

11th
Annual Report
2003-2004



EMMSONS INTERNATIONAL LIMITED

BOARD OF DIRECTORS

| | |
|---|---------------------|
| Anil Monga | Managing Director |
| Madan Lal Monga | Director |
| Rajesh Monga | Whole Time Director |
| Sanjeev Monga | Director |
| Mulraj J. Tanna | Director |
| Sudesh Pal Jain | Director |
| Vijay Kumar Kakkar | Director |
| Gp. Captain Barjinder Kumar Dhir, VM (Retd.) | Director |

BANKERS**ORIENTAL BANK OF COMMERCE**

Overseas Branch, M-33, Greater Kailash-II,
New Delhi - 110048

INDIAN OVERSEAS BANK

A-19/22, Moolchand Shopping Complex
Defence Colony, New Delhi

AUDITORS**SURESH & ASSOCIATES**

3A, Bigjo's Tower, Netaji Subhash Place
Pitampura, Delhi - 110034

REGISTERED OFFICE

2637, First Floor,
Naya Bazar, Delhi - 110006

ADMN. OFFICE

101, South Delhi House,
12, Zamrudpur Community Centre
Kailash Colony, New Delhi-110048

SHARE REGISTRAR

IN TIME Spectrum Registry Limited,
A-31, 3rd Floor, Naraina Industrial Area,
Phase-I, Near PVR Cinema,
New Delhi - 110028

CONTENTS**Page No.**

| | |
|---|-------|
| 1. Notice | 1-3 |
| 2. Director's Report | 4-6 |
| 3. Report on Corporate Governance | 7-9 |
| 4. Auditor's Report | 10-11 |
| 5. Balance Sheet | 12 |
| 6. Profit & Loss Account | 13 |
| 7. Schedules | 14-17 |
| 8. Notes on Accounts | 18-19 |
| 9. Cash Flow Statement | 20 |



NOTICE

NOTICE is hereby given that Eleventh Annual General Meeting of M/s Emmsons International Limited will be held on Friday, the 24th September, 2004 at 11.00 A.M. at Madhuban Holiday Inn, B-71, Greater Kailash-1, New Delhi 110 048 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and Profit & Loss Account for the year ended on that date together with Auditor's Report and Report of Directors.
2. To appoint a Director in place of Mr. Madan Lal Monga, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sanjeev Monga, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s Suresh & Associates, Chartered Accountants, as Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors 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 pursuant to the Provisions of Section 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any of the Companies Act, 1956 approval of the members of the company be and is hereby accorded for the re appointment of Mr. Rajesh Monga as the Wholetime Director of the Company for a further period of five years w.e.f. 1st January, 2004 at a remuneration and perquisite as detailed below: -

A. SALARY:

Rs. 80,000 (Rupees Eighty Thousand Only) per month in the grade of 80,000 - 20,000 - 1,20,000 - 30,000 - 2,40,000.

B. COMMISSION:

Such percentage of net profits as may be decided by the Board of Directors in each financial year.

C. PERQUISITES:

In addition to Salary and Commission, he will be entitled to Perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement, leave travel concession, club fees, personal accident insurance etc. in accordance with the rules of the Company, such perquisites being restricted to Rs. 5,00,000/- (Rupees Five Lacs Only) per annum.

- i) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, otherwise, at actuals. Provisions for use of

Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of Perquisites for the purpose of calculating the said ceiling.

- ii) Company's contribution to Provident Fund and Superannuation Fund not exceeding twenty five percent of the remuneration shall not be included in the computation of limits for Perquisites aforesaid.
- iii) The total remuneration payable to him including Commission, value of Perquisites and Company's contribution towards Provident Fund and Superannuation Fund shall not exceed Rs. 25,00,000/- (Rupees Twenty Five Lacs Only) for any financial year.

D. OTHER TERMS

- i) The total remuneration including Commission Perquisites and Company's contribution towards Provident Fund and Superannuation Fund payable to him shall not exceed five percent where there is only one Managing/ Whole time Director and ten percent where there are more than one Managing/Wholetime Director, of the profits calculated in accordance with Section 198 and 309 of the Companies Act, 1956.
- ii) The Wholetime Director shall be entitled to reimbursement of all actual expenses, including on entertainment and traveling, incurred in the course of the Company's business.
- iii) The Wholetime Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities such as hospitalization etc. as are granted to the Senior Executives of the Company, in accordance with the Company's practice, rules and regulations in force from time to time.
- iv) The Company or the Wholetime Director shall be entitled at any time to terminate this appointment by giving three months written notice or by any shorter notice as may be mutually agreed to, by both the parties.
- v) In the event of loss or inadequacy of profits in any financial year, the Wholetime Director shall be paid, subject to the compliance of Schedule XIII of the Companies Act, 1956 in this regard, remuneration by way of salary and perquisites as specified above.
- vi) The Wholetime Director, so long as he functions as Wholetime Director, shall not be paid any sitting fee for attending meeting of the Board of Directors or Committees thereof.

"RESOLVED FURTHER THAT the Wholetime Director will be authorized to exercise such powers of management, as may be delegated to him by the

Company from time to time, subject however, to the overall superintendence, control and supervision of the Board of Directors of the Company."

"RESOLVED FURTHER THAT in the event(s) of any relaxation by the Central Government in the provisions of Schedule XIII of the Companies Act, 1956, the Board of Directors will be authorized to increase the remuneration and/or the term of appointment of the Wholetime Director, as the Board may decide from time to time subject to such provisions."

6. 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 clause 5.2 of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable provisions of the Companies Act, 1956, if any approval of the members of the company be and is hereby accorded for the voluntary delisting of company equity shares from The Delhi Stock Exchange Association Limited, New Delhi and The Ludhiana Stock Exchange Association Limited, Ludhiana."

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorized to make, sign and file the necessary delisting application with these two stock Exchanges and to do all acts, deeds and things, which they may in their absolute discretion deem necessary and appropriate to give effect to the above resolution and to do all other ancillary and consequential matters thereto."

7. 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 section 314(1)(b) and other applicable provisions, if any of the Companies Act, 1956 and pursuant to the provisions of Directors' relatives (office or place of profit) rules, 2003, or any amendment or substitution thereof, and further subject to the approval of Central Government, where necessary, approval of the members of the company be and is hereby accorded to Mr. Shivaz Monga (a relative of Mr. Anil Monga, Managing Director of the company) to hold and continue to hold office or place or profit under the Company with effect from 15th June, 2004 as Manager(Exports) with a monthly salary of Rs. 35,000/- consisting of a basic salary of Rs. 25,000/- under a grade of Rs. 25,000-5,000-45,000 and such other allowances, perquisites, benefits and amenities as applicable to the Company's executives in the similar grade."

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorized to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution."

**By Order of the Board of Directors
For Emmons International Limited**

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself, and proxy need not be a member of the company. The instrument of appointing proxy should, however, be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
2. An explanatory statement pursuant to section 173 of the Companies Act, 1956, relating to Special Business to be transacted at Annual General Meeting is annexed herewith.
3. The Register of Members and the Share Transfer Books of the company shall remain closed from Friday, the 17th September, 2004 to Friday, the 24th September, 2004 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature registered with the company for admission to the meeting hall. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for identification.

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

Item No. 5

Mr. Rajesh Monga was appointed as a Wholetime Director of the company for a period of five years w.e.f. 1st January, 1999 by the members by passing a resolution at their 6th Annual General Meeting held on 29th September, 1999.

This said term of appointment of Mr. Rajesh Monga expired on 31st December, 2003. Considering his successful, result oriented track record and his experience in field and his active involvement in the affairs of the company, the Remuneration Committee of the Board of Directors at their meeting held on 8th January, 2004 approved the re appointment and recommended the same to the Board of Directors. The Board of Directors of the company at their meeting held on 30th January, 2004 confirmed the re- appointment of Mr. Rajesh Monga as Wholetime Director for another five years with effect from 1st January, 2004 subject to the approval of the members of the company.

Pursuant to the provisions of the section 269 read with schedule XIII of the Companies Act, 1956, approval of the members is required for the appointment/re appointment of the Wholetime Director of the company. Accordingly, yours' Directors recommend the passing of resolution no. 5 of this notice as an Ordinary Resolution.

Mr. Rajesh Monga is a graduate and is associated with the company since its incorporation. He has to his credit vast, rich and varied experience in the field of procurement and trading of Agri Commodities. Due to the efforts of Mr. Rajesh Monga, the company made a good reputation in the market.

The detailed terms and conditions stated in the resolution no.5 and in this explanatory notes may be considered as an abstract of terms and conditions as required by the provisions of section 302 of the Companies Act, 1956.

**Dated : 9th August, 2004
Place : New Delhi**

**Sd/-
Ankur Jain
Company Secretary**



Members are requested to pass the resolution no. 5 of this notice as an Ordinary Resolution.

Mr. Anil Monga, Mr. Madan Lal Monga and Mr. Rajesh Monga may deemed to be interested in this resolution.

Item No.6

The equity shares of your company are listed on the following Stock Exchanges:

- The Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi-110 002
- The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana, Punjab and
- The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. (Scrip code 532038)

The company shares are specified for settlement only in dematerialized form for all investors since October, 2000.

With the extensive networking connectivity and extension of trading terminals across the country by The Stock Exchange, Mumbai, the investors have access to deal in the equity shares of the company. It has been observed that since last few years trading of equity shares of the company at Delhi Stock Exchange and Ludhiana Stock Exchange is negligible and in fact for the past couple of years, no trading took place on these two Stock Exchanges. The bulk of the trading in equity shares of the company takes place on The Stock Exchange, Mumbai. Accordingly, Listing fees paid to these two stock exchanges is disproportionately higher compared to the trading volumes of equity shares of the company.

As part of cost reduction measures, without affecting the interest of investors and the liquidity of the company equity shares, it is proposed to voluntarily delist the equity shares of the company from the Delhi Stock Exchange and Ludhiana Stock Exchange, in terms of clause 5.2 of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. The shareholders/investors in these regions would not suffer due to delisting of company equity shares from these two stock exchanges, as the shares of your company would continue to be listed with The Stock Exchange Mumbai, which provides screen based trading across the country.

Since pursuant to the provisions of SEBI Delisting Guidelines, 2003, the approval of the members is required for such voluntarily delisting by way of a Special Resolution, hence, yours' Directors recommend the passing of the resolution no. 6 of this notice as a Special Resolution. Members are requested to pass the same as a Special Resolution.

Annual listing fee for the year 2004-05 has been paid to the above Stock Exchanges.

None of the Directors of the company is interested in the resolution.

Item no. 7

Mr. Shivaz Monga (son of Mr. Anil Monga, Managing Director of the company) is a Bachelor in international business and

human resources from Swinburne University of Technology, Melbourne, Australia and also holds a Masters degree in professional accounting from Melbourne University, Melbourne, Australia. He has worked with M/s Emirates Trading Agency L.L.C., Dubai, U.A.E. There, he was involved in trading of steel rebars and other related items.

Considering his qualification and abilities, the Board of Directors of the company at its meeting held on 29th April, 2004 approved, subject to the approval of the shareholders of the company, the appointment of Mr. Shivaz Monga as Manager (Exports) with effect from 15th June, 2004 on the following remuneration structure under a grade of Rs.25,000-5,000- 45,000 along with the other allowances, perquisites, benefits and amenities as applicable to the company's executives in the similar grade.

| Sl. No. | Particulars | Per Month (Rs.) | Annual Amount (Rs.) |
|---------|--|-----------------|---------------------|
| 1 | Basic salary | 25,000 | 3,00,000 |
| 2 | House Rent Allowance (40% of the basic salary) | 10,000 | 1,20,000 |
| | Total Salary | 35,000 | 4,20,000 |

In the terms of the section 314(1)(b) of the Companies Act, 1956, the appointment of a relative of a Director to an office or place of profit in a company carrying a monthly remuneration of not less than Rs. 10,000/- requires the consent of the members by a Special Resolution. Further, the Directors' relatives (office or place of profit) rules, 2003, inter alia, provides that no appointment for an office or place of profit in a company shall take effect unless approved by the central Government on an application, in respect of

- Partner or relative of a director or manager; or
- Firm in which such director or manger, or relative of either is a partner; or
- Private company of which such director of manager or relative of either is a director or member,

Which carries a monthly remuneration exceeding Rs. 50,000.

As the monthly remuneration payable to Mr. Shivaz Monga exceeds Rs. 10,000/- but is less than Rs. 50,000/-, hence no approval of Central Government is required for the appointment of and payment of remuneration to Mr. Shivaz Monga and only the approval of the shareholders of the company under section 314(1) (b) is required. Accordingly, yours' Directors recommend the resolution no. 7 of this notice for your approval, which is to be passed as a Special Resolution.

Members are requested to pass the same as a Special Resolution.

Mr. Anil Monga and Mr. Madan Lal Monga may deemed to be interested in this resolution.

DIRECTORS' REPORT

Dear Members,

The Directors of your company have pleasure in presenting the Eleventh Annual Report together with the Audited Accounts of the company for the financial year ended 31st March, 2004.

1. FINANCIAL HIGHLIGHTS

A summarized position of the sales turnover, profits and taxation for the year under review as compared to the earlier year is given below:

| Particulars | Amount (Rs. In Lacs) | |
|---|----------------------|----------|
| | 2003-04 | 2002-03 |
| Gross Sales and Income | 22251.35 | 30153.55 |
| Profit before interest, Depreciation and taxation | 743.45 | 850.04 |
| Less : Interest and financial Charges | 588.20 | 611.14 |
| Depreciation | 17.87 | 12.52 |
| Profit before taxation | 137.38 | 226.38 |
| Less : Provision for taxation | 19.00 | 43.00 |
| Provision for deferred taxation/ (tax effect of timing differences during the year) | (7.12) | 8.52 |
| Profit after taxation | 125.50 | 174.86 |
| Add : Balance brought forward from the previous year | 818.12 | 744.56 |
| Disposable Profits | 943.62 | 919.42 |

2. DIVIDEND

With a view to conserve the resources for the expansion and diversification plans of the company, your Directors have decided not to recommend any dividend for the year ended 31st March, 2004.

3. MANAGEMENT ANALYSIS AND DISCUSSION

a) Industry structure & Development

In the more competitive environment of post GATT era, the Government of India suspended the sale of rice/wheat for export from Food Corporation of India (FCI) in August, 2003 and allowed the exporters to procure the commodities directly from the farmers/Agri commodity producers for the purpose of export for the ensuing season, thus encouraging exports on private trade. Though the formal guidelines on the policy are yet to be released but it is expected that the Government may grant subsidy to the exporters at the WTO compatible rates.

However, on account of non-declaration of any proper policy on the subject, the export of rice/wheat from India remains low. But, once a firm policy is declared by Govt. of India then under the changed scenario, both the farmers and the exporters have to develop expertise and continuously evolve strategies to take advantage of newly emerging opportunities under the more competitive environment. This kind of free trade

policy can be called as a growth oriented and a progressive export-friendly policy and it is trusted that it would have a positive impact on the Agri-export sector.

b) Outlook

The future exports would be based on the direct procurement from the open market in a major way and in view of limited availability of the food grains on account of their seasonal availability and longer export cycle, entering into a long term arrangement with some of the large overseas customers would be the need of the time. Your company is aggressively working on this aspect.

Your company carries a good relations with the rice millers and private traders and since, the procurement of food grains from the open market/private traders has been the core strength of your company, hence it can be stated that the exports would grow substantially in the years to come and we are optimistic about our prospects for the years to come. The company is hopeful of making substantial increase in turnover during the current financial year.

c) Risks, Threats and Opportunities

Presently there is very much price competition from the local and multinational players and this is a major threat to the individual growth. In the rice export, Thailand, Vietnam and China are the close competitors for India. There is unlikely to be any big export activity until the Government of India declares any export friendly policy. As of now, the exporters can buy rice/wheat from the open market but it is not competitive in the international market.

Further, since the availability of rice/wheat in private trade is restricted to the crop season, the exporters would be required to store the grain for a longer period and accordingly, there will be more blockages of funds in the storage, warehousing and handling charges. The new policy while giving more flexibility to the exporters would entail higher investments in stocks.

Furthermore, since the production of Agri commodities in India is highly dependent on the position of monsoon, hence risk is integral to almost every aspect of the Agri related business.

However, inspite of the many points made above, the new export policy is expected to herald the beginning of a new era in Indian agriculture sector as the new Government has indicated firm steps to promote the agricultural sector. Further, with the Global production of rice in 2004/05 is projected at 401.8 million tons, up 10.08 million tons from the last year and Global consumption continues to outpace production, the future of the Agri export sector seems to be very bright and there would be a re look at the export business of Agri commodities.

d) Segment wise Performance

As the company's business activity falls within single primary business segment viz. trading of commodities, hence reporting of segment wise performance is not applicable.



e) Internal Control system and their adequacy

The company's internal control systems are more than adequate and are routinely tested and certified by our statutory auditors. Moreover, the company continuously upgrades these systems in line with best prevailing practices.

Your company maintains adequate internal control system designed to provide reasonable assurance that assets are safeguarded. Transactions are executed in accordance with management's authorization and are properly recorded and accounting records are adequate for preparation of financial statements and financial information. Your company has well defined procedure to execute the financial transaction. Furthermore, the Audit Committee and the Board of Directors screen each financial transaction.

f) Financial and Operational Performance

For the year ended 31st March, 2004, your company has achieved a turnover of Rs. 223 crores with exports of Rs. 195 crores and domestic sales of Rs. 17 crores in comparison with turnover of Rs. 302 crores comprising of exports of Rs. 264 crores and domestic sales of Rs. 32 crores in the year 2002-2003. Further, profits (before taxation) for the year ended 31st March, 2004 were Rs. 137 crores, whereas, the profits in the previous year were Rs. 226 crores. The shortfall has occurred mainly on account of delay in movement of rice/wheat from Punjab to the ports and on account of stoppage of further sales by FCI in August, 2003 following the decision of Government to suspend the allocation of rice/wheat to exporters through FCI. Even otherwise frequent price increase by FCI, rendered Indian rice uncompetitive in the market. However, during the year, your company also started the export of Maize and Sugar and the results of these businesses are encouraging.

During the year under review, your company was awarded by the Federation of Indian Export organization (FIEO) with the prestigious "FIEO Award- NIRYAT SHREE" in recognition of excellent export performance made by the company in the year 2001-02.

The financial statements of the company for the year under review have been prepared in Compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The management of the company accepts the responsibility for the integrity and objectivity of these financial statements.

g) Human Resources and No. of employees employed

Employees' relations continued to be cordial and harmonious during the year. The employees have shown a high degree of maturity and responsibility in responding the changing needs of business and prevailing economic/market conditions. The company has remained focus on strengthening human capital through continuous training and development and by upgrading the skills of employees to meet the company's objectives. The total number of employees working with the company as on the end of the year under review was 36.

4. JOINT VENTURE/ASSOCIATE COMPANIES

M/s Emmsons Infotech Limited, a joint venture between your company and Westone Investment limited, UK has been functioning as Internet Service Provider in the Union territory of Chandigarh and Punjab region. The company has been facing the tough time due to slow down in the industry. Efforts are being made to stabilize the operations of the company.

5. INSURANCE

All assets of the company including its plant and machinery and stocks have been adequately insured.

6. FIXED DEPOSITS

The company had not accepted any deposit from public during the year ended 31st March 2004, pursuant to the provisions of section 58-A of the Companies Act, 1956.

7. DIRECTORS

Mr. Madan Lal Monga and Mr. Sanjeev Monga, Directors of the company will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

Your Directors recommend the reappointment of Mr. Madan Lal Monga and Mr. Sanjeev Monga as Directors of the company. The resolution in this regard is given in the notice of the Eleventh Annual General Meeting, which is separately sent to the members.

Further, pursuant to provisions of the clause 49 of the listing agreement, the brief resumes of the Directors, who are to be reappointed in this Annual General Meeting, are provided in the corporate governance section, which is a part of the Annual Report of the company.

8. AUDITOR'S REPORT

The Auditors observations are self-explanatory and, therefore do not call for any further comments.

9. AUDITORS

M/s Suresh & Associates, Chartered Accountants, the Auditors of the company retire at the ensuing Annual General Meeting and have expressed their willingness to continue in the office, if re-appointed. Members are requested to re-appoint them and authorize the Board to fix their remuneration and pay out of pocket expenses.

10. REPORT ON CORPORATE GOVERNANCE

A detailed report on the procedures adopted by the company on the Corporate Governance along with the certificate of Auditors of your company regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the listing agreement with Stock Exchanges is enclosed and form part of this Annual Report.

11. DELISTING OF EQUITY SHARES

The equity shares of the company are listed on The Delhi Stock Exchange Association Limited, DSE House, 3/1, Asaf Ali Road, New Delhi-110 002, The Ludhiana Stock Exchange Association Limited, Feroze Gandhi Market, Ludhiana, Punjab and The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. The scrip code for The Stock Exchange, Mumbai is 532038.