

J.R. FOODS LIMITED



TENTH ANNUAL REPORT 2002 - 03

J.R. FOODS LIMITED**BOARD OF DIRECTORS**

SHRI. R.L. KOTHARI
 SHRI. J.K. KOTHARI
 SHRI. M. SIVAGURUNATHAN

CHAIRMAN
 MANAGING DIRECTOR
 DIRECTOR

AUDITORS

MESSERS. 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

BY ORDER OF THE BOARD

Notice is hereby given that the Tenth Annual General Meeting of the members of J.R.FOODS LIMITED will be held on Thursday 25th September 2003 at 10.00 A.M. at its Registered office at "J.K. TOWERS", 100 Feet Road, Pondicherry - 605 013 to transact the following business :

Regd. office :
 J.K. TOWERS
 100, FEET ROAD
 PONDICHERRY 605 013

30th June 2003

J.K. KOTHARI
 Managing Director

1. To receive, consider, approve and adopt the audited Balance Sheet of the Company as at 31st March 2003 and the Profit and Loss Account for the year ended on that date together with the reports of the Auditors and the Directors.
2. To appoint a Director in place of Shri. J. K. 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.

Notes :

1. A member entitled to attend and vote at the 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 16th September 2003 to 25th September 2003, both days inclusive.
4. You are advised to send all your correspondence regarding change of address and share transfer documents to Cameo Corporate Services Limited, 1, Club House Road, Chennai - 600 002.

J.R. FOODS LIMITED**REPORT OF THE DIRECTORS TO THE SHARE HOLDERS :**

Your Directors have pleasure in placing before you the 10th Annual Report and Accounts of the Company for the year ended 31st March 2003.

REVIEW OF OPERATIONS & PROSPECTS :

The problems faced by the Company for the past 2 years have continued to plague its operations in 2002-2003 too. To add to the Company's woes, the glut of imported palmolein from Malaysia has aggravated the problem of plenty and the demand-supply imbalance. 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 2002-2003 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 50% more than in the corresponding period last year. Margins however have continued to be under pressure.

The company has been able to conclude an agreement with IDBI for a one-time settlement of its dues to IDBI. The Company has been meeting its obligation under the settlement and promptly paying its monthly instalments.

AUDITORS' REPORT

With reference to paragraph 2 of the Auditors' Report regarding non-provision of interest due to IDBI, your Directors wish to clarify that the Company had during the year agreed to the reschedulement of the loan, the principal amount whereof has been settled at Rs. 400 lacs. An immediate payment has been made and the balance has to be repaid in 8 quarterly instalments commencing from January, 2003. The Company has

been making prompt payment of the instalments. As per the agreement, interest on the balance outstanding will be paid at the rate of 10% per annum.

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 and the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirm :

1. That in the preparation of accounts for the financial year ended 31st March, 2003, 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 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, 2003 on a going concern basis.

CORPORATE GOVERNANCE**INTRODUCTION**

The Company is committed to good corporate governance. It realises the rights of the shareholders to information on the performance of the company. The basic philosophy of Corporate Governance of the Company is to achieve improved performance and dedicate itself to increase the long term shareholder value, keeping in view the needs and interests of all its stakeholders. The Company believes in transparency in its dealings and adherence to basic ethics in business.

BOARD OF DIRECTORS

The Board of Directors of the Company consists of 3 Directors, Shri. J.K. Kothari, Managing Director and Shri. R.L. Kothari and Shri. M. Sivagurunathan, 2 non-Executive Directors.

J.R. FOODS LIMITED

Meetings of the Board held during 2002 – 03 and attendance there at :

The details of the meetings held during the year and the attendance by the directors are as follows:

Date of Meeting	Attended by Directors		
	RLK	JKK	MS
May 15, 2002	✓	✓	✓
June 29, 2002	✓	✓	✓
July 30, 2002	✓	✓	✓
Sept 26, 2002	✓	✓	✓
Oct 10, 2002	✓	✓	✓
Oct 30, 2002	✓	✓	✓
Jan 30, 2003	✓	✓	✓

AUDIT COMMITTEE

The Audit Committee is composed of Shri. M. Sivagurunathan and Shri. R.L. Kothari. Shri. M. Sivagurunathan is the Chairman of the Committee. The Committee is entrusted with the following functions:

- ❖ Overseeing of the company's financial report, process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ❖ Recommending the appointment and removal, if any, of the statutory auditor, fixation of audit fee and approval for payment of fee for any other services.
- ❖ Reviewing with the management the annual financial statements before submission to the Board focussing primarily on :
 - ◆ Any changes in accounting policies and practices
 - ◆ Major accounting entries based on exercise of judgement by the management.
 - ◆ Qualifications in draft audit report.
 - ◆ Significant adjustments arising out of audit.
 - ◆ The going concern assumption
 - ◆ Compliance with accounting standards
 - ◆ Compliance with stock exchange and legal requirements concerning financial statements.
- ❖ Reviewing with the management and auditors the internal control systems.

- ❖ Discussing with the external auditors before the commencement of the audit the extent and scope of their audit as well as conducting post-audit discussion to ascertain any area of concern.
- ❖ Reviewing the Company's financial and risk management policies.

Meetings of the Audit Committee held during 2002 – 03 and attendance there at :

The Audit Committee met 5 times during the year on May 15, June 29, July 29, October 29, 2002 and January 29, 2003. The details of attendance by the members of the committee are as follows :

Name of the Director	No. of meetings held	No. of meetings attended
Shri. M. Sivagurunathan	5	5
Shri. R.L. Kothari	5	5

REMUNERATION COMMITTEE :

The Remuneration Committee consisted of Shri. M. Sivagurunathan and Shri. R.L. Kothari. The Committee considered and approved the terms of remuneration payable to the Managing Director on his reappointment last year.

Remuneration paid to the Managing Director

- a) Salary : R. 75000/-
- b) Medical Reimbursement : One month salary in a year
- c) Gratuity : Half month salary for every one year of service
- d) Company Car : One car with Driver
- e) Other expenses : Telephone at Residence

Transfer and Investors Grievance Committee consisting of Shri. J.K. Kothari and Shri. M. Sivagurunathan met regularly to consider and approve transfers of shares. Shri. M. Velmurugan is the Compliance Officer.

Details of last 3 AGMs

Date	Time	Venue
6 th September 2000	10.00 a.m.	Registered Office at J.K. Towers, 100 Feet Road, Pondicherry – 605 013.
30 th August 2001	10.00 a.m.	
26 th September 2002	10.00 a.m.	

J.R. FOODS LIMITED**MEANS OF COMMUNICATION****(i) Financial Results :**

The quarterly unaudited financial results, the half yearly financial results with limited review report and the audited financial results are normally published in Trinity Mirror and Makkal Kural (Tamil).

(ii) Annual Report :

The Annual Report is mailed to the shareholders in the month of August.

General Shareholders Information.**(i) Annual General Meeting :**

Day, date and time: Thursday, 25th September, 2003 at 10.00 a.m.

Venue: Registered Office at J.K. Towers, 100 Feet Road, Pondicherry - 605 013.

(ii) Profile of Director retiring by rotation/ eligible for reappointment :

Shri. J.K. Kothari has had varied experience of over two decades in the oil Industry particularly in marketing and distribution of edible oil. He has been Vice President of Tamilnadu and Pondicherry Solvent Extractors' Association (TAPSEA) and his views on problems faced by the edible oil industry are respected and heard by the constituents of the oil industry.

(iii) Financial Calendar

The indicative calendar of events for the year 2003 - 2004 excluding Extraordinary General Meeting(s), if any, is as under :

Fourth Quarter Financial Results (Fin. Year 2002-03)	30 Jun, 2003
First Quarter Financial Results	July, 2003
Annual General Meeting	25 Sep, 2003
Second Quarter Financial Results	Oct, 2003
Third Quarter Financial Results	Jan, 2004

(iv) Book Closure

The Company's Register of Members and Share Transfer books will remain closed from September, 16th to September 25th, 2003 both days inclusive.

(v) Listing on Stock Exchanges

The shares are listed on the Stock Exchanges at Chennai and Mumbai.

(vi) Share Transfer Process

The Transfer of Shares are approved by a committee consisting of Shri. J.K. Kothari and Shri. M. Sivagurunathan.

(vii) Dematerialisation of Shares

In terms of the directive of the Securities and Exchange Board of India, the company has sought to have its shares dematerialised and is in the process of entering into agreements with NSDL and CDSL. It has appointed Cameo Corporate Service Limited., 1 Club House Road, Chennai - 600 002 as its Share Transfer Agents in respect of both physical and electronic holding of shares.

(viii) Outstanding ADR/GDR/Warrants

There are no outstanding ADR/GDR/Warrants or convertible instruments.

(ix) Outstanding Fixed Deposits

There are no outstanding/matured Fixed Deposits.

(x) Plant location :

Thirubuvani Village, Pondicherry-605 107.

(xi) Address for Correspondence :**1. Registrar and Share Transfer Agents :**

Cameo Corporate Services Ltd.,
No. 1 Club House Road, Chennai - 600 002.

2. Company - Registered Office :

J.K. Towers, 100 Feet Road, Pondicherry-13.

DIRECTORS :

Shri. J.K. Kothari retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. He has over 25 years of experience in marketing, distribution and in production of vegetable oils and had been the Vice President of Tamilnadu and Pondicherry Solvent Extractors Association (TAPSEA). He has been responsible for the day to day management of the affairs of the company since its inception.

AUDITORS :

M/s. Gayathirri & Co., Chartered Accountants, Chennai, retire and are eligible for reappointment.

J.R. FOODS LIMITED**PUBLIC DEPOSIT :**

As in the past, the company has not accepted during the year under review any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

Particulars u/s 2(7)(1) E of the companies Act, 1956 and the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 :

CONSERVATION OF ENERGY**Power and Fuel Consumption**

Electricity	:	
Units Consumed	:	Rs. 6,46,000
Total Amount	:	Rs.21,89,168
Rate per Unit	:	Rs. 3.39
Through Diesel Generator		
Unit per Ltr. of Diesel Oil	:	2.89
Rate per Unit		Rs. 5.93
Consumption of Electricity per tonne of production	:	Rs. 289.03
Technology Absorption	:	Nil
Foreign Exchange Earnings & Outgo		
i.Foreign Exchange Earnings	:	Nil
ii.Foreign Exchange Outgo	:	Rs.12,26,53,715

APPRECIATION:

Your Director express their appreciation of the employees at all levels for their high level of dedication and commitment.

ACKNOWLEDGEMENTS :

The directors are thankful to IDBI, the Government of Pondicherry, its bankers and customers for their support and the employees of the company for their co-operation.

For and on behalf of the Board,

Place : Pondicherry R.L. Kothari
Date : 30th June, 2003. Chairman

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
J.R. Foods Limited.,

We have examined the compliance of conditions of Corporate Governance by J.R.Foods Limited, for the year ended on 31st March 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency of effectiveness with which the management has conduct the affairs of the Company.

For Gayathirri & Co.,
Chartered Accountants,

Place : Pondicherry Vedaiyan Devadass
Date : 30th June 2003. Partner.

J.R. FOODS LIMITED**MANAGEMENT DISCUSSION &
ANALYSIS REPORT**

We herewith submit the Management Discussion & Analysis Report on the business of the Company for the year ended 31st March, 2003. In this we have attempted to include discussion on all the specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's own competitive position.

COMPANY & INDUSTRY STRUCTURE

The Company manufactures Solvent Extracted oils and Refined oils exclusively at its factory at Tirubhuvanai Village, Pondicherry. This unit is self sufficient to perform its duties and functions. The commitment of the Company towards quality and customer orientation reflects in its growing clientele.

The industry continued to suffer this year due to a demand supply imbalance, the Govt. of India having liberalised import of vegetable oils resulting in the imported oil being cheaper than the domestic oil. With the demand for refined oil being almost stagnant the glut of imported oil has depressed the market. The rising cost of other inputs like power and employee costs have further eroded the profitability of the edible oil industry even endangering its viability. However, despite these factors, the company has rigorously channelised its efforts at increasing volumes of traded oil and value addition by refining and processing for others and this strategy has paid off by way of a higher turnover compared to the previous year.

REVIEW OF OPERATIONS.

A summary of major performance indicators is given below, while the detailed and physical performance may be viewed from the Balance Sheet and Profit &

Loss Account and the Annexures thereto.

	2001- 02	2002 - 03
	(Rs in Lakhs)	(Rs in Lakhs)
Sales :	2274	3553

The Company has adopted a time-bound policy in the short term, to balance production to a level which could avoid build up of inventory and taken special measures to bring down stocks to optimum levels. We are happy to report that sales registered an increase of 56% over the last year.

However, inspite of the operating gains, the financial results have not been satisfactory or proportional to the increase in the turnover during the year for the following reasons:

- 1) Increase in major input costs.
- 2) Low margin on value addition
- 3) Price realisation falling because of competition from imported oil. Buyers domination was pronounced.

OUTLOOK

The outlook of the industry, as it stands today, appears to be challenging due to strong competition in price and the rise in input costs. There are signs of a modest improvement in seasonal demand which may go up depending on the resurgence of economy, besides cyclical improvement.

ENVIRONMENT & SAFETY

The Company is conscious of the need for environmentally, clean and safe operations. Our industry is not a polluting one. The company's policy requires that all operations be conducted in such a way as to ensure safety of all concerned, compliance of statutory and industrial requirement for environment protection and conservation of natural resources.