



**Agro Tech Foods Limited**

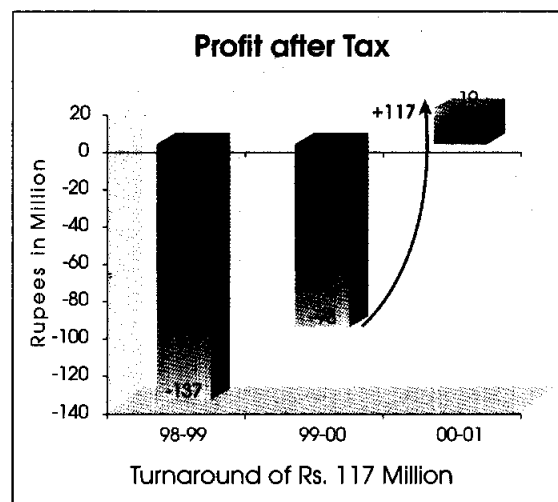
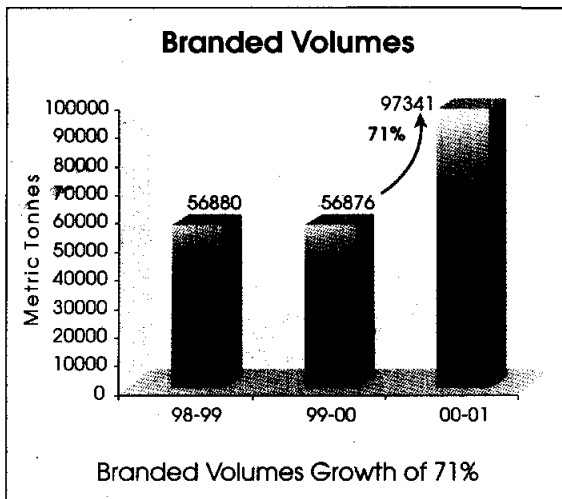
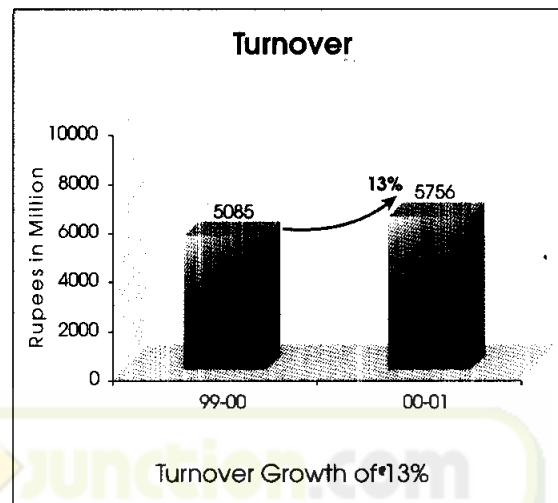
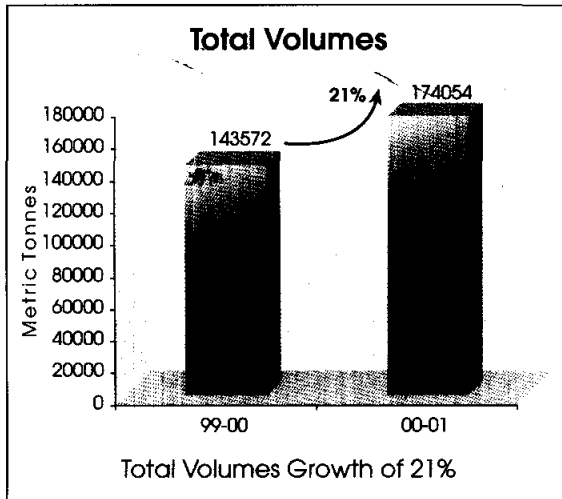
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A n n u a l   R e p o r t   2 0 0 1

## Performance Highlights





## Board of Directors

### Directors

L Carter	Chairman
T Manuel (Alternate: A Bahl)	
K Brade	
H McBain (Alternate: A Bahl)	
M Sullivan	
RV Smither	
R Tandon	
K Vaidyanath (Alternate: S Sivakumar)	
T Chudgar	Wholetime Director

### Management Committee

U Sen Gupta	President
G Ambady	Vice President — Commodity Sourcing & Exports
R Krishnamoorthy	Vice President — Edible Oils
S Madan	Vice President — Basic Foods
B C Sison	Chief Financial Officer & Vice President
R Vir	Vice President — Human Resources

### Company Secretary

T 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 Fourteenth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Tuesday the 31st July, 2001 at 10.30 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, 2001, 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 L. 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.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII thereto and other applicable provisions, if any of the Companies Act, 1956 or any amendment or modification or re-enactment thereof, and subject to such approval or consents as may be necessary or required, the re-appointment of Shri Tushar Chudgar as Wholetime Director of the Company for a period of three years with effect from 30th July, 2001 till 29th July, 2004 on such salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting a copy where of initialled by the Chairman for the purposes of identification is placed before this Meeting, be and the same is hereby approved, with such modifications as may be required by any applicable law and as may be agreed to by the Board of Directors of the Company and Shri Tushar Chudgar."

### BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Saturday the 28th July, 2001 till Tuesday the 31st July, 2001 (both days inclusive).

Dated: 3rd July, 2001

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

By Order of the Board  
for **Agro Tech Foods Limited**

**TUSHAR CHUDGAR**  
Secretary & Director

**NOTES:**

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 an Explanatory Statement in respect of item No. 6 being item 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 is 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.

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

**Item No. 6**

The Board of Directors of the Company on 15th June, 2001 have re-appointed Shri Tushar Chudgar as Wholetime Director of the Company for a period of three years with effect from 30th July, 2001 on the following remuneration:

**(i) Salary:**

Rs. 23,128/- per month with annual increments upto a maximum of 25%.

**(ii) Perquisites:**

In addition to salary, Shri Tushar Chudgar will be entitled to the following perquisites subject to a maximum of Rs. 4,85,000/- per annum. For this purpose, perquisites will include the following:

Furnished accommodation, gas, electricity, water and furnishings, medical reimbursement, leave travel concession for self and family, club fees, personal accident insurance, grade allowance, annual leave encashment etc. in accordance with the rules of the Company.

- (iii)** For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such Rule, perquisites shall be evaluated at actual cost.

However, the following shall not be included in the aforesaid perquisite limit:

- (a) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).



- (b) Company's contribution to Provident Fund and Superannuation Fund upto 27% of the salary and contribution to Gratuity Fund, upto 5% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules thereunder for this purpose
- (c) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- (d) Encashment of unavailed leave as per the rules of the Company at the time of retirement/cessation of service.
- (e) Costs and expenses incurred by the Company in connection with transfer from one location to another of the Company or its affiliates/associates as per the Rules of the Company.

**(iv) Minimum Remuneration:**

In the event of loss or inadequacy of profits in any year during the period of his re-appointment, Shri Tushar Chudgar will be paid remuneration including perquisites as per Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed under the Act from time to time.

Shri Tushar Chudgar will not be entitled to any sitting fee for attending Meetings of the Board or of any Committee thereof.

The aforesaid re-appointment and remuneration payable to Shri Tushar Chudgar may be further varied, altered or modified as may be agreed to by the Board of Directors and Shri Tushar Chudgar, in the light of any amendment/modification of the Companies Act or any re-enactment thereof.

Shri Tushar Chudgar is the Secretary & Director of your Company. He is a Chartered Accountant and Chartered Secretary. He has been in the employment of your Company for over eleven years and has exposure and experience in various and diversified divisions/functions of your Company. Your Directors consider that it would be appropriate and desirable to re-appoint him as his rich experience will be beneficial to the Company. Shri Tushar Chudgar continues to hold office as Company Secretary. As appointment and remuneration are subject to compliance with the requirement of Section 314 and other applicable provisions of the Companies Act, 1956, your Directors commend passing of the Special Resolution set out in the Notice of the Meeting.

**INTEREST OF DIRECTORS**

Excepting Shri Tushar Chudgar, who is interested in his re-appointment and the remuneration/minimum remuneration payable to him, no other Director of your Company is concerned or interested in the said Resolution.

This may be treated as his memorandum issued pursuant to the provisions of Section 302 of the Companies Act, 1956.

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Dated: 3rd July, 2001

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

By Order of the Board  
for **Agro Tech Foods Limited**

**TUSHAR CHUDGAR**  
Secretary & Director





## 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, 2001.

### FINANCIAL RESULTS

The summarized financial results are:

	(Rs. Millions)	
	2000-2001	1999-2000
Turnover	5,756	5,085
Total Expenditure	5,651	5,105
Operating Profit(Loss)	105	(20)
Other Income	60	55
Gross Profit/(Loss) before Interest/Finance Charges & Depreciation	165	35
Interest/Finance Charges	14	22
Less : Depreciation/License Fee	132	111
Profit/(Loss) before Tax	19	(98)
Profit/(Loss) After Tax	19	(98)

Your Company has achieved a profit of Rs. 19 Mn after experiencing significant losses in the previous three years due to continuous decline in international oil prices and other factors. With this return to profitability, ATFL has been able to strengthen and broaden the base upon which the company can build a profitable future.

The turnover of the company has grown by over 13% during the year due to growth in its branded businesses and with Commodity Sourcing and Exports recommencing operation under the new downstream distribution model.

The highlights of the year are as follows:

- The Refined Oil Consumer Pack (ROCP) Market witnessed significant changes during the year with the emergence of a large 'popular-priced' segment. This put significant pressure on premium brands such as **Sundrop**. In spite of this, activities undertaken on the brand helped it grow in volume by 11% and continue as the leader with a share of 16% of the ROCP market. In line with your Company's objective to continue to grow in this market, there was

renewed focus behind the popular priced offerings from the Company, i.e. **Crystal** and **Real Gold**.

- The Company entered the hard fats business with acquisition of the Vanaspati brand **Rath** in June '00. The brand has been successfully integrated with the company's operations. It was restaged in the North with improved product and pack design in January '01 and subsequently extended selectively to rest of the country during the final quarter of the last financial year.
- Healthy World Atta** launched in the South Indian states during the previous year, met all its objectives in the test market. It has consequently been extended to rest of the country starting January '01.
- Healthy World Dried Green Peas** was launched in June '00 in northern markets and subsequently extended to rest of the country. The market has received this product very well. However, certain classification issues under customs laws could impact the viability of the product.
- ACT II Instant Popcorn** was launched in July '00 in major markets and thereafter rapidly rolled out to rest of the country. This exciting new product has met with enthusiastic consumer reception, and together with the **Microwave Popcorn** launched the previous year, **ACT II** now presents a healthy and tasty snack option for all occasions.

### FUTURE BUSINESS FOCUS AND DIRECTION

**Sundrop** has emerged as a star for your Company over the last few years and grown significantly in both volume and margin. In the meanwhile, cheaper brands have been making significant inroads into the ROCP market. This poses a challenge to **Sundrop**. To meet this, a comprehensive look will be taken at all aspects of the brand **Sundrop** to strengthen its equity and clearly differentiate it from others in this market.

The acquisition of **Rath** has given the Company an entry into hard fats. It is intended to leverage this



entry to build a strong and varied business in the hard fats category over time.

In Basic Foods, it is intended to establish **Healthy World** as a strong brand in the fast growing and mass consumed dry grocery categories. This will enable the Company to build critical mass in sourcing, manufacturing and distribution of these products. In specialty foods such as **ACT II**, the focus will be to seed value-added products that have good long-term potential and yet have sufficient current demand. These products will mainly cater to emerging affluent consumers living in the larger cities who are looking for world-class products and are willing to pay the price for them.

In Commodity Sourcing and Exports, your Company will continue to build a distribution-based business in identified agri commodities. While edible oils and wheat have been the initial areas of focus, this can extend to other agri commodities depending on opportunity.

One of the objectives of the Sales and Distribution system is to extend the reach of the Company's products to smaller towns in urban markets. Acquisition of **Rath** and the roll out of Atta has facilitated this process. Your Company will continue to look at other products which aid distribution expansion. On the other hand, for specialty products such as **ACT II** popcorn, the need is to be present in outlets strong in snacks. As the Company's product range evolves, the Sales and Distribution system will constantly gear itself up to meet new challenges.

A major issue facing the company today is the economic viability of the Mantralayam facility which is currently under a licence arrangement with ITC Ltd. This facility continues to suffer from the logistical disadvantage of being located away from ports, which imposes a severe financial penalty in handling imported oils. In a scenario where the import component in edible oils consumed by the country has been steadily going up and has crossed 40% in recent years, this is a significant negative. Coupled with this is the inadequacy of seed availability in areas around Mantralayam due to changes in seed production pattern. The combined impact of these two factors is that the Mantralayam facility is no longer a competitive asset in a market that is increasingly

demanding the utmost in cost efficiency. Your Company is actively looking at ways to address this situation.

#### **ROLE OF RESEARCH & DEVELOPMENT**

R & D has a critical role to play in the development and extension of new products. Given regional tastes and raw material sources, products will have to be specifically formulated to meet regional requirements as your Company enters new markets. The Company's R&D team will work closely with Indian R & D institutions as well as ConAgra Foods and Tiger Brands to deliver preferred products to consumers.

#### **NAME CHANGE OF COMPANY**

The name of the Company was changed from ITC Agro-Tech Limited to Agro Tech Foods Limited with effect from 29th June 2000. This followed approval of members at the Extraordinary General Meeting of the Company held on 10th May 2000 and issue of fresh certificate of incorporation by the Registrar of Companies, Andhra Pradesh.

#### **ADVANTA INDIA LTD.**

In the current year the Company has received Rs. 15.76 Million as dividend (Rs. 31.50 Million last year) from its investment in Advanta India Ltd.

#### **PALMTECH INDIA LTD**

Pursuant to the Shareholders Agreement dated 10th March, 1998 amongst others with Kumpulan Emas Berhad (KEB), your Company divested its entire equity in Palmtech India Limited in favour of KEB the Foreign Collaborator which has management/control of the company. After this divestment of equity shares, your Company does not hold any more investments in Palmtech nor does it have any amounts to be received from that company

#### **DIVIDEND**

In view of the carry-forward losses, your Directors are unable to recommend any dividend this year.

#### **FIXED DEPOSITS**

The total fixed deposits in your Company on 31st March 2001 was Rs. 0.59 Million. All deposit-holders whose deposits matured during the year were





repaid the principal amounts with interest. However, 52 persons whose deposits had become due for payment and amounted to Rs. 0.59 Million, did not claim or renew their deposits.

The Company has discontinued accepting/ renewing any deposits from August 2000 and deposits under the existing schemes have matured in August 2000.

#### **DIRECTORS**

Shri Mike Sullivan was appointed as a Director with effect from 1st September 2000 in place of Shri Viji Sampath, pursuant to the provisions of Section 262 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company.

Shri K. Vaidyanath was appointed as a Director with effect from 7th March 2001 in place of Shri B. Mitter, 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.

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

Shri Tushar Chudgar has been re-appointed as the Wholtime Director. The proposal regarding his re-appointment as Wholtime Director and payment of remuneration to him in accordance with Schedule XIII of the Companies Act, 1956 is placed for your approval.

#### **AUDITORS**

M/s. Lovelock & Lewes, Chartered Accountants, Statutory Auditors of your Company, hold office until the conclusion of the Fourteenth 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.

#### **AUDIT COMMITTEE**

In terms of requirement of Section 292 A of the Companies Act, 1956, your Board has constituted an Audit Committee effective 8th May 2001 with the following Directors as Members:

Shri Mike Sullivan  
Shri R.V. Smither  
Shri N. Srinivasan  
Shri Ajay Bahl

The scope and function of the Audit Committee is in line with the provisions of the Companies Act, 1956.

#### **RESPONSIBILITY STATEMENT**

The Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- (ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) they have taken proper and sufficient care for 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;
- (iv) they have prepared the annual accounts on a going concern basis.

#### **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 has been no activity during the year by Heera Seeds Trading and Warehousing Limited, a subsidiary of your Company.



#### ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the co-operation and commitment of your Company's employees, who have worked hard to make ATFL a profitable company.

Your Directors also record their appreciation to the shareholders for being a part of 'Agro Tech Foods' during these exciting times in the Company's history.

**Utpal Sen Gupta**  
President

On behalf of the Board

**Ajay Bahl**  
Director

Dated: 3rd July, 2001

**Tushar Chudgar**  
Wholetime Director

