

57th

Annual Report

1996-97

Report Junction

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AMRIT BANASPATI COMPANY LIMITED

BOARD OF DIRECTORS

N.K. Bajaj, Chairman & Managing Director
D.P. Kanudia
T.M. Sen
Atam Parkash
Vivek Aggarwal
M.K. Chathli (LIC Nominee)
R.G. Nirmal (IFCI Nominee)
J.K. Khaitan, Jt. Managing Director
A.K. Bajaj, Jt. Managing Director

SENIOR EXECUTIVES

S.C. Agarwal, Executive Director
Rohit Khaitan, Executive Director
I.D. Mehta, President (Mktg.)
V.N. Poddar, Sr. Vice-President
S. K. Kapur, Sr. Vice-President
T.A.S. Bedi, Vice-President (CR)
I.D. Sharma, Vice-President (Mktg.)
R.S. Aggarwal, Vice-President (Commodities)

**SR. GEN. MANAGER (CA) &
COMPANY SECRETARY**

J.C. Rana

AUDITORS

M/s V. Sahai & Company

SOLICITORS

M/s Khaitan & Khaitan

**PRINCIPAL
BANKERS**

Punjab National Bank
Oriental Bank of Commerce

REGISTERED OFFICE

G.T. Road,
Ghaziabad-201 009 (U.P.)

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NOTICE

NOTICE is hereby given that the 57th Annual General Meeting of the members of **Amrit Banaspati Company Limited** will be held at Amrit Bhawan (Near Rakesh Marg), G.T. Road, Ghaziabad-201 009 (U.P.) on Monday, the 29th June, 1998 at 10.30 a.m. for transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st December, 1997 and the Profit & Loss Account for the period ended on that date together with the Reports of the Auditors & Directors thereon.
2. To appoint a Director in place of Shri D.P. Kanudia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri T.M. Sen, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Sections 198, 269 & 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act and subject to such other approvals/sanctions as may be necessary, the Company hereby accords its consent and approval to the re-appointment of Shri A.K. Bajaj as Joint Managing Director for a period of 5 years with effect from 1st August, 1997 on a remuneration and other terms & conditions as set out hereinafter:

(1) Salary

Salary @ Rs. 12,500/- per month in the grade of Rs. 10,000-500-15,000.

(2) Commission

Not exceeding 1% of the net profits of the Company subject to a ceiling of 50% of the annual salary.

(3) Perquisites

In addition to salary & commission as stated above, Shri A.K. Bajaj will also be entitled to perquisites restricted to an amount equal to the annual salary as specified below:

Part A

(i) Housing

- (a) In case of unfurnished accommodation hired by the Company, the expenditure incurred by the Company on hiring of such accommodation shall not exceed 50% of the salary over the above 10% payable by the Joint Managing Director himself;
- (b) In case the accommodation provided is owned by the Company, 10% of the salary of the Joint Managing Director shall be deducted by the Company;
- (c) In case no accommodation is provided by the Company, the Joint Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in (i) (a) above;
- (d) The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per Income Tax Rules, 1962. This will, however, be subject to a ceiling of 10% of the salary of the Joint Managing Director.

(ii) Medical Reimbursement

Expenses incurred for self and family subject to a ceiling of one month's salary per year or three months salary over a period of three years.

(iii) Leave Travel Concession

For self and family once in a year to and from any place in India subject to the condition that only actual fare of ACC 1st Class/Air shall be reimbursed.

(iv) Club Fees

Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

(v) Personal Accident Insurance

Premium not to exceed Rs. 1,000/- per annum.

Part B

- (i) Contributions by the Company to the Provident Fund and Superannuation Fund of an amount not exceeding in the aggregate 25% of the remuneration set out at (1) above. Such contributions will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

- (ii) Payment of Gratuity at the rate of one-half month's salary for each completed year of service.

Part C

- (i) Provision of Company's car with driver for use on Company's business and telephone at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.
- (ii) Leave with full pay and allowances in accordance with the Rules of the Company.
- (4) Shri A.K. Bajaj shall not be entitled to sitting fees for attending meetings of the Board or Committees thereof.

RESOLVED FURTHER that where in any financial year during the currency of the tenure of Shri A.K. Bajaj as Joint Managing Director, the Company has no profit or the profits are inadequate, the remuneration by way of salary and perquisites as above shall be payable to him as the minimum remuneration.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to alter and vary the terms & conditions including minimum remuneration in

such manner as may be agreed to between the Board of Directors and Shri A.K. Bajaj, provided they are within and in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto".

By Order of the Board
For AMRIT BANASPATI CO. LTD.

Regd. Office:

G.T. Road,
Ghaziabad-201 009 (U.P.)

J.C. RANA
Sr. General Manager (CA)
& Company Secretary

Dated: May 19, 1998

NOTES:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DEPOSITED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. The Registers of Members and Share Transfer Books of the Company will remain closed from Monday, the 22nd June, 1998 to Monday, the 29th June, 1998 (both days inclusive).
4. Pursuant to Section 205A of the Companies Act, 1956, all dividends upto the financial year ended 31st March, 1992, which remain unpaid or unclaimed, have been transferred to the General Revenue Account of the Central Government. Shareholders concerned are requested to claim the amount from the Registrar of Companies,



U.P., Westcott Building, Mahatma Gandhi Road, Kanpur (U.P.). In case any assistance is required, please write to the Company at its Registered Office.

5. Any member requiring further information on the Accounts at the meeting, is requested to send the queries in writing to the Company Secretary by 18th June, 1998.
6. Members are requested to notify to the Company immediately any change in their address quoting ledger folio number.
7. Members are requested to bring their copies of Annual Report at the meeting as extra copies will not be supplied.
8. **Only registered members carrying the attendance slips and the holders of valid proxies registered with the Company will be permitted to attend the meeting. Shareholders are requested not to bring their families as the same creates administrative difficulties.**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Shri A.K. Bajaj was appointed as Joint Managing Director of the Company for a period of 5 years with effect from 1st August, 1992. The aforesaid tenure of Mr. A.K. Bajaj expired on 31st July, 1997.

Mr. A.K. Bajaj is associated with the Company for the last around 14 years and is looking-after the day-to-day management of Amrit Food Division in addition to his responsibilities at the Ghaziabad Vanaspati

Unit and Corporate Office of the Company. In view of his long association and experience, the Board of Directors in its meeting held on 26th July, 1997 has re-appointed Mr. A.K. Bajaj as Joint Managing Director for a period of 5 years with effect from: 1st August, 1997 on the same remuneration as is being drawn by him at present. The remuneration and perquisites payable to Shri A.K. Bajaj, as stated in the resolution, are within the ceilings prescribed in Schedule XIII of the Companies Act, 1956.

The Special Resolution set out under Item No. 5 of the Notice is intended to obtain approval of the members to the re-appointment and payment of remuneration of Shri A.K. Bajaj, Joint Managing Director and the Board recommends the acceptance thereof.

The explanatory statement and the resolution at Item No. 5 of the Notice is and may be treated as an abstract of the terms of appointment of Shri A.K. Bajaj, Joint Managing Director of the Company, as required under Section 302 of the Companies Act, 1956.

Shri A.K. Bajaj is interested in the resolution since it concerns his re-appointment and payment of remuneration. Shri N.K. Bajaj is related to Shri A.K. Bajaj and may be deemed to be interested in the resolution. No other Director is concerned or interested in the resolution.

By Order of the Board
For AMRIT BANASPATI CO. LTD.

Regd. Office:

G.T. Road,
Ghaziabad-201 009 (U.P.)

Dated: May 19, 1998

J.C. RANA
Sr. General Manager (CA)
& Company Secretary

DIRECTORS' REPORT

Your Directors present the 57th Annual Report together with Audited Accounts of the Company for the 18 months period ended 31st December, 1997.

WORKING RESULTS

The working results of the Company for the period under report are as under:

(Rs. in lacs)

	1996-97 (18 Months)	1995-96
Sales and other income	58381.52	41149.13
Profit before Interest, Depreciation & Tax	475.94	1168.83
Interest	1786.70	1050.49
Depreciation	603.26	403.49
Profit/(Loss) before tax	(1914.02)	(285.15)
Provision for Wealth Tax	1.10	2.00
Prior period adjustments	46.84	0.82
Balance of Profit from previous year	16.69	103.02
Transfer from General Reserve	240.63	200.00
Balance Profit/(loss) carried forward	(1610.96)	16.69

In view of loss during the period under report, your Directors regret their inability to recommend any dividend.

FINANCIAL YEAR

The Company had been following 12 months financial year commencing from 1st July each year. With a view to adopt uniform accounting year in line with the fiscal year, the Board of Directors decided to change the financial year of the Company from June ending to March ending in two phases i.e. 1st July, 1996 to 31st December, 1997 (18 months) and 1st January, 1998 to 31st March, 1999 (15 months). Consequently, the financial year under review is of 18 months commencing from 1st July, 1996 to 31st December, 1997. Necessary approval from the Registrar of Companies, U.P. for extension of the financial year was obtained.

OPERATIONS

The sales and other income during the year under review was Rs. 58381.52 lacs as against Rs. 41149.13 lacs during the 12 months period of the previous year. The operations of the Company were adversely affected during the period under report due to various reasons. The recession in the paper market severely eroded margins in the paper business of the Company.

The other businesses of the Company also operated under extremely stressful conditions. In respect of edible oils business, the Company is taking some strategic steps, including out-sourcing/relocation of the capacity to improve the operations.

Edible Oils & Fats

The production of Vanaspati and Refined Oils aggregate to 1,23,390 tonnes as against 81,374 tonnes in the previous year.

The edible oils business of the Company has been reporting trimmed bottomline for the last few years. This has been primarily on account of major changes in the external environment arising out of Government policies. These policies encouraged creation of excess capacity by the allurements of various fiscal incentives resulting in unfair competition among the old and new Units and extended sales tax exemption and other benefits/incentives to the new Units. This happened mostly in north India and U.P. in particular. As a result, the working of our Vanaspati Unit at Ghaziabad was under extreme pressure.

The management considers that the edible oil business of the Company is capable of giving better results in case proper inputs are provided. This will be possible on longterm basis only if we operate at cost



advantage to other players in the industry. It is, therefore, imperative that the operating and other fixed costs are kept at bare minimum levels. While the management is already undertaking various cost reduction measures, it is also planned to out-source the capacity from other Units and/or re-locate the capacity of Ghaziabad Unit so as to drastically reduce the manpower and fixed costs. This is expected to lead to better profitability in the over-all edible oil operations of the Company. Further, by debottlenecking, installation of balancing equipments and rationalisation of processes, the installed capacity of vanaspati/margarine at the Rajpura Unit has gone up by 30 TPD.

The refined oils produced by the Company have shown good growth and have been able to establish strong presence in large number of markets.

Paper

The Production of Paper during the period under report was 42,900 tonnes as against 31, 578 tonnes in the previous period. The Company is facing difficult situation in so far as the operations of the Paper Unit are concerned. Globally, the paper industry is operating under stressful conditions. The domestic paper industry has been adversely affected mainly by stagnation of demand and dumping of paper by overseas suppliers in the domestic market. Apart from this, the lottery printing paper was an important segment for our Paper Unit because of better reeling facilities and the ban on the lotteries by most of the State Governments has further impacted our operations. Further, because of pollution control requirements, the Company is required to make heavy investment in installing a proper pollution control/recovery system, which it is finding difficult to source. Nevertheless, the management is actively pursuing the cost reduction measures including downsizing of man-power, improvement of the quality of paper, reduction in inventories and re-orientation of marketing policies. The disposal of certain assets is also being considered.

Dairy Products

The Dairy Division apart from catering to Mc Donalds requirements for milk based products, is also enlarging

the products basket to cater to a wider market. Additionally, it has already launched pasteurized dairy milk in the Delhi market recently.

FINANCE

Due to losses, your Company has not been able to pay interest on term loans as also could not keep its commitments towards repayment of instalments of term loans/NCDs. The Company has already requested the Industrial Finance Corporation of India Ltd., the lead financial institution, for rephrasing the repayment of term loans and for granting other reliefs and concessions.

In view of total erosion of the net worth of the Company made up of paid-up capital and free reserves as on 31st December, 1997 the Company has become "sick industrial company" within the meaning of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. The necessary reference to the Board for Industrial & Financial Reconstruction as required under Section 15 of the said Act is being made.

PUBLIC DEPOSITS

As on 31st December 1997, 199 persons whose deposits amount to Rs. 69,45,500/- which have become due for payment did not claim or continue their deposits. As at the date of this report, deposits amounting to Rs. 12,40,000/- out of the above have been claimed and paid or renewed. Due to liquidity constraints, there was some delay in repayment of certain deposits on maturity after the close of the financial year under report. The management has taken steps to remedy the situation.

COST AUDIT

The Central Government has directed cost audit to be carried out every year in respect of Vanaspati and Paper. The cost audit, as directed, is in progress and the reports will be submitted to the Central Government.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212 of the

Companies Act, 1956 and the Audited Accounts of M/s Amrit International Ltd. and M/s Amrit Pulp & Paper Industries Ltd., the subsidiaries of the Company, are attached.

RESEARCH & DEVELOPMENT

The research and development activities were continued by the Company during the year in the areas of product, process and material development. The Company is also continuing the research programme under the name & style 'Shri Tulsi Prasad Khaitan Oil Seeds Research Programme' launched for undertaking research work on the cultivation of the tree-origin oilseeds.

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

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo as required 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 is given in Annexure-A which forms part of this Report.

PERSONNEL

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure-B and form part of this report.

DIRECTORS

Shri K.N. Memani resigned from the directorship of the Company w.e.f. 5th June, 1997. The Directors placed on record their appreciation for the valuable contribution made by Shri K.N. Memani in the deliberations of the Board during his association with the Company as Director.

Shri D.K. Khaitan also resigned from the directorship and as Jt. Managing Director of the Company w.e.f.

20th October, 1997. The Board placed on record its appreciation for the significant contribution made by Shri D.K. Khaitan for the growth and development of Paper Unit of the Company in particular and the Company as a whole in general.

Shri A.K. Bajaj was re-appointed as Jt. Managing Director of the Company for a period of 5 years w.e.f. 1st August, 1997 subject to the approval of the shareholders.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Shri D.P. Kanudia and Shri T.M. Sen, Directors of the Company, retire by rotation and are eligible for re-appointment.

AUDITORS

M/s V. Sahai & Co., Chartered Accountants, Statutory Auditors, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors convey their sincere thanks to the various agencies of the Central Government, State Governments, Financial Institutions, Banks and other concerned agencies for all the help and cooperation extended to the Company. The Directors also deeply acknowledge the trust and confidence the shareholders and investors have placed in the Company. Your Directors also record their appreciation for the dedicated services rendered by the workers, staff and officers of the company.

For and on behalf of the Board

Ghaziabad,
May 19, 1998

N.K. BAJAJ
Chairman & Managing Director



ANNEXURE-A TO DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

I. CONSERVATION OF ENERGY

- (a) The Company continued its endeavour to optimise the various sources of energy during the period under report. A rational and systematic approach has been formulated for energy conservation. Various measures for conservation of energy in the areas of (i) reduction of energy loss, (ii) improvement in power factor, (iii) replacement of artificial lighting by natural lighting, (iv) maintenance of energy consuming equipments efficiently for optimum performance and (v) replacement of outdated energy intensive equipment were undertaken during the year.
- (b) The Company is continuing with its endeavour to raise the awareness level of the staff about the seriousness of the energy conservation. Energy conservation is an ongoing process and new areas are continuously identified and suitable investments are made, wherever necessary.
- (c) The adoption of energy conservation measures have resulted in considerable savings and its awareness among the employees.
- (d) Requisite data in respect of energy conservation is given below:

POWER & FUEL CONSUMPTION

	Edible Oils		Paper		Dairy Products	
	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96
1. ELECTRICITY						
(a) Purchased						
Unit (Lacs KWH)	412.57	305.23	545.85	360.50	6.69	4.83
Total amount (Rs. lacs)	1228.39	777.26	1342.57	727.09	30.48	19.85
Rate/Unit (Rs./KWH)	2.98	2.55	2.46	2.02	4.56	4.07
(b) Own generation						
i) Through Diesel Generator						
Unit (Lacs KWH)	35.82	10.50	8.83	0.92	8.21	3.48
Unit per ltr. of Diesel Oil	3.06	3.06	3.79	2.66	3.25	2.88
Cost/Unit (Rs./KWH)	2.73	2.28	2.18	2.60	2.45	2.30
ii) Through Steam Turbine/ Generator						
Unit (Lacs KWH)	—	—	8.08	58.61	—	—
Cost/Unit (Rs./KWH)	—	—	0.92	0.19	—	—
2. COAL (Specify quality and where used)						
Quantity (Tonnes)	12122	11043	—	—	—	—
Total cost (Rs. lacs)	326.36	203.25	—	—	—	—
Average Rate (Rs.)	2694	1841	—	—	—	—
3. FURNACE OIL						
Total Quantity	—	—	—	—	0.23	—
Total cost	—	—	—	—	1.58	—
Average Rate per Ltr.	—	—	—	—	6.75	—
4. OTHERS						
(a) Rice Husk (For Boiler)						
Quantity (Tonnes)	34373	20184	71441	63111	—	—
Total Cost (Rs. lacs)	384.02	259.77	826.67	808.52	—	—
Rate/Unit (Rs./MT)	1117	1287	1157	1281	—	—

(b) H.S.D. (For Boiler)						
Quantity (K. Ltr.)	1127	715	—	—	—	—
Total Amount (Rs. lacs)	92.64	49.48	—	—	—	—
Rate/Unit (Rs./K. Ltr.)	8220	6920	—	—	—	—
5. CONSUMPTION PER TONNE OF PRODUCTION						
Production (Tonnes)	123390	81374	42900	31578	4586	3557/KL
Electricity/Tonnes (KWH)	363	388	1312	1330	325	235/KL
Furnace Oil/Tonne (KL)		—	—	—	—	—
Coal/Tonne (Kgs.)	98	136	—	—	—	—
Others	—	—	—	—	—	—

II. TECHNOLOGY ABSORPTION

Research and Development

- (a) The Company has R & D centres in all the manufacturing units which carry out research work in several areas including process developments towards efficiency improvements, quality improvements, capacity optimisation, waste reduction etc. Apart from process improvements, the research and development also aims at finding equivalent substitutes of various inputs and packaging materials to have cost savings without compromising quality.
- (b) The Company has derived benefits of product diversification, cost reduction and better quality as a result of the above efforts.
- (c) The research and development is an on-going exercise and suitable efforts will continue to be made in future.
- (d) The expenditure on R & D has been as follows:

	(Rs. in lacs)	
	1996-97	1995-96
(i) Capital	54.90	10.59
(ii) Recurring	0.90	0.46
(iii) Total	55.80	11.05
(iv) Total R&D expenditure as a percentage of turnover	0.10%	0.03%

Technology absorption, adaptation and innovation

The Company has not imported any technology for its products nor any technical collaboration entered into with any party during 1996-97.

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars with regard to foreign exchange earnings & outgo appear on page 26 of the Annual Report and Accounts.

For and on behalf of the Board

N.K. BAJAJ
Chairman & Managing Director

Ghaziabad,
May 19, 1998