

SIXTH ANNUAL REPORT

1997 - 98

MD	✓		BKC	✓
CS	✓		DPY	AB
RO	✓		DIV	SA
TRA	✓		IC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		

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Abl biotechnologies limited

No.1, 2nd Street, Parameswari Nagar,
Adyar, Chennai - 600 020.

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ABL BIOTECHNOLOGIES LTD

(FORMERLY AQUASTRIDE BIO-TECH LIMITED)

BOARD OF DIRECTORS

Mr.C. Abraham - Chairman
Mr. K.O. Isaac - Managing Director
Mr.K.T. Chandy
Mr. Thomas Abraham
Mrs. Rosemary Isaac
Mr. V. Venkatesh

REGISTERED OFFICE

✓ 1, II Street, Parameswari Nagar,
Adyar, Chennai - 600 020.

**AQUACULTURE DEVELOPMENT CENTRE (ADC)
& HATCHERY**

Thimmapuram
Kappuluppada Village
Bheemili Mandal
Visakhapatnam District
Andhra Pradesh - 531 163.

BIOCHEMICAL PROJECT SITE

Kallamozhi Village
Udangudi
Kulasekarapattinam Panchayat
Tuticorin District - 628 208.

AUDITORS

M/s. Rajagopalan Associates
Chartered Accountants
Chennai - 600 040.

BANKERS

Indian Bank

SHARE TRANSFER AGENTS

Hi-tec Share Registry Private Limited
66, II Floor, Cathedral Road,
Chennai - 600 086.

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ABL BIOTECHNOLOGIES LIMITED**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Sixth Annual General Meeting of the Shareholders of the Company will be held on Thursday, October 29, 1998 at 10.30 a.m. at Balamandir German Hall, No.17, Prakasam Street, T.Nagar, Chennai - 600 017 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as on March 31, 1998, the Profit and Loss Account for the year ended on that date, together with the Director's Report and the Auditor's Report thereon.
2. To appoint a Director in place of Mr. THOMAS ABRAHAM, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mrs. ROSEMARY ISAAC, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint Auditors of the Company. The retiring Auditors Messrs. RAJAGOPALAN ASSOCIATES, Chartered Accountants, Chennai, is eligible for reappointment.

SPECIAL BUSINESS

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

RESOLVED THAT pursuant to Sections 198, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 (the Act) and other applicable provisions of the Act, Mr. K.O. Isaac, be and is hereby reappointed as the Managing Director of the Company for a period of five years with effect from May 01, 1999 on the terms and conditions contained in the explanatory statement to this notice.

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration and perquisites of Mr. K.O. Isaac from time to time without further reference to the Company in General Meeting so as not to exceed the limits prescribed under Schedule XIII of the Act or any amendment(s) thereto and agreed to between the Board and Mr. K.O. Isaac.

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

RESOLVED THAT the consent of the Company be and the same is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the Company of all the immovable properties of the Company wherever situated, present and future, and/or conferring power to enter upon and to take possession of the assets of the company in certain events, or to in favour of the Technology Development Board (TDB) to secure the Rupee Term Loan not exceeding Rs. 179 lakhs (Rupees One Hundred and Seventy Nine Lakhs only) lent and advanced/agreed to be lent by TDB to the Company together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to TDB under the Loan Agreement by the Company in respect of the said term loan.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise with TDB the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

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

RESOLVED THAT pursuant to the provisions of Sec.94 of the Companies Act, 1956 the Share Capital of the company be increased from 5 crores consisting of 50 Lakhs Equity Shares of Rs. 10/- each to Rs. 6 Crores consisting of 60 Lakhs Equity Shares of Rs. 10/- each.

8. To consider and if thought fit, to pass with or without modification, the following resolution as special resolution.

RESOLVED THAT Clause V of the Memorandum of Association of the Company be altered and the following clause be substituted.

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"The Share Capital of the Company is Rs.6,00,00,000/- divided into 60,00,000 Equity Shares of Rs.10/- each with power to increase and reduce the capital of the company and to divide the shares in the capital for the time being in accordance with the provisions of the Act and the regulations of the company and vary, modify or abrogate any such rights, privileges, conditions in such names as may for the time being be provided by the regulations of the company".

9. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution.

RESOLVED THAT the existing Article No. 3 (a) of the Articles of Association of the Company be altered and the following article be substituted.

"The Share Capital of the Company is Rs.6,00,00,000/- divided into 60,00,000 Equity Shares of Rs.10/- each.

Place : Cochin
Date : 15.06.98

By the order of the Board
for ABL BIOTECHNOLOGIES LIMITED
N. SUBRAMANIAN
COMPANY SECRETARY

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy form in order to be valid must be deposited at the Company not less than 48 hours before the commencement of the Meeting.
2. Members are requested to notify immediately their change of address, if any, quoting their folio numbers to our Registrar and Share Transfer Agents, Hi-Tec Share Registry Private Limited, 66, Cathedral Road, Chennai - 600 086.
3. The Register of Members and the Share Transfer Books will remain closed from October 24, 1998 to October 29, 1998. (Both days inclusive)
4. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE ACT, 1956**ITEM NO.5**

The Members of the Company at the General Meeting held on April 29, 1994 approved the appointment of Mr.K. O. Isaac as Managing Director of the Company for a period of 5 years commencing from May 01, 1994 on a remuneration of Rs.7,500 per month as detailed in the resolution under Item No.2, of the Notice of the said General Meeting. The Company has since then completed the Project of setting up a R & D Centre, a Brood Stock facility and Hatchery successfully at Vizag. Considering the nature and volume of work carried out by Mr. K.O. Isaac, the salary paid to him was considered too low. The Board of Directors at its meeting held on June 10, 1997 resolved to revise the remuneration payable to Mr. K.O. Isaac, Managing Director, from Rs.7,500/-p.m. to Rs.30,000/-p.m. with effect from 1-4-97 for the remaining period of his tenure subject to the approval of the shareholders upon the terms and conditions as set out in the draft agreement between the Company and Mr. K.O. Isaac as follows:

a. SALARY : Rs. 30,000/- per month.

b. PERQUISITES

In addition to the above, the Managing Director shall be entitled to the following perquisites restricted to an amount equal to the annual salary or Rs.4,50,000/-per annum, whichever is less.

- (i) Unfurnished residential accommodation; the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or House Rent Allowance in lieu thereof, subject to the condition that the expenditure by the Company on hiring, upkeep and maintenance of the accommodation or rent allowance in lieu thereof shall not exceed 60% of the salary.
- (ii) Expenditure on gas, electricity and water charges as also furnishings at the residence to be borne by the Company.
- (iii) Use of one motor car with Driver with all running and maintenance expenses to be paid by the Company.
- (iv) Benefit of Provident Fund Scheme, Superannuation and Annual Gratuity Fund Scheme as per Company's Rules together with the benefit of any retirement fund or Scheme which the Company may introduce in future.
- (v) Gratuity payable will not exceed half a month's salary for each completed year of service.

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- (vi) Re-imbursement of medical expenses incurred for self and the family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (vii) Thirty days privilege leave with full pay and allowances for each completed year of service, the said leave being eligible for accumulation and encashable at the end of his tenure.
- (viii) Personal Accident Insurance cover at the cost of the Company provided that the actual premium thereof shall not exceed Rs.4,000 per annum.
- (ix) Use of telephone for the Company's business at the residence provided that the cost of personal long distance calls, if any, shall be reimbursed to the Company.
- (x) Fees of clubs subject to a maximum of two clubs together with the benefit of all expenses incurred thereat towards the business of the Company. This will not include admission and life membership fees.
- (xi) Expenses on Travel while on privilege leave for self and his family once in a year subject to a ceiling of one month's salary.

Explanation:- Family includes the spouse, the dependent children and dependent parents of the Managing Director.

Minimum Remuneration:

Notwithstanding anything contained herein, where in any financial year, during the currency of tenure of the Managing Director, the company has no profit or its profits are inadequate, the company will pay him the minimum remuneration by way of salary and perquisites as specified above.

Except Mr.K.O. Isaac, Managing Director and Mrs. Rosemary Isaac, Director, no other Director of the Company is concerned or interested in the revision of remuneration payable to Mr. K.O. Isaac or deemed to be interested or concerned in passing the resolution.

The Explanatory Statement along with the accompanying notice is and shall be deemed to be an abstract under Section 302 of the Companies Act, 1956.

ITEM No. 6

The Company has been sanctioned by Technological Development Board (TDB) Financial assistance in the form of term loan of Rs.179 lakhs in connection with setting up a project on culturing Dunaleilla Salina, a marine micro alga for extraction of Betacarotene, Provitamin-A, near Tiruchendur. The financial assistance from TDB has to be secured by a mortgage of all the immovable properties of the company situated near Tiruchendur, both present and future.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company or a private company which is a subsidiary of a public company shall not, without the consent of such public company or private company in a general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking, of the whole, or substantially, the whole of any such undertaking.

Since the mortgaging by the company of its immovable and movable properties as aforesaid in favour of TDB may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1) (a) of the Companies Act, 1956 for creation of the said mortgages/charges.

Accordingly, an ordinary resolution set out under item No.6, of the Notice is submitted to the meeting.

None of the Directors of the Company are interested in the Resolution.

ITEM No. 7, 8 and 9

At present the Authorised Share Capital of the Company is Rs.5,00,00,000/- and it is proposed to increase to Rs.6,00,00,000/- divided into 60,00,000 equity shares of Rs.10/- each. The Board of Directors have decided to increase the share capital for the purpose of enhancing the Net Owned Funds and also to augment the working Capital needs of the company.

Accordingly resolution Nos.7 to 9 are proposed for increasing the Authorised capital, alteration of Memorandum and Articles of Association of the company as set out in the notice.

None of the directors are interested in the resolution.

By the order of the Board,
for ABL BIOTECHNOLOGIES LIMITED -
N. SUBRAMANIAN
COMPANY SECRETARY

Place : Cochin
Date : 15.06.98

DIRECTORS' REPORT

To

All Members

Your directors have pleasure in presenting this 6th Annual Report together with the audited financial accounts of the company for the year ended 31st March 1998.

FINANCIAL RESULTS

The Aquashop has remained the main source of income as the Aquaculture Development Centre and Hatchery did not achieve planned output due to a variety of reasons, most of which were beyond the control of the company.

The past year has been the worst period faced by the aquaculture industry in the last ten years. A combination of the effects of the Supreme Court decision, the delays in constructive legislation caused by an unstable political scenario, the drying up of all organised financial support from institutions, disruptive obstacles from grass root bureaucracy and the continuing effects of viral infection which have now extended their disastrous effects to the hatchery sector, has virtually brought this industry to its knees. In addition the production of artemia, which constitutes a major component of the cost of seed, crashed worldwide, leading to a five fold increase in prices of this feed. The high mortalities, as much as 90% in broodstock, due to an unknown stress and virus related factor led to prices of broodstock/spawners going up drastically. All this has pushed the cost of production of seed upwards thereby reducing the profitability of the company.

STATUS OF THE INDUSTRY

With the constitution of a new government at the centre and its decision to focus on agriculture including fisheries as well as export promotion, indicates an effort at tackling the present situation. The government is expected to pass necessary legislation to bring about a constructive central policy with regard to the aquaculture industry. This will in turn facilitate financial and banking institutions, who have already invested very large amounts into the industry, to introduce necessary rehabilitation plans. Therefore during 1998-99, considerable changes in the aquaculture scenario are expected, so much so, that the industry will necessarily enter a revival phase. However it is felt that it will take 24 -36 months for the industry to return to even keel.

ONGOING CHALLENGES OF THE COMPANY

The Research and Development activities of the Aquaculture Development Centre continued as planned under the guidance of the Technical Advisory Board headed by Dr. Pushpa M. Bhargava, Founder Director of the Centre for Cellular and Molecular Biology, Hyderabad.

THE MICRO ALGAL PROJECT

The company's project at Tiruchendur, Tamilnadu, at an outlay of Rs.4.50 crores, for the production of the marine micro alga Dunaliella salina, one of the nature's largest sources of the Provitamin-A, Beta carotene, is already underway. The Technology Development Board, Ministry of Science and Technology, Government of India has sanctioned a term loan of Rs.1.79 crores for this project. Negotiations are on for tying up the balance portion with other financial institutions. Commercial Production is expected to commence by March 1999.

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PROSPECTS

The Company's plans for the year 1998-99 are cautious and in line with the scenario of the industry. Its guiding principle during the year will revolve around improving return on resources deployed, maintenance of strict controls over expenditure, improving productivity at the Aquaculture Development Centre and expansion of activities on the basis of the company's core competence.

The company will increasingly focus its energies in the area of algal biotechnology and derivatives, aimed at the nutrition, pharmaceutical and cosmetic sectors. These activities, it is hoped will, along with the company's existing exposure in the Aquashop and aquaculture, bring about a larger product mix which can withstand the vagaries afflicting the industry as well as improve the bottom lines of the company in the days to come.

PROMISE Vs PERFORMANCE

Projections given in the prospectus dated 16.01.95 Vs actual performance are given below:

	(Rs. in Lakhs)	
	Projections	Actuals
Turnover	1734	174.80
PBT	400	(50.34)
EPS	4.70	-

Your company could not achieve the projected performance due to reasons stated in the earlier paragraphs.

DIRECTORS

Mr. Thomas Abraham and Mrs. Rosemary Isaac, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

M/s. Rajagopalan Associates, Chartered Accountants, Auditors of the company retire at the ensuing Annual General Meeting and a notice Under Section 224 (IB) of the Companies Act, 1956 has been received expressing their eligibility for reappointment.

EMPLOYEES

Your Directors place on record their appreciation of the sincere and dedicated services rendered by all the officers and staff during the year under review. List of Employees of the Company received remuneration in excess of the Limits under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is enclosed.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Sections 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) rules, 1988 regarding conservation of energy, Technology absorption and Foreign Exchange earnings and outgo is given below: