

JHUNJHUNWALA VANASPATI LIMITED

| | |
|-------------------------------------|--|
| Chairman & Managing Director | SRI D. N. JHUNJHUNWALA |
| Wholetime Director | SRI S. N. JHUNJHUNWALA |
| Directors | SRI H. L. AGARWAL MISS PAYAL JHUNJHUNWALA DR. S. K. DIKSHIT SRI R. M. UPADHYAY |
| Auditors | GARG & CO. <i>Chartered Accountants</i> 27 A, Waterloo Street KOLKATA-700 069 |
| Bankers | BANK OF BARODA |
| Registrar and Share Transfer Agents | Computech International Ltd. Sri Venkatesh Bhavan 212-A (Ground Floor) Shahpur Jat, NEW DELHI-110 049 |
| Registered Office | Jhunjhunwala Bhawan Nati Imli Varanasi-221 001 |
| Works | Naupur Dist.- JAUNPUR (Uttar Pradesh) |

DIRECTOR'S REPORT

To the Members,

The Board of Directors of your Company have pleasure in submitting their 13th Annual Report and Audited Accounts for the year ended 31st March, 2002.

| (1) Financial Performance : | Current Year (Rs. in Lacs) | Previous Year (Rs. in Lacs) |
|--|--------------------------------------|---------------------------------------|
| Sales and other Income | <u>27643.34</u> | <u>20752.04</u> |
| Profit before depreciation | 586.42 | 446.82 |
| Depreciation | 96.72 | 89.08 |
| Profit after depreciation | 489.70 | 357.74 |
| Provision for taxation | 37.80 | 25.90 |
| Profit after tax | 451.90 | 331.84 |
| Less : | | |
| Previous year lease rent | 2.11 | 52.48 |
| Profit after previous year adjustment | 449.79 | 279.36 |
| Add : Credit Balance | | |
| Profit brought forward from previous year | 708.86 | 453.63 |
| Add : | | |
| Transfer from Investment Allowance Reserve | — | 5.87 |
| | <u>1158.65</u> | <u>738.86</u> |
| Proposed Dividend | — | — |
| Transfer to General Reserve | 40.00 | 30.00 |
| Credit Balance Carried over to Balance Sheet | <u>1118.65</u> | <u>708.86</u> |
| | <u>1158.65</u> | <u>738.86</u> |

(2) Dividend :

In view of higher working capital requirement and technological upgradation programme and to achieve higher productivity and turnover, the Directors do not recommend any dividend.

(3) Current Performance :

The current turnover during five months period ended 31st August, 2002 is Rs. 16160 lacs against Rs. 10471 lacs during corresponding period of previous year. The company is continue to follow the policy of perpetual technological upgradation. Last year the company was granted ISO 9002 certification for its quality and service in product.

During the year company has appointed some C&F agents, which helped to increase the market share.

(4) Finance :

In the year 2001-2002, your company received the following finances :

- (A)** Bank of Baroda enhanced cash credit facilities (Hypo) from Rs. 500 lacs to Rs. 600 lacs and also enhanced Import L/C facility from Rs. 800 lacs to Rs. 1200 lacs, due to increase in facility, the import of raw material was faster thereby company was able to achieve higher productivity, profitability and turnover.
- (B)** The unit of Soap manufacturing is commenced.

(5) Cash Flow Statement :

In accordance with the requirement of clause 32 of listing agreement of the stock exchange cash flow statement duly verified the Auditors together with their certificate is annexed hereto.

(6) Auditors Reports :

The notes to the account referred to in the Auditors Report have been explained in note schedule of the Audited Accounts. Your Directors however like to briefly clarify the Auditors qualification as follows :

- (A) No provision for gratuity liability is made by the company, because it is payable to an employee after completion of five years of service, hence the company will pay on cash basis. The amount of gratuity has been ascertained. The company will procure a group gratuity policy for the payment of gratuity.
- (B) The company is having a large net of parties, who are supplying raw material, packing materials and other items to company and buyers of vanaspati hence it is not possible to get confirmation from each and every party therefore the Auditors have qualified the same.
- (C) The company has not made provision for diminution in the value of investment which are long term and it is the opinion that the fall in the value of investment is not of permanent nature.
- (D) The salary & wages include payment of remuneration to Mr. D.N. Jhunjunwala Rs. 2,26,000/- (Chairman & Managing Director) and Mr. S.N. Jhunjunwala Rs. 2,02,000/- (Whole time Director).
- (E) Advances given to Mr. D.N. Jhunjunwala and Mr. S.N. Jhunjunwala are for company's work only.
- (F) Other observations made in the Auditors Report are self explanatory therefore do not call for further comments under Section 217 of the Companies Act, 1956.
- (G) The contingent liability mentioned in Schedule 14 are payable only on the basis of legal pronouncement made by different authorities previously.
- (7) The company has maintained cost records under section 209(1)(d) of the Companies Act 1956 and get audited.

(8) Particulars of the Employees :

Company's (particulars of Employees) Rules, 1975, as amended, read with section 217(2A) of the Companies Act, 1956 are not applicable to the Company as there are no employees drawing the minimum salary envisaged in the rules.

(9) Audit Committee :

Pursuant to the requirement under section 292(A) of the companies Act, 1956, an audit committee was constituted last year. Now the committee comprises of Shri S.N. Jhunjunwala and other three Directors Shri H.L. Agarwal, Shri R.M. Upadhyay and Shri S.K. Dikshit and Shri Devanand Gupta ACA on behalf of internal auditors M/s Singh Vajpayee & Associates.

(10) Directors Responsibility Statement :

The Board of Directors of the company, confirms-

- (A) that in preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- (B) that the selected accounting policies were applied consistently and the Directors 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 as on March 31, 2002 and profit of the company for the year ended on that date.

- (C) that the proper and sufficient care has been taken for the maintenance of adequate accounting records and are in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and others.
- (D) that the assumption of going concern is followed.
- (11) Directors :**
Shri H.L. Agarwal Director of the Company retire by rotation and being eligible offers himself for reappointment, in view of valuable contribution made by Shri H.L. Agarwal to the Company, the Board of Directors recommend to the shareholders to appoint as a Director of the Company.
Shri R.M. Upadhyay inducted on the Board as additional Directors on 10.10.2001. A notice has been received from a shareholders u/s 257 of the Companies Act, 1956 proposing him to be appointed as a director subject to retirement by rotation in the 13th Annual General Meeting.
Shri R.M. Upadhyay is a mechanical engineer having more than 15 years experience in the field of Oil, Solvent Extraction and Vanaspati industries.
Dr. S.K. Dikshit inducted on the Board as additional Directors on 10.10.2001. A notice has been received from a shareholder u/s 257 of the Companies Act, 1956 proposing him to be appointed as a director subject to retirement by rotation in the 13th Annual General Meeting. Dr. S.K. Dikshit is a medical professional and he is in the profession for last 25 years, he will also provide vital contribution for herbal unit. In term of the provisions of the Companies Act. 1956, the above two additional Directors would hold office only up to the date of ensuing Annual General Meeting.
The Board is of the opinion that their contribution on the Board will enhance its strength in many ways.
The Board therefore recommends their appointments.
- (12) Listing of Shares :**
The Equity Shares of the Company continue to be listed during the year under review at The Stock Exchange, Mumbai & U.P. Stock Exchange Association Ltd., Kanpur and the annual listing fee to each of these stock exchange, paid upto date.
- (13) Corporate Governance :**
The provisions of corporate governance are applicable on the company during the year 2002-2003, the company is taking the necessary steps in this regard.
- (14) Energy Conservation and Foreign Exchange :**
As required u/s 217 (1) (e) of the Companies Act, 1956 read with Companies (disclosure particulars in the Report of Board of Directors) Rules 1988, the information on conservation of energy and Foreign Exchange earning and out go is given in a separate Annexure forming part of this report.
- (15) Appreciation :**
Your Directors place on record their sincere appreciation of the services rendered by the employees of the company and are grateful to the financial institutions and Banks for their assistance. Your Directors are grateful to shareholders, customers and suppliers of the company for their continued and valuable support. Your Directors are thankful to local authorities for the cooperation extended by them.

Place : Varanasi
Dated : 07.09.2002

By order of the Board
Sd/-
(D.N. Jhunjunwala)
Chairman & Managing Director

JHUNJHUNWALA VANASPATI LTD.**ANNEXURE TO DIRECTOR'S REPORT**

Particulars as required U/S 217 (1) (a) of the Companies Act, 1956 for the year ended 31st March, 2002.

| | Current Year (Rs. in Lacs) | Previous Year (Rs. in Lacs) |
|---|---------------------------------------|--|
| (A) Power & Fuel Consumption | | |
| (1) Electricity | | |
| (a) Purchased | | |
| Unit (000) | 3283 | 2217 |
| Total Amount (Rs. lacs) | 140.56 | 117.68 |
| Rate/Unit (Rs.) | 4.28 | 5.30 |
| (b) Our Generation | | |
| (i) Through Diesel Generators | | |
| Unit (000) | 1650 | 1897 |
| Total Amount (Rs. Lacs) | 59.90 | 67.73 |
| Cost/Unit (Rs.) | 3.63 | 3.57 |
| (2) Coal/Husk | | |
| Quantity (M.T.) | 29795.03 | 31205.79 |
| Total Coal/Husk (Rs. Lacs) | 340.33 | 309.56 |
| Average Rate (Rs.) | 1142.25 | 992.00 |
| (3) Furnace Oil | — | — |
| (4) Other/Internal Generation | — | — |
| (B) Consumption per MT of Vanaspati Production | | |
| Electricity | 59.60 | 50.31 |
| Furnace Oil | — | — |
| Coal (Kgs.) / Husk (Kgs.) | 359.84 | 381.54 |
| (C) Technology Absorption | | |
| Adaptation & Innovation | | |
| (D) Foreign Exchange Earning and Outgo | (Rs. 000) | (Rs. 000) |
| Total Foreign Exchange earned | — | 627 |
| Total Foreign Exchange used | 73021 | 15563 |

AUDITOR'S REPORT**To the Members of Jhunjhunwala Vanaspati Ltd.**

1. We have audited the attached Balance Sheet of JHUNJHUNWALA VANASPATI LTD. as at 31st March 2002 and also the Annexed Profit and Loss account of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have obtained all the informations and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
4. In our opinion proper books of account as required by law, have been kept by the company so far as appears from our examination of the books of the company.
5. The Balance Sheet and Profit and Loss account dealt with by the report are in agreement with the books of account of the Company.
6. In our opinion Profit & Loss Account and Balance Sheet are prepared in accordance with the applicable accounting standards, except accounting standard 15 regarding gratuity and accounting standard 22 regarding deferred tax liabilities/assets as per Note no. 3 and note no. 14 of schedule 14.
7. On the basis of written representation received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Section 274(1) (g) of the companies Act, 1956.
8. In our opinion and to the best of our information and according to the explanations given to us the said account subject to (I) Note no. 3 regarding non provision of future gratuity liability, (II) Note no. 4 of Schedule 14 regarding different parties balance taken in account and Bank reconciliation & items thereon. Had the gratuity being debited to Profit and Loss account, Profit during the year would have been lower by Rs. 1113019.00 (including Rs. 722627.00 for earlier years) and current liability would have been higher by Rs. 1113019.00 and read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conforming with the accounting principles generally accepted in India.

- (I) In the case of Balance Sheet of the state of affairs of the company as at 31st March 2002 and
 - (II) In the case of Profit and Loss account, of the profit for the year ended on that date.
9. As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the company Law Board in Terms of Section 227 (4A) of the companies Act, 1956, and on the basis of such checks as we considered appropriate, we further state that :
- (I) The company has not yet maintained proper records showing full particulars including quantitative detail and situation of fixed assets, which have been physically verified by the management and according to the management no discrepancy was found on such verification. Fixed assets register is under preparation. Addition during the year has been taken as certified by the Management.
 - (II) None of the fixed assets have been revalued during the year.
 - (III) The stock of finished goods, trading goods, stores, spare, parts and raw material have been physically verified by the management at the end of the year.
 - (IV) The procedure of physical verification of stock followed by management is reasonable and adequate in relation to the size of the company and nature of its business.
 - (V) No material discrepancies have been noticed on physical verification of stock as compared to books of account and the same have been properly dealt with in the books of account.
 - (VI) On the basis of our examination of stock records, we are of the opinion that the valuation of stock is according to normally accepted accounting principles, and is on the same basis as in the preceeding year wherever applicable.
 - (VII) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 and 370 (1B) of the companies Act, 1956.
 - (VIII) The company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the companies Act, 1956.
 - (IX) The company has given loan and advance in the nature of loan during the year. Advance in the nature of interest free loan have been given to employees without, any stipulation thereon, which are generally being recovered and according to the explanation given to us loans & advances have been given in the course of business and for the purpose of the business.
 - (X) In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of raw materials including components, plants and machinery, equipments and other assets and with regard to the sale of goods.

- (XI) In our opinion and according to the information and explanation given to us, the price paid for purchase of goods, materials and services and sale of goods, materials and services in excess of Rs. 50000/- in relation to the each party as listed in the register as prescribed under Sec. 301 of the Companies Act, 1956, are reasonable as compared to the price of similar items wherever if any dealt with the other parties.
- (XII) According to the management there was no damaged or unserviceable goods with the company at the end of the year.
- (XIII) The company has not taken any deposit during the year from public u/s 58A of the companies act 1956.
- (XIV) The company is maintaining reasonable records for the sale and disposal of realisable by products and scrap if any.
- (XV) In our opinion, the company has an internal audit system commensurate with the size and nature of the business.
- (XVI) In our opinion company has made and maintained cost records under section 209(1) (d) of the Companies act, 1956. We have not however made a detailed examination of the record with a view of determining whether these are accurate or complete.
- (XVII) As par management ESI is not applicable to the company. Provident fund dues have generally been regularly deposited with the appropriate authorities. Overdue as on 31.3.2002 NIL.
- (XVIII) As per Management, there are no undisputed amount of Income Tax, Sales Tax, Wealth Tax, Custom Duty & Excise duty outstanding as on 31st March 2002 for a period of more than six months from date become payable.
- (XIX) According to the information & explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (XX) In our opinion, the company has maintained proper records and made timely entries in respect of share trading / investment made by the company. The company's investment are held in its own name.
- (XXI) The company is not a sick industrial company, within the meaning of Sec. 3(1) (0) of the sick industrial companies (Special Provisions) Act. 1985.

Camp : VARANASI
27 A, Waterloo Street,
KOLKATA - 700069
Dated : The 7th, day of September, 2002

For GARG & COMPANY
Chartered Accountants
s/d
G.C. Agarwal
Partner