

**12<sup>th</sup>**  
**ANNUAL REPORT**  
**2003-2004**





## **12TH ANNUAL REPORT 2003-2004**

### **BOARD OF DIRECTORS**

<b>MR. JAGAT MOHAN AGGARWAL</b>	<i>Chairman-cum-Managing Director</i>
<b>MR. AJAY KUMAR GOEL</b>	<i>Joint Managing Director</i>
<b>MR. BHARAT BHUSHAN AGGARWAL</b>	<i>Whole-Time Director</i>
<b>MR. A .K. ARORA</b>	<i>Director (Works)</i>
<b>MR. OM SAHAI</b>	<i>Director</i>
<b>MR. L. R. VASUDEVA</b>	<i>Director</i>
<b>MR. SAMEER AGGARWAL</b>	<i>Director</i>
<b>MR. VIPAN AGGARWAL</b>	<i>Director</i>

### **AUDITORS**

**M/S ANIL VASUDEVA & CO.**  
Chartered Accountants

### **BANKERS**

The Jammu & Kashmir Bank Limited

### **REGISTERED OFFICE**

Chhoti Nehar, Malakpur – 145 025  
Pathankot (Punjab)  
Phone : 0186-2245352-55, Fax : 0186-2245351  
E-mail : pioneer1@sancharnet.in

### **FACTORY/WORKS**

Village & P.O. Tharial,  
Defence Road, Madhopur  
Pathankot (Punjab)

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## **NOTICE**

Notice is hereby given that 12th Annual General Meeting of the Shareholders of **Pioneer Agro Extracts Limited** will be held on Wednesday, the 29<sup>th</sup> September, 2004 at 11:30 A. M. at the Registered Office of the Company situated at Chhoti Nehar, Malakpur, Pathankot, (Punjab) to transact the following business :-

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2004 and the Profit & Loss Account for the year ended on that date together with the Report of the Auditor's and the Directors' thereon.
2. To appoint a Director in place of Mr. Sameer Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vipran Aggarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A.K. Arora, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors 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**

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:

**RESOLVED THAT** approval be and is hereby accorded under section 163 and other applicable provisions, if any, of the Companies Act, 1956 for keeping the Register and Index of Members and copies of the Annual Returns at the company's Registrar and Transfer Agent M/s Abhipra Capital Limited, A-387, Dilkhush Industrial Area, G. T. Karnal Road, Azadpur, Delhi - 110 033 or such other Registrar and Transfer Agent as may be appointed by the Company from time to time.

**By Order of the Board  
For PIONEER AGRO EXTRACTS LIMITED**

**(JAGAT MOHAN AGGARWAL)**  
*Chairman*

Place: Pathankot  
Date : 31.07.2004

### **NOTES :**

1. The Explanatory Statement as required under section 173(2) of the Companies Act, 1956 in respect of special business stated above is annexed hereto and forms part of this notice.
2. Equity Shares of your Company are admitted in the Depository System and are available for trading in Depository System of both the Depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The ISIN No. allotted to the Company is INE 062E01014.
3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER, INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
4. The Register of Members and the Share Transfer Books of the company will remain closed from Thursday, 16<sup>th</sup> September, 2004 to Wednesday, the 29<sup>th</sup> September, 2004 (both days inclusive) for the purpose of Annual General Meeting.
5. Pursuant to recent amendments in Section 109A and 109B of the Companies Act, 1956, Shareholders can avail nomination facility in respect of their shareholding by using Form 2B of the Companies (Central Government) General Rules & Forms, 1956. The Shareholders may also obtain this form from the Company on request.



## **PIONEER AGRO EXTRACTS LIMITED**

6. Members who hold the shares in physical form are requested to notify to the Company, if any, change in their address.
7. Members are requested to bring their copy of the Annual Report to the Meeting.
8. Members who hold shares in dematerialised form are requested to bring their details of Client ID and DP ID for easy reference.
9. For any specific query on the accounts of the Company please write to the Company at least 10 days before the date of annual general meeting so as to enable the Management to keep the information ready.
10. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.
11. Members having multiple folios are requested to intimate to the Company for consolidation of all folios into one folio.

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE NOTICE**

#### **ITEM NO. 6**

As required by SEBI vide its circular No. D & CC/FITTC/CIR – 15/2002 dated 27<sup>th</sup> December, 2002 the Company has appointed M/s Abhipra Capital Limited as Registrar and Transfer Agent to do all the work related to share registry in terms of both physical and electronic connectivity.

Now the approval of the shareholders by way of special resolution is sought for maintaining the Register and Index of the Members and copies of annual returns at the premises of company's Registrar and Transfer Agent.

Your Directors recommend the special resolution at item No. 6 for approval of members.

None of the Directors is concerned or interested in the said resolution.

Report



Junction

By Order of the Board  
For PIONEER AGRO EXTRACTS LIMITED

Place: Pathankot  
Date : 31.07.2004

(JAGAT MOHAN AGGARWAL)  
Chairman

**DIRECTORS' REPORT**

To  
The Members,

Your Directors present the 12th Annual Report and the Statement of Audited Accounts of the Company for the year ended 31st March, 2004.

**FINANCIAL RESULTS**

The financial results of the Company for the year 2003-2004 are as under :

(Rs.in Lacs)

	2003-2004	2002-2003
Operating Profit/(Loss)	172.87	188.42
Interest & Financial Charges	57.54	79.24
Profit/(Loss) before Depreciation and Taxation	115.33	109.18
Depreciation	106.94	104.69
Profit/(Loss) after Depreciation but before Taxes	8.39	4.49
Provision for Taxation	4.50	4.00
Net Profit/(Loss) after Taxation	3.89	0.49
Balance brought forward	249.87	249.38
Balance carried to Balance Sheet	253.76	249.87

**DIVIDEND**

Since the Company has inadequate profits during the year under review, the Directors do not recommend any dividend for the year 2003-04.

**MANAGEMENT DISCUSSION AND ANALYSIS****OPERATIONS**

The sales and other income during the year under review was Rs 11712.88 lacs as against Rs 11961.28 lacs during the previous year. The production of Vanaspati and refined oils aggregated to 23832.269 M.T. as against 29971.058 M.T. during the previous year.

**SWOT Analysis for the Company****(A) STRENGTHS****BRAND**

The products of Pioneer Agro Extracts Limited under brand name 'ISHWAR' enjoy high brand equity and there is a wide consumer preference for the products of the Company in comparison to other competitive products.

**DISTRIBUTION NETWORK**

The Company has established a wide distribution network in the state of Punjab. In addition to company's office and Depots, the company has also dealers/distributors. The Company is selling its products in the rural areas of Punjab too.

**MARKET LEADERSHIP**

The Company has established its presence in the edible oils segment in the state of Punjab.

**PRODUCT DEVELOPMENT**

The Company is capable to improve the quality of existing products and introduction of new offerings. Focus on research will continue which will enable the company to launch the improved and new products of superior quality to meet the consumer preference and expectations from time to time.

**SOUND PLANTS**

The existing plant of the Company is technically sound and the modernization work is done from time to time and as per the requirement.

**(B) WEAKNESSES**  
**COMPETITION**

There is a very stiff competition in the Vanaspati Industry which result in low margin and hence there is a low profitability.

**RAW MATERIAL**

In the Vanaspati Industry, cost component of the raw material is very high. The price fluctuations of the raw material content leads to high volatility.

**OPPORTUNITIES**

In the Vanaspati industry there is still a vast potential for the enhanced consumption. Therefore, there are opportunities for the growth in the industry, which will enhance further competition.

**(C) THREATS**

The Vanaspati and edible oils industry is subject to intense controls by the Government. Any change in the Govt. policy may affect the profitability.

**INTERNAL CONTROL SYSTEMS**

The Company has evolved a system of internal control to ensure that the assets are safeguarded and transactions are authorised, recorded and correctly reported. The internal control systems are supplemented by the management review. The scope of internal audit covers a wide variety of operational methods and ensures compliance with specified standard with regard to availability and suitability of policies and procedures, extent of adherence reliability of management information system, authorization procedures including steps for safeguarding of assets.

**HUMAN RESOURCES**

The Company lays great emphasis on proper management of human resources and believes that this is the most important ingredient for continuous growth. Suitable steps are taken from time to time to have a proper composition of skilled and unskilled workers and the training is imparted to the employees working at various levels as and when required.

**CAUTIONARY STATEMENT**

The statements in this report, particularly those that relate to management discussion and Analysis are the forward-looking statements, within the meaning of applicable laws and regulations. Actual results may be different from those, which are expressed or implied.

**DIRECTORS**

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956 Mr. Sameer Aggarwal, Mr. Vipan Aggarwal and Mr. A. K. Arora, Directors of the Company are due to retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-election.

**LISTING OF SECURITIES**

The securities of the Company are listed at the Ludhiana Stock Exchange, Delhi Stock Exchange and The Stock Exchange, Mumbai. The Company has paid the listing fee to The Stock Exchanges Mumbai for the financial year 2004-2005. The company has made an application for Delisting of its securities from Ludhiana and Delhi Stock Exchanges pursuant to special resolution passed in the last annual general meeting under SEBI (Delisting of Securities), Guidelines, 2003.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217(2AA) of the Companies Act, 1956 your Directors confirm:

- (1) that in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- (2) that the accounting policies selected and applied are consistent and the judgments and estimates made 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 profit or loss of the company for that period;
- (3) that 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;
- (4) that the annual accounts have been prepared on a going concern basis.



## **PIONEER AGRO EXTRACTS LIMITED**

### **FIXED DEPOSITS**

The Company has neither accepted nor invited any fixed deposits during the year under review under Section 58A of the Companies Act, 1956 and the rules framed thereunder.

### **INSURANCE OF FIXED ASSETS**

The Fixed Assets of the Company are adequately insured.

### **AUDITORS**

M/S Anil Vasudeva & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for reappointment. They have also conveyed their willingness and eligibility in terms of section 224(1B) of the Companies Act, 1956. Your Directors recommend their appointment as Auditors of the Company to hold office of the Auditor from the conclusion of this Annual General Meeting up to the conclusion of next Annual General Meeting.

### **COST AUDITORS**

M/s Verma, Verma and Associates, Cost Accountants, Jalandhar have been reappointed as Statutory Cost Auditors of the Company for the financial year 2004-05, for which approval from the Central Government, Cost Audit Branch, New Delhi has already been received.

### **PARTICULARS OF EMPLOYEES**

There has been no employee who was getting the remuneration in excess of the prescribed limits under section 217(2A) of the Companies Act, 1956. Therefore, the information as required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 has not been furnished.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the 'Annexure- A' which forms part of the Directors' Report.

### **EMPLOYEE RELATIONS**

Industrial relations remained cordial and harmonious at all levels during the year under review. Your Directors are pleased to acknowledge the sincere and dedicated efforts of the employees of the Company at all levels and would like to thank them for the same.

### **CORPORATE GOVERNANCE**

A report on the Corporate Governance along with Auditors' Certificate is attached to the report.

### **SEGMENT WISE PERFORMANCE**

Your Company is engaged in the manufacturing of edible oils and vanaspati, which, in context of Accounting Standard 17 issued by the Institute of Chartered Accountants of India, is considered the only business segment i.e. Edible Oils Segment.

### **ACKNOWLEDGMENT**

Your Directors convey their sincere thanks for the support, guidance and cooperation extended to the Company by various agencies of the Central Government, State Government, Financial Institutions, Banks, Customers, Distributors and Suppliers of the Company. Your Directors gratefully acknowledge the trust and confidence reposed by the esteemed Shareholders in the Company. Your Directors also wish to place on record their appreciation for the sincere and dedicated services of the employees of the Company working at all levels.

**By Order of the Board  
For PIONEER AGRO EXTRACTS LIMITED**

**(JAGAT MOHAN AGGARWAL)**  
*Chairman*

Place: Pathankot  
Date : 31.07.2004



**ANNEXURE "A"**  
**PIONEER AGRO EXTRACTS LIMITED**  
**POWER AND FUEL CONSUMPTION**

<b>Particulars</b>	<b>Current year 31.03.2004</b>	<b>Last year 31.03.2003</b>
Electricity purchased (Units)	3606020	3322700
Amount (in Rs.)	13696447.00	11851611.00
Rate per Unit (in Rs.)	3.80	3.60
Own Generation through Diesel Generation (Units)	556338	690633
Amount (In Rs.)	2544416.00	2961577.00
Cost Per unit (in Rs.)	4.57	4.29
Coal	Nil	Nil
Furnace oil	Nil	Nil
Fuel Consumption (In MT)	7766.458	11922.055
Amount (in Rs.)	12394421.00	15489147.50
Rate per MT	1595.89	1300.00
Diesel Qnty (in Ltrs)	90873	153880
Amount (in Rs.)	1752529.00	2736419.00
Rate per 1 ltr.	19.29	16.70
Consumption per tonne of output		
Vanaspati & Refined Oil Production	23832.269	29971.058
Electricity	151.31 Units	111 Units
Fuel Consumption	326 kg	398 kg

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

- Foreign Exchange earnings (Rs.)	Nil	Nil
- Foreign Exchange outgo (Rs.)	105,079,082	97,777,681

By Order of the Board  
For PIONEER AGRO EXTRACTS LIMITED

Place: Pathankot  
Date : 31.07.2004

(JAGAT MOHAN AGGARWAL)  
Chairman





## **REPORT ON CORPORATE GOVERNANCE**

This report on Corporate Governance forms part of this Annual Report. It assumes a great deal of importance in the business like of the Company. The Company's goal is to find creative and productive ways of delighting its stakeholders i.e. investors, customers & associates, while fulfilling the role of a responsible corporate representative committed to best practices. This section besides being in compliance of the mandatory Listing Agreement gives an insight into the process of functioning of the Company.

### **COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Your Company is committed to the attainment of highest level of transparency, integrity, accountability and equity in all dealings with shareholders, employees, lenders, government and other business constituents in all dealings in pursuit of its overall organizational goals. In pursuance of the above, the Board of Directors has constituted committees to implement its policies and guidelines and has set up adequate review systems for exercising effective management control and ensuring compliance of laws. There is an adequate representation of independent Directors on the Board. We believe in timely and transparent disclosures of information.

Our focus on sustainable growth, productivity improvement, commitment to quality, self discipline, value of time, safety in operations, total customers satisfaction is unrelenting.

The company will continue its efforts towards raising the standards in corporate governance and will also review its systems and procedures constantly in paid with the changing economic environment from time to time.

### **BOARD OF DIRECTORS**

During the financial year 2003-04 eight Board meetings were held on the following dates : 26.06.2003, 7.07.2003, 30.07.2003, 15.09.2003, 19.09.2003, 30.09.2003, 30.10.2003 and 31.01.2004. The maximum gap between two meetings was not more than four months.

### **AUDIT COMMITTEE**

The Audit Committee of the Board of directors was constituted on 31<sup>st</sup> October, 2002, to review and oversee the statutory compliance and disclosures made in respect of the financial results of the Company before submission thereof to the Board of Directors for their consideration and approval and to receive and discuss the reports of the external auditors and interact with them and also to receive the internal auditors note and programmes.

### **SHAREHOLDERS / INVESTOR GRIEVANCES COMMITTEE**

The company has constituted shareholders/Investor Grievances Committee which deals with the redressal of investor grievances/complaints such as non-receipt of annual reports & shares sent for transfer etc. All the complaints received by the Company have been duly attended to and replied to the shareholders. All the shares lodged for transfer have been duly registered and no transfer of shares is pending as on 31.03.2004

### **REMUNERATION COMMITTEE**

<b>Name of the Directors</b>	<b>Category</b>	<b>Amount (In Rs.)</b>
Sh. Jagat Mohan Aggarwal	Chairman cum Managing Director	240000
Sh. Ajay Goel	Joint Managing Director	96000
Sh. Bharat Bhushan Aggarwal	Whole Time Director	96000
Sh. A.K. Arora	Director (Works)	128040

### **DISCLOSURES**

Disclosure of transaction with any related parties i.e. promoters, Directors, Relatives etc. have been made in the Balance Sheet in Schedule " notes to the accounts.

The company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities to the extent possible. No penalties have been imposed on the Company by the said authorities.

### **GENERAL BODY MEETINGS**

The last three annual general meetings were held as under:-

<b>Year</b>	<b>Day</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
2001	Monday	23.07.2001	11.00 A.M.	Regd. Office of the Company, Chhoti Nehar, Malakpur, Pathankot
2002	Monday	30.09.2002	11.00 A.M.	— do —
2003	Tuesday	30.09.2003	10.30 A.M.	— do —