



LANYARD FOODS LIMITED

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LANYARD FOODS LTD.


MANAGING DIRECTOR

6th
Annual Report
1999-2000

LANYARD FOODS LIMITED

SIXTH ANNUAL REPORT 1999-2000

BOARD OF DIRECTORS :

H. D. GANDHI	Chairman
S. S. DESAI	Managing Director
N. S. MULLICK	Joint Managing Director
H. S. SHETTY	Director (Southern Region)
D. K. PAREKH	Dy. Secretary

BANKERS :

STATE BANK OF SAURASHTRA
PUNJAB NATIONAL BANK
THE RAJASTHAN BANK LTD.

AUDITORS :

DESAI & PORWAL
CHARTERED ACCOUNTANTS

REGISTERED OFFICE :

L-51, APMC MARKET – I, PHASE II,
SECTOR 19, VASHI,
NAVI MUMBAI – 400 703.

REGISTRAR AND TRANSFER AGENT :

DEVURMI FINANCIAL & MANAGEMENT SERVICES PVT. LTD.
5-B, SUPER SHOPPING COMPLEX,
DR. DALVI ROAD,
KANDIVLI (WEST),
MUMBAI – 400 067.

LANYARD FOODS LIMITED

NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of LANYARD FOODS LIMITED will be held on Monday, the 20th November, 2000 at the Registered office of the Company at L-51, APMC Market -I, Phase II, Sector 19, Vashi, Navi Mumbai-400 703 at 4.00 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2000 and the Profit and Loss Account for the period ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. H. S. Shetty, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditor of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and further subject to such approvals and/or consents as may be necessary, approval of members be and is hereby accorded to the revision in remuneration payable to Mr. Shailesh S. Desai, Managing Director of the Company with effect from 1st August, 2000 for the remaining period of his appointment as set out in the draft supplemental agreement placed before the meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute the supplemental agreement for and on behalf of the Company with Mr. Shailesh S. Desai, Managing Director of the Company and to do all such acts, deeds, matters and things as the case may be necessary and expedient for giving effect to the above resolution."

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and further subject to such approvals and/or consents as may be necessary, approval of members be and is hereby accorded to the revision in remuneration payable to Mr. Nakul S. Mullick, Joint Managing Director of the Company with effect from 1st August, 2000 for the remaining period of his appointment as set out in the draft supplemental agreement placed before the meeting and initialled by the Chairman for the purpose of identification.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute the supplemental agreement for and on behalf of the Company with Mr. Nakul S. Mullick, Joint Managing Director of the Company and to do all such acts, deeds, matters and things as the case may be necessary and expedient for giving effect to the above resolution."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and further subject to such approvals and/or consents as may be necessary, consent of the Company be and is hereby accorded to re-appointment of Mr. Halady Srinivasa Shetty as Director (Southern Region) of the Company for a further period of one year with effect from 1st October, 2000 on terms and conditions including remuneration payable as set out in the draft agreement to be entered into between the Company and Mr. Halady Srinivasa Shetty.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute the agreement for and on behalf of the Company with Mr. Halady Srinivasa Shetty, Director (Southern Region) of the Company and to do all such acts, deeds, matters and things as the case may be necessary and expedient for giving effect to the above resolution."

By order of the Board of Directors

Place : Mumbai

Date : 29th September, 2000

Registered office :

L-51, APMC Market I, Phase II,

Sector 19, Vashi,

Navi Mumbai - 400 703.

H. D. GANDHI

Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The instrument of proxy duly completed and signed should, however be deposited at the Registered office of the Company not less than forty-eight hours before the meeting.
2. THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF THE SPECIAL BUSINESS AS SET OUT ABOVE IS ANNEXED HERETO.
3. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, the 14th November, 2000 to Monday, the 20th November, 2000 (both days inclusive).
4. All documents referred in the above Notice and Explanatory Statement are open for inspection at the Registered office of the Company on all working days (except Saturdays, Sundays and Holidays) between 11.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.
5. Members are requested to bring their copy of the Annual Report at the time of attending the meeting.
6. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
7. Members are requested to intimate the change of address, if any, to the Registrar and Share Transfer Agent of the Company.

ANNUAL REPORT (1999 - 2000)**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 :****Item No. 4**

In view of the loss during the period, the Board of Directors has felt it necessary to make revision in the terms of remuneration payable to Mr. Shailesh S. Desai, Managing Director of the Company with effect from 1st August, 2000 for the remaining period of his appointment as set out below :

- A. The Managing Director shall draw remuneration as under:
Salary of Rs. 10,000/- per month, House Rent Allowance of Rs. 4,000/- per month, Medical Allowance of Rs.1,000/- per month incurred for self and family, Company's contribution to Provident Fund will be as per the Scheme of the Company and Gratuity as per the rules of the Company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service, subject to any ceiling that may be fixed by the Government.
- B. The Company shall provide car with driver and telephone (including cellular phone) facility at the residence of the managerial personnel. Provision of car with driver for the use of Company's business and telephone facility at residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company.
- C. The Managing Director shall be entitled to reimbursement of expenses actually and properly incurred by him in the course of legitimate business of the Company.

Your Directors recommend the ordinary resolution at Item No. 4 for your approval.

None of the Directors except Mr. Shailesh S. Desai is concerned or interested in this Resolution.

Item No. 5

In view of the loss during the period, the Board of Directors has felt it necessary to make revision in the terms of remuneration payable to Mr. Nakul S. Mullick, Joint Managing Director of the Company with effect from 1st August, 2000 for the remaining period of his appointment as set out below :

- A. The Joint Managing Director shall draw remuneration as under :
Salary of Rs. 25,000/- per month, House Rent Allowance of Rs. 11,500/- per month, Medical Allowance of Rs.1,000/- per month incurred for self and family, Company's contribution to Provident Fund will be as per the Scheme of the Company and Gratuity as per the rules of the Company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service, subject to any ceiling that may be fixed by the Government.
- B. The Company shall provide car with driver and telephone (including cellular phone) facility at the residence of the managerial personnel. Provision of car with driver for the use of Company's business and telephone facility at residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company.
- C. The Joint Managing Director shall be entitled to reimbursement

of expenses actually and properly incurred by him in the course of legitimate business of the Company.

Your Directors recommend the ordinary resolution at Item No. 5 for your approval.

None of the Directors except Mr. Nakul S. Mullick is concerned or interested in this Resolution.

Item No. 6

Mr. Halady Srinivasa Shetty was appointed as Director (Southern Region) for a period of one year with effect from 1st October, 1999 at the Annual General Meeting of the Company held on 15th September, 1999 and his tenure of appointment will be expiring on 30th September, 2000. The Board of Directors of the Company at their meeting held on 29th September, 2000 have re-appointed him as Director (Southern Region) for a further period of one year with effect from 1st October, 2000 subject to the approval of members in General Meeting. The terms and conditions including remuneration payable to him are set out in draft agreement to be entered in to by the Company with him, which inter alia, set out below :

- A. The Director (Southern Region) shall draw remuneration as under :
Salary of Rs. 45,000/- per month, House Rent Allowance of Rs. 24,000/- per month, Medical Allowance of Rs. 1,000/- per month incurred for self and family, Company's contribution to Provident Fund will be as per the Scheme of the Company and Gratuity as per the rules of the Company, payable in accordance with the approved fund at the rate of half a month's salary for each completed year of service, subject to any ceiling that may be fixed by the Government.
- B. The Company shall provide car with driver and telephone (including cellular phone) facility at the residence of the managerial personnel. Provision of car with driver for the use of Company's business and telephone facility at residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company.
- C. The Director (Southern Region) shall be entitled to reimbursement of expenses actually and properly incurred by him in the course of legitimate business of the Company.

Your Directors recommend the ordinary resolution at Item No. 6 for your approval.

None of the Directors except Mr. Halady Srinivasa Shetty is concerned or interested in this Resolution.

By order of the Board of Directors

Place : Mumbai

H. D. GANDHI

Date : 29th September, 2000

Chairman

Registered office :

L-51, APMC Market I, Phase II,
Sector 19, Vashi,
Navi Mumbai - 400 703.

LANYARD FOODS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Sixth Annual Report along with the Audited Balance Sheet and Profit and Loss Account for the period from 1st April, 1999 to 30th June, 2000 (15 months).

FINANCIAL RESULTS:

	1999-2000 (15 months) Rs. in lacs	1998-1999 (12 months) Rs. in lacs
Sales & other Income	154226.28	80193.33
Gross Profit/(Loss)	(19759.89)	1567.88
Depreciation & Amortisation	37.27	16.62
Profit/(Loss) before taxation	(19797.16)	1551.26
Provision for taxation	—	535.00
Profit/(Loss) after taxation	(19797.16)	1016.26
Balance brought forward from previous year	217.51	109.30
Net Profit/(Loss)	(19579.65)	1125.56

OPERATION

During the period under review, the Company's sales has increased to Rs. 1537.88 crores from Rs. 794.07 crores of the previous year, however the Company has incurred huge operational loss of Rs. 195.79 crores due to the drastic crash of price of edible oil in International/ Domestic markets from US\$ 700 pmt to US\$ 275 pmt. Further the Government policy in respect of custom duty also played an important role in accumulation of loss i.e. custom duty has increased three times in a period of last 15 months from 16.5% to 27.50% to 44.04%.

Your Company had to sell under compulsion edible oil in local market at lower price due to poor response of customers to purchase edible oil at committed price, in addition to this the gravity of loss is surmounted due to exchange fluctuation on account of payment to the foreign suppliers which were more than 95% of the total purchase.

The loss incurred during the period has exceeded the entire net worth as per the audited accounts for the 15 months period ended 30th June, 2000 and therefore the Board of Directors hereby forms an opinion that the Company has prima facie become a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

The qualifications in the Auditors' Report are self explanatory.

FUTURE SCENARIO

As a means of restoring viability, the Company propose to set-up Refinery and Storage Tanks Farm to save on cost on storage.

DIRECTORS

Mr. H. S. Shetty, Director of the Company, retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment. In view of the loss during the period, the terms and conditions of appointment of Mr. Shailesh S. Desai, Managing Director and Mr. Nakul S. Mullick, Joint Managing Director have been revised for the remaining period of their appointment w.e.f. 1st August, 2000. The Board has also recommended the re-appointment of Mr. H. S. Shetty, Director (Southern Region) with effect from 1.10.2000 subject to the approval of shareholders at the ensuing Annual General Meeting. During the period under review, Mr. H. S. Gandhi, Mr. Dinesh Kataria, Mr. Vivek Dighe, Mr. Jagdish Shroff, Mrs. S. H. Gandhi and Mr. M. K. Sudarshanan have resigned from the office of the Directors of the Company.

AUDITORS

The Auditors M/s. Desai & Porwal, Chartered Accountants, will retire at the forthcoming Annual General Meeting and are eligible for re-appointment. They have furnished a certificate to the effect that the proposed re-appointment, if made, will be in accordance with Section 224(1)(B) of the Companies Act, 1956.

FIXED DEPOSIT

During the period under review, the Company has not accepted any deposits from the public.

ANNUAL REPORT (1999 - 2000)

PARTICULARS OF EMPLOYEES

The statement of particulars of employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 employed throughout the period ended 30th June, 2000 is given below :

Sr. No.	Name of Employees	Age (Years)	Designation	Gross Remuneration Received (Rs.)	Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment
1.	Mr. Halady S. Shetty	41	Director (Southern Region)	10,50,000	Business Management (8 years)	01.01.97	Self Employed
2.	Mr. Nakul S. Mullick	29	Joint Managing Director	7,50,000	Marketing Management (8 Years)	01.04.96	Self Employed

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

I. Conservation of Energy :

The scope for conservation of energy was limited as the consumption of energy being power-electricity was negligible during the period under review. However the Company has been laying emphasis on the conservation of energy and has been taking several measures like regular monitoring of consumption.

II. Technology Absorption:

The Company has carried out R&D work for cost reduction improvement in quality and productivity. Expenditure incurred are charged under primary heads of accounts and not allocated separately. The Company has not imported any technology.

III. Foreign Exchange Earnings and Outgo :

A. Foreign Exchange Earnings	:	Rs. NIL	(NIL)
B. Foreign Exchange Outgo	:	Rs. 109397.38 lacs	(Rs. 32032.89 lacs)

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude and wish to place on record their appreciation for the support and co-operation received from Bankers, Shareholders, Press, Registrars and Employees at all levels during the period under review and look forward to their continued support.

By order of the Board of Directors

H. D. GANDHI
Chairman

Place : Mumbai

Date : 29th September, 2000

Registered office :

L-51, APMC Market I, Phase II,

Sector 19, Vashi,

Navi Mumbai - 400 703.

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LANYARD FOODS LIMITED

Report of the Auditors' to the shareholders

We have audited the attached Balance Sheet of **LANYARD FOODS LTD.**, as at 30th June, 2000 and also the Profit & Loss Account of the Company for the Fifteen months period ended on that date annexed thereto and report that :

1. 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, we give in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above :
 - [a] We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - [b] In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of the books, and proper documents, books, information and returns adequate for the purpose of our audit have been received from the Cochin Branch not visited by us ;
 - [c] The Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of accounts ;
 - [d] In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - [e] We report that;
 - (i) The provision for interest payable on outstanding imports bills of foreign creditors as on 30th June, 2000 for Rs. 8,30,04,566/= has not been made, hence to that extent the loss for the period is understated.
 - (ii) No provision is made for loss of cash embezzlement of Rs. 13,57,960/= by staff, to that extent the loss for the period is understated.

- (iii) The provision for the diminution in value of 8007.140 Metric Tonnes of stock stored for more than six months at Kandla port of Rapseed Degum Oil has not been made as in the opinion of the Board such diminution being technical matter, can be ascertained at the time of effecting sales. The said stock has been valued at Rs.18,40,82,516/= as on 30th June, 2000 for the purpose of inventory.

We further report that the Loss for the period and balance in Profit and Loss Account at the end of the period are without considering the items mentioned above as the effect of those could not be determined.

- [f] Subject to para (e)(i)(ii)(iii) above and para Number (vi) of Manufacturing and other Companies (Auditors' Report) Order, 1988, in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit & Loss Account read together with the other notes thereon, give the information, required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - (i.) In the case of Balance Sheet, of the State of affairs of the Company as at 30th June, 2000 and
 - (ii.) In the case of Profit & Loss Account, of the Loss for the period ended on that date.

For DESAI & PORWAL
Chartered Accountants

Mumbai
29th September, 2000

M.J. DESAI
Partner