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A n n u a l R e p o r t 2 0 0 0

THE AGRO TECH FAMILY





Chairman
L Carter
(Alternate: M Sullivan)

President
U Sen Gupta

Directors

T Manuel
(Alternate: A Bahl)

K Brade
(Alternate: D Peck)

H McBain
(Alternate: A Bahl)

B Mitter
(Alternate: S Sivakumar)

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 Thirteenth Annual General Meeting of the Members of ITC AGRO-TECH LIMITED will be held on Monday, the 31st July, 2000 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, 2000, 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 Larry Carter, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Viji Sampath, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration. M/s Lovelock & Lewes, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

5. To appoint Shri R.V. Smither, a Director of the Company, who has been appointed in the casual vacancy arising out of the resignation of Shri Graham Ebedes, who vacates office at this Meeting and to consider and, if thought fit, to pass, with or without modification, the following Ordinary Resolution of which the prescribed notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- has been received by the Company, Shri R.V. Smither has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed:

"RESOLVED that Shri R.V. Smither be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

6. To appoint Shri B. Mitter, a Director of the Company, who has been appointed in the casual vacancy arising out of the resignation of Shri S. Misra, who vacates office at this Meeting and to consider and, if thought fit, to pass, with or without modification, the following Ordinary Resolution of which the prescribed notice under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- has been received by the Company, Shri B. Mitter has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed:

"RESOLVED that Shri B. Mitter be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as under:

(I) Insert the following new definitions in Article 2:

DEFINITIONS

"Act" referred to hereinbelow, without any nomenclature, will mean the Depositories Act, 1996.

"Beneficial Owner" shall mean beneficial owner as defined in Clause(a) of sub-section (1) of Section 2 of the Depositories Act, 1996;

"Depositories Act, 1996" shall include Depositories Act, 1996 and any statutory modification or re-enactment thereof.

"Depository" shall mean a Depository as defined under Clause (e) of sub-section (1) of Section (2) of the Depositories Act, 1996.

"SEBI" means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.



"Security" means shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature, in the Company, as are permitted to be dealt with in a depository and

"Member" means a person;

(a) whose name is entered in the Register of Members as holding any share(s) either solely or jointly;

(b) subscribers to the Memorandum of the Company; and

(c) Beneficial Owner(s).

(II) Article 16 of the Articles of Association shall be altered to include clauses 16(c) to 16(k):

16(c) Dematerialisation of Securities

The Company shall be entitled to dematerialise its existing shares, rematerialise its shares held in the Depositories and/or to offer its fresh shares or buyback its shares in a dematerialised form pursuant to the Depository Act, 1996 and the rules framed thereunder, if any.

16(d) Option for Investors

Every person subscribing to/acquiring securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities. If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, for entry in its record the name of the allottee as the beneficial owner of the security.

16(e) Securities in Depositories to be in Fungible Form

All securities of the Company held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, 372, 372A and other applicable provisions of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

16(f) Rights of Depositories and Beneficial owners

(i) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership or security on behalf of the beneficial owner.

(ii) Save as otherwise provided in (i) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(iii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

16(g) Service of Documents

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

**16(h) Transfer of Securities**

Nothing contained in Section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owner in the records of the depository.

16(i) Allotment of Securities dealt with by a Depository

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

16(j) Distinctive number of Securities held in a Depository

Nothing contained in the Act or these Articles regarding necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in a depository.

16(k) Register and index of Beneficial Owners

The Register and Index of Beneficial Owners, maintained by a depository under the Act, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

(III) Article 18(a) of the Articles of Association shall be altered to include a proviso:

Provided, however, no share certificate(s) shall be issued for shares held by the "Beneficial Owner(s)".

(IV) Insert Article 171(4) after Article 171(3) of the Articles of Association as under:**171(4) Register and Index of Members**

The Company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Sections 150, 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act,

1996 with the details of shares held in physical and dematerialised forms in any media, as may be permitted by law, including in any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Act, shall also be deemed to be the Register and Index of Members for the purposes of the Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or country.

(V) Insert Article 62A after Article 62 of the Articles of Association as under:

'62A' Save as permitted by Sections 77A and 77B of the Act, the Company shall purchase its own shares or other specified securities out of (i) its free reserves; or (ii) the securities premium account; or (iii) the proceeds of any shares or other specified securities or (iv) otherwise specified by the Law for the time being in force.

(VI) Insert Article 68(g) after Article 68(f) of the Articles of Association as under:**68(g): Nomination**

- (i) Every holder of shares in, or holder of debentures of the Company may, at any time, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
- (ii) Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.
- (iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debentures of, the



Company, the nominee shall, on the death of the shareholder or holder of debentures of, the Company or, as the case may be on the death of the joint holder becomes entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in, or debentures of, the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

- (iv) Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of the debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in, or debentures of the Company, in the event of his death, during the minority.
- (v) Any person who becomes a nominee may upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-
 - to be registered himself as holder of the share(s) or debenture(s) as the case may be; or

- to make such transfer of the share(s) or debenture(s) as the deceased shareholder or debenture holder, as the case may be, could have made."

- (vi) If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.
- (vii) A nominee shall be entitled to the dividend on shares and other advantages to which he would be entitled as if he was the registered holder of the share or debenture. Provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to a meeting of the Company.

The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday the 25th July, 2000 till Monday the 31st July, 2000 (both days inclusive).

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Dated: 22nd May, 2000

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

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

TUSHAR I. CHUDGAR
Director & Secretary

**NOTES:**

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 an Explanatory Statement in respect of item Nos. 5 to 7 being Items of Special Business is annexed.
2. 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.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. 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.
5. Individual shareholders can now take the facility of nomination. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination Form. Members who are interested in availing the nomination facility are requested to write to the Company.
6. Members are advised that effective 28th January, 1999 and 19th April, 2000, trades in Company's shares can be executed in electronic form through the Depository Systems of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), respectively. The Securities & Exchange Board of India has indicated that delivery of shares of your Company in dematerialised form by all investors will be compulsory on all stock exchanges with effect from 26th June, 2000. If any clarification is needed regarding the process of dematerialisation or opening of a Depository Account, you may write to the Share Department or contact any Depository Participant.

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EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5

Shri R.V. Smither was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 30th September, 1998 in the casual vacancy arising out of the resignation of Shri Graham Ebedes pursuant to Article 129 of the Articles of Association of the Company and he holds office upto the date of this Annual General Meeting till which Shri Graham Ebedes, in whose vacancy he is appointed would have held office. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of Rs. 500/- has been received from a member proposing the appointment of Shri R.V. Smither as a Director of

the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Shri R.V. Smither has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed.

Interest of Directors:

Shri R.V. Smither may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director of your Company is interested in this Resolution.

Your Directors recommend the Resolution for your approval.

**Item No. 6**

Shri B. Mitter was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 19th April, 1999 in the casual vacancy arising out of the resignation of Shri S. Misra pursuant to Article 129 of the Articles of Association of the Company and he holds office upto the date of this Annual General Meeting till which Shri S. Misra, in whose vacancy he is appointed would have held office. Notice under Section 257 of the Companies Act, 1956 along with the requisite deposit of Rs. 500/- has been received from a member proposing the appointment of Shri B. Mitter as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation. Shri B. Mitter has filed his consent pursuant to the provisions of Section 264(1) of the Companies Act, 1956 to act as Director, if appointed.

Interest of Directors :

Shri B. Mitter may be deemed to be interested in the above Resolution in so far as the same relates to him. No other Director of your Company is interested in this Resolution.

Your Directors recommend the Resolution for your approval.

Item No. 7

The Company has opted to participate as an issuer with the National Securities Depository Ltd (NSDL) and Central Securities Depository Ltd (CDSL) for introduction of the Company's securities into their depository system.

Consequent upon the introduction of the Company's securities into Depository System, some

of the provisions of the Articles of Association of the Company relating to the issue, transfer/ transmission, dealing in shares, etc are proposed to be amended to conform to the requirements of the Depositories Act, 1996.

Further, the Companies Act, 1956 has been amended by the Companies (Amendment) Act, 1999. The amendment has introduced a few important changes in the law to provide for, interalia:

1. Facility to the shareholders to nominate a person to whom his shares in the Company shall vest in the event of his death.
2. Power of Companies to purchase its own securities out of its free reserves or the securities premium account or the proceeds of any shares or other specified securities.

In order to be consistent with the provisions of the Companies Act 1956, it is proposed to insert/ amend certain Articles in the Articles of Association of the Company.

A copy of the Articles of Association of the Company with the proposed alteration is available for inspection by the members during the business hours on any working day at the Registered Office of the Company, upto the date of the Annual General Meeting.

Interest of Directors :

None of the Director of your Company is interested or concerned in the said Resolution.

Your Directors recommend the Resolution for your approval.

Dated: 22nd May, 2000

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

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

TUSHAR I. CHUDGAR
Director & Secretary



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 2000.

FINANCIAL RESULTS

The summarised financial results are:

	(Rs. Millions)	
	1999-2000	1998-1999
Turnover	5,085	8,638
Total Expenditure	5,105	8,599
Operating Profit / (Loss)	(20)	39
Other Income	55	27
Gross Profit / (Loss) before Interest / Finance Charges & Depreciation	35	66
Interest / Finance Charges	22	90
Less: Depreciation / License Fee	111	111
Profit / (Loss) before Tax	(98)	(136)
Profit / (Loss) After Tax	(98)	(136)

Although there were expectations of firmer oil prices at the beginning of the year, the decline in international and domestic vegetable oil prices continued during the year under review. The company sold substantial quantities of imported RBD palmolein for deliveries between June and September '99. Consequent to fall in prices in June '99, domestic traders refused to honour their contracts. In order to mitigate this situation the company, along with the rest of the industry, had to arrive at a settlement with these traders and also wash out international purchase contracts. The negative impact of these extraordinary factors was approximately Rs. 72 Million on your company, thereby contributing to the current year's loss.

Losses in the trading operations for two successive years had necessitated a fundamental review of this area of business in the company. Pending the review, oil trading activities were significantly curtailed during the second half of the year. This, together with the reduction in vegetable oils prices, has resulted in a lower turnover for the current year.

To ensure that the Company does not encounter similar problems in the future, it is in the process of installing a new model for the trading business. In this, focus will shift to more distribution based efforts which is expected to result in steadier margin with relatively less risk. This model is currently being tested under controlled conditions and activities will be stepped up once the trials have been completed successfully.

Despite the setback in its trading operations, the company continued to grow and posted significant achievements in the branded product businesses:

- **Sundrop** sunflower oil continued to be the market leader in its category and increased its share from 15.1% in 1998-1999 to 16.4% in 1999-2000.
- In line with your Company's plans to diversify into other food businesses, two significant brands were introduced during the year:
 - o **Healthy World**, a dry grocery brand, was launched with the introduction of a whole-wheat atta in Tamil Nadu and Andhra Pradesh in November '99. After encouraging response in the test market, Healthy World atta has been extended to Karnataka and Kerala, and
 - o **ACT II**, the world's largest selling microwave popcorn brand from ConAgra, was launched in June '99 in Pune. This was subsequently extended to all major cities of India.

FUTURE BUSINESS FOCUS AND DIRECTION

As highlighted in the last Annual Report, your company continues to develop and strengthen its branded edible oils business. It has now also initiated the process of developing a broad based business in branded foods with the launch of **Healthy World** and **ACT II** brands. Your Company's endeavour is to position itself such that it can benefit from the business opportunities and challenges that are expected to emerge in India in foods over the coming years. This sector offers a logical progression for your Company's capabilities in terms of brand building, sales, distribution and sourcing