ITC AGRO-TECH LIMITED

ITC AGRO-TECH LIMITED

**Chairman**
L Carter

**President**
U Sen Gupta

**Directors**

T Manuel
(Alternate: A Bahl)

K Brade

H McBain
(Alternate: A Bahl)

B Mitter
(Alternate: D P Naganand)

V Sampath

R V Smither

R Tandon

T I Chudgar
(Wholetime Director)

**Company Secretary**
T I Chudgar

**Auditors**
Lovelock & Lewes
Chartered Accountants
Hyderabad

**Registered Office**
31, Sarojini Devi Road
Secunderabad-500 003
Andhra Pradesh
India

***Registrars & Share Transfer Agents***
Sathguru Management Consultants
Private Limited
Plot No. 15, Hindinagar
Behind Sirdi Sai Temple
Punjagutta
Hyderabad-500 034

# NOTICE TO MEMBERS

Notice is hereby given that the Twelfth Annual General Meeting of the Members of ITC AGRO-TECH LIMITED will be held on Tuesday, the 14th September, 1999 at 11.30.AM at Hari Hara Kala Bhavan, MCH Complex & Auditorium, Sarojini Devi Road/Sardar Patel Road, Secunderabad - 500 003, Andhra Pradesh to transact the following businesses:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 1999, the Audited Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Thomas Manuel, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Hamish McBain, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Rajiv Tandon, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration. M/s Lovelock & Lewes, the retiring Auditors are eligible for reappointment.

The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, the 11th September, 1999 till Tuesday, the 14th September, 1999 (both days inclusive).

By Order of the Board
for **ITC AGRO-TECH LIMITED**

Dated: 31st July, 1999

Registered Office:
31, Sarojini Devi Road
Secunderabad 500 003
Andhra Pradesh
India

**TUSHAR I. CHUDGAR**
Company Secretary

**NOTES:**

1. A member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting.
2. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
3. Members are requested to notify any change in their address immediately to the Company's Registrars and Transfer Agents, Sathguru Management Consultants Private Limited, Plot No. 15, Hindinagar, Behind Sirdi Sai Temple, Punjagutta, Hyderabad - 500 034.
4. Members holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.

# DIRECTORS' REPORT TO THE MEMBERS

Your Directors hereby present their Annual Report, together with the audited accounts of the Company for the financial year ended 31st March '99.

## FINANCIAL RESULTS

The summarised financial results are:

(Rs. Millions)

| | **1998-99** | 1997-98 |
|---|---|---|
| Turnover | **8,637.85** | 5,805.59 |
| Total Expenditure | **8,599.07** | 5,840.01 |
| Operating Profit / (Loss) | **38.78** | (34.42) |
| Other Income | **26.81** | 43.22 |
| Gross Profit / (Loss) before Interest / Finance Charges and Depreciation | **65.59** | 8.80 |
| Interest / Finance Charges | **90.28** | (16.45) |
| Depreciation / Plant Licence Fee | **111.31** | 80.00 |
| Net Profit / (Loss) | **(136.00)** | (54.75) |
| Income Tax – Prior Year | **—** | 0.38 |
| Profit / (Loss) After Tax | **(136.00)** | (55.13) |

During the year under review, performance of your Company has been impacted by a significant fall in international as well as domestic prices of sunflower oil from November '98 onwards. The fall in international prices was triggered by seasonal demand-supply imbalance magnified by devaluation of the Brazilian currency. As a consequence, oil prices reached their lowest level in international markets in 22 years.

In the domestic Indian market, the drop in price of sunflower oil was further accentuated by a glut caused by excessive imports for reasons explained below:

In August/September '98 the consumption of adulterated loose vegetable oils allegedly resulted in dropsy, leading to an immediate surge in demand for packaged oils which were seen as being more safe and healthy. Your Company's brand Sundrop, which enjoys such an image, particularly benefited from this shift. Simultaneously, the government announced the Edible Oils Packaging (Regulation) Order, 1998 - which banned sale of loose oil with effect from December '98. To meet the anticipated surge in demand for packaged oils as a consequence of implementation of this legislation, manufacturers and/or importers of vegetable oils such as your Company, contracted for larger than average quantities of sunflower oil for delivery in November '98 onwards.

However, the Edible Oils Packaging (Regulations) Order, 1998 was not implemented and therefore the anticipated surge in demand for packaged oils did not materialise. Consequently your Company as well as others in the industry were left holding large inventories of sunflower oil in a falling market. These had to be finally sold at reduced prices to consumers, resulting in significant loss of margin. It may be noted that oil prices have continued to decline and manufacturers such as your Company are trying to put in place systems and processes that can reduce the impact of such sudden decline in prices on their businesses.

Besides the above, shareholders will be happy to note that

- Sales of Sundrop has grown by over 27% in comparison to the previous year. Its market share in the Refined Oil Consumer Pack segment has increased from 13.9% in March '98 to 16.3% in March '99 and continues to grow (source ORG). Sundrop is now the largest selling brand in India in the consumer pack segment.
- In line with its long-term objective to enter foods businesses, the Company has established a Research & Development facility in Secunderabad during the year. This facility has already started working on developing products for the food business of the Company in close co-ordination with ConAgra Inc., USA.
- ACT II, the world's largest selling Microwave Popcorn brand was launched by your Company in Pune in June, 1999. ACT II is imported from Golden Valley Microwave Foods Inc., USA (a Division of ConAgra, Inc.). GVMF sells nearly one billion bags of Microwave Popcorn every year in 20 countries. India will be the 21st. The product will be gradually extended to all major cities.

- Plans to enter the branded dry grocery segment of the Indian foods market and sourcing, distribution and exports of a range of bulk agri commodities are at an advanced stage.

**FUTURE BUSINESS FOCUS/DIRECTION**

As highlighted in the last Annual Report, your Company continues to develop and strengthen the branded edible oils business and also explore possibilities to develop a broad based business in foods and agri products. Your Company's endeavour is to position itself such that it can benefit from the marketing opportunities and challenges that are expected to emerge in India in the foods sector in the future. This sector offers a logical progression for your Company's resources and its distribution / sourcing networks. Towards this end, your Company has been drawing on the expertise and capabilities of ConAgra and Tiger Oats.

**ADVANTA INDIA LTD.**

As mentioned in the previous Report, your Company has acquired 50% equity in ITC Zeneca Ltd. ( name now changed to Advanta India Ltd) from ITC Ltd in April 1998. In the current year the Company has received Rs.8 Million as dividend from this investment in Advanta India Ltd.

**PALMTECH INDIA LTD**

Your Company invested a further amount of Rs.10.8 Million in Palmtech India Limited and also converted its advances to Palmtech India Limited of Rs.33.50 Million into Cumulative Re-deemable Preference Shares of Rs.100/- each. With this investment, your Company now has 34% stake in the equity of Palmtech India Limited.

**DIVIDEND**

In view of the loss, your Directors are not able to recommend any dividend this year.

**FIXED DEPOSITS**

The total fixed deposits in your Company on 31st March '99 was Rs.6.12 Million. All deposit-holders whose deposits matured during the year were repaid the principal amounts with interest. However, 71 persons whose deposits had become due for payment and amounted Rs.0.77 Million, did not claim or renew their deposits.

**DIRECTORS**

- Shri Graham Ebedes, Shri John L. Marjoribanks and Shri Saurabh Misra resigned from the Board with effect from 30th September, 1998, 13th December, 1998 and 19th April, 1999 respectively. The Directors place on record their appreciation of the valuable services rendered by Shri Graham Ebedes, Shri John L. Marjoribanks and Shri Saurabh Misra during their tenure as Directors.

- Shri Roy Vaughan Smither has been appointed as a Director in place of Shri Graham Ebedes, representing CAG-Tech (Mauritius) Limited's interests in the Company, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

- Shri Biswadev Mitter has been appointed as a Director in place of Shri Saurabh Misra, representing ITC Affiliates' interests in the Company, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

- Ms. Karen Brade has been appointed as a Director in place of Shri John L. Marjoribanks, representing CDC's interests in the Company, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Shri Thomas Manuel, Shri Hamish McBain and Shri Rajiv Tandon retire by rotation and being eligible, offer themselves for re-appointment.

**AUDITORS**

M/s. Lovelock & Lewes, Chartered Accountants, Statutory Auditors of your Company, hold office until the conclusion of the Twelfth Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224 (1) of the Companies Act, 1956.

**INFORMATION TECHNOLOGY; YEAR 2000 COMPLIANCE (Y2K)**

a. Critical internal operations have been tested and made Y2K compliant. Review by an outside consultant is at the final stage of completion. The outside consultant is also being appointed to prepare a Contingency Plan to minimise the risk of disruption, if any.

b. The total cost of Y2K remediation process is estimated at about Rs. 1.5 Million of which Rs. 1.0 Million was incurred upto 31st March, 1999.

**ADOPTION OF DEPOSITORY SYSTEM**

During the year, several members particularly Institutional Investors availed of the facility of dematerialisation of shares of your Company. The Securities & Exchange Board of India through a press release dated 3rd May, 1999, indicated that delivery of shares of your Company in dematerialised form will be compulsory on all stock exchanges with facilities for trading in electronic form only by all institutions with effect from 31st May, 1999.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO AND PARTICULARS OF EMPLOYEES**

A statement giving details of conservation of energy, technology absorption, exports and foreign exchange earnings and outgo in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is attached and forms part of this report.

**SUBSIDIARY COMPANY**

There have been no substantial activities by Heera Seeds Trading and Warehousing Limited, a subsidiary of your Company. As stated in last year's Report, this Company will be used to derive benefits by structuring the operations of your Company as found suitable from time to time.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation of the co-operation and commitment of your Company's employees, who have looked upon every challenge with optimism.

Your Directors also have pleasure in recording their appreciation of the support your Company receives from ConAgra Inc, Tiger Oats Ltd, ITC Limited and Commonwealth Development Corporation of UK, in putting together the future plans for your Company.

On behalf of the Board

**Utpal Sen Gupta**
President

**Ajay Bahl**
Director

**Tushar Chudgar**
Wholetime Director

Dated: 31st July, 1999

ITC AGRO-TECH LIMITED

# ANNEXURE TO DIRECTORS' REPORT

**Information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.**

## CONSERVATION OF ENERGY

**FORM A**

**Form for disclosure of particulars with respect to conservation of energy**

| | For the year 1st April, 1998 to 31st March, 1999 | For the year 1st April, 1997 to 31st March, 1998 |
|---|---|---|
| **A. Power and fuel consumption** | | |
| 1. Electricity | | |
| a) Purchased | | |
| Units (In 000's) | **4,044.61** | 4,698.42 |
| Total Amount (Rs. Millions) | **16.78** | 19.04 |
| Rate/Unit (Rs.) | **4.15** | 4.05 |
| b) Own Generation | | |
| i) Through diesel generator | | |
| Units (In 000's) | **2,839.60** | 5,122.22 |
| Units per ltr. of diesel oil | **3.51** | 3.54 |
| Cost/Unit (Variable) – (Rs.) | **2.75** | 2.69 |
| ii) Through Steam turbine/generator | | |
| Units | **N/A** | N/A |
| Units per ltr.of fuel oil/gas | | |
| Cost/Unit | | |
| 2. Coal | | |
| Quality 'E' & 'Steam Coal', used in Boiler for Steam Generation | | |
| Quantity (tonnes) | **288.00** | 2,773.62 |
| Total Cost (Rs. Millions) | **0.42** | 5.05 |
| Average Rate per tonne (Rs.) | **1,448.56** | 1,819.14 |
| 3. Furnace Oil | | |
| Quantity (k. ltrs) | **318.22** | 461.53 |
| Total Amount (Rs. Millions) | **2.08** | 3.01 |
| Average Rate per k. ltr. (Rs.) | **6,539.46** | 6,526.90 |
| 4. Paddy Husk | | |
| Quantity (tonnes) | **8,952.77** | 7,985.77 |
| Total Cost (Rs. Millions) | **4.65** | 5.48 |
| Average Rate per tonne (Rs.) | **519.87** | 686.56 |
| 5. GN Husk | | |
| Quantity (tonnes) | **140.11** | 1,095.02 |
| Total Cost (Rs. Millions) | **0.13** | 1.44 |
| Average Rate per tonne (Rs.) | **959.42** | 1,319.54 |
| 6. Others/Internal Generation | | |
| Quantity | | |
| Total Cost | **N/A** | N/A |
| Rate/Unit | | |

**B. Consumption per tonne of Refined Edible Oils**

| | Standards (if any) | For the year 1st April, 1998 to 31st March, 1999 | For the year 1st April, 1997 to 31st March, 1998 |
|---|---|---|---|
| Electricity | (KWH) | **138.27** | 147.81 |
| Furnace Oil | (Ltrs.) | **61.20** | 68.93 |
| Coal ('E' Grade & Steam Coal) | (Tonne) | **0.20** | 0.15 |
| Husk | (Tonne) | **0.22** | 0.26 |

**FORM B**

**Form for disclosure of particulars with respect to absorption**

**Research and Development (R & D)**

| | | |
|---|---|---|
| 1. Specific Areas in which R & D carried out by the Company | : | — R&D Centre was established in the Current Year. Analysis of Wheat, other related products and other grains started |
| 2. Benefits derived as a result of the above R&D | : | — Starting the data bank on the above products |
| 3. Future plan of action | : | — To develop a full fledged data bank on the wheat and related products and other grains |

| | Rs. Millions |
|---|---|
| 4. Expenditure on R & D | |
| a) Capital | 1.87 |
| b) Recurring | 2.18 |
| c) Total | 4.05 |
| d) Total R & D expenditure as percentage of Turnover | 0.05% |

**Technology Absorption, Adaptation and Innovation**

| | | |
|---|---|---|
| 1. Efforts in brief, made towards technology absorption and innovation | : | — Physical Refining; Cold Degumming |
| 2. Benefits derived as a result of the above effort | : | — Product improvement<br>— Cost Reduction<br>— Refining losses reduced |

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
   a) Technology Imported
   b) Year of Import
   c) Has technology been fully absorbed
   d) If not fully absorbed, areas where this has not taken place and future plans of action

— Not applicable

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. Activities relating to Exports : Due to negative parities in Exporting Deoiled Cake vis-a-vis domestic sales, the exports were at minimum level.

2. Initiatives taken to increase Exports and development of new export market for products and Services and export plans : Steps are being taken to penetrate into new markets and to take up new products to increase the exports, keeping in view the established network of the Foreign Collaborator.

3. Total Foreign Exchange

| | | Rs. Millions |
|---|---|---|
| Earnings : | Exports | 2.16 |
| | Others | 26.87 |
| | | 29.03 |
| Outgo : | CIF Value of Imports | 3,894.50 |
| | Foreign Travel | 1.02 |
| | Interest/Finance charges | 8.73 |
| | Others | 2.50 |
| | | 3,906.75 |

On behalf of the Board

**Utpal Sen Gupta**
President

**Ajay Bahl**
Director

**Tushar Chudgar**
Wholetime Director

Dated: 31st July, 1999

# STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

**ACCOUNTING ASSUMPTIONS :**

These accounts have been prepared under the historic cost convention on the basis of a going concern, with revenues recognised and expenses accounted on their accrual, including provisions/ adjustments for committed obligations and amounts determined as payable or receivable during the year.

**FIXED ASSETS :**

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalised. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work-in-progress.

Depreciation is provided for in the accounts on straight line method at the rates computed in accordance with schedule XIV of the Companies Act, 1956 except for assets as on 1st April, 1993 for which specified period has been recomputed as per the revised rates in Schedule XIV and depreciation charge calculated by allocating the unamortised value over the remaining part of the recomputed specified period. Depreciation in respect of certain categories of assets covered under a scheme given to the employees is provided at rates determined on the basis of the useful economic life of such assets and the rates are higher than Schedule XIV rates.

Significant Brands acquired, the value of which is not expected to diminish in the foreseeable future, are recorded in the Balance Sheet as Trade Marks. No amortisation is provided on these assets but their value is written down where permanent diminution in value has occurred.

**INVESTMENTS :**

All Investments are stated at cost i.e., cost of acquisition inclusive of expenditure incidental to acquisition. Income from Investments is recognised in the accounts in the year in which it is accrued and stated at gross values.

**INVENTORIES :**

Inventories are valued at cost or below. Cost is computed on the basis of FIFO after taking into account receipts at actual cost and accounting for consumption and/or other stock diminution at the aforesaid FIFO cost. In the case of finished goods, cost is determined under direct costing method and the cost comprises material, labour and overhead expenses.

Goods in transit/with third parties and at godowns are valued at cost which represents the costs incurred upto the stage at which the goods are in transit/with third parties and at godowns.

**DEFERRED REVENUE EXPENDITURE :**

All Expenditure, the benefit of which is spread over a number of years are grouped under miscellaneous expenditure and will be amortized over subsequent years not exceeding the benefit period.

**FOREIGN EXCHANGE CONVERSION :**

The transactions in foreign currency are accounted at the exchange rate prevailing at the date of the transactions. Gains/losses arising out of fluctuations in exchange rates are accounted for on subsequent realisation/payment. The differences between forward exchange rates and the exchange rates at the date of transaction are recognised as income or expense over the life of the contracts.

Current Assets and Current Liabilities are translated at the rate prevailing on Balance Sheet date and the resultant gains/losses are recognised in the Profit and Loss Account.

The original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in Liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing on the date of the Balance Sheet.

**PAYMENTS AND BENEFITS TO EMPLOYEES :**

Liabilities in respect of retirement and death benefits are provided for by payments to retiral funds. The amounts of the payments to pension, gratuity and leave encashment benefit are determined on an actuarial basis as at the end of the accounting period.

On behalf of the Board

**Utpal Sen Gupta**
President

**Rajiv Tandon**
Director

**Ajay Bahl**
Director

**Tushar Chudgar**
Company Secretary

Dated: 18th May, 1999