

**ANNUAL REPORT
2001-2002**



IFB AGRO INDUSTRIES LIMITED



■ BOARD OF DIRECTORS

Bijon Nag *Chairman*
K. Srinivasan *Vice Chairman*
Bikramjit Nag *Executive Director*
A. K. Banerjee *Wholetime Director*

DIRECTORS

Dr. Ranjan Banerjee
Nandan Bhattacharya
R. L. Gaggar
P. K. Kundu (Nominee of IDBI)
Alok Kumar Agarwal (Nominee of ICICI Ltd.)
Ms. Kala S. Pant (Nominee of UTI)
B. Viswanathan

■ AUDIT COMMITTEE

K. Srinivasan *Chairman*
P. K. Kundu
R. L. Gaggar
B. Viswanathan

■ SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Nandan Bhattacharya *Chairman*
K. Srinivasan
R. L. Gaggar

■ REMUNERATION COMMITTEE

K. Srinivasan *Chairman*
Nandan Bhattacharya
R. L. Gaggar

■ COMPANY SECRETARY

Goutam 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-I,
East Calcutta Township,
Kasba Industrial Estate,
Kolkata - 700 107
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 Processing Plant
Kasba Industrial Estate,
Kolkata - 700 107

■ REGISTRAR & SHARE TRANSFER AGENT

(For Equity & Dematerialised Shares)
CB Managment Services (P) Ltd.
P-22, Bondel Road, Kolkata - 700 019

■ DEPOSITORIES

National Securities Depository Limited, Mumbai
Central Depository Services (India) Limited, Mumbai

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IFB AGRO INDUSTRIES LIMITED**Notice to the Members**

Notice is hereby given that the Twentieth Annual General Meeting of IFB Agro Industries Limited will be held on 21st August, 2002 at 10.00 A.M. at the Eastern Zonal Cultural Centre at Bidhannagar 1A-290, Sector-III, Salt Lake, Kolkata - 700 091 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts together with Reports of Directors and Auditors thereon for the year ended 31st March, 2002.
2. To appoint a Director in place of Mr. K. Srinivasan, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. N. Bhattacharya, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint M/s. Maheshwari & Associates, Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

5. As a Special Resolution

"Resolved that pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered as follows :

After existing Article 73, the following be inserted as Article 73A :

Passing of Resolution by Postal Ballot

73A. Notwithstanding anything contained in the Articles of Association of the Company, the Company may, and in the case of resolutions, relating to such business as the Central Government may, by notification, under Section 192A of the Act, declare to be conducted only by Postal Ballot, including voting by electronic mode, shall, get any resolution passed by means of postal ballot, instead of transacting the same in a general meeting of the Company. In respect of such Postal Ballot, the Company shall duly comply with the provisions of the said Section 192A of the Act and rules, if any, in that behalf."

6. As an Ordinary Resolution

"Resolved that the consent of the Company be and is hereby accorded to its Board of Directors in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to dispose off its tank farm at Haldia consisting of the Company's leasehold interest in its movable and immovable properties comprised in the said tank farm."

7. As a Special Resolution

"Resolved that pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company hereby accords its approval for keeping of the Register of Members, the Index of Members and other related records and documents in respect of shares and securities held in physical form with the Company's newly appointed Share Transfer Agents, CB Management Services (P) Ltd. of P-22, Bondel Road, Kolkata - 700 019, a SEBI registered Share Transfer Agent, instead of keeping them with the Registered Office of the Company."

Registered Office :
Plot No. IND-5, Sector - 1
East Calcutta Township
Kolkata - 700 107
Date : 10th June, 2002

By Order of the Board

Arup Kumar Banerjee
Wholetime Director

**NOTES :**

1. The Register of Members and Share Transfer Registers of the Company will remain closed from 19th August 2002 to 21st August, 2002 (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. Information u/s. 205A of the Companies Act, 1956 read with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government), Rules, 1978 as amended is given below :
 - (i) Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividend upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, West Bengal, Kolkata.
 - (ii) Pursuant to Section 205A of the Companies Act, 1956, and introduction of Section 205C of the Companies (Amendment) Act, 1999, the dividends remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education & Protection Fund (IEPF) set up by the Government of India and then no claim shall lie against the said fund of the Company nor shall any payment be made by the fund in respect of any such claims.

Members, who have not yet encashed their Dividend Warrant(s) for the financial year ended 31st March, 1999, are requested to make their claims to the Company accordingly.
4. **Members are requested to :**
 - a) notify immediately any change in their address to the Company,
 - b) bring their copy of Annual Report in 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, CB Management Services (P) Limited enclosing their share certificates for consolidation of all such shareholdings into one folio for better investor service. CB Management Services (P) Limited is now the Share Transfer Agent for shares in physical as well as dematerialised forms.
5. Shareholders of the Company are being notified by a separate notice dated 10th June 2002 for passing an Ordinary Resolution u/s. 293(1)(a) of the Companies Act, 1956, by Postal Ballot, which will be confirmed in the ensuing Annual General Meeting.
6. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of the meeting is annexed hereto and forms part of this Notice.

Explanatory Statement

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

Item No. 5

The Companies (Amendment) Act, 2000 has introduced a new Section 192A of the Companies Act, with effect from 13th December 2000, which provides for passing of such resolutions by Postal Ballot as the Central Government may, from time to time, specify in that regard. It is therefore proposed to introduce a new Article in the Articles of Association of the Company in accordance with the newly enacted provisions of the Companies Act, 1956.

A copy of the Memorandum & Articles of Association of the Company is available for inspection by the members during business hours on any working day, at the Registered Office of the Company except holidays observed by the Company and will also be available for perusal at the meeting.

Your Directors recommend the passing of this resolution in the interests of the Company.

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

IFB AGRO INDUSTRIES LIMITED**Item No. 6**

With a view to diversify, the Company undertook to engage in tank farm business and accordingly, set up a tank terminal at Haldia with the approval of shareholders at its Extraordinary General Meeting held on 28th January, 1997.

The Company's endeavour to set up tank farm at Haldia did not yield the desired results in view of slow industrial growth in and around Haldia. This resulted in very low demand for storage facilities of our tank farm. Consequently, the earnings were considered to be inadequate to meet the running costs of our tank farm.

As decided earlier, the Company has resolved to concentrate in its core areas of Rectified spirit, Liquor and Marine products' business and therefore thought it appropriate to exit from unrelated business and accordingly dispose off its leasehold interest in the tank farm at Haldia consisting of movable and immovable properties comprised in the said tank farm.

Your approval is therefore required for disposing off the aforesaid tank farm. The Company proposes to utilise the proceeds derived therefrom for modernisation of the Company's plant & equipments.

The Board, therefore, recommends the passing of this resolution in the interest of the Company.

The approval of the shareholders to this resolution is sought by Postal Ballot.

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

Item No. 7

Pursuant to Section 163(1) of the Companies Act, 1956, the Company is required to keep its Register of Members, Register of Index and copies of all Annual Returns etc. at its Registered Office. However, the Act provides that the Company can, by passing a Special Resolution, keep these documents at any other place within the city, town or village where the Registered Office is situated. This resolution is being passed to take the approval of the members to keep these records at the Office of the Company's newly appointed Share Transfer Agent in respect of shares and securities held in physical as well as dematerialised forms.

Your Board recommends the passing of the resolution in the interest 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
Kolkata - 700 107
Date : 10th June, 2002

By Order of the Board

Arup Kumar Banerjee
Wholetime Director



DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting before you the Annual Report together with the Audited Accounts and Auditors' Report thereon for the year ended 31st March, 2002.

FINANCIAL RESULTS

	Year ended 31st March 2002 (Rs.'000)	Year ended 31st March 2001 (Rs '000)
Sales and Other Income	14,72,951	26,20,752
Profit prior to Finance charges & Depreciation	78,211	88,242
Less : Finance charges	26,103	38,010
Depreciation	28,995	29,548
Profit before extraordinary items	23,113	20,684
Less : Extraordinary items	(1,589)	(48,712)
Profit before Taxation	21,524	(28,028)
Provision for Taxation :		
Current Tax	1,605	—
Deferred Tax	6,079	—
Profit/(Loss) after Tax	13,840	(28,028)
Prior period adjustments	—	(1,070)
Balance available for appropriation	13,840	(29,098)
Appropriations :		
Transfer to General Reserve	—	—
Surplus/(Deficit) carried to Balance Sheet	13,840	(29,098)
	13,840	(29,098)

PERFORMANCE REVIEW

During the year under review, your Company has recorded a turnover of Rs.147.29 crores (Rs.262.07 crores in 2000-01 of which Rs.103.92 crores were on account of Home Appliances Division discontinued during the year) and a profit before extraordinary items of Rs.2.31 crores (Rs. 2.07 crores in 2000-01). However, after adjusting the extraordinary items of Rs.0.16 crores (Rs.4.87 crores in 2000-01) and providing for taxation including deferred tax, the post tax profit for the year has been Rs.1.38 crores (loss Rs.2.80 crores in 2000-01).

The past year has been a difficult year for the Indian industry. The rate of GDP growth in 2001-02 was only 4% as compared to 6.1% in 2000-01. The economic scenario further worsened following the 11th September episode in the US which resulted in lowering of consumer sentiments.

In spite of economic sluggishness, your Company returned to operating profitability and improved upon its cash flow position following its decision to exit from unrelated business and give more focus on its alcohol business. Despite all

IFB AGRO INDUSTRIES LIMITED

odds your Company's core business of alcohol achieved an increase in turnover by about 10% over the previous year. However, due to increase in costs of raw materials & logistics, the profitability remained almost stagnant.

The year under review continued to be a challenging one for IMFL Division due to the presence of MNC brands and imposition of Government taxes and duties.

The export business of Marine Division suffered due to global economic recession followed by the 11th September incident in the US. The foreign exchange earnings for the year were restricted to Rs.9.42 crores (Rs.19.40 crores in 2000-01), due to volatile market conditions. Your Company restricted itself to execution of remunerative export orders which helped in improving the bottomline. The Division could improve its profitability further by adopting various cost effective measures.

DIVIDEND

The internal generations are proposed to be used by your Company as part of the funds required towards investments for technological upgradation and modernisation. Your Directors therefore do not recommend any dividend for the year.

DIRECTORS

Mr. K. Srinivasan and Mr. N. Bhattacharya retire by rotation and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The Directors, having ensured through the Manager designated for the purpose, hereby confirm :

That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

That the Directors 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 at the end of the financial year and of the profit or loss of the Company for that period;

That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

That the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement, a report on Management Discussion & Analysis, Corporate Governance and the Auditors' Certificate in this regard form part of this report and are annexed herewith.

During the year, the Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee were reconstituted. Your Company has consistently endeavoured to adopt good Corporate Governance and has fully implemented the SEBI Code on Corporate Governance.

AUDITORS & AUDITORS' REPORT

The Auditors of the Company M/s Maheshwari & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have given their consent for reappointment. The Company has received letters 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.

Observations made in the Auditors' Reports have been adequately dealt with in the notes to the financial statements annexed to the Balance Sheet and Profit & Loss Account.

SUBSIDIARIES

During the year, the Company divested its holdings in IFB Automotive Seating & Systems Pvt. Ltd., Nurpur Gases Pvt. Ltd. and Asansol Bottling & Packaging Co. Pvt. Ltd.

Financial results of the subsidiary Company for the financial year ended 31st March, 2002, are attached to this report along with the Statement under Section 212 of the Companies Act, 1956.

**PERSONNEL**

Industrial Relations remained harmonious during the year and the Board wishes to place on record its deep appreciation of the contributions made by all the employees in the day-to-day operations of the Company. During the year, there was no employee whose particulars were required to be mentioned under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**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 the 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 the laid down 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.

ACKNOWLEDGEMENT

Your Directors express their sincere thanks and place on record their deep appreciation of the valuable patronage extended by the shareholders, valued customers, financial institutions, bankers, Government authorities and the Investors for their continued support and confidence in the Company.

On behalf of the Board

BIJON NAG
Chairman

Kolkata, 10th June, 2002

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Annexure I to Directors' Report

STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

I. Conservation of Energy**A) Energy Conservation measures taken**

- 1) Implementation of control energy efficient and power saving appliances in lightning circuit.
- 2) Replacement of conventional light fixtures with energy efficient fixtures.
- 3) Installation of waste heat recovery unit from waste hot water in distillation section for pre-heating boiler feed water.
- 4) Utilisation of by-product and waste fusel oil in boiler alongwith furnace oil.
- 5) Energy audit conducted through National Productivity Council and recommendations being implemented.

B) Additional Investments and proposals, if any, being implemented for reduction of energy consumption :

- 1) Replacement of more conventional light fixtures with energy efficient fixtures.
- 2) Installation of further power saving appliances in welding machine.
- 3) Installation of Economizer at dual fired boiler, Maximum Demand controller and Capacitor Bank.
- 4) Implementation of another Bio-digester to obtain more bio-gas thereby further reducing fuel costs.

C) Impact of measures of (A) & (B) above for reduction of energy consumption and consequent impact on cost of production of goods :

The impact of the above measures undertaken by synchronisation of the production process and through conservation of energy in the year 2001-02 is approximately Rs.50 lakhs per annum.

II. Particulars as per Form B -**A) Research & Development (R&D)****1) Specific areas in which R & D is carried out by the Company :**

- 1.1 Process development
- 1.2 Quality improvement
- 1.3 Energy savings
- 1.4 Safer environment

2) Benefits derived as a result of R & D :

- 2.1 Improved efficiency
- 2.2 Better market acceptability
- 2.3 Cost savings

3) Future plan of action :

- 3.1 To produce high quality extra neutral alcohol to cater to foreign liquor industry
- 3.2 Upgradation of bio-gas generating system for optimal savings in fuel cost
- 3.3 Development of high quality value added marine products for larger export market

4) Expenditure on R & D :

- | | |
|----------------------------|------------------|
| 4.1 Capital | : Rs. Nil |
| 4.2 Recurring | : Rs. 0.25 lakhs |
| 4.3 Total | : Rs. 0.25 lakhs |
| 4.4 Percentage on turnover | : Nil. |



B. Technology Absorption, Adoption & Innovation :

1) Efforts :

- New distillation technology viz. multi-pressure distillation plant installed for producing rectified spirit.
- Modern technology has been adopted in the marine processing plant and continuous efforts are being made for upgradation of marine products.
- Innovative ideas based on in-house Research & Development and consultation with the technical collaborator have been successfully implemented in the area of optimum waste utilisation and environmental protection.

2) Benefits :

- Considerable savings in consumption of furnace oil.
- Production in cost effective manner
- Higher productivity and yield
- Better recovery from by-products

C. Foreign Exchange Earnings and outgo :

- Activities relating to export, initiatives to increase exports, developments of new export markets for products and services and export plan.

IFB Agro's marine division meets the most stringent quality specifications under HACCP and FDA norms, enabling exports to a large number of destinations in Japan, Europe and USA. The products of the Company are acclaimed among foreign buyers.

The Company is constantly exploring the prospects of developing new export markets in various parts of the world.

- Total Foreign Exchange used and earned :

	This year (Rs.'000)	Previous year (Rs.'000)
a) Foreign Exchange Earnings (FOB value)	94195	193997
b) Foreign Exchange Outgo :		
- Components & Spare Parts	—	96
- Travelling	1580	926
	1580	1022

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