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10th Annual Report 2001-02

BOARD OF DIRECTORS

Mr. Malvinder Singh, Chairman & Managing Director

Mr. C. Parthasarathy

Dr. H. S. Garcha

Mr. Maninder Singh

Mr. Dilsher Bhinder

Mr. G. S. Bhinder, Executive Director

Company Secretary :
Jasbir Singh

Auditors :
M/s. R. Paul & Associates,
Chartered Accountants,
C-2038, Ranjit Avenue,
Amritsar

Bankers :
Union Bank of India
ICICI Bank Limited
UTI Bank Ltd.

Registered Office :
SCO 110-111, 1st Floor,
Sector 34-A,
Chandigarh-160 022

Works :

- Village Tofapur
Near Lalru,
Distt. Patiala (Punjab)
- Village Bhagwanpura,
Barwala Road, Derabassi.

Registered & Share Transfer Agents:
Kary Consultants Ltd.
Kary House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad -0500034

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Agro Dutch Industries Limited
NOTICE

Notice is hereby given that the Tenth Annual General Meeting of Agro Dutch Industries Limited will be held on Saturday, the 28th September, 2002 at 11.30 A.M. at Food Craft Institute, Sector 42-D, Chandigarh to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Statements of Accounts for the year ended 31st March 2002 together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. H.S. Garcha, who retired by rotation and being eligible, offers himself for re appointment,
3. To consider and, if though fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution.

"RESOLVED THAT M/s. R. Paul & Associates, Chartered Accountants, Amritsar be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors and/or any committee thereof."

SPECIAL BUSINESS

4. To consider and, if though fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution:

"RESOLVED THAT Sh. Maninder Singh who was appointed as an Additional Director and holds such office upto the date of this Annual General Meeting, and in respect of whom Company has received a notice in writing from a member, proposing Mr. Maninder Singh's candidature for the office of Director, be and is hereby, appointed as Director of the Company, liable to retire by rotation.

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution :

"RESOLVED THAT subject to the provision of Section 198, 269, 309 and Schedule XIII and other applicable provision, if any, of the Companies Act 1956 the approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. G.S. Bhinder as Executive Director w.e.f 1st July 2002 for a period of five years on the earlier terms and conditions of payment of remuneration as set out in the Explanatory Statement attached to the Notice convening this annual General Meeting.

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary resolution:

"RESOLVED THAT the consent of the Company be and 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 and movable properties of the Company wheresoever situated, present and future, and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of following namely:

- i) Jammu & Kashmir Bank Ltd.
- ii) Export Import Bank of India (Exim Bank)
- iii) UTI Bank Ltd.
- iv) The Vysya Bank Ltd.

to secure:

- a)
 - i) Non-Convertible Debentures of Rs. 500 Lacs.
 - ii) Long Term Working Capital Loan (LTWC) of Rs.700 Lacs.
 - iii) Rupee Term Loan not exceeding Rs.400 Lacs
 - iv) Rupee Term Loan not exceeding Rs.500 Lacs.

advanced/agreed to be lent and advanced by Jammu & Kashmir Bank Ltd. /Export Import Bank of India (Exim Bank)/ UTI Bank Ltd. /The Vysya Bank Ltd. respectively

- b) together with interest thereon at the 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 the Jammu & Kashmir Bank Ltd., Exim Bank, UTI Bank Limited and The Vysya Bank Ltd., respectively under the Subscription/Loan Agreements.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with Jammu & Kashmir Bank Ltd. /Export Import Bank of India (Exim Bank)/ UTI Bank Ltd. /The Vysya Bank Ltd. the documents for

Agro Dutch Industries Limited

creating aforesaid mortgage and/or the 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(s), the following resolution, as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a) of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging/charging in favour of UTI Bank Ltd. (UTI Bank) the immovable properties of the Company, both present and future, and the whole or substantially the whole of the undertaking of the Company or such of them as may be agreed to between the Board and UTI Bank by way of pari passu second charge in favour of UTI Bank for securing working capital limits not exceeding Rs.600 Lacs (both fund based and non fund based) together with interest, costs and other charges and expenses payable by the Company to UTI Bank in terms of the Loan Agreement entered or to be entered into between the Company and UTI Bank

"RESOLVED FURTHER THAT the aforesaid charges created/to be created by the Company in favour of the said bank shall rank subsequent to the first/prior charge created/to be created in favour of Industrial Development Bank of India (IDBI), UTI Bank Ltd., Exim Bank and The Vysya Bank Ltd. and ICICI Bank Ltd. for their term loans granted/to be granted to the Company".

"RESOLVED FURTHER THAT the mortgage/charge created/to be created and/or all arrangements/documents executed to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified".

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or repeal thereof for the time being in force), Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the Resolution), the Consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from all any of the Stock Exchanges at Ahmedabad, Chennai, New Delhi and Jaipur.

By Order of the Board

Place : Vill. Tofapur

Date : 26.08.2002

Jasbir Singh
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND ON A POLL TO VOTE INSTEAD OF HIMSELF, SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING
2. Company's shares are being compulsorily traded in demat form w.e.f. 28th August, 2000. Members may send Dematerialization Request Form (DRM) alongwith Share Certificate through their Depository Participant for demat of shares to KARVY CONSULTANTS LTD., Hyderabad.
3. The Register of Members and Share Transfer Books of the Company will remain closed for six days from 23 September, 2002 to 28th September, 2002 (both days inclusive).
4. Members desirous of seeking any further information or clarification in respect of accounts and operations of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the meeting so that the required information can be made available at the meeting
5. Members are requested to bring with them the attendance slip sent with the Annual Report duly completed and signed and hand it over at the entrance.
6. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 4 to 6 set out above is annexed hereto.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

TEM NO. 4

The Board of Directors appointed Mr. Maninder Singh, a Chartered Accountant as Additional Director on the Board. In accordance with the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, he hold office of upto the date of the forthcoming Annual General Meeting.

In view of vast and varied experience of Mr. Maninder Singh, the Directors feel that his inclusion on the Board of Directors will be of invaluable assistance to the Company. Company has received a notice in writing from a member proposing the candidature of Mr. Maninder Singh for the office of Director under Section 257 of the Companies Act, 1956 together with the requisite deposit. The members are therefore, requested to pass the resolution as proposed.

Mr. Maninder Singh, himself may be deemed to be interested or concerned in the resolution at Item No. 4. None of the other Directors in interested in the resolution.

ITEM NO. 5

Keeping in view the involvement and hard work put up in the affairs of the Company by Mr. G.S. Bhinder, the Board of Directors at its meeting held on 31st July, 2002 subject to the provisions of the Companies Act, 1956 and the approval of the members at General Meeting has decided to extent the appointment of Mr. G.S. Bhinder as Executive Director for another period of Five years w.e.f. 1st July 2002 on the earlier terms and conditions of payment of remuneration as follows :-

- | | | |
|-----|--------------------|---|
| I. | Salary | Rs. 60,000/- per month (Rupees Twenty Thousand only) |
| II. | Perquisites | In addition to Salary the Executive Director will be allowed perquisites as specified in Category A, B & C below :- |

Category 'A'**i) Housing I :**

The expenditure by the Company on hiring furnished accommodation for the Executive Director will be subject to a ceiling of sixty percent of the salary over and above ten percent payable by him.

Housing II :

In case the accommodation is owned by the Company, ten percent of the salary of the Executive Director shall be deducted by the Company.

Housing III :

In case no accommodation is provided by the Company, the Executive Director shall be entitled to House Rent Allowance @ fifty percent of salary.

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of the salary of the Executive Director.

ii) Medical Reimbursement :

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

iii) Leave Travel Concession :

For self and family once in a year incurred in accordance with the rules of the Company.

iv) Club Fees :

Fees of the clubs subject to maximum of two clubs. This will not include admission and life membership fees.

v) Personal Accident Insurance :

Premium not to exceed Rs. 5000/- per month.

Category 'B'

i) Contribution to Provident Fund, Superannuation Fund of Annuity Fund 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. Gratuity payable will not exceed half a month's salary for each completed year of service.

ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on the perquisites.

Category 'C'

Provision of car for use on Company's business and telephone at 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 to the Executive Director.

III. Commission :

Such remuneration by way of commission, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the

Company at the end of each financial year, subsequent to the overall ceilings stipulated in Sections 198 and 309 of the Act.

IV. Minimum Remuneration :

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

Mr. G.S. Bhinder, himself, Mr. Malvinder Singh, Managing Director and Mr. Dilsher Bhinder being relatives may be deemed to be interested or concerned in the resolution. None of the other Director is interested in the resolution for approval.

This may also be treated as abstract of the terms of contract between Mr. G.S. Bhinder and the Company pursuant to Section 302 of the Companies Act, 1956.

The relevant documents are open for inspection at the Registered Office of the Company between 10.00 A.M. and 1.00 P.M. on any working day prior to the date of meeting.

ITEM NO. 6

The Company has recently gone for a Expansion & Diversification. During the year & thereafter the Company has raised loans for pre-payment of high cost debts/Long Term Working Capital/Term Loan for expansion of the project. These Loans have been availed from Jammu & Kashmir Bank Ltd./Export Import Bank of India (Exim Bank)/UTI Bank Ltd./ The Vyasa Bank Ltd. as mentioned in the resolution.

As per provision of Section 293(1)(a) of the Companies Act, 1956, the Board of Director of the Company is required to be authorised by the members at the General Meeting for creating the charge/mortgage on immovable properties of the Company in favour of Jammu & Kashmir Bank Ltd./ Export Import Bank of India (Exim Bank)/UTI Bank Ltd./The Vyasa Bank Ltd. Therefore, the members' approval is being sought.

None of the directors of the Company is interested or concerned in the proposed resolution.

Hence, the resolution as proposed, is recommended for the consideration & approval of shareholders in general meeting.

ITEM NO. 7

The Company has been sanctioned working capital facilities of Rs. 600 lacs from UTI Bank Limited, during the year. These working capital limits from UTI Bank Limited are already secured by hypothecation of raw materials, semi finished goods, finished goods and book debts. However, in terms of the agreements entered into between the Company and the UTI Bank, these working capital facilities are also further secured by the way of second charge on the fixed assets of the Company.

As per provisions of Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of the Company is required to be authorised by the Members at the General Meeting for creating the charge/mortgage on immovable properties of the Company. Therefore, the members' approval is being sought.

None of the directors of the Company is interested in the proposed resolution.

ITEM NO. 8

Presently the Company's securities are listed at the following Seven Stock Exchanges in India :-

(1) The Stock Exchange, Mumbai (2) The National Stock Exchange of India Ltd., Mumbai (3) The Stock Exchange, Ahmedabad (4) The Delhi Stock Exchange Association Ltd. (5) Chennai Stock Exchange Ltd. (6) Jaipur Stock Exchange Ltd. (7) Ludhiana Stock Exchange Ltd. (the Regional Stock Exchange)

With the extensive networking of The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE), and the extension of the BSE/NSE terminals to other cities as well, investors have access to on-line dealings in the Company's securities across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the NSE, and the depth and liquidity of trading in the Company's securities on all other Stock Exchanges are lower.

As part of its cost reduction measures, the Company has proposed this resolution, which will enable it to delist its equity share from all or an of the following Stock Exchanges : The Stock Exchange, Ahmedabad, Jaipur Stock Exchange Ltd., The Delhi Stock Exchange Association Ltd., Chennai Stock Exchange Ltd., at an appropriate time in the future. The actual timing of such a move will depend upon future developments regarding integration of stock exchanges across the country, growth in volume of trading on different exchanges, etc.

In line with the SEBI regulations and approval, if any, required members' approval is being sought by a Special Resolution for enabling voluntary delisting of its Securities from the said Stock Exchanges.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time.

Your Directors recommended the Special Resolution for approval of members.

None of the Directors of the Company are, in any way, concerned or interested in the resolution.


Agro Dutch Industries Limited
MANAGEMENT DISCUSSION & ANALYSIS REPORT

a) Industry Structure & Development

Mushroom growing and processing is primarily carried out in just a handful of countries in the World. The list below does not constitute all the mushroom growing and processing countries, but probably envelopes 90 percent of the world production and processing :-

1. U.S.A.
2. Canada
3. Holland
4. France
5. Spain
6. Polland
7. China
8. Indonesia
9. India

Although no accurate data is available, the total global import/export of processed canned mushrooms is approximately 400,000 tonnes a year. Holland, China, Indonesia, France, Spain and India are the major exporters with China having almost 40 percent of the total exports. The major importers are :-

U.S.A., Canada, Germany, Israel, Australia; and some South American Companies.

India exports about 16,000 tonnes of processed mushrooms in a year to U.S.A. out of which Agro Dutch Industries has a major share (probably in excess of 70 percent). The biggest impediment to the growth of industry is the "Quota System of Europe" which allows import of only about 40,000 tonnes of processed mushrooms in a year. This has let to most of the intra-EEU trade, dominating the European countries imports and exports with most of the Dutch product being exported to Germany and other European countries at prices which are far in excess of the international prices. However, this is going to end in 2004, which would probably lead to a major negative impact on the European production and have a positive fall out for China, India and Indonesia where the cost of production is much lower than Europe. Chinese have consistently been the lowest cost producers for the last many years and have dominated the export markets every where. With the increase in living standards and industrialization of China, people are finding it less and less lucrative to grow and process mushrooms. The intervening period of 2001-02 was the worst season in the last ten years when the Chinese production actually went down, creating a minor shortage in the world market. Whether this was just an aberration or the beginning of a trend, would only be clear in the next couple of years.

b) Opportunities and Threats :

The Company has tremendous opportunities because time and again it was proved to be the lowest cost producer in the World. Being the lowest cost producer and having become a dominant player in this trade within a short period of eight years has also worked negatively for the Company because all the developed markets of the World see **Agro Dutch Industries** and not India as a threat to their business. The Department of Commerce U.S.A. has been particularly severe on Agro Dutch Industries by imposing anti-dumping deposit of 27.8% whereas it has viewed the other Indian Companies that constitute less than 25 per cent of the total exports, favourably and have been given even zero percent rate for insignificant players. The strength of the Company is also the biggest threat to it as more and more developed countries try to set up artificial barriers to block the trade and would only focus on major players in every field by singling out Agro Dutch Industries. The Company also feels that the U.S. has been particularly harsh on Agro Dutch Industries in imposing this deposit rate. The Company feels that in spite of these barriers, eventually the efficiency and low cost of production would prevail and dominate the international market.

Agro Dutch Industries Limited

The Chinese product has been banned from the Israeli market because of detection of certain larvae and worms in their product. This has opened up new doors for your Company, as the Company has emerged as the single largest supplier to Israel within a period of three months from the beginning of the trade. The Company is very optimistic about its prospects in Israel.

b) Segment Review and Analysis

It is a single product Company

d) Outlook :

Due to the closing of the market to the Chinese product in Israel and also due to the established relations in U.S. for the last eight years, the Company views its outlook in a positive manner.

e) Risks and concerns :

Post September 11, 2001, the U.S. government (rightly so) has become very much concerned about the threat of international terrorism to the food imports in U.S.A.

Effective August 19, 2002, US Customs has implemented a U.S.A. wide initiative of establishing security criteria to identify high-risk containers, pre-screening containers before arrival in the U.S.A. using technology to pre screen high risk containers called Container Security Initiative (CSI) System.

In order to avoid the scanning operation in U.S.A. which could result in long delays and additional costs, Singapore has already agreed to set up this facility. The Government of India is also looking at setting up this facility either at Mumbai or Nhavasheva Port which would help build the credibility of the Indian exports to U.S.A. This should not be viewed as a temporary restriction from the U.S.A. side but as a necessity for the U.S.A. to protect its own interests. Due to such high level of sensitivity associated with the food imports and having to bring back 125 containers from U.S.A. in the last four months, the Company thinks that the food export business has become very risky, but will, of course, try its level best to avoid any such incident in future.

f) Internal Control Systems and their adequacy

The Company has adequate system of internal control relating to purchase of stores, raw materials including components, plant and machinery, equipment and other similar assets and for the sale of goods commensurate with the size of the Company and nature of its business. The Company has internal control system for speedy compilation of accounts and management information reports and to Company with the applicable laws and regulations.

g) Company's Financial Performance & Analysis

Company achieved a turnover of Rs. 88.43 crores in the financial year 2001-2002 compared with the last years sales of Rs. 55.90 cores. The profits have also improved in the current year. The expansion undertaken by the Company two years back has also been completed during the year. The Company has enhanced the installed capacity of mushroom to 24000 tons per annum as on 31.03.2002.

h) Human Resources Development/Industrial Relations

Relation between the Management and the Labour were cordial, throughout the year under review.

for and on behalf of the Board of Directors

Malvinder Singh
Chairman & Managing Director


Agro Dutch Industries Limited
REPORT ON CORPORATE GOVERNANCE
INTRODUCTION

The Securities and Exchange Board of India (SEBI) has made it mandatory for listed Companies to prescribe to a comprehensive Code on Corporate Governance. According to the timetable specified in the listing agreements of Stock Exchanges, as a B1 Company of the Stock Exchange, Mumbai, ADIL is mandated to implement the provisions of this code on or before 31st March 2002.

The present chapter, plus information given under Management Discussion and Analysis and Shareholder Information constitute ADIL's compliance on corporate governance during 2001-02.

1. COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

ADIL strongly believes that good corporate governance has an important role in enhancing shareholders value and management accountability. The Company is of the view that transparency in management, best board practices and empowerment of shareholders are essential for maximizing shareholders value. ADIL's guiding principles are focused on achieving the best standards of corporate governance and it is committed to attain the high levels of transparency, accountability and equity in its dealings with investors, lenders, employees and all other stakeholders.

2. COMPOSITION OF THE BOARD

The Board of Directors of AGRO DUTCH INDUSTRIES LIMITED comprises of the Chairman and Managing Director, who is a promoter director, one executive director and four non-executive and independent directors as on date of report. Detail are given in Table 1.

Table 1: Details About the Board of Directors

Name of Director	Promoter/Executive/ Non-Executive/ Independent	Number of Meetings held	Number of Meetings Attendance	Whether Attended last AGM on 27th August 2002	Number of Outside Directorships of Public Ltd. Companies	Materials Significant Pecuniary or Business Relationship with the Company
Mr. Malvinder Singh	Promoter-Executive	10	10	Yes	Nil	Nil
Mr. G.S. Bhinder	Promoter-Executive	10	10	No.		Nil
Mr. B.B. Huria@	Independent-Non-Executive	7	7	Yes		Nil
Mr. Harsh Jajoo#	Independent-Non-Executive	10	9	---		Nil
Dr. H.S. Garcha	Independent-Non-Executive	10	2	Yes		Nil
Mr. Mehul Shah★★	Independent-Non-Executive	10	0	---		Nil
Mr. C. Parthasarathy	Independent-Non-Executive	10	0	---		Nil
Mr. Dilsher Bhinder	Promoter-Non-Executive	10	0	---		Nil
Mr. I.J. Laul\$	Promoter-Non-Executive	3	1	---	Karly Consultants Ltd.	Nil
Mr. A.M. Manaktala**	Nominee-Non-Executive			---		Nil
Kartar Singh•	Promoter-Non-Executive	10	0	---		Nil
Mr. Maninder Singh★	Independent -Non-Executive			---		Nil

@Joined the board on 30.7.2001 Ceases to be a director w.e.f 4.5.2002

#Joined the board on 12.4.2001 Ceases to be a director w.e.f 4.5.2002

★★Ceases to be a director w.e.f 4.5.2002

\$Ceases to be a director w.e.f 30.6.2002

**Ceases to be a director w.e.f 27.8.2001

•Passed away on 14.3.2002

★Appointed w.e.f. 4.5.2002