



76th

ANNUAL REPORT

2009-2010

Indian Overseas Bank Limited Estd. 1955

For Members only

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Annual General Meeting on Thursday, the 30th September, 2010
at Solan Brewery (H.P.) at 11:00 A.M.

As a measure of economy, copies of the Annual Report will
not be distributed at the Annual General Meeting, Shareholders are
requested to kindly bring their copies to the meeting.

BOARD OF DIRECTORS

Managing Director

Brig.(Dr.) Kapil Mohan,
VSM(Retd.) Ph.D.

Deputy Managing Director

Shri Hemant Mohan

Financial Director

Shri P.D. Goswami, F.C.A., F.C.S.

Secretary

Shri H.N. Handa,
B.Com., F.C.A., F.C.S., A.M.C.I.A.(London)

Statutory Auditors

A.F. Ferguson & Co.,
Chartered Accountants,
New Delhi.

Registered Office:

Solan Brewery P.O.
(Shimla Hills)
Himachal Pradesh
Pin-173214.

Directors

Shri Vinay Mohan

Shri L.K. Malhotra

Shri J.K. Jain

Shri Swaraj Suri

Shri D.S.Yadava

Shri M. Nandagopal

Bankers:

Punjab National Bank

Advocates & Barristers:

Koura & Company,
New Delhi.

Registrar & Transfer Agents:

M/s. Beetal Financial & Computer
Services (P) Ltd.,
Beetal House, 3rd floor, 99, Madangir,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir,
New Delhi-110062.

DIRECTORS' REPORT :

TO THE MEMBERS :

The Directors present their 76th Annual Report on the business and operations of the Company with the Audited Statement of Accounts for the year ended 31st March, 2010 together with the report of Auditors, Messrs. A.F. Ferguson & Co.

FINANCIAL RESULTS:

	Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
Total sales and other Income	3,95,09,35,761	4,43,98,35,689*
Less: Excise duty	84,25,01,891	1,38,91,22,285
Net Sales & other income	3,10,84,33,870	3,05,07,13,404
Less: Total Expenditure excluding interest and depreciation	3,02,74,86,829	2,91,78,08,793
Profit/(Loss) for the year before depreciation, Interest and tax:	8,09,47,041	13,29,04,611
Depreciation	4,65,48,119	4,40,33,367
Profit/(Loss) for the year before interest and tax	3,43,98,922	8,88,71,244
Interest	7,95,65,274	8,25,84,070
Profit/(Loss) for the year before tax	(4,51,66,352)	62,87,174
Provision for - Current tax	-	19,00,000
- deferred tax charge (credit)	(1,17,43,805)	(39,52,238)
- fringe benefit tax	-	44,75,719
Profit/(Loss) for the year after tax	(3,34,22,547)	38,63,693
Excess provision for taxation relating to earlier years written back (net)	(23,06,176)	2,91,949
Profit/(Loss) for the year	(3,11,16,371)	35,71,744
Balance brought forward from previous year	24,85,66,439	24,49,94,695
Profit/(Loss) available for appropriation	21,74,50,068	24,85,66,439
APPROPRIATIONS:		
1. Proposed Dividend	-	-
2. Tax on proposed Dividend	-	-
3. Balance carried to Balance Sheet	21,74,50,068	24,85,66,439
	21,74,50,068	24,85,66,439

* Other income includes profit on sale of Fixed Assets.

RESULTS:

Although the net Sales and other income of the Company stood higher at Rs.3,10,84,33,870 during the year under report, as compared to Rs.3,05,07,13,404 during previous year, there has been loss of Rs.4,51,66,352 for the year before tax.

The Company had to introduce Voluntary Retirement Scheme at its Lucknow Distillery for its employees since it was incurring heavy losses and consequently had to pay Rs.5.62 crores inclusive of additional liabilities towards leave encashment, gratuity etc., and amortised amount arising pursuant to the said VRS, which has mainly contributed to the loss during the year under report.

However, various measures undertaken to strengthen operations, cost reduction to improve bottom line including the Voluntary Retirement Scheme introduced for the employees shall result in improvement in profit in the near future.

DIVIDEND:

No dividend is recommended for the year ended 31.3.2010.

DIRECTORS:

In accordance with provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Swaraj Suri and Shri D.S. Yadava Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. We recommend their re-appointments as their advice from time to time has proved beneficial in the interest of the Company.

RE-APPOINTMENT OF FINANCIAL DIRECTOR:

The term of appointment of Financial Director Shri P.D. Goswami will expire on 9th September, 2010. Keeping in view his vast experience, the Board has recommended his re-appointment for a further period of 2 years on certain terms and conditions w.e.f. 10th September, 2010 and the proposal for his re-appointment is being placed in the forthcoming Annual General Meeting of the Company, for its approval.

AUDITORS:

Messrs A.F. Ferguson & Co., Chartered Accountants, will retire at the conclusion of the forthcoming Annual General Meeting. They being eligible offer themselves for re-appointment.

Messrs Mohan & Co., Chartered Accountants, for the

audit of accounts of the Company's Lucknow Branch will also retire at the conclusion of the forthcoming Annual General Meeting. They being eligible, offer themselves for re-appointment.

ANNEXURE TO THE AUDITORS' REPORT:

The observations made by the Auditors, have already been fully explained in the notes attached to the Accounts and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

COST AUDIT:

The Cost Audit in respect of Industrial Alcohol manufactured by the Company was ordered to be carried out every year by the Central Government since 1989 which the company has been doing since then. As production of Industrial Alcohol at Lucknow Distillery has been stopped w.e.f. 7th January, 2009, the Company has moved the Central Government for withdrawal of its order for carrying out the Cost Audit. M/s. K.S. Bhatnagar & Associates, Cost Auditors, appointed by the Company and approved by the Central Government, to carry out cost audit, have submitted their NIL Report for the year ended 31st March, 2010 to the Company and the Central Government.

FIXED DEPOSITS:

As on March 31, 2010 the total number of Fixed Deposit Accounts numbering 282 amounting to Rs.63,20,000/- have become due for payment but the depositors have not claimed or sent instructions for renewal.

TRANSACTIONS WITH NATIONAL CEREALS PRODUCTS LIMITED:

The purchases made by the Company during the year included purchases aggregating to Rs.7,49,60,862/- made from National Cereals Products Ltd., which has been manufacturing the bulk requirements of barley malt for the last more than five decades. The Company holds 341352 shares (approx.26%), while the Mohan Family holds 366310 shares (approx. 28%) (including 48,536 shares (3.69%) held by Brig.(Dr.) Kapil Mohan, VSM (Retd.) Ph.D., Managing Director) of the total shares of National Cereals Products Ltd., Mrs. Comilla Mohan, Sister-in-law of Brig.(Dr.) Kapil Mohan, VSM (Retd.) Ph.D., is the Managing Director of National Cereals Products Limited.

INSURANCE:

The Company's assets have been adequately insured.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND RULES MADE THEREUNDER:

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

The Cash Flow Statement for the year 2009-2010 is attached to the Balance Sheet.

ENERGY CONSERVATION TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE:

Information pursuant to 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 is given in Annexure forming part of this Report.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, and based on the representations received from the operating management and after due enquiry the Directors hereby confirm that:

- a) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- b) They have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgments and estimates 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 and of the Loss of the Company for the financial year.
- c) They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) They have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing agreement, separate report on the **Corporate Governance and Management Discussion and Analysis** is attached as a part of this Annual Report.

Certificate of Practising Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges is also attached and forms a part of the Annual Report.

CURRENT TREND:

The sales of the Company's products for the first quarter of the current year are lower by 2.25 % as compared to the corresponding period of the year under review. The Company is taking all necessary steps to increase its sales and it is expected that the measures being taken will bring the desired results barring unforeseen circumstances.

INDUSTRIAL RELATIONS:

Management employees relation throughout the year have been very cordial as has been the case for the last many years. Except one, all the Units of the Company functioned smoothly and without interruption. The continuous healthy relationship is due to far-sighted policy of your Managing Director Brig. (Dr) Kapil Mohan, VSM (Retd.) Ph.D.

Brig.(Dr) Kapil Mohan	<i>Managing Director</i>
VSM (Retd.) Ph .D.	
Shri Hemant Mohan	<i>Deputy Managing Director</i>
Shri P.D. Goswami	<i>Financial Director</i>
Shri J.K. Jain	<i>Director</i>
Shri Sawraj Suri	<i>Director</i>
Shri D.S. Yadava	<i>Director</i>
Shri L.K.Malhotra	<i>Director</i>
Shri M. Nandagopal	<i>Director</i>

Mohan Nagar
12th August, 2010.
(Ghaziabad) U.P.

Annexure Forming part of the Directors' Report

Particulars under Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, for the year ended March 31, 2010

Conservation of energy

(a) Energy conservation measures taken :

Mohan Nagar

1. Breakfast Food Unit

1.1 New generation Maize Grits Cooker has been erected and commissioned. This will reduce steam consumption and electricity consumption. That means the specific steam consumption in K.Cal/ Kg. of grits cooked and specific electrical energy in Kwh / Kg. of grits cooked will be reduced.

1.2 High Capacity Cooked Grits Dryer has been erected and commissioned. This will reduce the Specific Thermal Energy in K.Cal/ Kg and Specific Electrical Energy in Kwh/ Kg grits dried.

2. Brewery Unit

2.1 Two numbers of Stainless Steel Cylindro Conical Type unit tanks have been installed and commissioned. This will reduce the specific refrigeration load per HL of Beer fermented in terms of Specific Electrical energy consumed in Kwh/ Ton of refrigeration and indirectly the energy consumed for cooling in terms of specific electrical energy consumed in Kwh/ HL of Beer fermented.

2.2 Four numbers of jacketed Beer Bottling Tanks (BBT) have been erected and commissioned. Earlier BBT Hall used to be cooled and kept at 1 to 2 Degree C by using Cooled Air to maintain temperature of Beer in BBTs. The Electrical Energy consumption was very high in this case. By installing Jacketed BBTs, the Electrical Energy consumed in terms specific electrical energy consumed in Kwh / HL of beer for cooling and maintaining the temperature of Beer in BBTs has been reduced.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy

1. Breakfast Food Unit

1.1 Quotations are being procured for the following equipment for reduction of energy consumed of Grits Drying, flaking of grits and Toasting of raw flakes.

1.1.1 Horizontal Grits Dryer with exhaust air recycling for drying of cooked grits.

1.1.2 High efficiency Flaker for flaking of grits.

1.1.3 Horizontal Toaster with exhaust air recycling for toasting of Raw Flakes.

By installing the above mentioned equipment there will be considerable reduction in the specific fuel (thermal energy) and electrical energy consumption could be achieved in grits drying flaking and toasting by installing energy efficient and high capacity Dryers, Flakes and Toasters.

After obtaining the quotations for these equipment, decision will be taken for procuring and installing them.

(c) Impact of (a) & (b)

1. The above measures taken will result in the reduction of energy consumed and consequently in the cost of production of finished goods.
2. There will be saving due to reduction in the energy consumption on the completion of the above measures which will result in reducing the production of finished goods.

(d) Total energy consumption per unit of product has been given in prescribed Form 'A'.

FORM 'A'

Form for disclosure of particulars with respect to consumption of energy

(A) POWER AND FUEL CONSUMPTION:

	Glass Bottles	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage
1. Electricity				
a) Purchased				
Units (KWH)	44,89,639	15,967	6,60,929	3,21,116
	(-)	(-)	(-)	(1,09,770)
Total amount (Rs.)	1,88,86,000	70,095	29,01,478	14,79,781
	(-)	(-)	(-)	(4,78,630)
Rate/unit (Rs.)	4.21	4.39	4.39	4.61
	(-)	(-)	(-)	(4.36)
b) Own generation				
Through Generator (H.S.D./L.D.O./F.O.)				
Units (KWH)	17,29,460	5,750	2,48,594	1,00,171
	(66,75,218)	(23,230)	(10,18,100)	(3,04,325)
Units per Litre of Oil	2.81	2.60	2.60	2.82
	(3.17)	(3.05)	(3.05)	(3.11)
Cost/Unit (Rs.)	8.45	9.47	9.47	8.85
	(8.11)	(9.48)	(9.48)	(9.33)
2. L.D.O.				
Quantity (K.Ltrs.)	-	-	-	-
	(10,345)	(-)	(-)	(-)
Total cost (Rs.)	-	-	-	-
	(3,28,413)	(-)	(-)	(-)
Average rate per k.ltrs (Rs.)	-	-	-	-
	(31,746)	(-)	(-)	(-)
3. Furnace Oil				
Quantity (K.Ltrs.)	-	-	-	-
	(108,762)	(-)	(-)	(-)
Total cost (Rs.)	-	-	-	-
	(19,78,070)	(-)	(-)	(-)
Average rate per k.ltrs (Rs.)	-	-	-	-
	(18,187)	(-)	(-)	(-)
4. L.P.G.				
Quantity (Tonnes)	-	-	-	-
	(19,305)	(-)	(7,860)	(-)
Total cost (Rs.)	-	-	-	-
	(5,36,226)	(-)	(2,32,188)	(-)
Average rate per tonne (Rs.)	-	-	-	-
	(27,777)	(-)	(29,540)	(-)

	Glass Bottles	Juice & Canned Products	Maize Rice, Corn Flakes & Wheat Porridge	Cold Storage
5. Natural Gas				
Quantity (Cubic Meters)	54,79,280 (52,87,810)	- (-)	7,21,533 (8,00,104)	- (-)
Total cost (Rs.)	7,80,61,512 (6,96,62,382)	- (-)	1,03,31,531 (1,04,31,154)	- (-)
Average rate per cubic meter (Rs.)	14 (13)	- (-)	14 (13)	- (-)
6. Steam Used from the Main Boiler House +				
Total Cost (Rs.)	- (-)	11,33,760 (14,50,168)	98,49,104 (1,09,56,139)	- (-)

(B) CONSUMPTION PER UNIT OF PRODUCTION:

	Standard (if any)	Per tonne	Per kl	Per tonne	Per tonne
Electricity- units (KWH)	- (-)	232 (249)	38 (44)	255 (295)	- (-)
L.D.O. (KL)	- (-)	- (0.00039)	- (-)	- (-)	- (-)
Furnace Oil (KL)	- (-)	- (0.00405)	- (-)	- (-)	- (-)
L.P.G. (Tonne)	- (-)	- (0.00072)	- (-)	- (0.0023)	- (-)
Natural Gas (Cubic Meters)	- (-)	204 (197)	- (-)	202 (232)	- (-)

- Notes:** (i) + The unit wise consumption of Coal, HSD and Natural Gas is not available as the steam has been supplied to various production division from main boiler house.
- (ii) The L.D.O., Furnace Oil and L.P.G. has been used only when the natural gas was available in scarcity.
- (iii) Previous year figures are in brackets and modified wherever necessary.

FORM 'B'

Disclosure of particulars with respect to Technology Absorption and Technology Development

RESEARCH & DEVELOPMENT:

- (a) The new grits making plant has been installed and commissioned successfully. It has been observed from the trials that the new grits making plant can be used for manufacturing grits from flat hybrid maize for Corn Flakes production; however some modifications have to be carried out for optimizing the quality and yield of grits of improving the quality of Corn Flakes produced.
- (b) The study for producing sugar coated, fruits flavours coated and chocolate coated Corn Flakes has been successfully carried out. The quotation from the indigenous plant fabricators have been obtained. The cost of complete Plant & Machinery quoted by foreign suppliers were enormously high and therefore, we had to search for finding Indian Manufactures of the Plant for manufacturing coated flakes. After evaluating the technical capability of Indian Plant & Machinery Manufactures, it will be procured and installed and coated Corn Flakes will be manufactured.
- (c) Wheat Flakes have been manufactured at commercial level and marketed. The market reaction is being studied.
- (d) Un-cooked Wheat Dalia has been successfully launched in the market. It has been well accepted by consumers. The production and marketing is being carried out for the last one year and marketing is being continued.
- (e) The study has been completed for manufacturing malt extract from high percentage of rice, wheat and low percentage of malt. This will reduce the cost of production of malt extract further down ward. Later on, we have been able to identify alternative raw materials and new technologies for manufacturing Malt Extract at reduced cost. The study for the optimizing the new process and use of alternative raw material is being perused.

1. Technology absorption, adaptation and innovation:

Efforts which are being made towards technology absorption, adoption and innovation are:

- (a) It has been possible to adopt technologies and processes successfully because the company has experienced Scientists and Engineers and also technical facilities for scaling up the processes to commercial scale production.
- (b) Study of flat maize varieties for manufacturing Corn Flakes has been completed. Corn flakes were manufactured using flat maize for more than 8 months with the New Grits Mill. Although the production of Corn Flakes with grits produced with flat maize using new grits mill was possible; however, problems of yield and quality of Corn Flakes were observed. In the light of the observations and data collected from the trials, the grits mill is being modified to obtain grits of proper quality and also to obtain optimum yield of grits of 5 mm and 4 mm size.
- (c) Study is being continued to procure grits of 5 mm and 4 mm size from Maize Millers. This will help to produce Corn Flakes directly from grits by eliminating in house milling of maize. The study on this project is being continued.