

J.R. FOODS LIMITED

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NINETH ANNUAL REPORT 2001-2002

J.R. FOODS LIMITED

BOARD OF DIRECTORS
SHRI. R.L. KOTHARI
SHRI. J.K. KOTHARI
SHRI. M. SIVAGURUNATHAN

CHAIRMAN
MANAGING DIRECTOR
DIRECTOR

AUDITORS
MESSRS. GAYATHIRRI & COMPANY
CHARTERED ACCOUNTANTS
CHENNAI - 600 001

REGISTERED OFFICE
J.K. TOWERS
100 FEET ROAD
PONDICHERRY - 605 013.

WORKS
THIRUBHUVANAI VILLAGE
PONDICHERRY - 605 107.

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the members of J.R. FOODS LIMITED will be held on the Thursday 26th day of September 2002 at 10.00 a.m. at its Registered Office at "J.K. Towers", 100 Feet Road, Pondicherry - 605 013 to transact the following business:

1. To receive, consider, approve and adopt the Audited Balance sheet of the Company as at 31st March 2002 and the Profit and Loss Account for the year ended on that date together with the report of the Auditors and the Directors.

2. To appoint a Director, in place of Shri R.L. KOTHARI who retires by rotation and, being eligible, offers himself for reappointment.

3. To appoint Auditors and fix their remuneration. The retiring auditors M/s. Gayathirri & Co. Chartered Accountants, Chennai are eligible for reappointment.

SPECIAL BUSINESS:

4. 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 Sec. 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner:

1. By insertion of the following definitions at the end of Article 2 interpretation:

"Beneficial owner" means a person or persons whose name is recorded as such with a depository;

"SEBI" means the Securities and Exchange Board of India;

"Depository" means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

"Security" means such security as may be specified by SEBI from time to time.

2. By insertion of the following new Article as Article 48A after Article 48:

Securities:

48A (i) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer such securities in a dematerialized form pursuant to the Depositories Act, 1996.

(ii) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities. If the person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

(iii) All securities held by a depository shall be dematerialized and shall be in a fungible form. Nothing contained in Sec. 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the Securities held by it on behalf of the beneficial owners.

(iv) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of the beneficial owners.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner or securities shall be entitled to all the rights and

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benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

(v) Notwithstanding anything contained to the contrary in the Act or these Articles, where securities are held in a depository, the records of beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

(vi) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

(vii) Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

(viii) The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of members and Security holders for the purpose of these Articles."

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 Sec. 198, 269, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Act, and subject to the approval of the Central Government, consent be and is hereby accorded for the appointment of Shri. J.K. Kothari as Managing Director of the Company for a period of five years from 1st June, 2002 to 31st May, 2007 on the following terms:

Salary Rs. 75,000/- per month.

Perquisites:

1. Medical reimbursement - Expenses for the appointee and the family subject to a ceiling of one month's salary in a year or three months salary in a block of three years.

Explanation: "Family" includes wife, dependent children and dependent parents.

2. 1. Gratuity payable shall not exceed half a month's salary for each completed year of service.

3. 1. Provision of car with driver for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purpose shall be billed by the Company to the appointee.

2. Shri. J.K. Kothari shall not be entitled to sitting fees for attending meeting's of the Board or any Committee thereof during his tenure as Managing Director.

3. In the event of loss or inadequate profit in any financial year, Shri. J.K. Kothari shall be entitled to the aforesaid salary and perquisites as the minimum remuneration not exceeding Rs.1,25,000 per month or Rs.15,00,000 per annum.

This may be deemed to be the extract of the Memorandum and disclosure of interest under Sec. 302 of the Companies Act, 1956.

6. Share Transfer Agents

a) TRIDENT INVESTMENT & PORTFOLIO SERVICES (P) LTD., ceases to be Share Transfer Agents and Registrars of the Company.

b) You are advised to send all your correspondence regarding

change of Address and Share transfer documents to the registered office of the Company as mentioned below

Regd. Office:

J.K. TOWERS

100 FEET ROAD

PONDICHERRY - 605 013.

BY ORDER OF THE BOARD

J.K. KOTHARI
Managing Director

Place : Pondicherry
Date : 29th June 2002

Notes:

1. A Member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote in his stead at the meeting. A proxy need not be a member of the Company.

2. Proxy forms should be lodged at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

3. The register of members and share transfer books will be closed from 19th September 2002 to 26th September 2002, both days inclusive.

4. An Explanatory statement pursuant to Sec. 173 (2) of the Companies Act, 1956 is annexed.

Explanatory Statement pursuant to Sec 173 (2) of the Companies Act, 1956.

Item No. 4

With the introduction of the Depositories Act, 1996, some of the provisions of the Companies Act, 1956, relating to the issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The depository system of holding securities in an electronic form is a far safer and convenient method for holding and trading in the securities of a Company than in the physical form as at present. Further, in view of the compulsory dematerialisation of the shares of your Company as required by SEBI, it is necessary that the Articles of Association of the Company be altered, as set out in the resolution to reflect the provision introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the securities in such system. Your Directors recommend the passing of this special resolution.

None of the directors of the Company is interested in this resolution.

Item No. 5

The Board at its meeting held on 1st June, 2002 appointed Shri. J.K. Kothari as Managing Director of the Company for a period of 5 years from 1st June, 2002 to 31st May, 2007 on the terms contained in the resolution, subject to Sec. 198, 269, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Act, the consent of the shareholder and the approval of the Central Government. The approval of the Central Government is required as the Company has not paid interest and instalment of repayment of term loan last year to IDBI in

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view of the offer of a one time settlement made by the Company to IDBI. Shri. J.K. Kothari has been associated with the Company from the inception and has contributed to the project and the growth of the Company. This special resolution is recommended to the shareholders.

Shri R.L. Kothari and Shri. J.K. Kothari are deemed to be interested in this resolution.

The above statement may be regarded as an abstract of the terms and memorandum of interest u/s 302 of the Companies Act, 1956.

Statement pursuant to Schedule XIII of the Companies Act, 1956

I. General Information:

(1) Nature of Industry:

(a) Manufacturing & Processing Rice bran or other bran, oil cakes and oil seeds of all description and products of Vegetarian origin including forest produce which may contain oil and extract the oil contents completely employing any of the processes known to commerce and trade or process which science and technology from time to time may discover.

(b) For completely extracting and processing oil from any of the aforesaid oil bearing raw material and natural vegetations by the process of solvent extraction, refinery plant, and oil expellers.

(c) For further processing the oil obtained in the oil extraction units, the de-oiled meals or any other by-product, waste products that may result in the manufacture or operation of the Company.

(2) Date or expected date of commencement of commercial production:

Company commenced production on 1996.

(3) Financial performance based on given indicators: (Rs. in Lakhs)

	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Sales & Other income	1104.32	2302.95	2613.65	2236.51	1386.67	2286.10
Total Expenditure	935.69	2093.49	2441.10	2070.57	1414.77	2429.20
Interest	84.08	112.37	106.25	96.49	89.30	15.09
Tax	--	--	--	--	--	--
Profit/Loss	25.50	40.85	5.13	4.82	(183.33)	(213.81)

(4) Export performance and net foreign exchange collaborations:

The Company's products are not exported.

(5) Foreign investments or collaborators, if any:

The Company does not have any foreign Investment & Collaborations.

II. Information about the appointee:

(1) Background details:

Shri J.K. Kothari, B.Sc., (Chem.), aged 52 years is the main promoter of the Company. He was a wholesale dealer in textiles for 6 years from 1972 to 1978. In 1978 he has become Director of Pondicherry Extraction Industries Private Limited (PEIPL) a company promoted by him, and continues to be at his helm. "PEIPL" was engaged in solvent extraction of rice bran oils. He has about 24

years of experience in edible oil Industry. He has been the Managing Director in the Company since inception.

(2) Past remuneration:

Salary - Rs.30,000/-

(a) Housing : Rent Free Furnished accomadation along with benefits of Gas, Fuel, Water, Electricity, Telephone and Fax and also upkeep and maintain of Companies furnished accommodation.

(b) Medical Reimbursement : as per Company rules.

(c) Leave Travel Allowance : One in a year with a ceiling of half months salary in a year.

(d) Club fees : Subject to maximum of two clubs.

(e) Personal Accident Insurance : Maximum of Rs.4000/-

(f) Gratuity : Half months salary for each completed year of service

(g) Company car : One car with driver for Company use.

(h) Office expenses : Reimbursement of entertainment, travelling and all other expenses incurred for the business of the Company.

Note: The appointee has not drawn salary in the previous years.

(3) Recognition or awards: Nil

(4) Job Profile and his suitability:

Managing the entire affairs of the Company from time to time and his suitability matches with his experience of 24 years in the edible oil industry.

(5) Remuneration proposed:

(a) Salary Rs. 75,000/-

(b) Medical Reimbursement : One month salary in a year.

(c) Gratuity : Half months salary for 1 year of service.

(d) Company car : One car with driver.

(e) Other expenses : Telephone at residence.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be W.r.t. the country of his origin)

Not Available

(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any

Promotor of the Company Son of Shri R.L. Kothari

III. Other Information:

(1) Reasons of loss or inadequate profits:

The Company was not able to utilise its capacity due to two main reasons.

1. The Company could not procure raw materials to the extent required since the production of raw material could not to meet the demand in India. The markets continued to slow down and depressed market conditions have prevailed during the past three year.

2. The High rate of interest charged by I.D.B.I. compared to the prevailing market interest rates is also a major factor.

(2) Steps taken or proposed to be taken for improvement:

The Company has started procuring to the maximum extent the raw

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material available in India and is also trying to procure by import. In the matter of interest on term loan from IDBI the Company is negotiating with IDBI for a one time settlement with a lower rate of interest.

(3) Expected increase in productivity and profits in measurable terms:

Due to uncertainty in industry and Government policies and also plenty of imports into the country profitability cannot be measured. The estimated productivity for the current year is 55% of utilization when compared to the previous years 2001 and 2002 as 12% and 40%

IV. Disclosures:

(1) Remuneration package of the Managing Director:

Refer II (2) & II (5) above.

BY ORDER OF THE BOARD

Place: Pondicherry
Date: 29th June 2002

J.K. KOTHARI
Managing Director

REPORT OF THE DIRECTORS TO THE SHARE HOLDERS

Your Directors has pleasure in placing before you the 9th Annual Report and Accounts of the Company for the year ended 31st March 2002.

REVIEW OF OPERATIONS & PROSPECTS

The problems faced by the Company in 2000 - 2001 have continued to affect its operations in 2001-2002 too. To add to the Company's Woes, free import of palmolein from Malaysia has resulted in a glut of the imported oil at prices much less than those of the domestic output. This has put the Indian edible oil units at a distinct disadvantage even in the local markets. The Company was able to post a higher turnover in 2001-2002 than in the previous year largely because it had imported large quantities of oil which were processed and traded with a slender margin. The higher imports also helped in a better utilization of plant capacity.

The trend in the current year is slightly better because of the imposition of a steep increase in customs duty on the imports. However, the availability of imported oil has been affected by the lower arrivals caused by a planned lower production of oilseeds in foreign countries conforming to a business cycle of four years. The Company has undertaken an exercise of reduction of cost at all levels. The trend, it is hoped, will enable the Company to post reduced losses or even a small profit in the current year.

PROSPECTS:

The turnover in the first 3 months of the current year has been 85% more than in the corresponding period last year. Margins however have continued to be under pressure.

AUDITOR'S REPORT

With reference in paragraph 6(i) of the Auditors Report regarding non-provision of interest due to IDBI, your Directors wish to clarify that the Company had during the year under review made an offer to IDBI for a one time settlement of the dues of the

Company to IDBI based on the balance as on 31st March 2001. The offer is under the active consideration of IDBI. Your Directors are of the view that no further provision of interest to IDBI beyond 31st March 2001 will be necessary.

PARTICULARS OF EMPLOYEES:

The Company had no employees during the year, who came under the purview of the provisions of Sec. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules, 1975.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors hereby confirm:

1. That in preparation of accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanation, relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 loss of the Company for the year under review.
3. That the Directors have taken proper and sufficient care for maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

AUDIT COMMITTEE

The Audit Committee met during the year 5 times and the details of attendance by individual members of the Committee are given below:

Date of Meeting	Attendance of		
	RLK	JKK	MS
27.06.2001	✓	✓	✓
27.07.2001	--	✓	✓
29.10.2001	--	✓	✓
28.01.2002	✓	✓	✓
30.03.2002	✓	✓	✓

The Share Transfer Committee met on 4 occasions on 23.4.2001, 20.06.2001, 20.12.2001 and 20.02.2002 and Shri. J.K. Kothari and Shri. M. Sivagurunathan attended these meetings.

The Audit Committee considered the draft balance sheet as at 31st March 2002 and reviewed the same with the statutory auditors of the Company prior to the auditors taking up the audit of the same. The unaudited quarterly statements of financial results were also reviewed with the auditors before they were taken on record by the Board of Directors.

DIRECTORS:

Shri. R.L. Kothari retires by rotation and at the ensuing Annual General Meeting and being eligible offers himself for reappointment.