheme has been withdrawn. The industry has made several representations to the Textile Ministry to extend the same otherwise the exports will get affected and the export target for jute goods as per the National Jute Policy will not be achieved without this EMA Scheme. It will be very difficult for the Jute Industry to compete with Bangladesh in International market as they get huge incentive on Exports. It will also be difficult to keep the same export growth rate for your Company because of the withdrawal of EMA Scheme and also the stagnant demand for Jute Goods around the globe.

The import of jute goods from Bangladesh has been increasing rapidly and this is posing a big threat to the Indian Jute Industry.

The wide fluctuation in the Indian Rupee against the US Dollar is also a matter of great concern. However, the Management is taking all steps to control cost and develop new products so that the Company can post better result. Looking at the current market situation and the other adverse factors mentioned above the management is not at all optimistic for the result of the current year.

DIVERSIFICATION

As reported last year your company is the 1st Jute Mill in the World to receive the registration for United Nation Framework Convention for Climate changing (UNFCCC). We are the 1st Company in West Bengal to sell Carbon Credit for the pre-registration period. We expect to earn further monetary benefits out of sale of CER from the date of registration till 31st March'08. It may be mentioned that we shall earn such benefits for the next nine years.

After successful takeover of Bharat Jute Mills on 20th April'07 situated at Dasnagar from Govt. of West Bengal we have achieved considerable improvement for the operation of this mill. Production has improved considerably and will improve further with the addition of new machineries.

We made further progress by setting up a 5 Mega Watt Power Plant for generation of power from biomass. It is expected that land acquisition for this project will be completed by the end of this financial year and the construction work will commence from early next year.

Your Company is planning to set-up a number of subsidiaries as separate SPV Companies for power and other projects and may seek private equity for rapid progress and successful operation of these subsidiaries.

MERGER & AMALGAMATION

On passing of the final orders by the Hon'ble Calcutta High Court on 08.01.08 the effect of the order of merger of Howrah Land & Holding Private Limited have been given in the accounts for the year ended 31st March 2008.

HOWRAH MILLS COMPANY LIMITED

INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems. The job allocation, internal checks and the control parameters designed through software ensure proper checks and balances for eradication of error/frauds and at the same time giving flexibility in operation and decision making. The Company has developed computerised ERP system for all functional areas for better utilisation of resources, quick and better information and control. Apart from above, concurrent / internal audit was regularly conducted on the Company's operation and this function serve as a secondary control system for the management.

CORPORATE GOVERNANCE

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

HUMAN RESOURCES

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

BIFR

We are glad to inform that as per the direction of AAIFR, BIFR held a number of hearings and issued direction for some tax relief.

DIRECTORS

As provided in the Articles of Association of the Company Sri Shankar Lal Jhawar retires by rotation but being eligible offers himself for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby state that:

- (a) In the preparation of the annual accounts, the applicable accounting standard has been followed along with proper explanation relating to material departures.
- (b) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent for the operations of the state of affairs of the Company and to obtain proper working result for the financial year of the Company.
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) The Directors have prepared the accounts for the year-ended 31.03.2008 on a going concern basis.

PARTICULARS OF EMPLOYEES

The information containing the particulars of employees as required under Section 217(2A) of the Companies Act 1956 read with the rules made thereunder is not given as there is no employee coming under this category.

HOWRAH MILLS COMPANY LIMITED

QUALITY ASSURANCE

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

AUDITORS

The Company's Auditors M/s. S. Jaykishan, Chartered Accountants, Kolkata who retires at the conclusion of the Annual General Meeting have expressed their willingness to be re-appointed as Auditor and have confirmed that their appointments if made will be in accordance with the limits specified in Sec. 224 (1B) of the Companies Act 1956.

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

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

Particulars in respect of conservation of Energy and Technology absorption under Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are annexed hereto and forms part of the report.

PUBLIC DEPOSIT

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

ACKNOWLEDGEMENT

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

Place : Howrah
Dated : 23rd day of August 2008

For and on behalf of the Board
O. P. Mall Managing Director
S. Banerjee Whole-time Director
B. C. Jain Director
U. Majumdar Director
S. L. Jhawar Director

HOWRAH MILLS COMPANY LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

- a. Energy conservation measures taken : The Company has installed some energy saving motors and equipments.
- b. Additional Investment proposal being implemented for Energy conservation. : The Company will set up a Power Plant of 5 MW for generation of Power from Bio Mass.
- c. Impact : To replace fossil fuel with Bio Mass which will contribute in mitigating Green House Gas (GHG).
- d. Form A :

	For Year ended on 31.03.2008	For Year ended on 31.03.2007
i) Power & Fuel Consumption		
1. ELECTRICITY		
a. Purchased Unit	2,12,82,120	1,66,63,680
Total Amount	8,40,93,380	6,66,78,102
Rate/Unit	3.95	4.00
b. Own Generation through Diesel Generators – Units	2,91,125	2,34,568
Unit per Ltr. Of Diesel	3.24	3.22
Cost per unit Rs.	10.20	10.59
2. COAL		
(B & C Grades used mainly for generation of steam boiler)		
Quantity – Ton	66	Nil
Total Cost –Rs.	2,79,184	-
Average Rate – Rs. / Ton	4,230	-
ii) Consumption per unit of production		
Production – Ton	42,656	31,650
Electricity per Ton (Unit)	458	473
Coal (B & C grades)/ton of production-(Ton)	0.01	-

B. Technology Absorption

Form B

Research and Development (R &D)

1. Specific areas in which R & D was carried out by the Company:
R & D activities are carried out for improvement in quality of existing products, development of value-added product and production process for better productivity.
2. The Company has set up a laboratory for quality control check at different stages of production.
3. Benefit derived as a result of above R & D.
Improvement in quality of the product, cost effectiveness and utilisation of waste material.

HOWRAH MILLS COMPANY LIMITED

4. Future plan of action :

Follow up of proposal for Bio-mass & Wind Power and/or to obtain bulk power at cheaper rate. Our application with W.B.R.E.D.A. for Bio-mass & Wind Power is awaiting approval. We have registration under United Nation Framework Convention for Climate Changing (UNFCCC) for reduction in emission of CO₂.

5. 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 remains merged with various heads. |

Technology Absorption, Adaptation and Innovation

- | | |
|--|---|
| i) Efforts in brief made towards technology absorption, adaptation & innovation. | : Suitable machineries & equipment are procured to conform to the latest technology. |
| ii) Benefits derived as a result of above efforts e.g. | : output improvement, cost reduction. Improvement in productivity & quality of product. |
| iii) Details of imported Technology | : No technology has been imported. |

C. Foreign Exchange Earnings and Outgo

- | | |
|-----------------------------------|--|
| a) Export activities | : The Company exported Jute Goods worth Rs. 3258.01 lacs directly, apart from export through Merchant Shippers, as against Rs. 2369.89 lacs in the previous year. This year your Company exported other goods of Rs.23.76 lacs. The Company continues to strive to increase its direct export. |
| b) i) Total Foreign Exchange used | : Rs. 587.63 Lacs. |
| ii) Total Foreign Exchange Earned | : Rs. 3281.77 Lacs. |

D. Information required to be furnished under the listing agreement

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

The listing fee upto the year 2008-2009 has been paid in time to the above stock exchange.

Place : Howrah
Dated : 23rd day of August 2008

For and on behalf of the Board
O. P. Mall Managing Director
S. Banerjee Whole-time Director
B. C. Jain Director
U. Majumdar Director
S. L. Jhawar Director

HOWRAH MILLS COMPANY LIMITED

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2007-2008

1. **Company's Philosophy on Code of Corporate Governance**

The company believes that principles of sound corporate governance not only encompass within its purview the statutory requirements but also that the enterprise is governed in a manner that it meets its objective of growth and prosperity, and has the competitive edge in current market scenario. The company recognizes that transparent, credible and accountable governance is a must in today's scenario. It recognizes that procedures, practices and systems requires constant review for improving standards of sound corporate practices in tandem with the ever changing environment in which the organization is operating to ensure overall growth - 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 & the society at large.

2. **Board of Directors**

- (i). The strength of the Board of Directors of the Company as on 31st March 2008 was 5 (five) Directors. The Managing Director and the Whole-time Director being executives, 2/3rd of the Board consists of independent Directors. During the financial year ended 31st March 2008 4 (four) Board meetings were held on 05.05.2007, 03.08.2007, 10.11.2007, 30.01.2008.
- (ii). None of the Directors of the Board is a member of more than 10 (ten) committees or Chairman of 5 (five) committees across all the Companies in which he is a Director.
- (iii). The composition of the Board of Directors as at 31.03.2008 and the attendance of each Director at the Board meetings and also at the last annual general meeting (A.G.M.) and the number of other Directorships and Board Committee Memberships / Chairmanships including changes since the last report are as follows :-

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

Name of Director	Category	Attendance Particulars		Number of Other Directorship and Committee Membership/Chairmanship		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. A. K. Chakraborty (Chairman)	Independent, Non-Executive	1	No	Nil	Nil	Nil
Mr. O. P. Mall (Managing Director)	Promoter (Executive)	3	Yes	6	Nil	Nil
Mr. S. Banerjee (Finance Director)	Non - Independent Executive	4	Yes	1	2	Nil
Mr. S. L. Jhavar	Promoter Non-Executive	4	Yes	2	3	Nil
Mr. B. C. Jain	Independent Non-Executive	2	No	1	3	2
Mr. U. Majumdar	Independent Non-Executive	4	No	Nil	3	Nil

HOWRAH MILLS COMPANY LIMITED

- (iv). 4 (four) Board Meetings were held during the financial year ended 31st March 2008. The dates on which the Board Meetings were held are 05.05.2007, 03.08.2007, 10.11.2007, 30.01.2008.
- (v). Mr. S. L. Jhavar, Director retires by rotation at the ensuing Annual General Meeting and being eligible have offered himself for re-appointment. Consent of the members is sought at the ensuing A. G. M. for re-election of Mr. Jhavar as Promoter, Non-Executive Director of the Company.

Name of Director	Mr. S. L. Jhavar
Date of Birth	7th day of June 1961
Qualification	B. Com.
Date of appointment	4th day of June 1990
Expertise in specific functional area	Noted Executive.
List of other Public Ltd. Companies in which Directorship held	1. Sundaram Nirman Pvt. Limited. 2. Mangalam Commercial Pvt. Limited.
Chairman / Member of the Committees of the Board of Directors of other Companies in which he is a Director.	None.

3. AUDIT COMMITTEE

As at 31st March 2008 the Audit Committee comprised of 4 (four) members, 3 (three) members being non-executive and independent ones. Majority of members are having either financial or accounting or legal background.

The Terms of Reference include :

- i) Overseeing the Company's Financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct.
- ii) Recommending the appointment and removal of External auditors and fixation of Audit Fees.
- iii) Review with management the annual financial statements before submission to the Board focusing on :
 - Unaudited Quarterly Accounts.
 - Any change in accounting policies and practices.
 - Major accounting entries.
 - Accounting Standards
 - Qualifications in draft audit report.
 - Review compliance with accounting standards, stock exchange and legal requirements concerning financial statements.

HOWRAH MILLS COMPANY LIMITED

- iv) The scope of the Audit Committee is inclusive of matters as specified in Clause 49 II D of the listing agreements with the stock exchange and such additional functions as may be decided by the Board of Directors from time to time.

The following table shows the composition, names of members and Chairman and the details of meetings and attendance during for the year ended on 31st March 2008 :

Names of Members	Status	Category	Meetings held during the year ended on 31st March 2008 and Attendance			
			05.05.07	03.08.07	10.11.07	30.01.08
Mr. B. C. Jain	Chairman	Independent Non-Executive	Yes	Yes	Yes	Yes
Mr. S. L. Jhavar	Member	Promoter Non-Executive	Yes	Yes	Yes	Yes
Mr. S. Banerjee	Member	Non-Independent Executive	N. A.	Yes	N.A.	Yes
Mr. U. Majumdar	Member	Independent Non-Executive	Yes	N.A.	N.A.	Yes

4. REMUNERATION COMMITTEE

The Remuneration Committee of Directors has been constituted mainly for the purpose of recommending the Company's policy on Remuneration Package for the Managing / Executive Directors. The remuneration is fixed based on experience, designation and financial position of the Company. The Non-Executive Directors do not draw any remuneration from the Company except their sitting fees for each Board Meeting attended. One meeting of the remuneration committee was required to be held during the financial year ended on 31st March 2008.

The following table shows the composition & names of members during the year:

Names Of Members	Category
Mr. B. C. Jain	Independent Non - Executive
Mr. S. L. Jhavar	Promoter Non - Executive
Mr. U. Majumdar	Independent Non - Executive

During the year Mr. A. K. Chakraborty had resigned from Chairmanship of the Committee and Mr. B. C. Jain was appointed as Chairman of the Committee in his place.

Details of Remuneration of Directors for the year ended on 31st March 2008 are given below :

HOWRAH MILLS COMPANY LIMITED

Name(s)	Salary & Allowances (Rs.)	Commission (Rs.)	Other Perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Mr. A. K. Chakraborty	—	—	—	1,200/-	1,200/-
Mr. O. P. Mall	4,98,000/-	—	77,855/-	—	5,75,855/-
Mr. S. Banerjee	5,04,000/-	—	51,196/-	—	5,55,196/-
Mr. S. L. Jhawar	—	—	—	5,400/-	5,400/-
Mr. B. C. Jain	—	—	—	3,600/-	3,600/-
Mr. U. Majumdar	—	—	—	3,600/-	3,600/-
Total	10,02,000/-	—	1,29,051/-	13,800/-	11,44,851/-

5. SHAREHOLDERS'/INVESTORS GRIEVANCE COMMITTEE

The functions and power of the Shareholders/Investors Grievance Committee are following :

- To supervise the redressal of Shareholder/Investors complaints like transfer of shares, non-receipt of balance sheet and non-receipt of declare dividend etc.
- To supervise the approval of transfer of shares, transmission of shares, transposition of shares, issue of duplicate share certificates etc.
- To delegate any of its responsibilities as mentioned above to any of the Company's officers or to registrars or transfer agents and to supervise the same.

The Composition of the Shareholders'/Investors' Grievance Committee and the details of meetings attended by the Members of the Committee during the year ended on 31st March 2008 are given below :

Names of Members	Status	Category	No. of held Meetings	No. of Meetings attended
Mr. B. C. Jain	Chairman	Independent Non-Executive	5	5
Mr. S. L. Jhawar	Member	Promoter Non-Executive	5	5
Mr. S. Banerjee	Member	Independent Non- Executive	5	5

Dates on which the meetings of the committee were held are 28.09.07, 15.12.07, 31.12.07, 29.02.08, 25.03.08.

Mr. P. S. Majumdar, Manager/Authorised Signatory was the compliance officer who had attended all the meetings of the Shareholders/Investors Grievance Committee.

During the year ended 31st March 2008 no complaint was received from the shareholders, investors. No request for transfer was pending for approval on 31st March 2008.

HOWRAH MILLS COMPANY LIMITED

6. GENERAL BODY MEETINGS :

Year	Location	Date	Time
2002-2004	The Academy of Fine Arts, Cathedral Road, Kolkata – 71.	23.09.2004	10.30 A. M.
2004-2005	The Academy of Fine Arts, Cathedral Road, Kolkata – 71.	25.08.2005.	11.00 A. M.
2005-2006	Registered Office, 'Howrah House', 135, Foreshore Road, Howrah – 711 102	25.09.2006.	11.00 A. M.
2006-2007	Registered Office, 'Howrah House' 135, Foreshore Road, Howrah – 711 102.	19.09.2007.	11.00 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 fourth coming Annual General Meeting, which is required to be put through postal ballot as per law.

7. DISCLOSURES :

Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are furnished under 25 of the Notes on Accounts attached with the financial statement for the year ended on 31st March 2008. There are no other pecuniary relationship or transactions with the non-executive independent directors.

8. MEANS OF COMMUNICATION :

Half yearly results as well as quarterly and annual results are published in newspapers, submitting to Stock Exchanges as per listing agreement, the half yearly reports are not sent to each Shareholders. These results are normally published in the Financial Express / Business Standard / Dainik Lipi. Management's discussion and analysis form part of the Annual Result.

9. GENERAL SHAREHOLDER INFORMATION :

i) Annual General Meeting

Date	: 23rd September 2008.
Time	: 11:00 AM.
Venue	: "Howrah House", 135, Foreshore Road, Howrah - 711 102

ii) Financial Calendar for F.Y. 2008-2009

a) 1st Quarterly Results	: On 2nd July 2008
b) 2nd Quarterly & Half-Yearly Results	: On or before 3rd October 2008
c) 3rd Quarterly Results	: On or before 3rd January 2009
d) 4th Quarterly & Yearly Audited Results	: On or before 7th May 2009

HOWRAH MILLS COMPANY LIMITED

- iii) **Date of Book Closure** : 19.09.2008 to 23.09.08 (Both days inclusive)
- iv) **Dividend Payment Date** : Not applicable since no dividend is declared.
- v) **Listing on Stock Exchanges** :
The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Kolkata – 700 001.
- vi) **Stock Codes** :
The Calcutta Stock Exchange: 028161
Demat ISIN Numbers (NSDL/CDSL) – INE964CO1015
- vii) **Market Price Date** :
During the period under review the share prices were not quoted regularly.
Total shares traded during the year under review were nil nos. with The Calcutta Stock Exchange Association Ltd.
- viii) **Registrar and Share Transfer Agents** :
M/s. Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor, Kolkata – 700 001.
Phone : (033) 2243 5809/2243 5029, Fax: (033) 2248 4787.
- ix) **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 Transfer agent, M/s Maheshwari Datamatics (P) Ltd. The Shareholders / Investors Committee (Share Transfer Committee) constituted for Transfer/Transmission of shares and allied matters has during the year under review approved the transfer of shares subject to transfer instrument being valid and complete in all respects.
The applications for transfer of preference shares are processed by the Company's share department/section at its registered office.
- x) **Equity Share : Distribution of Shareholding as on 31.03.2008 :**

Number of Shares	Shareholders		Shares	
	Number	% of Total	Number	% of Total
1 – 500	1196	90.5375	135275	3.3963
501 – 1000	36	2.7252	35599	0.8937
1001 – 2000	12	0.9084	19400	0.4871
2001 – 3000	4	0.3028	10500	0.2636
3001 – 4000	6	0.4542	23275	0.5844
4001 – 5000	24	1.8168	120000	3.0128
5001 – 10000	17	1.2869	172259	4.3248
10001 – and above	26	1.9682	3466729	87.0373
Grand Total	1321	100.0000	3983037	100.0000

HOWRAH MILLS COMPANY LIMITED

xi) Category of Equity Shareholders as on 31.03.2008 :

Public Financial Institutions	Number of Shares Held	% of Shareholding
Public Financial Institution	27575	0.6923
Nationalised other Banks	115007	2.8874
Foreign Holdings	6188	0.1554
Bodies Corporate	2378409	59.7135
Director/Relatives of Director	798503	20.0476
Other Shareholders	657355	16.5038
Grand Total	3983037	100.0000

xii) Dematerialization of Equity Shares & Liquidity as on 31st March 2008 :

	Holder	No. of Shares	% of Share holding
Physical	1181	2030434	71.3630
NSDL	114	1134923	28.6145
CDSL	26	893	0.0225
Total	1321	3166250	100.0000

xiii) Preference Share: Distribution of Shareholding as on 31.03.2008 :

Number of Shares	Shareholders		Shares	
	Number	% of Total	Number	% of Total
1 – 50	269	83.80	5345	20.36
51 – 100	27	8.41	2308	8.79
101 – 200	8	2.49	1256	4.79
201 – 300	2	0.62	539	2.05
301 – 400	4	1.25	1424	5.43
401 – 500	1	0.31	500	1.91
501 – 1000	6	1.87	4237	16.14
1001 – and above	4	1.25	7611	40.53
Total	321	100.00	23220	100.00

HOWRAH MILLS COMPANY LIMITED**xiv) Category of Preference Shareholders as on 31.03.2008 :**

Range of Shareholding	Number of Shares Held	% of Shareholding
Indian Promoters	—	—
Private Corporate Bodies	5559	32.72
Indian Public	8559	32.61
Non-resident Indians	45	0.17
Foreign Nationals	198	0.76
Life Insurance Corporation of India	4567	17.40
Nationalised Bank	1408	5.36
U. T. I.	1739	6.62
General Insurance Corporation of India and its subsidiaries	1145	4.36
Total	23220	100.00

xv) Preference Shares liquidity as on 31st March 2008 :

	Holder	No. of Share	% of Share holding
Physical	320	23220	100

xvi) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion date and likely impact on Equity :

The Company has not issued any GDRs / ADRs / Warrants or any other Convertible Instruments.

xvii) Plant Location : 493/C/A, G. T. Road (S), Howrah – 711 102.**xviii) Address for Correspondence :**

With the Company

: Registered Office:
"Howrah House",
135, Foreshore Road, Howrah – 711 102,
Telephone No.: (033) 2641-2402/4446/4159
Fax No: 91 33 2641-1447/2641-2796.
Email – shreehrt@vsnl.com

With the Registrar
& Transfer Agent

: M/s. Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor,
Kolkata – 700 001
Tel : (033) 2243 5809/5029;
Fax : (033) 2248 4787;
E-mail: mdpl@cal.vsnl.net.co

HOWRAH MILLS COMPANY LIMITED

xix) Investor Grievance Redressal System :

The grievances / queries are handled by the Registrar and Transfer Agent.

xx) Any query on the Annual Report

: Registered Office:

"Howrah House",

135, Foreshore Road,

Howrah – 711 102,

Telephone No. : (033) 2641-2402, 2641-4446 /4159

Fax No. : 91 33 2641-1447/ 2641-2796

Email – shreehrt@vsnl.com

CERTIFICATE OF CORPORATE GOVERNANCE

TO

THE MEMBERS

HOWRAH MILLS COMPANY LIMITED

We have examined the compliance of the conditions of Corporate Governance by Howrah Mills Company Limited for the year ended March 31, 2008 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 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 Registrars and Share Transfer Agents 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

Place : Kolkata

Date : 23rd of August, 2008.

Y. GUPTA

(Partner)

Membership No. 60539

HOWRAH MILLS COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **HOWRAH MILLS COMPANY LIMITED** as at 31st March, 2008 and also the Profit & Loss Account 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 information 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report *subject to the comments in the paragraph (f) referred below*, comply with the Accounting Standards, *excepting Accounting Standard - 15 "Accounting for Retirement Benefits in the Financial Statement of Employers", Accounting Standard - 21 "Consolidated Financial Statement" and Accounting Standard -22 "Accounting for Taxes on Income"*, referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (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 2008 from being appointed as director in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;

HOWRAH MILLS COMPANY LIMITED

(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. 5(i) regarding non ascertainment and provision of accrued gratuity liability & leave salary.*
- ii) *Note No. 5(ii) & 7 regarding non provision of interest and damages on delay / non payments of statutory dues such as Sales Tax , Professional Tax, Gratuity etc.*
- iii) *Note No. 6 regarding non provision of old and doubtful debtors & advances.*
- iv) *Note No. 8(i) & (ii) regarding non provision of interest on Sales Tax Loan and Unsecured Loan.*
- v) *Note No. 9 regarding Consignment Sales accounted for on the basis of reserve price on quantity despatched. As certain account sales from consignees have not been made available for audit, it has not been possible to ascertain the actual sale value and the adjustment that would be required to be made in the accounts on account of expenses of such consignment sales. Consequential effect on the Profit for the year and net assets position at the year end cannot be ascertained.*
- vi) *Note No. 20 & 21 regarding Short/Non- provision for Current & Deferred Tax Liability.*

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, 2008;
- ii) In the case of the Profit and Loss Account, 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

Place : Kolkata
Date : 23rd of August, 2008.

Y. GUPTA
(Partner)
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 not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained U/s. 301 of the Companies Act, 1956.
- (b) Since the Company has not granted any loans as aforesaid, Sub-clause (b), (c) & (d) of Clause (iii) of Paragraph 4 of the Order are not applicable to the Company.
- (c) 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.
- (d) Since the Company has not taken any loans as aforesaid, sub-clause (f) & (g) of Clause (iii) of Paragraph 4 of the Order are not applicable to the Company.
- 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.

HOWRAH MILLS COMPANY LIMITED

- 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 thereunder.
- vii) The Company has appointed a firm of Chartered Accountants for carrying out internal audit. In our opinion, the scope and coverage needs to be enlarged so as to be commensurate with the size of the Company 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, 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 Income Tax, Sales Tax, Provident fund, ESI and statutory dues were in arrears as at 31st March, 2008 except Service Tax amounting to Rs 18,43,274/- payable for a period of more than six months from the date they became payable.
- (c) According to information & explanations given to us, details of Sales Tax, Raw Jute Tax, Urban Land Tax and payables to Kolkata Port Trust, which have not been deposited on account of any dispute are given below :

	<u>Amount (Rs.)</u>
Sales Tax	14155647
Raw Jute Tax	520899
Urban Land Tax (Disputed)	137564
Payable to Kolkata Port Trust (Disputed)	350000

HOWRAH MILLS COMPANY LIMITED

- 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) Except Sales Tax Loan of Rs.3,38,81,000/- and Excise Loan of Rs.12,69,000/- outstanding as on 31.03.2008 for which payment was rescheduled by BIFR, 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) We are informed that the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
- 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 allotment of shares during the year.
- 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

Place : Kolkata
Date : 23rd of August, 2008.

Y. GUPTA
(Partner)
Membership No. 60539

HOWRAH MILLS COMPANY LIMITED

BALANCE SHEET AS AT 31st MARCH, 2008

	Schedule	31st March 2008 Rs.	31st March 2007 Rs.
I. SOURCES OF FUNDS			
1) Shareholder's Funds :			
a) Share Capital	A	42055370	42287500
b) Reserves and Surplus	B	283668145	218149674
2) Loan Funds :			
a) Secured Loans	C	480549661	277552632
b) Unsecured Loans		25005589	25005589
	TOTAL	831278765	562995395
II. APPLICATION OF FUNDS			
1) Fixed Assets :	D		
a) Gross Block		857218915	755813166
b) Less : Depreciation		575402169	542581518
c) Net Block		281816746	213231648
d) Capital Work-In-Progress		3139177	19808190
		284955923	233039838
2) Investments :	E	51500971	48100
3) Current assets, Loans and Advances :	F		
a) Inventories		275117908	156527696
b) Sundry Debtors		161612041	165303125
c) Cash and Bank Balances		38225153	18116301
d) Other Current Assets		71682	64902
e) Loans and Advances		220862672	171178689
		695889456	511190713
Less: Current Liabilities & Provisions :	G		
a) Current Liabilities		184612941	172622155
b) Provisions		16583045	8661101
		201195986	181283256
Net Current Assets		494693470	329907457
4) Miscellaneous Expenses :			
Amalgamation Expenses		128400	-
(to the extent not written off or adjusted)			
	TOTAL	831278765	562995395

Significant Accounting Policies & Notes on Accounts

Schedules A to G and O form an integral part of Balance Sheet.

In terms of our attached report of even date.

For S. JAYKISHAN
Chartered Accountants

(Y. GUPTA)
Partner
Membership No.60539
Place : 12 Ho Chi Minh Sarani, Kolkata
Dated : The 23rd day of August, 2008

J.Prasad
Company Secretary

O.P.Mall
S.Banerjee
B.C.Jain
U.Majumdar
S.L.Jhawar

Managing Director
Wholtime Director
Director
Director
Director

HOWRAH MILLS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Rs.	31st March 2008 Rs.	Rs.	31st March 2007 Rs.
INCOME					
Sales	H		1468713426		1053980985
Export Incentives			51203171		20696845
Premium for Long Term Lease			25036700		35000000
Other Income	I		19938824		7823874
Increase/(Decrease) in Stock	J		27377911		5177818
			<u>1592270033</u>		<u>1122679522</u>
EXPENDITURE					
Materials Consumed	K		790878327		591516092
Payments to Employees	L		378009151		257965588
Operational & Other Expenses	M		278296365		194429277
			<u>1447183843</u>		<u>1043910957</u>
PROFIT BEFORE INTEREST, DEPRECIATION & TAX			145086190		78768565
Interest	N		40329325		22579615
Depreciation		31904096			
Less: Transfer from Capital Reserve		<u>1453388</u>	<u>30450708</u>		<u>20771386</u>
PROFIT BEFORE TAX & PRIOR PERIOD ADJUSTMENTS			74306157		35417564
Less: Prior period adjustments			<u>11876970</u>		<u>-</u>
PROFIT BEFORE TAX			62429187		35417564
Less : Provision for Taxes					
Current Tax			7030000		4000000
Fringe Benefit Tax			403812		312800
Add : Mat Credit entitlement			7030000		-
PROFIT AFTER TAX			62025376		31104764
Add: Excess Provision for Tax in Earlier Year Written Back			-		420416
			<u>62025376</u>		<u>31525180</u>
Add: Balance brought forward from last year			147849701		116324521
Less : Transfer to General Reserve			(60000000)		-
Add : Surplus from Amalgamating Company as on 01.04.05			1770257		-
Less : Deficit of Amalgamating Company for YE 31.03.06 & 31.03.07 (Refer Note No.2(vi))			(125642)		-
Add : Deferred Tax Liability of Amalgamating Co. reversed			198380		-
Balance carried to Balance sheet			<u>151718072</u>		<u>147849701</u>
Earning Per Share [Refer Note No.16]					
Basic (Rs.)			15.62		8.03
Diluted (Rs.)			15.56		8.03

Significant Accounting Policies & Notes on Account O

Note : Schedules H to O form an integral part of the Profit & Loss Account.

In terms of our attached report of even date.

For S. JAYKISHAN

Chartered Accountants

(Y. GUPTA)

Partner

Memberahip No.60539

Place : 12 Ho Chi Minh Sarani, Kolkata

Dated : The 23rd day of August, 2008

J.Prasad
Company Secretary

O.P.Mall

S.Banerjee

B.C.Jain

U.Majumdar

S.L.Jhawar

Managing Director

Wholetime Director

Director

Director

Director

HOWRAH MILLS COMPANY LIMITED

SCHEDULES TO THE BALANCESHEET

SCHEDULE 'A' SHARE CAPITAL :

		31st March 2008 Rs.	31st March 2007 Rs.
Authorised			
4737500	Equity Shares of Rs. 10 each	47375000	47375000
26250	9.1% Cumulative Redeemable Preference Shares of Rs.100 each	2625000	2625000
		<u>50000000</u>	<u>50000000</u>
Issued , Subscribed and Paid up			
3956550 (3966250)	Equity Shares of Rs. 10 each fully paid up in cash	39565500	39662500
23220 (26250)	9.1% Cumulative Redeemable Preference Shares of Rs.100 each fully paid up to be redeemed at par on or before 14th June,2008.	2322000	2625000
		<u>41887500</u>	<u>42287500</u>
Share Suspense Account			
16787	Equity Shares of Rs. 10 each to be issued to shareholders of transferror company (Howrah Land & Holding Pvt Ltd.) in pursuance to scheme of amalgamation U/S 391/394 of the Companies Act,1956, approved by the Calcutta High Court vide order dated 04.05.07.	167870	-
		<u>42055370</u>	<u>42287500</u>

31st March 2008
Rs.

31st March 2007
Rs.

SCHEDULE 'B' RESERVES AND SURPLUS :

Capital Reserve (created by Revaluation of Land,Buildings, Plant & Machinery, Electrical Installations and Sprinkler Installations)			
As per Last Account	69382129	70974621	
Less : Transferred to Profit and Loss Account	1453388	1592492	
Less : Adjustment on Sale	1169	-	
	<u>67927571</u>		69382129
Amalgamation Reserve			
Arising on Amalgamation [Refer Note No.2(iv)]	1798907		-
Investment Allowance Reserve			
Transfer from Amalgamating Company	129150		-
General Reserve			
As per Last Account	917844		
Add : Transfer from Profit & Loss A/c.	60000000		
Add : Transfer from Amalgamating Company	1176601	62094445	917844
Surplus as per Profit & Loss Account annexed		<u>151718072</u>	<u>147849701</u>
		<u>283668145</u>	<u>218149674</u>

HOWRAH MILLS COMPANY LIMITED

SCHEDULES TO BALANCE SHEET

SCHEDULE 'C'

I. SECURED LOANS :

	31st March 2008 Rs.	31st March 2007 Rs.
a) Interest free Excise loan From Govt of India through I.F.C.I. Secured by hypothecation of movable assets of the Company ranking pari passu with the charges created/to be created in favour of Financial Institution & banks	1269000	1269000
b) i) Sales Tax Loan	25700000	25700000
ii) Interest Accrued on above From Government of West Bengal through WBIDC Secured by creation of residuary charges in respect of all assets, subject to the existing charges granted in favour of other Institutions & Banks.	8181000	8181000
c) 1. State Bank of India		96385905
i) Cash Credit and Export Packing Credit	150791684	
ii) Term Loan		
Term Loan II	9406307	12370454
Term Loan III	20141232	25186687
Term Loan IV	6445331	-
iii) Corporate Loan	15382371	-
2. The Federal Bank Ltd		63827515
i) Cash Credit Account	158506862	39410427
ii) Foreign Currency Demand Loan	30555655	
iii) Term Loan		509050
Term Loan I	8670631	-
Term Loan II	2438207	509050
iv) Corporate Loan	18592117	-
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 acquired by the Company.		
iii. Personal guarantees of Shri Om Prakash Mall, Shri Shree Mohan Mall & Shri Nand Kishore Jhawar.		
d) The Federal Bank Ltd		-
Term Loan	24469264	
(Under Rent Securitisation)		
Secured against Rent Receivables		
e) Short term loan from SBI against Fixed deposit	-	4712594

II. UNSECURED LOANS

From body corporate

480549661

25005589

25005589

277552632

25005589

25005589

HOWRAH MILLS COMPANY LIMITED

SCHEDULE 'D' FIXED ASSETS :

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1st April 2007	Additions during the Year	Deductions/ Adjustments during the year	As on 31st March 2008	As on 1st April 2007	Depreciation transferred from amalgamating company	For the Year Adjustments	Deductions/ Adjustments during the year	As on 31 March 2008	As on 31 March 2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	48652071	11000000	-	59652071	-	-	-	-	-	59652071
Factory Building	180360297	28951488	-	209311785	141561577	-	3925742	-	145487319	63824466
Buildings others	96130097	8408268	-	104538364	76305411	1902979	1311499	-	79519889	25018476
Plant & Machinery	387306098	44527343	4606671	427226771	290282092	378968	24083746	4605039	310149767	117077004
Electric Installation	22166165	6999656	-	29165821	17681703	-	1016467	-	18698170	10467651
Tramway	11520	-	-	11520	11515	-	1	-	11516	5
Sprinkler Installation	6767165	-	-	6767165	6574949	-	26737	-	6601686	165479
Electric Fork Lift Truck	1517380	-	-	1517380	1373068	-	28862	-	1401930	115450
Railway	21962	-	-	21962	21867	-	13	-	21880	81
Computer	3882353	1674853	-	5557206	2936483	1387404	459831	-	4783718	773489
Lift	257000	-	-	257000	231373	-	3565	-	234938	22062
Sundry Equipments	6640845	1000540	-	7641385	3997483	58654	546230	-	4602367	3039018
Furniture	1730723	631543	-	2362266	1268844	411642	110531	-	1791017	571249
Motor Vehicle	369489	2818730	-	3188219	335152	1381949	380872	-	2097973	1090245
Total	755813166	106012420	4606671	857218915	542581518	5521593	31904096	4605039	575402169	281816746
Previous Year	698372366	59630936	2190136	755813166	522398274	-	22363878	2180634	542581518	213231648
Capital Work-in-Progress	19808190	58339018	75008031	3139177	-	-	-	-	-	3139177
										19808190

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 Rs.283896474 (Gross Rs.401275536 minus accumulated depreciation of Rs.117379062) was transferred to Capital 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 Rs.204160 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 Rs. 88055541 (P.Y. Rs. 68329321) 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.
- Additions during the year include gross block of fixed assets acquired from the amalgamating company, amounting to Rs.136589131.

HOWRAH MILLS COMPANY LIMITED

SCHEDULE 'E' INVESTMENTS

	31st March 2008 Rs.	31st March 2007 Rs.
1) In Government Securities (At cost) National Savings Certificates	10000	10000
2) In Shares, Debentures and Bonds		
(i) In Shares		
Unquoted, Long-term, (At Cost) (Subsidiary Company) 66655 Nos. of equity shares of West Bengal Agro Textile Corporation Limited of Rs. 10/- each fully paid up.	51239111	-
(ii) Others -		
Unquoted -other than Trade (At cost) East India Clinic Ltd. 91, 1/2% Debenture of Rs 100 each 5% Non Redeemable Debenture Stock 1957	9100 29000	9100 29000
(iii) Units of Mutual Fund		
9500 units of SBI Mutual Funds	95000	-
3) In Gold	118760	-
	<u>51500971</u>	<u>48100</u>

SCHEDULE 'F' CURRENT ASSETS, LOANS & ADVANCES

	31st March 2008 Rs.	Rs.	31st March 2007 Rs.	Rs.
a) Inventories				
Stores and Spares Parts	24242219		21650245	
Jute	161789137		73168810	
Finished Goods	71567510		49331508	
Work-in-Progress	17519042		12377133	
		275117908		156527696
b) Sundry Debtors : Unsecured				
Outstanding for a period exceeding six months-				
Considered good	33689964		70225920	
Considered doubtful	659421		158747	
Other Debts				
Considered good	127922077		95077206	
	162271462		165461872	
Less : Provision for Doubtful debts	659421		158747	
		161612041		165303125
c) Cash and Bank Balances				
Cash in hand (As certified)	954517		114714	
Balance with Scheduled Banks				
On Current Account	1161994		2020656	
On Cash Credit Account	25760163		-	
On Fixed Deposit A/c	10348478		15980932	
(pledged with bank against Short Term Loan, L.C & Bank Guarantee)		38225153		18116301

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d) Other Current Assets			
Interest Accrued on Investments		71682	64902
e) Loans and Advances :			
Unsecured Loans (Considered good)	13939483		20495161
Advances (Recoverable in cash or in kind or for value to be received)			
Considered good	123703664		90208286
Considered doubtful	107277		167723
	123810941		90376009
Less : Provision for doubtful Advances	107277		167723
	123703664		90208286
Prepaid Expenses	2071331		1968154
Income Tax deducted at source	4249538		971423
Mat credit entitlement	7030000		-
EMA Subsidy, DEPB & Other Claims Receivable	55897459		39133560
Security & Other Deposits	13771921		18202829
Deposits with Customs, Excise etc.	199276	220862672	199276
		695889456	171178689
			511190713

SCHEDULE 'G' CURRENT LIABILITIES AND PROVISIONS

	31st March 2008 Rs.	31st March 2007 Rs.
a) Current Liabilities :		
Sundry Creditors	-	-
Dues to micro, medium & small enterprises	-	-
Dues to other than micro, medium & small enterprises	109754180	118764718
Advances from Subsidiary	4774028	-
Creditors for Capital Goods	519437	-
Cheques Overdrawn	1343	-
Other Liabilities	69563953	53857437
	184612941	172622155
b) Provisions :		
Provision for Taxation	15185501	7850000
Provision for Fringe Benefit tax	1397544	811101
	16583045	8661101
	201195986	181283256

SCHEDULES TO PROFIT & LOSS ACCOUNT

SCHEDULE 'H' SALES :

	For the Year ended 31st March 2008		For the Year ended 31st March 2007	
	Qty(M.T.)	Rs.	Qty(M.T.)	Rs.
Jute Goods	43739	1349547596	31861	1007774149
Raw Jute	9178	117620543	2476	46206836
Others (Trading)	80	1545287	-	-
		1468713426		1053980985

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SCHEDULE 'I' OTHER INCOME :

	For the Year ended 31st March 2008		For the Year ended 31st March 2007	
	Rs.	Rs.	Rs.	Rs.
Interest on Fixed deposit with Bank (TDS Rs.328189/-, P.Y.100800/-)	1048351		1056019	
Interest On Deposits (TDS Rs.6277/-, P.Y.3449/-)	<u>42954</u>	1091305	<u>171807</u>	1227826
Profit On Sale of Fixed Assets		3190695		1824001
Rental Income		12158743		4165950
Bad Debt Recovered		200000		-
Provision for Doubtful Advances Written Back		60446		-
Foreign Exchange Fluctuation(Net)		1494201		214961
Miscellaneous Income		<u>1743434</u>		<u>391136</u>
		<u>19938824</u>		<u>7823874</u>

SCHEDULE 'J' INCREASE / (DECREASE) IN STOCK :

<u>Closing Stock</u>				
Finished Goods	71567510		49331508	
Work-in-Progress	<u>17519042</u>	89086552	<u>12377133</u>	61708641
<u>Opening Stock</u>				
Finished Goods	49331508		58991703	
Work-in-Progress	<u>12377133</u>		<u>17271400</u>	
Less : Cost of Damage Stock	-	61708641	-19732280	56530823
		<u>27377911</u>		<u>5177818</u>

SCHEDULE 'K' MATERIALS CONSUMED :

Raw Materials (Raw Jute Including Yarn)	Qty(M.T.)		Qty(M.T.)	
Opening stock		73168810		76006926
Add : Purchases		<u>798432218</u>		<u>561099433</u>
		871601028		637106359
Less : Sale of Caddies etc.		69550		857032
Less : Closing Stock		<u>161789137</u>		<u>73168810</u>
	54112	709742341	32243	563080517
Purchase of Gunnies	2526	79735987	773	28435575
Others (Trading)	80	<u>1400000</u>	-	-
		<u>790878328</u>		<u>591516092</u>

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SCHEDULE 'L' PAYMENT TO EMPLOYEES :

	For the Year ended 31st March 2008 Rs.	For the Year ended 31st March 2007 Rs.
Salaries, Wages and Bonus	308457930	216171400
Gratuity	8641501	3650735
Contribution to Provident and other Funds	40424123	29596177
Staff Welfare Expenses	20485597	8547276
	<u>378009151</u>	<u>257965588</u>

SCHEDULE 'M' OPERATIONAL & OTHER EXPENSES :

Consumption of Stores & Spare Parts	88706777	65910994
Power and Fuel (net)	74726602	58112938
Repairs to Machinery (including consumption of Stores Rs. 10684602, P.Y. 3869967)	14849108	6738952
Repairs to Building	2269923	950733
Rates and Taxes	739394	668578
Rent	5805501	860015
Insurance	3485933	2571779
Brokerage	4840796	3943883
Commission to other than sole selling agents	87500	-
Export Expenditure	8400100	7286936
Branding Charges	2980202	1721915
Processing Charges	3606481	7759166
Stitching Charges	8948993	7317797
Shipping Charges	7647403	5333511
Advances / Bad debts written off	8813125	-
Claim on Sales	912879	1052616
Directors' Fees	13800	25200
Other Establishment Expenses	38820314	20030585
Sales Tax (For earlier Years)	2609434	2063870
Amalgamation Expenses Written off	32100	-
Loss of Stock due to Fire	-	2079810
	<u>278296365</u>	<u>194429277</u>

SCHEDULE 'N' INTEREST :

Interest		
On Fixed Loans	9918150	3220270
On Others	35763446	25203001
	<u>45681596</u>	<u>28423271</u>
Less : Interest Subsidy	1897086	1254115
Less : Interest Received on advances (TDS- Rs.711768/-, P.Y. Rs.77145/-)	3455185	4589541
	<u>40329325</u>	<u>22579615</u>

SCHEDULE 'O'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT

A. SIGNIFICANT ACCOUNTING POLICIES

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 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 recognised in the period in which the results are known / materialized.

2. Revenue Recognition

- a. Revenue is recognised 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 recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are net of Cess & VAT.
- c. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- d. Market Assistance Receivable from JMDC and other export benefits are accounted for as soon as the entitlements in respect thereof fall due.
- e. Claims received & paid, Lease Rent, Development Fees and Interest to parties on delayed payments, bonus to employees, commission to foreign agents are accounted for on cash basis.

3. Fixed Assets and Depreciation

- 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 Capital Reserve. Costs of major

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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 cash generating units / assets are reviewed at Balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of Net selling price and value in use. Impairment loss is recognized whenever carrying amount exceeds the recoverable amount
- 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 Capital Reserve.
- e. Costs of the fixed assets not ready for their intended use at the Balance Sheet date together with all related expenses are shown as Capital Work-in-progress.

4. Investments

- a. Current investment is 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 and interest thereon is accounted for as and when received.

5. Inventories

Raw materials and Stores and Spares are valued at lower of cost or realizable value, 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.

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 (except those relating to acquisition of fixed assets which are adjusted to the cost of the asset).

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.

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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. Other borrowing costs are recognized as an expense for the year in which they are incurred.

9. Subsidy & Incentives

Subsidy & Incentives are accounted for in the accounts as and when actually received.

10. Amalgamation Expenses

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

11. Taxes On Income

Tax expenses comprises of current tax, deferred tax and fringe benefit tax.

- a. Current income tax and fringe benefit tax are 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.

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B. NOTES ON ACCOUNT

1. Contingent Liabilities not provided for

	31st March 2008	31st March 2007
a) Bank guarantees given on behalf of the company.	31250000	26989000
b) i. West Bengal and Central Sales Tax assessments under appeal for the period 1st October, 2002 to 31st March, 2004	14155647	14155647
ii. Raw Jute Tax for the four quarters ended December 1983 (Under Appeal)	520899	520899
c) Bill discounted from bank (Since realized)	29635989	7419682
d) Letters of Credit issued in favour of various parties	24312808	57193439

2. (i) Pursuant to the Scheme of Amalgamation sanctioned by Hon'ble High Court at Calcutta vide its order dated 4th Day of May, 2007, Howrah Land and Holding Private Limited (HLHPL) transferor Company has been amalgamated with the Company, w.e.f. 01.04.05.
- (ii) Pursuant to the Scheme of Amalgamation referred to in (i) above, 16787 equity shares of Rs.10/- each fully paid up are to be issued to the equity shareholders of erstwhile Howrah Land and Holding Private Limited in the ratio of 1 equity share of face value of Rs.10/- each in the Company for every 10 equity shares of face value of Rs.10/- each, held in Howrah Land and Holding Private Limited. Pending allotment at the year end, the amount of Rs 167870/- has been included in the Share Capital Suspense Account in Schedule - A.
- (iii) The amalgamation has been accounted for under the "Pooling of Interest" method as prescribed by the Accounting Standard (AS)-14, issued by the Institute of Chartered Accountants of India. Accordingly, Assets, Liabilities & Reserves & Surplus of the amalgamating company have been transferred to and vested in the Company at Book Values in the same manner as they appear in the books of amalgamating company under respective heads.
- (iv) Pursuant to the Scheme, shares held by the amalgamating company in the Company have been cancelled. The amalgamation Reserve arising out of difference between the value of Net Assets acquired and Net Consideration paid are as under :

Total Assets	57335807
Total Liabilities	<u>52484099</u>
Net Assets	4851708
Less : Reserves & Surplus	<u>3076008</u>
	1775700
Less : Shares to be issued	167870
Add : Difference of face value & Book Value of Shares held by amalgamating Company on cancellation	<u>191077</u>
Amalgamation Reserve	<u>1798907</u>

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(v) Pending completion of the relevant formalities of transfer of certain assets and liabilities acquired pursuant to the Scheme of Amalgamation as referred above, such assets and liabilities remain included in the books of the Company in name of Howrah Land & Holding Private Limited.

(vi) Since the effective date of amalgamation is 1st April, 2005 and the Company and erstwhile HLHPL had closed and got approved their accounts for the years ended 31.03.06 & 31.03.07 respectively, the Profits / Losses for the period from 01.04.05 to 31.03.07 of the said HLHPL have been adjusted against Surplus of the Company. Summarized Profit & Loss Account of the Amalgamating Company for the period from 01.04.2005 to 31.03.2007 is given as below :

Profit after Tax for the year ended 31.03.06 (As per Audited accounts)	(278717)
Profit after Tax for the year ended 31.03.07 (As per Audited accounts)	<u>153075</u>
Deficit of the amalgamating company (Adjusted with the Surplus)	<u>125642</u>

(vii) Balances of Assets and Liabilities of Howrah Land and Holding Private Limited as at 31.03.2007, audited by another firm of Chartered Accountants have been incorporated in the accounts.

3. Other Establishment Expenses include payments to the Auditors :

- As Statutory Audit fee 179776

4. Directors' Remuneration (included in various heads of expenses in Schedule "L")

	31st March' 08	31st March' 07
i) Salaries	840000	820000
ii) Contribution to Provident Fund	48000	46000
iii) Other Perquisites	225051	206662
iv) Allowances	<u>18000</u>	<u>-</u>
Total	<u>1131051</u>	<u>1072662</u>

5. i. Gratuity is accounted on cash basis and 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 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 for delayed payments in this account has been received.

6. Debtors include Rs. 3710455/- (P.Y. Rs. 4491561/-) and advances include Rs. 911125/- (P.Y. Rs. 2026243/-) outstanding for more than three years and are doubtful. No provisions in this regard have been made in the Accounts.

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

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8. i. Interest has not been provided on Sales Tax Loan of Rs. 257 Lacs, as the Company has made an application for waiver of Interest.
- ii. Interest on Unsecured Loan of Rs 250 Lacs has not been provided for in the accounts and the balance is subject to confirmation.
9. In respect of Consignment Sales for which Account Sales have not been received, effect is given to sales account on the basis of proforma invoice of goods transferred. Adjustment if any, of actual sale differential and various expenses such as freight, duty, insurance and taxes, arising on receipt of account sales will be dealt in during the relevant years in which Account Sales are made available.

	As on 31.03.08	As on 31.03.07
Arrears of Dividends for the period ended 15th June, 1993 to 31st March, 2008 on 9.1% Redeemable Cumulative Preference shares not provided in books.	2914811	3056292

11. Vat Input Credit Receivable includes amount of Rs.3329846/- claimed by the Company and not admitted by the West Bengal Sales Tax Department. The company has filed an appeal before W.B.Taxation Tribunal, which is pending for disposal.
12. Prior Period Adjustments include a) Office Rent amounting to Rs.853200/- and b) Reversal of Rental income and Electricity charges amounting to Rs. 11023770/- debited to HLHPL (amalgamating company) from 01.04.05 (effective date of Merger) to 31.03.07, not provided for in the books of the said amalgamating company in view of Scheme of Amalgamation.
13. Certain Secured Loans, Unsecured loans, Sundry Creditors, Sundry Debtors, Loans & Advances are subject to Confirmation/ Reconciliation from the respective parties. The Management however does not expect any material variations.
14. In the opinion of the Board, Current Assets, Loans and advances shall, if realized in the ordinary course of the business have value at least equal to the amount at which they are stated.
15. W.D.V of the fixed assets sold during the year for Rs.695000/- was not ascertainable and therefore total sale proceed from the same has been considered as profit on sale of fixed assets.
16. Estimated amount of Capital contracts outstanding as on 31st March 2008 is Rs. 221.45 Lakhs.
17. In pursuance to Joint Venture Transformation Agreement & Share Purchase Agreement dated 25th day of January, 2007, the Company has been allotted 66655 fully paid up Equity Shares of Rs 10/- each in the Share Capital of West Bengal Agro Textile Corporation Limited on 20.04.07, being 74% of the total Issued, subscribed & paid up Capital of the said WBATCL.

In absence of the audited accounts for the year ended 31st March, 2008 of M/s West Bengal Agro Textile Corporation Limited, subsidiary Company, requirements of Accounting

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Standard (AS) – 21 'Consolidated Financial Statements' issued by The Institute of Chartered Accountants of India and Section 212 of the Companies Act, 1956 have not been complied with.

18. The Outstanding Forward Contracts at the year end are as follows :

Particulars	Currency Pair -	As at 31ST March, 2008 (Sell)
Forward Contract	USD/INR	400000

19. No Provision is considered necessary by the management in respect of claim for damages of Rs 5008807/- (P.Y. Rs 5008607) 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.
20. In view of the Order of the Board for Industrial & Financial Reconstruction (BIFR) dated 11th July, 2008, directing Income Tax Department to extend reliefs/ exemptions to the Company as per the Company's actual performance till the expiry of the scheme period i.e. up to 31st March, 2008 subject to applicability of provisions relating to Minimum Alternate Tax (MAT), provision for income tax has been made for MAT amounting to Rs.70.30 Lacs. The Company would be entitled to credit in respect thereof from tax liability arising in future under normal tax provisions.
21. Pending receipt of Orders giving appeal effects for the earlier years & in view of Company's claim for certain deductions & allowances, having effect on increase in brought forward losses & unabsorbed depreciation as per I T Rules, the company has not adopted AS-22 "Accounting for Taxes on Income" for recognizing deferred tax liability on timing difference between W.D.V of fixed assets as per Income Tax Act, 1961 & Companies Act, 1956. Deferred Tax Liability transferred from the amalgamating company amounting to Rs.198380/- has also been reversed.
22. There are no Micro, Small and Medium Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2008. 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.

23. Segmental Reporting as per AS -17

Particulars	Jute Activity Rs.	Real Estate Rs.	Total Rs.
Revenue	1,526,333,179 (1,078,335,754)	38,558,943 (39,165,950)	1,564,892,122 (1,117,501,704)
Segment Results (Profit before Interest & tax)	66,288,898 (20,596,444)	36,469,614 (37,400,735)	102,758,512 (57,997,179)
Interest	36,132,341 (22,579,615)	4,196,984 —	40,329,325 (22,579,615)

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Particulars	Jute Activity Rs.	Real Estate Rs.	Total Rs.
Profit Before tax	30,156,557	32,272,630	64,429,187
	(-1,983,171)	(37,400,735)	(35,417,564)
Less : Income Tax & FBT	—	—	403,812
	—	—	(4,312,800)
Profit after tax	—	—	62,025,376
	—	—	(31,104,764)
Other Information			
Assets	1,014,986,641	17,297,033	1,032,283,674
	(738,115,743)	(6,162,908)	(744,278,651)
Liabilities	673,938,249	32,812,987	706,751,236
	(179,037,872)	(2,245,384)	(181,283,256)
Capital Expenditure	93,544,927	11,000,000	104,544,927
	(57,440,800)	—	(57,440,800)
Depreciation	29,712,543	738,165	30,450,708
	(20,771,386)	—	(20,771,386)

24. Earnings Per Share (EPS) :

		Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Net Profit for the period attributable to equity shareholders :	(a)	61814074	31525180
Weighted average number of Equity Shares of Rs. 10/- each outstanding during the period	(b)	3956550	3966250
Add : Dilutive number of Equity Shares outstanding during the year	(c)	16787	—
Diluted number of Equity Shares outstanding during the year	(d) = (b) + (c)	3973337	3966250
Earnings Per Share (Rs.) :			
Basic	(e) = (a) / (b)	15.62	8.03
Diluted	(f) = (a) / (d)	15.56	8.03

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25. Related Party Disclosure

<u>Relationship</u>	<u>Name</u>	<u>Transaction during the year</u>
Key Managerial Personnel (Managing Director)	Mr. O. P. Mall	Managerial Remuneration Rs. 575855/-
Key Managerial Personnel (Finance Director)	Mr. S. Banerjee	Managerial Remuneration Rs. 555196/-
Associates & Subsidiary	West Bengal Agro Textile Corporation Ltd	Purchases Rs. 17684660/- Balance Payable at the year end Rs.4774028/- and Investment in shares Rs.51239111/-

26. a) The Company manufactures Jute Goods and particulars are as under :

	For the Year ended 31st March, 2008	For the Year ended 31st March, 2007
i. Licensed Capacity p.a	70761 Tons	70761 Tons
ii. Installed Capacity p.a	43500 Tons	40000 Tons
iii.** Actual Production	42228 Tons	31241 Tons
iv.* Opening Stock	1351 Tons (Rs. 49331508)	1198 Tons (Rs.39259423)
v. Closing Stock	2366 Tons (Rs. 71567510)	1351 Tons (Rs. 49331508)
vi. Purchase of Gunnies	2526 Tons (Rs. 79735987)	773 Tons (Rs. 28435575)
vii. Sales	43739 Tons (Rs. 1349547596)	31861 Tons (Rs.1007774149)
vii. Other Items traded in- Paper Boards		
Opening Stock	—	—
Purchases	80 M T (Rs 1400000)	— (—)
Sales	80 M T (Rs 1545287)	— (—)
Closing Stock	—	—

* After adjustment of Nil (P.Y. 600 Tons) for loss due to fire in F.Y 2006 -07

** After adjustment of 320 Tons (P.Y. 294 Tons) for consumption for packing purpose and 108 Tons (P. Y. 115 Tons) generation of gunny cuttings etc.

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

	For the Year ended 31st March, 2008		For the Year ended 31st March, 2007	
	Value Rs.	Percentage	Value Rs.	Percentage
Raw Materials*				
Imported	28272978	3.99	37004643	6.57
Indigenous	681469363	96.01	526075874	93.43
	<u>709742341</u>	<u>100.00</u>	<u>563080517</u>	<u>100.00</u>

* Includes sale of Raw Jute, profit from which, being not significant, has not been separately accounted for.

Stores & Spare Parts *

Imported	—	—	2714105	3.90
Indigenous	99391379	100	67066856	96.10
	<u>99391379</u>	<u>100</u>	<u>69780961</u>	<u>100</u>

* Includes consumed directly or by way of repairs to machinery.

	For the Year ended 31st March, 2008 Value Rs.	For the Year ended 31st March, 2007 Value Rs.
c) Work In Progress :		
W. I. P	17591042	12377133
d) Earnings in Foreign Exchange :		
Export of Finished Goods (FOB Basis) (Excludes export through Merchant Shippers)	325801242	236989243
Export of Traded Goods (FOB basis)	1545287	—
Miscellaneous Income	830297	—
e) Value of Imports (CIF Basis)		
Raw Jute	28272978	37004643
Gunny	7134833	—
Capital Goods	7414166	—
f) Expenditure in Foreign Currencies		
Export Expenses	13423748	—
Brokerage/Commission	1166265	1312213
Travelling Expenses	1350557	1308203

HOWRAH MILLS COMPANY LIMITED

27. Previous year figures have been re-grouped / re-arranged wherever considered necessary, if any. The previous year's figures may, therefore, be different from audited figures for the year ended 31st March 2007, and hence are not comparable to that extent.
28. The Current year figures are not comparable with that of the Previous Year as this Account includes the figures of the Amalgamating Company.

Signatures of the Schedules A to O

In terms of our attached Report of even date

For S. JAYKISHAN
Chartered Accountants

(Y. GUPTA)

Partner

Membership No.60539

Place : 12 Ho Chi Minh Sarani, Kolkata

Dated : The 23rd day of August, 2008

J.Prasad

Company Secretary

O.P.Mall

S.Banerjee

B.C.Jain

U.Majumdar

S.L.Jhawar

Managing Director

Wholetime Director

Director

Director

Director

HOWRAH MILLS COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY BUSINESS PROFILE

I. Registration Details :

Registration No. : 625 of 1890-91 State Code : 21

Balance Sheet Date : 31032008

Date Month Year

II. Capital Raised During the Year (Amount in Rs. Thousand) :

Public Issue

NIL

Bonus Issue

NIL

Rights Issue

NIL

Private Placement

NIL

III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousand)

Total Liabilities

831278

Sources of Fund

Paid up Capital

42055

Secured Loans

480550

Application of Funds

Net Fixed Assets

284956

Net Current Assets

494693

Accumulated Profit

151718

Total Assets

831278

Reserves & Surplus

283668

Unsecured Loans

25006

Investments

51501

Mis Expenditure

128

IV. Performance of Company (Amount in Rs. Thousand)

Turnover

1564892

Profit/Loss before Tax

62429

Please tick Appropriate box + for Profit, - for Loss

☒ -

Earning per Share in Rs.

15.62

Total Expenditure

1502463

Profit/Loss After Tax

62025

☒ -

Dividend Rate (%)

0.00

V. Name of three Principal Products/Services of Company:

Product Description

HESSIAN

Item Code No. (ITC Code)

531010.03

Product Description

SACKING

Item Code No. (ITC Code)

531010.02

Product Description

JUTE YARN

Item Code No. (ITC Code)

531010.01

HOWRAH MILLS COMPANY LIMITED

CASH FLOW STATEMENT

For the Year Ended
31st March 2008

For the Year Ended
31st March 2007

A. Cash flow from operating activities			
Net Profit before tax		62429187	35417564
Adjustments for			
Depreciation	30450708		20771386
Interest (paid)	40329325		22579615
Rent	(38938877)		(39557086)
Interest (recd.)	(1091305)		(1227826)
Profit on sale of Assets	(3190695)		(1824001)
Bad debts/ Advances Written off	8813125		—
Provision for doubtful advances written back	(60446)		—
Amalgamation Expenses Written off	32100	36343934	—
			742088
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		98773121	36159652
Adjustments for			
Trade and other receivables	(22242168)		(60786764)
Inventories	(118590211)		15973968
Trade Payables	3164799	(137667579)	(12359075)
			(57171870)
CASH GENERATED FROM / (USED IN) OPERATIONS		(38894458)	(21012218)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES — A		(38894458)	(21012218)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(75684492)		(58788381)
Sale of Investments	3193000		—
Purchase of Investments	(51452871)		—
Sale of Fixed Assets	3186020		1833500
Rent Received	46940025		30576085
Interest Received	844396		2919126
NET CASH FROM / (USED IN) INVESTING ACTIVITIES — B		(72973922)	(23459670)
C. CASH FROM FINANCE ACTIVITIES			
Proceeds from Unsecured Loans	(168649)		14516395
Payments of cash credit from banks	149085126		67975949
Interest paid	(40329325)		(22579615)
Amalgamation Expenses incurred	(160500)		—
Proceeds of Secured Loan	23093446		(20003824)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES — C		131520099	39908905
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALANTS (A+B+C)		19651719	(4562984)
CASH & CASH EQUIVALENTS AT THE BEGINING OF THE YEAR		18116300	22679284
CASH & CASH EQUIVALENTS ACQUIRED ON AMALGAMATION		457134	—
		18573434	22679284
CASH & CASH EQUIVALENTS AT THE CLOSING OF THE YEAR		38225153	18116300

HOWRAH MILLS COMPANY LIMITED

Note :

1. The above Cash Flow Statement has been prepared under the Indirect method as set out in the Accounting Standard on Cash Flow Statements (AS3) issued by the Institute of Chartered Accountants of India.
2. Cash and Cash Equivalents consists of Cash & Bank balances only (Refer Schedule F)
3. The following assets and liabilities acquired under the scheme of amalgamation have not been considered in the above cash flow statement

Fixed Assets (Net of Accumulated Depreciation)	8137319
Current Assets (Other than Cash)	33119047
Current Liabilities and provisions	8602584
Loan Funds	31683393
Deferred Tax Liability	198380

4. Previous year figures have been regrouped or rearranged, wherever necessary. The figures may be different from the audited figures for the year ended 31st March, 2007 and to that extent are not comparable.

Howrah
Dated 23rd day of August, 2008

S. BANERJEE
Wholetime Director

AUDITORS' REPORT

We have examined the above Cash Flow Statement of HOWRAH MILLS COMPANY LIMITED for the Year ended 31st March, 2008. The Statement read with notes have been prepared by the Company in accordance with the requirement of the Clause 32 of the Listing Agreement with The Calcutta Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our Report of even date to the Members of the Company.

Kolkata
Dated 23rd day of August, 2008

For **S. JAYKISHAN**
Chartered Accountants

Y. GUPTA
(Partner)
Membership No.60539

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Email: shreehrt@vsnl.com
Website : www.mjindia.com