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IFB AGRO INDUSTRIES LIMITED

ANNUAL REPORT 1997-98



BOARD OF DIRECTORS

- CHAIRMAN
Bijon Nag
- EXECUTIVE DIRECTOR
Bikramjit Nag
- DIRECTORS
K. Srinivasan
P. C. D. Nambiar
Dr. R. Banerjee
R. N. Sen
N. Bhattacharya
D. P. Barua
K. Krishnan (Nominee of ICICI Ltd.)
S. K. Saha (Nominee of UTI)
K. P. Ramakrishnan (Nominee of IDBI)
- COMPANY SECRETARY
G. Ray Chowdhury
- AUDITORS
Maheshwari & Associates
Chartered Accountants
- BANKERS
State Bank of India
Bank of Maharashtra
Indian Overseas Bank
- REGISTERED OFFICE
Plot No. IND-5, Sector-1,
East Calcutta Township,
Kasba Industrial Estate,
Calcutta - 700 078
Ph : 442-0997/98/99/1001/1002
Fax : 442-1003
- WORKS
Noorpur, P. S. Diamond Harbour
Dist. South 24 Parganas
West Bengal
Durgapur
Dist. Burdwan
West Bengal
Maheshtala, South 24 Parganas
West Bengal
Serampore
Hooghly, West Bengal
Marine Product Process Plant
Kasba Industrial Estate,
Calcutta - 700 078
- REGISTRAR & SHARE TRANSFER AGENT
Mac Consultants Private Limited
"Surya", Ground floor
52D, Ballygunge Circular Road
Calcutta - 700 019

Contents

Notice	2
Directors' Report	6
Auditors' Report	12
Balance Sheet	14
Profit & Loss Account	15
Schedules to Balance Sheet and Profit & Loss Account	16
Notes on Accounts	20
Cash Flow Statement	26
Subsidiaries	28

Notice to the Members

Notice is hereby given that the Sixteenth Annual General Meeting of IFB Agro Industries Limited will be held on Thursday, 10th September, 1998 at 11.00 A.M. at the Registered Office of the Company at Plot No. IND-5, Sector-1, East Calcutta Township, Calcutta-700 078 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts as at and for the financial year ended 31st March, 1998 and the reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the financial year ended 31st March, 1998.
3. To appoint a Director in place of Dr. Ranjan Banerjee who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. N. Bhattacharya who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following resolutions :

6. **As a Special Resolution**
Resolved that pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby accords its approval to the appointment of Mr. Bikramjit Nag as Executive Director of the Company for a period of 3 (three) years with effect from 27th January, 1998 on such terms and conditions including remuneration as set out in the Explanatory Statement, with further discretion to the Board of Directors to alter and vary the terms and conditions in such manner as may be agreed to between the Company and Mr. Bikramjit Nag in accordance with the limitations contained in the Companies Act, 1956.
7. **As an Ordinary Resolution**
Resolved that Mr. K. Srinivasan be and is hereby appointed a Director of the Company.
8. **As an Ordinary Resolution**
Resolved that Mr. D.P. Barua be and is hereby appointed a Director of the Company.
9. **As a Special Resolution**
Resolved that pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the clause III(A) (Main objects) of the Memorandum of Association of the Company be altered as under :-
 - a) new sub-clauses Nos. 5, 6 and 7 be inserted after the existing sub-clause No. 4 as under : -
 5. to carry on the business of trading of all types of consumer durables including air conditioners, refrigerators, washing machines, microwave ovens, dishwashers, driers and all such other products.
 6. to carry on the business of manufacture and or assemble tools, machines, machine tools, equipment, jig-fixtures and components including seat reclining mechanisms and seating systems mainly for automotive industries.
 7. To enter into the business of real estate and to undertake and execute any contracts for work including civil construction and/or involving supply and use of any machinery, equipment and to carry out any ancillary or other works comprised in such contracts.

Registered Office :
Plot No. IND-5, Sector-1
East Calcutta Township
Calcutta- 700 078
Date : 30th June, 1998

By Order of the Board

G. Ray Chowdhury
Company Secretary

**Notes :**

1. The Register of Members and Share Transfer Registers of the Company will remain closed from 1st September to 10th September, 1998 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Proxies, in order to be effective, must reach the Registered Office of the Company at least 48 hours before the meeting.
3. The dividend on Equity Shares as recommended for the year ended 31st March, 1998, if declared at this meeting, will be payable on or after 10th September, 1998 to those members whose names appear on the Register of Members of the Company as on 10th September, 1998.
4. Dividend declared at the 12th Annual General Meeting held on 22nd July, 1994 and remaining unclaimed have been transferred to the General Revenue Account of the Central Government. Dividend declared at the 13th Annual General Meeting held on 23rd August, 1995 and remaining unclaimed will be transferred to the General Revenue Account of the Central Government on or after 12th October, 1998. Shareholders who have not yet encashed their dividend warrants are requested to deposit their warrants immediately for encashment.
5. Shareholders who have not yet furnished their Bank Account details, are requested to furnish the same before 10th September, 1998 in order to protect their interest against fraudulent encashment of dividend warrants.
6. Members are requested to :
 - a) notify immediately any change in their address to the Company.
 - b) bring their copy of the Annual Report to the meeting.
 - c) members holding shares in identical order of names in more than one Folio are requested to write to the Company's Registrar & Share Transfer Agent, Mac Consultants Private Limited enclosing their share certificates for consolidation of all such shareholdings into one folio for better investor service.
7. Explanatory Statement under Section 173(2) of the Companies Act, 1956 for item Nos. 6 to 9 is annexed hereto.

Explanatory Statement

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

Item No. 6

Mr. Bikramjit Nag was appointed as an Additional Director with effect from 14th October, 1997 and subsequently Executive Director of the Company by the Board of Directors for a period of three years with effect from 27th January, 1998. The said appointment was made in terms of Section 269 of the Companies Act, 1956 read with Schedule XIII thereof which is subject to the approval of the members in the General Meeting. The terms and conditions of the appointment including remuneration payable to Mr. Bikramjit Nag are produced below :-

1. Period of appointment : 3 years effective 27th January, 1998
2. Remuneration :
 - (a) Salary Rs. 19,000/- (Rupees Nineteen thousand) only per month with an annual increment of Rs. 1900/- (one thousand nine hundred) only per month.
 - (b) Commission In addition to salary, perquisites and other allowances, one per cent commission based on net profit of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198 and Section 309 and other applicable provisions, if any, of the Companies Act, 1956.
 - (c) Perquisites Perquisites shall be restricted to an amount equal to the annual salary.

Part A

- (a) Housing I The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceiling :
Sixty per cent of the salary over and above ten per cent payable by the Executive Director.

IFB AGRO INDUSTRIES LIMITED

Housing	II	In case the accommodation is owned by the Company, ten per cent of the salary shall be deducted by the Company.
Housing	III	In case no accommodation is provided by the Company, entitlement to house rent allowance will be subject to the ceiling laid down as in Housing I.
b) Medical reimbursement		Expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months salary over a period of 3 years.
c) Leave Travel Concession		For self and family once in a year incurred in accordance with the Rules of the Company.
d) Club Fees		Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.
e) Personal Accident Insurance Premium		not to exceed Rs. 4000/- per annum.
Explanation		For the purpose of this part, 'family' means the spouse, dependent children and dependent parents.

Part B

- i) Gratuity not exceeding half a month's salary for each completed year of service, subject to a ceiling of Rs. 2,50,000.
- ii) Contribution to the Provident Fund, Superannuation Fund or 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, 1961.
- iii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Part C

- i) Car Provision of car for use on Company's business will not be considered as perquisite. However, use of car for private purpose will be billed by the Company to the Executive Director.
- ii) Telephone Company will reimburse expenses in connection with telephone at residence. However, personal long distance calls will be billed by the Company.
- iii) Leave Executive Director will be entitled to one month's Privilege Leave after every 11 months of completed service.

The terms and conditions of the said appointment and/or the Agreement are subject to the provisions of Section 198 and Section 309 of the Companies Act, 1956 and may be altered, and varied from time to time by the Board as it may in its discretion deem fit within the maximum amount of remuneration payable in accordance with the applicable rules and regulations.

Mr. Bikramjit Nag shall perform such duties and exercise such powers as are entrusted to him from time to time by the Board, subject to the directions and restrictions imposed by the Board.

In compliance with the provisions of the Companies Act, 1956 the appointment and the terms of remuneration specified above are now being placed before the Members in the Annual General Meeting for their approval. The Board recommends passing of the Special Resolution in the best interest of the Company.

No Director except Mr. Bikramjit Nag and Mr. Bijon Nag are concerned or interested in the proposed resolution.

Item No. 7

The Board of Directors of the Company had appointed Mr. K. Srinivasan as Additional Director of the Company with effect from 30th June, 1998. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 82 of the Articles of Association of the Company, an Additional Director holds office only upto the next Annual General Meeting of the Company. Accordingly, Mr. Srinivasan will hold office upto the date of the Annual General Meeting of the Company and is eligible for reappointment.

The Company has received notice under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. K. Srinivasan as Director of the Company.

The Board recommends the appointment of Mr. K. Srinivasan as Director of the Company.

No other Director excepting Mr. K. Srinivasan is concerned or interested in the proposed resolution.

**Item No. 8**

Mr. D.P. Barua had been appointed as a Director in casual vacancy in place of Mr. A.C. Chakrabortti with effect from 30th June 1997 on the resignation of Mr. Chakrabortti from the Board of Directors of the Company. As per the provisions of Section 262 of the Companies Act, 1956 a Director appointed in casual vacancy is to hold office only upto the date upto which the original Director would have held office. Mr. A.C. Chakrabortti would have held office, if he had not resigned, upto the date of the ensuing Annual General Meeting when he would have been liable to retire by rotation. Mr. D.P. Barua will accordingly hold office upto the date of the Annual General Meeting and will seek appointment as Director of the Company at the Annual General Meeting.

The Company has received notice under Section 257 of the Companies Act, 1956 proposing the appointment of Mr. D.P. Barua as Director of the Company.

The Board recommends the appointment of Mr. D.P. Barua as Director of the Company.

No other Director excepting Mr. D.P. Barua is concerned or interested in the proposed resolution.

Item No. 9

The Company proposes to engage in and commence trading of all types of consumer durables including air conditioners, refrigerators, washing machines, microwave ovens, dishwashers, driers and all such other products and to carry on the business of manufacture and or assemble tools, machines, machine tools, equipment, jig-fixtures and components including seat reclining mechanisms and seating systems mainly for automotive industries.

The Company also proposes to enter into the business of real estate and undertake, execute any contracts relating to housing projects and related activities keeping in view the priority given in the Union Budget to the housing sector. There is vast scope in the field of turnkey civil contracts where there are maximum returns with minimum investment.

The Company seeks your approval to alter the Memorandum of Association of the Company in order to enable the Company to undertake the aforesaid additional activities.

The Directors recommend passing of the Special Resolution in the best interests of the Company.

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

Registered Office :
Plot No. IND-5, Sector-1
East Calcutta Township
Calcutta- 700 078
Date : 30th June, 1998

By Order of the Board

G. Ray Chowdhury
Company Secretary

DIRECTORS' REPORT

To the Shareholders

Your Directors have pleasure in presenting herewith their report together with the audited accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

	1997-98 (Rs. '000)	1996-97 (Rs. '000)
Total Income	985,663	1016,388
Gross Profit (Before Interest & Depreciation)	118,501	161,150
Interest	40,795	43,167
Depreciation	24,215	20,754
Profit before tax	53,491	97,229
Provision for tax	8,000	18,635
Profit after tax	<u>45,491</u>	<u>78,594</u>
Appropriations :		
Proposed Dividend	13,487	19,268
Tax on proposed Dividend	1,349	1,927
General Reserve	3,412	25,000
Capital Reserve	(82)	(82)
Surplus (carried to Balance Sheet)	<u>27,325</u>	<u>32,481</u>
	<u>45,491</u>	<u>78,594</u>

DIVIDEND

The Directors recommend payment of dividend @ 17.5% (previous year 25%) on the equity share capital of the Company for the financial year ended 31st March, 1998 which if approved will be paid to all those equity shareholders whose names appear on the Register of Members as on 10th September, 1998.

PERFORMANCE REVIEW

The Company recorded total income of Rs. 985,663 million for the year as against Rs. 1016,388 million for the previous year. The drop in income was caused by all round pressure stemming from highly competitive environment, increase in material and overhead cost resulting in an erosion of margins and consequent decrease in profit after tax of the Company from Rs. 78,594 million in the previous year to Rs. 45,491 million for the year.

The Company's main revenue earner, its alcohol unit, is largely dependent on the supply of molasses which is the basic raw material for the production of alcohol. All over the country the shortage situation of molasses prevailed due to the lower production of sugar. The year under review saw a shortage in the supply of molasses, consequent disruption in its procurement and resultant increase in the procurement cost of molasses by almost sixty percent over that of the previous year. The increase in cost due to higher input cost could not be passed on to the ultimate consumers due to non-revision of the regulatory price. Your Company has taken appropriate steps in this respect and the State Government has been approached for a favourable settlement of the matter. Your Company has adopted a strategy of importing molasses which is of a much better quality than that available in the domestic markets and is also economically more viable. Barring unforeseen circumstances, the situation is expected to improve and your Company is hopeful of reaping the benefits in the current year.



The operations of the soft drinks unit have not been satisfactory owing to fierce competition from Pepsi and Coca Cola and a lack of marketing thrust by Cadbury Schweppes to create a non-cola segment. The operations in this area of business are under close review and the Company will formulate an appropriate strategy to deal with the situation.

Your Company has taken over an existing facility at Serampore for the bottling of Country Spirit in September 1997. The commercial production has commenced from December, 1997 and resultant benefits both in respect of turnover and profit are expected to accrue from the current year.

FUTURE OUTLOOK

With the thrust on increasing productivity, efficiency and controlling cost your Company's operating results are expected to improve in the medium and long term. The current year has shown signs of improvement. Your Company is vigorously planning to meet the challenges and is working to enhance its leadership in its defined markets in value added segments. Your Company has set itself aggressive targets in the area of cost reduction. Significant improvements have already been achieved in operating parameters such as fuel consumption, energy usage and manpower productivity.

DIRECTORS

Mr. N. Guha resigned as Vice Chairman & Managing Director of the Company with effect from 31st January, 1998. The Directors place on record their appreciation of the valuable advice and guidance given by Mr Guha during his tenure as Vice Chairman & Managing Director of the Company.

Mr. Bikramjit Nag was appointed an Additional Director with effect from 14th October, 1997 and subsequently Executive Director of the Company for a period of three years with effect from 27th January, 1998. The necessary resolution seeking approval to Mr. Nag's appointment and the terms of his remuneration are being placed before the members for their approval.

Mr. K. Srinivasan was appointed Additional Director by the Board of Directors of the Company with effect from 30th June, 1998. The necessary resolution seeking his appointment is being placed before the members for their approval.

Mr. D. P. Barua was appointed a Director in casual vacancy with effect from 30th June, 1997 in place of Mr. A. C. Chakrabortti on Mr Chakrabortti's resignation from the Board of the Company. In terms of the provisions of the Companies Act, 1956, Mr. D. P. Barua will hold office up to the date of the Annual General Meeting and will seek reappointment as Director of the Company at the Annual General Meeting. The necessary resolution seeking his appointment is placed before the members for their approval.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company Dr. R. Banerjee and Mr. N. Bhattacharya retire by rotation and being eligible offer themselves for reappointment as Directors of the Company.

AUDITORS

M/s Maheshwari & Associates, Chartered Accountants, auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received letter from the Auditors to the effect that their appointment if made would be within the limits as prescribed under Section 224(1B) of the Companies Act, 1956.

SUBSIDIARIES

Your Company has acquired during the year 97,500 equity shares of Rs. 10 each of Nurpur Gases Private Limited. With this acquisition the Company holds 1,45,000 equity shares of Rs. 10 each of Nurpur Gases Private Limited by virtue of which Nurpur Gases Private Limited has become a subsidiary of the Company.

Financial Results of the four subsidiaries of the Company viz. Bengal Aquatic Farms Ltd., Zenith Investments Ltd., Asansol Bottling & Packaging Co. Ltd. and Nurpur Gases Pvt. Ltd. for the Financial Year ended 31st March, 1998 are attached to this

IFB AGRO INDUSTRIES LIMITED

report alongwith statement under Section 212 of the Companies Act, 1956.

PERSONNEL

The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring the level of performance that your Company has achieved during the year.

The Statement containing the particulars of employees under Section 217(2A) of the Companies Act, 1956 is annexed.

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

Your Company is committed to ensure a green and pollution free environment as well as clean and safe workplace at all plant locations and worksites and has in place a system for controlling and monitoring pollutants in all the factories which has resulted in all the units complying with environmental standards and legislations.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 the relevant particulars are given in the Annexure to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the continuous support provided by the shareholders, Industrial Development Bank of India, The Industrial Credit & Investment Corporation of India Ltd., banks, Central Government and State Governments, Foreign Collaborators and others.

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On behalf of the Board

BIJON NAG
Chairman

Calcutta, 30th day of June, 1998