SANSCO SERVICES - Annual Rep

19th Annual Report 2004

AMRIT ENTERPRISES LIMITED

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BOARD OF DIRECTORS	Mr. N.K. Bajaj, Chairman Mr. J. K. Khaitan Mr. M.L. Sarin Mr. Yashovardhan Saboo Mr. Romesh Lal Mr. S. C. Agarwal Mr. Pavan Khaitan, Managing Director
PRESIDENT	Mr. S. K. Agrawal
COMPANY SECRETARY	Mr. Harish Sharma
AUDITORS	M/s Goel Rajendar & Associates, SCO 2A, Sector 7, Madhya Marg. Chandigarh - 160 019
BANKERS	State Bank of Patiala State Bank of India
REGISTERED OFFICE	Old Dhakansu Kalan, Chandigarh Road, Rajpura (Pb.) - 140 401
WORKS	10 Km Stone, Sitto Gunno Road, Village Raipura, Abohar, Distt. Ferozpur - 152116

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NOTICE

Notice is hereby given that the nineteenth Annual General Meeting of the members of Amrit Enterprises Limited will be held on Saturday, the 25th day of September, 2004 at 11.00 A.M. at Amrit Bhawan, Gobind Colony, Rajpura (Punjab) 140 401 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Accounts of the Company for the financial year ended 31st March, 2004 and Report of the Directors and Auditors thereon.

2. To appoint a Director in place of Mr. J. K. Khaitan, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a Director in place of Mr. M. L. Sarin, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of the Board
for **AMRIT ENTERPRISES LIMITED**

Regd Office :
Old Dhakanshu Kalan,
Chandigarh Road,
Rajpura (Punjab)

sd/-
HARISH SHARMA
COMPANY SECRETARY

30th July, 2004

NOTES :

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.**

2. Shareholders are requested to bring their copy of the Annual Report to the Meeting.

3. Shareholders/Proxies should fill the attendance slip for attending the meeting. Members who hold shares in dematerialised form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.

4. The Registers of Members and Share Transfer Books of the Company will remain closed from Monday, the 13th day of September, 2004 to Saturday, the 25th day of September, 2004 (both days inclusive).

5. Members desiring any information on the business to be transacted at the meeting are requested to send the queries in writing at least 10 days in advance to enable the management to keep the information ready at the meeting.

6. Members are requested to notify to the Company or to the Registrars and Transfer Agents , M/s Alankit Assignments Limited, Delhi, immediately any change in their address quoting ledger folio number.

7. Pursuant to listing requirements, the Company declares that its equity shares are listed on Stock Exchanges at Mumbai and Delhi. In line with the special resolution passed by the members at the Annual General Meeting held on 27th September, 2003, the securities of the Company have been de-listed from the Ludhiana Stock Exchange Association Limited . The Company

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has paid the Annual Listing Fee for the year 2004-2005 to all the Stock Exchanges mentioned above.

8. In terms of Section 109 A of the Companies Act, 1956, the shareholders may nominate a person on whom the shares held by him/them shall vest in the event of his/her/their death. Shareholders desirous of availing this facility may submit nomination in Form No. 2B.

9. To facilitate trading in equity shares in dematerialized form, the Company has entered into agreement with M/s National Security Depository Limited (NSDL) and M/s Central Depository Services Limited (CDSL). Shareholders can open account with any of the depository participants registered with NSDL and CDSL.

10. M/s Alankit Assignment Limited, 205-208, Anarkali Market, Jhandewalan Extension, New Delhi 110 055 Telephone No. 011- 5150060-63 Fax No. 011-51540064 , e mail address : alankit @alankit.com has been appointed as Registrar both for physical and electronic connectivity . However, for the convenience of the shareholders documents relating to shares will continue to be received by the Company at its registered office.

Brief resume and other information in respect of Non-Executive Directors seeking reappointment at the Annual General Meeting.

Mr. J. K. Khaitan

Mr. J. K. Khaitan , aged 59 years , non-executive promoter director, is an industrialist by profession having more than three decades of rich experience with the edible oils industry. He is Managing Director of Amrit Banaspati Company Limited and on the Board of many other Companies. He is associated with various chambers of Commerce and Industry, social and educational organizations. He is President of Indian Vanaspati Producers Association (IVPA), a national level body to safeguard the interest of Vanaspati Industry. He is widely travelled person and attended number of conferences both at National and International Level.

At present , he is also on the Board of Amrit Banaspati Company Limited , Kamla Dials and Devices Limited, Purple Entertainment Limited, Amrit Foundation for Learning Limited, Amrit Processed Food Industries Private Limited, United Holdings Private Limited, Amrit Pulp & Paper Industries Private Limited and A. F. Trading Company Private Limited.

He is Chairman/ member of following committee(s) –Audit Committee , Investors Grievance Committee (with Amrit Enterprises Limited {AEL) & Kamla Dials and Devices Limited {KDL) }, member of Remuneration Committee(with KDL), Loan and Banking Committee & Unaudited Financial Results Committee (with AEL) and Finance Committee with Amrit Banaspati Company Limited

Mr. M. L. Sarin

Mr. M. L. Sarin, aged 55 years, is an eminent senior advocate practising at the Punjab and Haryana High Courts at Chandigarh having more than three decades of rich experience in the legal profession. He did his graduation in laws from Punjab University, Chandigarh and Master in Laws from Northwestern University, Chicago. He remained Advocate General of the States of Punjab and Haryana.

Mr. Sarin is associated with various social and educational institutions like Bhartiya Vidhya Bhawan, Rotary Club, Blood Bank society and many other institutions. He is a widely travelled person .

Mr. Sarin is member of Local Board of State Bank of India , Chandigarh Circle and is member of the Remuneration Committee of the Company.

By Order of the Board
for **AMRIT ENTERPRISES LIMITED**

Regd Office :
Old Dhakanshu Kalan,
Chandigarh Road,
Rajpura (Punjab)

sd/-
HARISH SHARMA
COMPANY SECRETARY

30th July, 2004

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DIRECTORS' REPORT

The Directors take pleasure in presenting the 19th Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL PERFORMANCE

		(Rs. in lacs)
	2003-04	2002-03
Sales	**24351.27**	16387.83
Other Income	**51.42**	9.53
Operating Profit (PBIDT)	**474.18**	421.89
Interest	**78.44**	66.44
Depreciation	**136.72**	138.70
Profit before tax (PBT)	**259.02**	216.72
Provision for tax	**57.55**	56.40
Deferred Tax Provision	**7.51**	5.22
Profit after Tax (PAT)	**193.96**	155.13
Prior period taxes	**-2.27**	-0.98
Balance of Profit carried to Balance Sheet	**191.69**	154.15

OPERATIONS

The year 2003-2004 witnessed lot of developments including some adverse winds which the Edible Oil Industry had to encounter.

Firstly, the announcement of 8 % excise duty on vanaspati and refined oils in the month of March, 2003 and subsequent announcement about its roll back immediately , which was ultimately changed after a gap of two months in May, 2003 to Rs. 1250 PMT on vanaspati and Rs. 1000 PMT on refined oils. This led to lot of confusion in the trading community which affected the turnover and margins badly in the first quarter of 2003-2004.

Secondly, the entry of multinational companies , large corporate houses which have set up new refineries with huge capacity at port towns in the country and growth of regional players which are selling branded/loose edible oils have posed a major challenge in a competitive environment.

Thirdly, frequent changes in Government policies, higher rate of custom duty, offering of fiscal benefits by many states in the shape of excise/income tax etc., malpractice's adopted by certain traders in import of palm oil as crude oil due to differential in import duly structure i.e. 70% to 65%, flooding of market with stearin (Non – edible fats) at cheaper duty , import of vanaspati at zero rate of duty from Nepal and Sri Lanka due to free trade agreements are a matter of concern for the existing industry and the same has further intensified the competition and shrinkage of margins.

Despite all these factors, your Company has been able to tide over the situation and perform reasonably well mainly due to its strict quality control measures and brand image in the market. The production/ purchase of vanaspati and refined oils has increased to 44511 M.T. from 35354 M.T. in the previous year showing a growth of 26 % and the sales grew to 44741 M.T. from 34958 M.T. in the previous year registering an increase of 28 %. The Sales in value terms increased from Rs. 16388 lacs to Rs. 24351 lacs . The Company has earned net profit of Rs. 191.69 lacs as against Rs. 154.15 lacs in the previous year.

Your Directors are not recommending any dividend for the year with a view to conserve the resources for future growth & development, to meet the increased working capital requirements due to rise in the prices of edible oils by more than 20% and to fight the up coming competition.

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FINANCE

1. **Working Capital Facilities**

   During the year under report, State Bank of India (SBI) has sanctioned working capital facilities by taking over the share of Oriental Bank of Commerce (OBC). Now, State Bank of Patiala (SBOP) and State Bank of India are members of the consortium, SBOP being lead bank.

2. **Fixed Deposits**

   The Company had an aggregate amount of Rs. 207.05 lacs as deposit from the public and shareholders as on 31st March, 2004 (previous year – Rs. 172.35 lacs). There are 23 (previous year 6) deposits aggregating to Rs. 8.14 lacs (previous year 2.45 lacs) due for payment as on 31st March, 2004 as the same have not been claimed by the depositors. The Company has not defaulted in making payment to the small depositors. The Company continues to accept/ renew deposits within the prescribed limits.

DIRECTORS

Mr. J. K. Khaitan and Mr. M. L. Sarin , Directors of the Company retire from office by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment.
A brief resume, expertise and details of the directorship in other Companies of these directors are annexed alongwith Notice of the ensuing Annual General Meeting.

AUDITORS & AUDITORS REPORT

Messrs. Goel Rajendar & Associates, Chartered Accountants, Chandigarh, retires as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness for reappointment. Your Directors have recommended the appointment of Messrs. Goel Rajendar & Associates, Chartered Accountants , as Auditors for the next year. The audit report do not contain any qualification , hence do not call for any comments/explanations by the directors.

DELISTING OF EQUITY SHARES

In accordance with the approval granted by the shareholders by way of special resolution at the 18th Annual General Meeting , the Company has got its equity shares delisted from the Ludhiana Stock Exchange Association Limited.

The Company's Equity Shares shall continue to be listed on The Stock Exchange, Mumbai (BSE), which have nationwide trading terminals and The Delhi Stock Exchange Association Limited (DSE).

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm:

a) that in preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures:

b) that 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 as at the end of the financial year and of the profit or loss of the Company for that period.

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c) that they have taken proper and sufficient care for the 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;

d) that they have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 , the relevant data relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in the Annexure to this report.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2002 as amended are not applicable as there is no employee drawing the minimum salary prescribed under the relevant provisions.

CORPORATE GOVERNANCE

A separate section on Corporate Governance forming part of Directors' Report and the certificate from the Company's Auditors confirming compliance of conditions of Corporate Governance as stipulated in Clause No. 49 of the listing agreement is included in the Annual Report.

A report on Management Discussions and Analysis , is set out as an Annexure and forms part of the Directors report.

ENVIRONMENT, HEALTH AND SAFETY

The Company accords high priority to health, safety and environment protection. Health and Safety awareness programmes are regularly undertaken to educate the workforce on health and safety aspects. The Company is adhering to regulatory requirements in respect of environmental aspects and has installed pollution control devices for controlling Air and Water pollution .

HUMAN RELATIONS

Cordial relations prevailed at all levels throughout the year. The Directors take this opportunity to express their sincere appreciation for the dedicated service and contributions of the employees towards the growth of the Company.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank all the members, dealers, business associates, suppliers, banks, various Central and State Government Authorities for their continued support and cooperation towards growth of the company.

For and on behalf of the Board of Directors

	Sd/-	**Sd/-**
Chandigarh	**J.K. Khaitan**	**Pavan Khaitan**
30th July, 2004	**Director**	**Managing Director**

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ANNEXURE TO THE DIRECTORS' REPORT

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT

1. CONSERVATION OF ENERGY

Energy conservation is an ongoing and continuous process and high priority has been accorded in this field. The Company has taken various measures in the field like - better utilization of natural lighting by replacing it with artificial lighting, replacement of outdated energy intensive equipment with energy saving equipment etc. With the adoption of these measures, Company is able to improve efficiency in its resources, minimum break down of machinery and reduction in cost of production.

A. Power and Fuel Consumption

	2003-2004	2002-2003
1. Electricity		
a) Purchased		
Unit (KWH)	**2333220**	2410820
Total Amount (Rs.)	9223779	9006273
Rate/Unit (Rs.)	3.95	3.74
b) Own generation		
Through diesel Generator		
Unit (KWH)	**727055**	940726
HSD for Generator	234349	303254
Unit per ltr of Diesel Oil	3.10	3.10
Value of Diesel	4119471	5263248
Cost/Unit (RS.)	5.67	5.59
2. Coal		
Quantity (ton)	-	-
Total Cost	-	-
Average Rate	-	-
3. Furnace Oil	-	-
4. Others		
a) Rice Husk for Boiler (MT)		
Quantity (ton)	7442	7205
Total Cost (Rs.)	**10293718**	11285162
Rate/Unit (Rs. /Ton)	1383	1566
b) HSD for Thermic Fluid Heater		
Quantity (KL)	277.14	243
Total Amount (Rs.)	4871684	4270588
Rate/Unit(Rs./KL)	17578	17573

B. Consumption per Ton of Production

Unit Production (M.T.)	36959	29626
Electricity (KWH/MT)	**83**	113
Coal	-	-
Furnace Oil	-	-
Others	-	-
- Rice Husk (Kg/MT)	**201**	243
- HSD (Ltr/MT)	**7**	8

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II. TECHNOLOGY ABSORPTION

Research and Development

The Research and Development is a continuous process and your Company has established separate Research and Development Centre. It has taken various steps in the direction like improvement in quality of products by adopting better/new product mix, innovation of new products, better and attractive packaging . It has helped the Company in reduction in cost, wastage and introduction of new products in the market and maintaining its brand image in the market.

Expenditure on Research and Development

(Rs. In lacs)

	2003-2004	2002-2003
Capital	0.00	0.09
Recurring	2.12	1.59
Total	2.12	1.68
Turnover	24351.27	16387.83
Total Research & Development Expend. as a percentage of turnover	0.01	0.01

Technology absorption, adaptation and innovation

The Company has not imported any technology nor entered into any technical collaboration with any party during the year ended 31st March, 2004.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars with regard to Foreign Exchange Earning and Outgo are given in Schedule O to the accounts.

For and on behalf of the Board of Directors

	Sd/-	**Sd/-**
Chandigarh	**J.K. Khaitan**	**Pavan Khaitan**
30th July, 2004	**Director**	**Managing Director**

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MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian Edible oil industry continues to be highly competitive. Indian vegetable oil economy is the fourth largest in the world after USA, China and Brazil.

Oil seeds production has touched 25 million tons during 2003-2004 surpassing the previous high of 24.7 million tons achieved in 1998-1999 against the 15 million tons during the year 2002-2003 due to good monsoon during 2003-2004. India's share of oilseeds production is only 25 million tons as compared to world production of 328.60 million tons during the year 2003. The domestic production of oilseeds and edible oils is not sufficient to meet the needs of the industry. Almost 45 % of our edible oil requirement are being met through imports. Both the vanaspati and edible oil industry depends on imports of crude palm oil and other oils.

The stringent quality parameters fixed by the Government for availing custom duty at the rate of 65% on crude oil can not be met, hence the same attracts higher custom duty rate of 75 % applicable to refined palm oil, resulting in unnecessarily increase in the cost of oils.

OPPORTUNITIES & THREAT

The per capita consumption of edible oils in India is around 12 Kg, which is still lower as compared with the world average per capita consumption of 19 Kg.. Due to increase in population in India at the rate of 1.44 % approximately accompanied by increase in standard of living , increase in buying power of middle income group and shift in their eating habits from routine food to fast food , there is a lot of potential for growth in demand for edible oils in the Country.

Secondly, in India, the demand of vanaspati is more in lower segment than in higher class, hence there is a lot of scope for creating market of vanaspati and refined oils among various segments.

Frequent changes in the Government policies , uncertainty about implementation of certain decisions by Government like introduction of VAT, frequent increase in custom duty on crude palm oil from merely 25 % to 75 % in a short span of just three years from 2001 to 2004 , differential in sales tax structure of various states, fiscal benefits offered by many states to the new units in the shape of excise duty, Income Tax, etc., malpractice's adopted by certain traders in import of palm oil as crude palm oil due to difference in custom duty rates, entry of multinational companies and setting up of new refineries with huge capacity at port town(s) by big corporate houses, growth of regional players selling branded/loose edible oils are some of the unfavorable features which operate to the disadvantage of the existing sector and further intensified the competition resulting in shrinkage of margins.

Your Company has fully equipped itself to face such eventualities. Its long past experience in the edible oil industry and prudent business policies adopted by the management have enabled it to successfully meet the challenges.

RISK AND CONCERN

The dependence on imported oils i.e. crude palm oil has increased , since the units are allowed to use 88% of their raw oil requirement in production of vanaspati , hence , there is significant exposure to foreign exchange fluctuations.

The Company has been taking appropriate steps in the direction so that impact of exchange fluctuation does not affect the operations of the Company.

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