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ANNUAL REPORT 2003 - 2004

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SATNAM OVERSEAS LIMITED





SATNAM OVERSEAS LIMITED

<p><i>Chairman</i> Jugal Kishore Arora</p> <p><i>Jt. Managing Directors</i> Satnam Arora Gurnam Arora</p> <p><i>Non-Executive Directors</i> Vijay Burman Anil Bhatia Vijay Parkash Aggarwal</p> <p><i>Company Secretary</i> Rajiv Dudeja</p> <p><i>Auditors</i> M/s Nath Ahuja & Co. Chartered Accountants New Delhi 110 048</p>	<p><i>Bankers</i> Oriental Bank Of Commerce Corporate Branch, New Delhi Canara Bank Corporate Service Branch, New Delhi UTI Bank, New Delhi Punjab National Bank Corporation Bank State Bank of India State Bank of Patiala Indian Overseas Bank</p> <p><i>Registered Office, Corporate Office & Share Deptt.</i> 201, Vipps Centre, 2 Community Complex, Greater Kailash-II, Masjid Moth, New Delhi 110 048 (India) Ph. 5163 5757 (10 Lines)</p> <p><i>Works</i> 50-51 Milestone, G.T. Road, Murthal Dist. Sonapat (Haryana) O/S Gate Bhagtanwala, Amritsar (Punjab)</p>
<p><i>Transfer Agents</i> M/s SKYLINE FINANCIAL SERVICES PVT. LTD. 123, Vinoba Puri, Lajpat Nagar-II, New Delhi-10024 Phone : 26838501, 26847136, 26920625</p>	

Listing of Equity Shares

(Listing Fees Paid)

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 1. National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor,
Plot no. C/1 - G Block
Bandra-Kurla Complex
Bandra (E) Mumbai 400 051 | 2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400001 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|

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**SATNAM OVERSEAS LIMITED**

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of Satnam Overseas Limited will be held on Tuesday, the 28th September, 2004 at 1:00 p.m. at Surya Gardens, Sector-D, Pocket II, Vasant Kunj, New Delhi 110 070 to transact the following ordinary business :-

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2004, the Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To Declare Dividend.
3. To appoint a Director in place of Mr.Gurnam Arora, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr.Anil Bhatia, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

**By Order of the Board
For SATNAM OVERSEAS LIMITED**

**New Delhi
August 18, 2004**

**RAJIV DUDEJA
COMPANY SECRETARY**

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NOTES :

- a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
- b) The Register of Members and Transfer Books of the Company will remain closed from Tuesday, the 14th September, 2004 to Friday, the 17th September, 2004 (both days inclusive) in connection with Dividend and Annual General Meeting.
- c) Dividend as recommended by the Board of Directors, when declared at the Annual General Meeting will be paid to those members whose name appear on the Register of Members of the company on 17th September, 2004.
- d) Members are requested to provide their Bank Account Numbers, and name and address of the Bank Branch to enable the company to incorporate the same on the Dividend Warrants in order to prevent fraudulent encashment of the warrants.
- e) The Share Department at the Registered Office of the company is open for public dealings between 10.00 a.m. to 1.00 p.m. from Monday to Friday, excluding Holidays.
- f) Entry in the Meeting Hall shall be strictly restricted to Members/valid Proxies only carrying the Attendance Slip.
- g) As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1988 as amended, the unpaid/unclaimed dividend for the financial year ended upto 31st March, 1995 was transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies NCT of Delhi and Haryana, Paryavaran Bhawan, C.G.O. Complex, New Delhi. In case any assistance is required, members may write to the Registrar and Share Transfer Agent of the Company.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed and / or unpaid for a period of seven years is to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Accordingly, unclaimed Interim and Final Dividend for the financial year 1995-96 was transferred to Investor Education & Protection Fund (IEF) as above. Unclaimed Dividend for the financial year 1996-97 is due for transfer to the said Fund in November, 2004. In terms of the provisions of Section 205 C of the Companies Act, 1956 no claim shall lie against the Company or the said Fund after the said transfer.

- h) Members are requested to intimate the change, if any, in their registered addresses, to the Registrars, M/s.Skyline Financial Services Pvt.Ltd., 123, Vinoba Puri, Lajpat Nagar-II, New Delhi 110 024. In case of dematerialised shares, the aforesaid intimation should be given to the Depository Participant with which the member has account.
- i) Shareholders desiring any information as regards Accounts should write to the Company's Registered office at least seven days before the date of the meeting for the attention of Mr. Rajiv Mangla, Financial Controller, so as to enable the management to keep the information ready.

**SATNAM OVERSEAS LIMITED**

j) Re-appointment of Directors Retiring by Rotation**Mr. Gurnam Arora**

Mr. Gurnam Arora has over thirty two years of experience in rice industry. Mr. Gurnam Arora has been looking after Domestic Marketing, Purchase, Administration, Quality Control and Corporate Affairs of the Company. Mr. Gurnam Arora's broad vision helped the Company not only increase the domestic share of Basmati Rice but also formulated idea of introducing new products. He is also overall responsible for setting up of new plants for manufacturing and marketing of Ready to Eat products.

Mr. Anil Bhatia

Mr. Anil Bhatia is a Post Graduate and has over 35 years of experience in Export and Import of Electrical & Engineering products. He is also a member of Audit Committee Mr. Bhatia is also a Director of Indian Delco Ltd.

**By Order of the Board
For SATNAM OVERSEAS LIMITED**

**New Delhi
August 18, 2004**

**RAJIV DUDEJA
COMPANY SECRETARY**




SATNAM OVERSEAS LIMITED
DIRECTORS' REPORT & MANAGEMENT DISCUSSION & ANALYSIS

Your Directors have pleasure in presenting the 15th Annual Report and Audited Accounts for the year ended March 31, 2004.

FINANCIAL PERFORMANCE

(Rs. in Lacs)

Particulars	2003-04	2002-03
Turnover & other income	53218	45891
Profit before Depreciation	2260	1537
Depreciation	518	424
Profit before Tax	1742	1113
Provision for Taxation	445	164
Profit after Tax	1297	949
Add.: Balance Brought Forward	—	—
Profit available for appropriation	1297	949
APPROPRIATION		
Transfer to General Reserve	259	727
Proposed Dividend (Including Tax)	332	222

During the year under review, the Company achieved a turnover of Rs. 532 Crores, as compared to Rs. 454 Crores in the previous year. The profit after tax increased by 49% to 12.97 Crores in the Current Year from Rs. 9.49 Crores in the previous year.

The Company's concerted efforts to increase the share of Branded Basmati business yielded results. The sale of Branded rice increased by 39% to Rs. 185 Crores from Rs. 133 Crores in the previous year.

Your Directors are strongly of the view that commendable performance achieved by the company was a result of increase in branded sales and better working capital Management. The company strongly pursued the strategy of strengthening its brands to deliver sustainable quality growth in the light of intense competition, a sluggish economy and declining market.

FUTURE PROSPECTS

Over the years, your company has emerged as a key player both in the Domestic as well as Exports market of Indian Agro Products. The company has achieved global supremacy in the basmati rice market. In the last few years, the company has made exceptional efforts to encourage sale of basmati rice under its own Brand name in the overseas market. And it has met with considerable success in this front. It has now penetrated global frontiers and established itself as a leading player in the basmati rice market world-wide. Today, **KOHINOOR**, its flagship brand is visible in the retail counters in a number of countries like USA, U.K., Canada, France, Saudi Arabia, Kuwait, United Arab Emirates, etc.

The company has more than 35% share of the branded basmati rice market, estimated about Rs.425 Crores in the country. **KOHINOOR** is the runaway leader in the premium segment and has emerged as the largest selling brand in the country. The other outstanding feature of **KOHINOOR** is its national presence. No other Brand commands the overwhelming popularity and recognition like Kohinoor does nationwide. **TROPHY**, the second largest selling brand for the company has also emerged as a leader in its category.

Packaged basmati rice has always been aimed at the upper and upper middle class households because of its inherent high costing. But your Company has been trying to widen the market by launching a range of basmati brands aimed at different price segments. In fact, there is a host of brands with the price range



starting from Rs.30/- to Rs.85/- per k.g. The Company has introduced broken basmati rice in consumer packs i.e. in 5 k.g. poly pack for the price conscious market segments.

With its constant endeavour to introduce uniqueness in products, the company came out with an attractive packaging with the continuing theme line **"The Flavour of India"**. The theme line suggests the overwhelming popularity of **KOHINOOR** through the entire length and breadth of the country. With beautiful pictorial depictions and colourful images taken from all regions of India, the packaging looks unique and exclusive. The packaging truly reflects the spirit behind the concept of **"The Flavour of India"**.

During the year the company entered into a unique tie-up with Amway India a fortune 500 company and one of the largest direct selling company in the world. Under this tie-up the company will supply its flagship **KOHINOOR** Basmati rice to Amway India and the same will be marketed through 60,000 Amway distributors across 90 cities in India. Initially the company is committed to supply 3 Lac units of rice in 2 k.g. international packaging and the same will be available at the same price across the country. We are sure that the agreement with Amway India will go a long way in increasing the penetration of the brand **KOHINOOR** through a non-traditional distribution channel.

As a step towards achieving diversification and FMCG status, your Company launched Namkeens and Ready to Eat Indian Curries under its flagship Brand **"KOHINOOR"**.

KOHINOOR NUMKEENZ was initially launched in Mumbai at over 1500 outlets. The launch was supported by promotions in the Media followed by extensive retail promotions and merchandising. The response were overwhelmingly successful. After meeting success in Mumbai market, the launch was extended to Gurgaon and Delhi markets where too the response was satisfactory. Your Company aims to go rational by the year end. It is also planned to launch Namkeens in international markets simultaneously keeping in view the highly lucrative markets of United Kingdom and United States and then extending it to the entire Middle - East, Singapore, Mauritius, Malaysia, Indonesia and other markets.

Ready to Eat Indian Curries under the Brand **"KOHINOOR Heat & Eat"** was launched as an extension to the series of new premium food product offerings as a part of your company's strategy to emerge as a leading Indian foods company. The product is aimed at people who are pressed for time and are looking for convenience in making a meal without compromising on the nutritional value and hygiene of the product. It is packed in a hands-free automated environment using the well established retort technology to offer extended shelf life through steam sterilization, packed in consumer friendly retort pouches. The product was introduced in 20 variants, is 100% natural without any preservatives or artificial colours. The company has received tremendous response to the product both in domestic as well as international markets. The product has been well placed in the markets of Australia, U.K., USA, New Zealand, Dubai, Hungary, Singapore and Malaysia.

The Company has been striving hard to make the presence of these new products across the globe.

It is planned to launch Curry Pastes, Cook-N-Sauces and Chutneys by the year end. Trials are being conducted and prices worked out to make the products available to the ultimate consumer at affordable and competitive prices.

In order to meet the challenges in globally competitive market the company set up a 100% Export Oriented Unit (EOU) in Haryana, having ultra-modern & sophisticated Plant and Machinery imported from Italy and Korea. The unit will be exclusively meant for manufacturing Ready to Eat Vegetables, Meals and Curries.

Joint Ventures & Subsidiaries

The Company has been able to consolidate its position in the ethnic markets. During the year, it focused on increasing its presence across the globe and to create a distribution network in order to penetrate the mainstream markets.

The performance of Wholly Owned Subsidiary (WOS) Satnam Overseas Ltd. Inc (SOLI) was satisfactory. The Company has been able to establish its presence in Los Angeles to target the ethnic market in the West Coast. It is expected that the products of the Company will find a suitable entry in Multiples and Retail Chain Stores during the year.

Results of Joint Venture Operations in U.K. (Indo European Foods Ltd.) and Dubai (Rich Rice Raisers Factory LLC) are encouraging. In order to encash upon the lucrative market, the company is setting up its own mill, to ensure that high quality rice is made available at competitive prices. The Construction has already been



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commenced and it is expected that the same will become operational by the year end. The Distributors for promotion of "KOHINOOR" Brand have already been appointed in Italy, Sweden, Germany and France.

The Company in Dubai (Rich Rice Raisers Factory LLC) though incurred some losses in trading business last year but the same are expected to be recovered during the year under review. Basmati Rice exports are expected to grow by 100%. New products (Ready to Eat and Namkeens) have received tremendous response. Distributors have been appointed in Doha, Qatar and Jordan. Sales are growing at a satisfactory pace through the new appointments.

DIVIDEND

Your Directors have pleasure in recommending for consideration of the members at the Annual General Meeting, Dividend of Re 1.50 per equity share, which, if approved will absorb Rs.294 Lacs. The company has provided for the proposed dividend tax of Rs. 37.67 lacs in the accounts.

DIRECTORATE

In accordance with the provisions of the Companies Act, 1956 Mr.Gurnam Arora and Mr.Anil Bhatia - Directors retire by rotation at this Annual General Meeting and being eligible offer themselves for reappointment.

SUBSIDIARIES AND JOINT VENTURES

As required by section 212 of the Companies Act, 1956 the reports and audited accounts of the Subsidiary Companies alongwith the statement pursuant to Section 212 of the Companies Act, 1956 forms part of the Annual Report.

INTERNAL CONTROL SYSTEM

Your Company has well established Internal Control Procedures across its various locations, commensurate with its size and nature of operations to ensure that financial and Operating Reporting Systems are reliable and that all material risks are evaluated. The Internal audit function is adequately resourced and reports independently to the Audit Committee of the Board. In the opinion of the management and the internal auditors, there exists adequate safeguard against fraud and negligence within the company.

LISTING AT STOCK EXCHANGE

The Equity Shares of the Company are listed on Stock Exchanges at Mumbai and National Stock Exchange. The annual listing fees for the year 2004-05 has been paid to the Exchanges.

The Company got the shares delisted from Delhi, Ludhiana and Ahmedabad Stock Exchanges during the year.

CORPORATE GOVERNANCE

Your company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as stipulated by the Stock Exchanges. A separate report on Corporate Governance alongwith Auditors's Certificate on its compliance by the company is attached as Annexure 'A' to this report.

AUDITORS

M/s. Nath Ahuja & Co. Statutory Auditors of the Company, retire and offer themselves for reappointment. The Company has obtained a Certificate to the effect that their reappointment, if made, would be in conformity with the limits specified under section 224 (1B) of the Companies Act, 1956.

FIXED DEPOSITS

Your company has not accepted any deposit from Public during the year under review.

INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES

Information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and information as per section 217 (2A) of the


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Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended from time to time are given in Annexures 'B' & 'C' forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of Companies Act, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 ended 31st March, 2004 and the profit and loss account for the year ended 31st March, 2004;
- Proper and sufficient care has been taken for the maintenance of adequate accounting 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;
- The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors acknowledge with gratitude the commitment and dedication of the employees at all levels that has contributed to the growth and success of the company. Your Directors also put on record their appreciation and thanks to the millions of consumers who have reposed faith in the product of their company.

FOR AND ON BEHALF OF THE BOARD

**NEW DELHI
AUGUST 18, 2004**

**JUGAL KISHORE ARORA
CHAIRMAN**

**ANNEXURE 'A' TO THE DIRECTORS' REPORT****REPORT ON CORPORATE GOVERNANCE****1. THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

The Company believes in good Corporate Governance and aims at conducting its business effectively and efficiently, thereby achieving high levels of transparency and accountability in all interactions with Investors, Customers, Creditors, employees and the society at large.

2. BOARD OF DIRECTORS

The Company's Board of Directors has the optimum mix of Executive and Non-Executive Directors. It consists of three Executive Directors and three Non-Executive Independent Directors. The Board members possess the requisite skills, experience and expertise to guide the company.

Information Available to the Board

All requisite information as per Clause 49 of the Listing Agreement are placed before the Board during meetings. From time to time the Board invites members of the senior management to present reports on the Company's operations and internal control system.

Composition of the Board

Name of Director	Category	Directorship in Companies (Incl. SOL)	Membership in specified committees (Incl.SOL)
Mr.Jugal Kishore Arora	Chairman (WTD)	4	1
Mr.Satnam Arora	Jt.Managing Director (WTD)	4	1
Mr.Gurnam Arora	Jt.Managing Director (WTD)	4	NIL
Mr.Anil Bhatia	Independent Non-Executive	2	4
Mr.Vijay Burman	Independent Non-Executive	1	4
Mr.Vijay Parkash Agarwal	Independent Non-Executive	1	3

Specified Committees - Audit, Shareholders / Investors Grievance, Remuneration and Share Transfer Committee.

Attendance at the Board Meetings

During the financial year 2003-2004, the Board of Directors of your company met 14 times on 29th April, 2003, 20th May, 2003, 16th June, 2003, 1st July, 2003, 30th July, 2003, 1st August, 2003, 20th August, 2003, 27th September, 2003, 30th October, 2003, 8th December, 2003, 9th January, 2004, 28th January, 2004, 28th February, 2004 and 31st March, 2004.

Attendance Details of each Director at the Board Meetings and the last AGM.

Name of Director	No. of Board Meetings Attended	Attendance at the Last AGM
Mr. Jugal Kishore Arora	9	No
Mr. Satnam Arora	10	No
Mr. Gurnam Arora	11	Yes
Mr. Vijay Burman	14	Yes
Mr. Anil Bhatia	12	No
Mr. Vijay Parkash Agarwal	12	No