

ANNUAL REPORT 1998-99

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THE ANIL STARCH PRODUCTS LIMITED

A MEMBER OF THE LALBHAI GROUP

The Anil Starch Products Limited

Directors :

Shripal C. Sheth
Navnitlal Sakarlal Shodhan
Nusli N. Wadia
Amol S. Sheth
Balkrishna V. Doshi
Rahul A. Patel

Chairman & Managing Director

Managing Director

Auditors :

Messrs Dalal & Shah
Chartered Accountants
Mumbai.

Bankers :

Bank of India

Regd. Office :

Anil Road,
Ahmedabad - 380 025.

THE ANIL STARCH PRODUCTS LIMITED**NOTICE**

NOTICE is hereby given that the Sixtieth Annual General Meeting of the Members of the Company will be held on Monday, the 27th day of September, 1999 at 10.00 a.m. at Ahmedabad Textile Mills Association (ATMA) Hall, Ashram Road, Ahmedabad - 380 009 to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and audited Balance Sheet as at 31st March, 1999 with the documents required by law to be annexed thereto.
2. To declare dividend.
3. To appoint a Director in place of Shri Balkrishna V. Doshi, who retires by rotation under Article 129 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
4. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution;

RESOLVED THAT Payment of an amount of Rs. 5,625/- to M/s. Dalal & Shah, Chartered Accountants towards service tax on audit fees for the year 1998-1999, in addition to the remuneration plus actual out of pocket expenses as approved by the last Annual General Meeting, be and is hereby ratified and approved.

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution;

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 311, 314(1B), schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the re-appointment of Shri Shripal C. Sheth, as a Managing Director of the company for a period of 5 years from 1st January, 2000, on the terms of remuneration and perquisites and on other terms and conditions as set out in the draft agreement to be entered into between the company and Shri Shripal C. Sheth, a copy whereof initialled by the Chairman for the purpose of identification placed before this meeting.

FURTHER RESOLVED THAT Shri Shripal C. Sheth be paid remuneration by way of salary and perquisites as set out in the explanatory statement and that the Board of Directors be and are hereby authorised to enhance or vary the quantum of remuneration and perquisites payable or granted to Shri Shripal C. Sheth, as they may deem proper from time to time considering the nature and scope of his activities provided, however that such enhancement or variation should be within the limits specified in schedule XIII of the Companies Act, 1956 and should be in conformity with any amendments to the relevant provisions of the Companies Act, 1956.

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution;

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 311, 314(1B), schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the re-appointment of Shri Amol S. Sheth, as a Managing Director of the company for a period of 5 years from 1st January, 2000, on the terms of remuneration and perquisites and on other terms and conditions as set out in the draft agreement to be entered into between the company and Shri Amol S. Sheth, a copy whereof initialled by the Chairman for the purpose of identification placed before this meeting.

FURTHER RESOLVED THAT Shri Amol S. Sheth be paid remuneration by way of salary and perquisites as set out in the explanatory statement and that the Board of Directors be and are hereby authorised to enhance or vary the quantum of remuneration and perquisites payable or granted to Shri Amol S. Sheth, as they may deem proper from time to time considering the nature and scope of his activities provided, however that such enhancement or variation should be within the limits specified in schedule XIII of the Companies Act, 1956 and should be in conformity with any amendments to the relevant provisions of the Companies Act, 1956.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

Registered Office:
Anil Road,
Ahmedabad - 380 025.
5th June, 1999.

By Order of the Board

Naresh Bheda
Company Secretary

NOTES:

1. Printed copy of Annual Report for 1998-99 is enclosed herewith.
2. The Dividend when sanctioned by the Annual General Meeting will be paid to those members whose names stand on the Register of Members of the Company on 30th July, 1999.
3. The members are hereby informed that all unpaid/unclaimed dividends declared for and upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Those members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Gujarat State, Ahmedabad.
4. The Register of Members and the share transfer books of the Company will remain closed from Friday the 16th July, 1999 to Friday the 30th July, 1999 (both days inclusive).
5. For any further information regarding the accounts, advance intimation be given and the members should ensure that it reaches the Company at least 10 days before the date of the ensuing meeting.

Explanatory Statement as required under Section 173 of the Companies Act, 1956.

The following Explanatory Statement sets out all material facts relating to the ordinary resolution mentioned in the accompanying notice dated 5th June, 1999.

ON ITEM NO.5 :

At the Annual General Meeting held on 07th September, 1998, the members had approved the appointment of M/s. Dalal & Shah, Chartered Accountants, as auditors of the company hold office from the conclusion of that meeting to the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs. 1,12,500/- plus actual out of pocket expenses incurred by them. Subsequent to such approval, service tax was levied by the Finance Act, 1998 on the remuneration payable to Auditors.

The ordinary resolution set out at item No.5 of the notice is with a view to approve and ratify the payment of service tax to auditors on their fees for the year 1998-1999, in addition to the remuneration and actual out of pocket expenses approved by the members at the last annual general meeting.

ON ITEM NO.6 & 7 :

Resolution No. 6 and 7 relate to approving of the terms of re-appointment and remuneration of Shri Shripal C. Sheth and Shri Amol S. Sheth, as Managing Directors of the Company for a period of five years from 1st January, 2000. Shri Shripal C. Sheth and Shri Amol S. Sheth have been acting as Managing Directors of the Company and their present terms of office are due to expire on 31.12.1999, and the Board of Directors of the Company has considered it desirable that they should be reappointed for a further period of 5 years w.e.f. 01.01.2000. Accordingly, the Board of Directors, subject to the approval of members of the company has reappointed Shri Shripal C. Sheth and Shri Amol S. Sheth as Managing Directors of the Company for a further period of 5 years from 1st January, 2000, on the terms of remuneration and perquisites and on other terms and conditions as set out in the draft agreements to be entered by the company with Shri Shripal C. Sheth and with Shri Amol S. Sheth.

Under the provisions of section 269 of the Companies Act, no permission of the Central Government is necessary for the appointment of Managing Director if made in accordance with the conditions specified in Schedule XIII of the Companies Act, 1956 and since these conditions are fulfilled in respect of re-appointment of Managing Directors, the permission of the Central Government will not be required.

The draft agreements referred to in the concerned resolutions of the accompanying notice set out the remuneration and other terms and conditions of re-appointments of Shri Shripal C. Sheth and Shri Amol S. Sheth, as Managing Directors of the Company. The material terms are as under :

1. Salary : (i) Shri Shripal C. Sheth - Rs.25000/- per month.
(ii) Shri Amol S. Sheth - Rs.22500/- per month.

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2. Perquisites : Following perquisites shall be allowed in addition to salary to each of the Managing Directors.

Category-A

- (i) The Company shall provide furnished accommodation to each of the Managing Directors. If the Managing Directors are having their own accommodation the Company shall pay house rent allowance to each of the Managing Directors at the rate of 60% of their salary.
- (ii) The Company shall provide equipments and appliances, furniture and fixtures and furnishing to each of the Managing Directors at their residence at the entire cost of the company and the expenses of gas, electricity, water etc. shall be reimbursed by the company to each of the Managing Directors. The expenditure on these valued in accordance with the Income-tax Rules shall not exceed 10% of the salary.
- (iii) Medical expenses for each of the Managing Directors and their families shall be reimbursed by the Company.
- (iv) The Company shall provide leave travel fare for each of the Managing Directors and their families once in a year.
- (v) The Company shall reimburse annual fees for two clubs to each of the Managing Directors.
- (vi) The company shall pay personal accident insurance premium upto Rs.5,000/- per annum to each of the Managing Directors.

Category-B:- Perquisites under this category shall not be included in the computation of ceiling on remuneration.

- (i) The company shall contribute towards provident fund / pension / superannuation / retirement / annuity fund for each of the Managing Directors provided that such contribution either singly or put together shall not exceed the tax free limits prescribed under the Income Tax Act for each of the Managing Directors.
- (ii) The Company shall pay gratuity to each of the Managing Directors at the rate of half a month's salary for each completed year of service.
- (iii) Each of the Managing Directors shall be entitled to one month's privilege leave for every eleven months service. They shall be entitled to encash unavailed leave at the end of their tenure.

Category C:-

- (i) The company shall provide cars with drivers to each of the Managing Directors at the entire cost of the company for use on company's business. Use of the cars for their personal use shall be billed by the Company.
 - (ii) The company shall provide telephones to each of the Managing Directors at their residence at the entire cost of the company. Personal long distance calls shall be billed by the Company.
3. If the company has no profit or inadequate profit in any financial year during the currency of tenure of the Managing Directors, each of the Managing Directors shall be entitled to remuneration by way of salary and perquisites as above referred to be paid or granted as minimum remuneration to each of the managing directors provided that the total remuneration by way of salary, perquisites and any other allowances to each of the Managing Directors shall not exceed the limit prescribed in the Schedule XIII of the Companies Act, 1956.

The copies of draft agreements to be entered into by the company with Managing Directors are available for inspection at the Registered Office of the Company on any working day during usual business hours.

None of the Directors of the Company, except Shri Shripal C. Sheth and Shri Amol S. Sheth is concerned or interested in these resolutions.

The resolutions and explanatory statement set out an abstract of all material terms of the reappointments and the same be treated as an abstract and memorandum of interest in accordance with Section 302 of the Companies Act, 1956.

Registered Office:
Anil Road,
Ahmedabad - 380 025.
5th June, 1999.

By Order of the Board

Naresh Bheda
Company Secretary

ANNUAL REPORT**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting their report and audited Accounts of the Company for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	1998-99 (Rs.in lacs)	1997-98 (Rs.in lacs)
Profit before Depreciation and Taxation	251.22	376.44
Less: Depreciation	121.68	136.18
Profit Before Tax	129.54	240.26
Less: Provision for Taxation	10.00	21.60
Profit After Tax	119.54	218.66
Add: Excess Depreciation provided in earlier years	0.08	—
Add: Excess Deferred Revenue Exp. written off in earlier years	12.23	—
	131.85	218.66
Less: Tax adjustment in respect of earlier years	51.39	—
	80.46	218.66
Add: Balance of Profit of Previous years	539.87	369.16
The Balance available for appropriation	620.33	587.82
Your Directors appropriate the same as under:		
(i) Transfer to General Reserve	—	21.00
(ii) Proposed Dividend on Equity Shares	11.60	24.50
(iii) Tax on Dividend	1.28	2.45
(iv) Balance carried to Balance Sheet	607.45	539.87
	620.33	587.82

2. DIVIDEND

Your directors recommend a dividend of 5%. In terms of the Finance Bill, 1997, the amount of dividend is not taxable in the hands of shareholders and the Company is liable for tax @ 10% and Surcharge thereon @ 10% on distribution of dividend. Hence the total outlay on account of dividend and tax on dividend amounts to Rs. 12.88 Lacs.

3. FINANCE

The funds raised by the Company by way of debentures for its working capital needs have been utilised for the same purpose.

4. OPERATIONS

During the year under review, the prices of the major raw material - "MAIZE" have risen to unprecedented levels which resulted into tremendous increase in the cost of production. Further, due to stiff competition, recessionary conditions and tight money market situation, it was not possible to pass on the entire effect of increased cost of production to the consumers. Therefore, the profit margins were under pressure. The recessionary pressures and liquidity crunch in almost all user industries of the company's products also resulted in delayed recovery of debts. In spite of such unfavourable conditions, your company has been able to reduce its interest burden by Rs. 94.38 lacs.

Your directors are pleased to report that in spite of aforesaid adverse situations, your company, during the year under report has achieved a turnover of Rs. 10187.49 lacs as compared to Rs. 10022.67 lacs in the previous year. The management team has put in a lot of emphasis on bringing in cost efficiency in various areas. Specific teams has been formed to reduce costs in various areas

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as a result of which there has been considerable reduction in the cost of steam, power and certain other overheads. It was because of these efforts that inspite of the adverse conditions as mentioned above the Company was able to achieve a net profit of Rs. 119.54 lacs during the year under report.

5. SUBSIDIARY COMPANIES

During the year under review, your Company's wholly owned Subsidiary Company - Anil Starch Specialities Ltd has achieved a turnover of Rs.310.80 lacs as compared to Rs. 159.46 lacs in the previous year. A lot of emphasis has been put on developing speciality starches in this company. Modified starches and blended starches through dpy process are being produced in this company. It is because of this specific focus given to the development of these products that the turnover in this company has increased substantially inspite of recessionary conditions.

In the other wholly owned subsidiary company - Anil Starch Marketing Ltd., lot of efforts have been made in developing new export markets. As a result of these efforts, the export turnover of Anil Starch Marketing Ltd. was Rs. 443.72 lacs during the year under report as compared to Rs. 343.38 lacs in the previous year.

Anil Consumer Products Ltd. - a subsidiary company, has not carried any business activity during the year under report.

The annual accounts alongwith Directors Report and Auditor Report of the said companies are appended to the annual report as required by law.

6. INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year. Human resources development, employee/workmen training and safety measures continued to receive higher attention. Your directors place on record their appreciation of services rendered by employees at all levels.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the Report.

8. INSURANCE

Company's buildings, plant and machineries, stocks and other properties wherever necessary and to the extent required have been adequately insured.

9. DIRECTORS

(i) During the year under report, Shri Jaykrishna Harivallabhdas and Shri G.V. Kapadia, due to their old age, have relinquished the position of directors of the Company. The directors wish to place on record their appreciation for valuable, meritorious and devoted services rendered by them during the tenure of their directorship.

(ii) Under Article 129 of the Articles of Association of the Company, Shri Balkrishna V. Doshi retires by rotation and being eligible, offer himself for re-appointment.

10. PARTICULARS OF EMPLOYEES

The Company has not employed any person drawing remuneration aggregating not less than Rs. 50,000/- p.m. or Rs. 6,00,000 p.a., hence section 217(2A) of the Companies Act, 1956, is not applicable.

11. Y2K (YEAR-2000) COMPLIANCE

The Company has taken appropriate and effective steps to create Y2K awareness and assessment of Y2K impact. The Company has achieved significant progress and expects all the systems to be Y2K compliant by September, 1999. Contingency plan is being worked out and it would be in place by the turn of the year. (for further details, members are requested to refer note 18 of notes forming parts of accounts)

12. AUDITORS

You are requested to appoint the Auditors and fix their remuneration. The specific notes forming part of the Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

Your Directors trust that you will consider the working results satisfactory.

By Order of the Board,

Ahmedabad
05th June, 1999.

Shripal C. Sheth
Chairman & Managing Director

ANNUAL REPORT**ANNEXURE TO THE DIRECTORS' REPORT (UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956)****A. CONSERVATION OF ENERGY :****(a) Energy Conservation measures taken :**

The Company continues to lay great emphasis on the conservation of energy and as part of continuous effort for conservation of energy several measures have been taken during the year such as: (i) Application of new technology for the cooling requirements in the plants thereby resulting in reduction of electric power consumption. (ii) Re-utilisation of fresh water before discharge into sewer. (iii) Utilisation of process condensate wherever possible instead of fresh water. (iv) Recovery of condensate and re-utilisation in boiler. (v) Collection and utilisation of flash steam wherever possible instead of fresh live steam. (vi) Equipment upgradation to reduce steam consumption. (vii) Elimination of use of high energy consuming equipments wherever possible.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

A specific team dedicated for energy conservation has been actively identifying areas of conservation of energy based on specific studies that had been undertaken. Investments have been made mainly in the following areas :

- (a) Steam recovery system
- (b) Water re-utilisation system
- (c) Equipments for meeting cooling requirements of the plants

(c) Impact of measures taken :

The adoption of energy conservation measures have resulted in more efficient utilisation of steam as well as power.

(d) Total energy consumption per unit of Production :**FORM A****A. POWER AND FUEL CONSUMPTION :**

	1998-99	1997-98
1. Electricity:		
Purchased:		
Unit '000 Kwh	25,951	30,368
Total amount (Rs. in lacs)	1046.09	1161.91
Rate/unit (Rs.)	4.03	3.82
2. Coal-Grades B to E:		
Quantity '000 M.T.	20	23
Total cost (Rs. in lacs)	413.32	503.89
Average rate (Rs. per M.T.)	2,092	2,226
3. Furnace Oil:		
Quantity (K.L)	1,750	1,145
Total amount (Rs. in lacs)	117.16	85.54
Average rate (Rs. per K.L.)	6,694	7,474
4. Lignite & others:		
Quantity '000 M.T.	18	22
Total cost (Rs. in lacs)	232.53	269.98
Average rate (Rs. per M.T.)	1,269	1,232

THE ANIL STARCH PRODUCTS LIMITED**B. CONSUMPTION PER M.T. OF PRODUCTION :**

	Electricity		Steam		Furnace Oil	
	Current Year		Current Year		Current Year	
	Std	kwh.	Std	M.T.	Std.	K.L.
Chemicals	—	226 (214)	—	2.549 (2.599)	—	—
Drugs & Pharmaceuticals	—	4767 (4750)	—	17.008 (17.059)	—	—
Processed Foods	—	152 (227)	—	3.637 (3.697)	—	—

Note :- Figures in Brackets relate to 1997-98

B. TECHNOLOGY ABSORPTION:**FORM B****Research and Development:**

The Company's R & D Centre has been approved by the Department of Science & Technology since 1974 and it has been actively engaged in carrying out R&D in several areas including process & product improvement. The company continuously lays great emphasis on R & D. A lot of inputs have been provided by the company's technical collaborator M/s. Corn Products International Inc., U.S.A. and many new applications and products have been developed with their inputs.

New applications and products have been developed for the textile and paper industry. With the development of the processed food industry in the country, special focus is given for developing newer products and applications for this industry. Because of specific efforts put in by the R & D dept., the company has been able to improve substantially the quality of its products.

The Company will continue to lay emphasis on various areas of R&D. The expenditure on R&D is as under :

	1998-99	1997-98
	Rs. in lacs	Rs. in lacs
- Capital	0.01	1.87
- Recurring	30.19	30.33
- Total	30.20	32.20
- Total R&D expenditure as percentage of total turnover	0.29%	0.32%

Technology absorption, adaptation and innovation:

Through continuous interaction with R&D centre, efforts are made towards technology absorption, adoption and innovation. The thrust areas have been the improvement of quality of all the products, increase in productivity through cost effective programmes and development of related products for various end uses.

The company receives valuable inputs from its technical collaborator M/s.Corn Products International Inc., USA for upgradation of technology with a view to improve product quality and reduce production cost.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information is given in Notes forming part of the accounts. Members are requested to refer the said notes.

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of The Anil Starch Products Limited, as at 31st March, 1999 and also the annexed Profit & Loss Account of the Company for the year ended on that date and report as under:-

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order;

2. Further to our comments in the Annexure referred to in paragraph above, we report that :-

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

In our opinion, proper Books of Account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company;

The Balance Sheet and Profit & Loss Account dealt with by the Report are in agreement with the Books of Account of the Company;

In our opinion the Profit and Loss Account and the Balance Sheet, read with note no 17 relating to non-applicability of Accounting Standard AS 15 issued by the Institute of Chartered Accountants of India, comply with the Accounting standard referred to in section 211(3C) of the Companies Act, 1956 to the extent applicable.

In our opinion and to the best of our information and according to the explanations given to us, the accounts, subject to:

Note-6(a) - relating to classification of Goods and Application to Central Government for the same;

Note-8 - relating to capitalisation of interest upto 31st December, 1985 on term loans (including Debentures/Deferred Credits) for the entire contracted period of Loans/Debentures/Deferred Credits raised for meeting Capital expenditure which has resulted in the higher charge of depreciation to the Profit and Loss Account for the year by Rs. 9.05 lacs and consequently Profit for the year being lower by Rs. 9.05 lacs. The aggregate increase in Gross Value of fixed assets is Rs. 170.49 lacs and Reserves and Surplus is Rs. 24.20 lacs. The aforesaid Capitalisation of interest on post period of installed and commissioned cost of assets is not in accordance with the accounting practice recommended by the Institute of Chartered Accountants of India;

Note-10 - Relating to the basis of providing Depreciation in respect of certain assets of the Company as detailed in the note and higher net value of fixed assets by Rs. 405.65 lacs;

Note-14 - Relating to inclusion of interest in arriving at the cost for the valuation of closing stock of materials in process and finished goods which is not in accordance with the recommendation made by the Institute of Chartered Accountants of India, effect of which on year - end inventory and profit for the year is not ascertained.

and read together with other relevant notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view:-

(a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1999 and

(b) In the case of the Profit & Loss Account of the Profit for the year ended on that date.

For and on behalf of

Dalal & Shah,

Chartered Accountants,

B. R. Shah

Partner

Ahmedabad
5th June, 1999.