

7th ANNUAL REPORT
1998-99



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SAPTARISHI AGRO INDUSTRIES LIMITED

Registered Office : Palani Centre, 1 Floor, 32, Venkatanarayana Road, T. Nagar, Chennai - 600 017.

**SAPTARISHI AGRO INDUSTRIES LIMITED****BOARD OF DIRECTORS**

MR. M.S. RAM, I.A.S. (Retd)

CHAIRMAN

MR. R.K. KRISHNA KUMAR

VICE CHAIRMAN

MR. M.A. BOPANNA

DIRECTOR

MR. V.N. BAHAL

DIRECTOR

MR. S.N. BHATTACHARYA

DIRECTOR

MR. D. MANIVANNAN

DIRECTOR

MR. S. SUSAI

DIRECTOR

DR. R. VASUDEVAN

DIRECTOR

DR. R.P. TEWARI

DIRECTOR

CHIEF EXECUTIVE OFFICER

MR. H.HUQ

BANKERS

M/s BHARAT OVERSEAS BANK LTD
 Large Advances Branch
 756, Anna Salai
 Chennai - 600 002.

AUDITORS

M/S. SAHNI NATARAJAN & BAHL
 Chartered Accountants
 12, III Floor, Gemini Parsn Complex,
 121, Mount Road,
 Chennai - 600 006.

REGISTERED OFFICE

Palani Centre, 1st Floor
 32, Venkatanarayana Road,
 T.Nagar, Chennai - 600 017.

FACTORY

Padalam Sugar Factory Road,
 Kolambakkam Village,
 Pazhayanoor P.O. 603 308.
 Kancheepuram District
 TAMILNADU

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NOTICE

NOTICE is hereby given that the **SEVENTH ANNUAL GENERAL MEETING** of the Members of **SAPTARISHI AGRO INDUSTRIES LIMITED**, will be held at **Rani Sethai Hall, 683 Anna Salai, Chennai 600 006**, at **11-00 a.m. on Tuesday the 31st August 1999**, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the enclosed Balance Sheet as of 31st March, 1999 and the Profit & Loss Account for the year ended on that date and Report of Directors and Auditors.
2. To appoint a Director in place of Mr. D. Manivannan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. R. Vasudevan, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. R. P. Tewari, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS

5. To appoint Auditors and fix their remuneration.
M/s. SNB Associates, Chartered Accountants 12, III Floor, Gemini Parsn Manere, 121 Mount Road, Chennai - 600 006 to be appointed as Auditors of the Company, to fill the vacancy of M/s. Sahni Natarajan Bahl, Chartered Accountants, 12, III Floor, Gemini Parsn Manere, 121 Mount Road, Chennai - 600 006 who resigned.
6. To consider and, if thought fit, to pass the following Resolution which will be proposed as an ordinary Resolution.

RESOLVED that Pursuant to Section 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 20,00,00,000 (Rupees twenty crores only) divided into 2,00,00,000 (Two Crores) Equity shares of Rs. 10/- each to Rs. 30,00,00,000 (Rupees thirty crores only) divided into 3,00,00,000 (three crores) equity shares of Rs. 10/- each by creation of 1,00,00,000 (one crore) New Equity shares of Rs. 10/- each and consequently the respective Capital clauses in the Memorandum and Articles of Association of the Company do stand altered accordingly and as also provided in the

succeeding resolutions to be proposed at this meeting.

7. To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution :

RESOLVED that the Company's Memorandum of Association be and is hereby altered as follows :

In Clause V of the Memorandum of Association, the words and figures be substituted by the following words and figures.

"The Authorised Share Capital of the Company is Rs. 30,00,000 (Rupees thirty crores) divided into 3,00,00,000 (three crores) equity shares of Rs. 10/- each."

8. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

RESOLVED that pursuant to Sec. 31 and other applicable provisions if any, of the Companies Act, 1956 the Company's Articles of Association be and are hereby altered as follows :

In Article of the Articles of Association of the Company be substituted by the following words and figures :

"The Authorised Share Capital of the Company is Rs. 30,00,00,000 (thirty crores) divided into Rs. 3,00,00,000 (three crores) equity shares of Rs. 10/- each."

9. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution :

RESOLVED that in terms of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereof) and subject to the applicable rules & regulations under Securities and Exchange Board of India (SEBI) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary, and subject to such other consents and approvals required by RBI and such other bodies, if any, required by any other law as may be necessary and subject to such conditions considered necessary, proper or expedient by the Board of Directors (herein after referred to as the Board), the consent of the

**SAPTARISHI AGRO INDUSTRIES LIMITED**

company be and is hereby accorded to the Board of Directors to issue equity shares to individuals, members of the company or not, body corporate, FII's, including Promoters and Associate Companies, at par in one or more tranches at such time as the Board of Directors of the Company in their absolute discretion think fit.

By Order of the Board
S. SUSAI
DIRECTOR

PLACE : CHENNAI
DATED : 9TH JULY 1999

NOTES :-

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business as set out in the Notice is annexed.
2. Members including nominee members are requested to notify immediately any change in their address to the Company.
3. Member who is entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself. Such proxy need not be a member of the Company.
4. Proxy forms in order to be effective should be lodged with the Company at least 48 hours before the commencement of the meeting.

**MEMBERS ARE REQUESTED TO BRING
THEIR COPIES OF THE ANNUAL REPORT
TO THE MEETING**

ANNEXURE TO THE NOTICE

**EXPLANATORY STATEMENT PURSUANT TO
SECTION 173 (2) OF THE COMPANIES ACT, 1956 OF
SPECIAL BUSINESS SET OUT IN THE NOTICE DATED
9TH JULY, 1999.**

SERIAL NO.5

Proviso to Section 224 (6) (a) of the Companies Act 1956, provides that where a vacancy is caused by the resignation of the Auditor, such vacancy may be filled by the company in the General Meeting. Hence, this Resolution is placed before the General Meeting for consideration of the Members. M/s. Sahni Natarajan & Bahl, Statutory Auditors of the company has resigned and have requested the Board to recommend the appointment of SNB Associates as Statutory Auditors of the Company.

The Board of Directors has approved the appointment of M/s. SNB Associates,

Chartered Accountants, Gemini Parsn Complex, 12, III Floor, 121, Mount Road, Chennai 600 006 in the vacancy caused by the resignation of M/s. Sahni Natarajan & Bahl, Chartered Accountants, Gemini Parsn Complex, 12, III Floor, 121, Mount Road, Chennai 600 006 subject to approval of the share holders. Notice has been received from a member proposing the appointment of M/s SNB Associates. M/s SNB Associates have indicated their willingness to act as the Auditor of the Company, if appointed and have confirmed that they fall within the limits specified under section (1-B) of Section 224 of Company's Act 1956.

The Board of Directors recommend the said appointment with powers to fix their remuneration.

None of the Directors is interested in this Resolution.

SERIAL NO.6,7 & 8

In the Long Term Interest of the Company, the present Authorised Capital of the Company which is Rs.20 Crores is considered inadequate and the Directors recommend the same being increased to Rs.30 Crores. Since the said increase of capital requires the permission of the General Meeting under section 94 of the Company's Act and also amendment in the "Capital clause" of Memorandum and Articles of Association, the Resolution as set out in Items 5,6 & 7 are placed before the General Meeting for consideration and approval.

None of the Directors is interested in this Resolution.

SERIAL NO.9

Under provisions of the Section 81 (1A) of the Company's Act, if the Company proposes to increase the subscribed capital of the Company by issue of shares by preferential allotment, such allotment either to a shareholder or any outsider whatsoever can be made with the permission of the Company in General Meeting, subject to approval of the same by the Central Government/ RBI / SEBI. Accordingly, Resolution is set out in No.8 of the Agenda is placed before the members for consideration and approval.

None of the Directors are interested in this Resolution.

By Order of the Board

PLACE : CHENNAI
DATED : 9TH JULY 1999

S. SUSAI
DIRECTOR



SAPTARISHI AGRO INDUSTRIES LIMITED

DIRECTOR'S REPORT

TO THE MEMBERS

Your Directors are pleased to present the Seventh Annual Report along with the Audited Accounts for the year ended 31st March 1999.

FINANCIAL RESULTS

The international prices of canned mushroom remained in a depressed state through the first half of the year under review and significantly influenced certain major decisions with regard to the functioning of the Company. By April '99, it became abundantly clear that the prices for the main grade of canned mushroom was likely to remain in the range of US \$ 13.00 to 13.50 per case FOB Chennai in the short term. At these level of prices, your Company was not covering even the variable cost of production and in the face of mounting losses, a decision was taken to suspend production temporarily. This decision was further reinforced as certain critical equipment in the growing process required urgent repairs and it was felt that these would be attended to during the period of suspension.

It has been a difficult year, with a slowly recovering export market and a flat domestic market, restricted by the logistical problems of a highly perishable commodity. At the operating level, the losses are marginally reduced but the overall financial results indicate that this unit is still in considerable problem.

FINANCIAL RESULTS	Rs. in lacs) 1998-99	(Rs. in lacs) 1997-98
Gross Turnover	356.78	480.61
Interest and other miscellaneous income	0.03	2.06
Profit / (Loss) before depreciation	(439.59)	(601.58)
Depreciation	(106.20)	94.94
Profit / Loss before tax	(545.79)	(696.52)
Provision for taxation	-	-
Profit / Loss after tax	(545.79)	(696.52)
Add : Extraordinary items	124.80	-
Less : Prior period adjustments	201.64	39.97
Profit / Loss for the year	(219.35)	(656.55)
Balance B/F	(1,573.59)	(917.04)
Profit / (Loss) / Balance C/F	(1,792.94)	(1,573.59)

BIFR / Debt restructuring.

The One Time Settlement with ICICI was effected by paying back 70% of the Principal amount and waiver of all accrued interest along with the balance 30% of the Principal. The total write back was Rs.313 lacs and is reflected in the Profit & Loss for the year. Negotiations are going on with IDBI, the other large lender to your Company, to arrive at a similar settlement. Funds for these settlements have been raised from Rabo India Finance (P) Ltd and the repayment of this loan has been guaranteed by Consolidated Coffee Ltd., whose wholly owned subsidiary, M/s Conscofe Investments Ltd holds 26% equity in the Company. Members are aware of the fact that 85% of the net worth of your Company was eroded by 31.03.98. With the business conditions experienced in the first half of the year as detailed above, the erosion had increased to 98.92% by the time the half yearly accounts to end September, 98 were adopted. BIFR was thereafter informed of the erosion of more than 50% of the networth, Under Sec 23 of the Sick Industrial Act. With the accumulated loss at Rs.17.92 crores at 31.3.99, the net worth of the Company is eroded by 96.74% and there is no change in its status with regard to BIFR.

OPERATIONS

Preparation of compost was suspended in mid May and the plant was totally shut for the months August to October 98. After the necessary repairs were completed, composting was resumed on a restricted scale in November and December 98 as there had not been a significant improvement to the international price scenario.

During the year, considerable effort was directed at disposing off the large inventory of canned mushroom that had accumulated at the works on account of virtual collapse in the established marketing channels, including the buy back arrangement with Scelta b.v. These large stocks were disposed off to both the U.S. and European market and the inventory brought down to negligible levels.

The production of fresh mushroom for year under review was 446 Mt. against 1161 Mt. harvested the previous year, primarily on account of the suspension of production and restricted running of the unit as detailed above. During this period the yield of mushroom harvested to compost used has improved to 16% against 15.49% achieved in the previous year.

With a much greater thrust at inculcating the latest available technology in mushroom cultivation as well as progressive upgradation of the equipment, it is expected that the unit will achieve the requisite efficiencies once it moves to full production.

In the meantime, there has been a very significant development in the international market area. The US government, after protracted investigation, has finalised the anti dumping duty on four offending countries viz. China, Indonesia, India and Chile. Whereas our main competitor, China has been awarded duty levels of 150% and above, most Indian companies have got duty level of between 6% and 14%. This has put the Indian producer at a tremendous advantage, leading to progressive hardening of prices. We have contracted sales at US\$16.50 - 17.00 per case FOB Chennai, which reflects an increase of 25% over the same period last year. It is expected that the prices will stabilise around these levels and augurs well for the industry after a very dark period in its nascent existence.

The domestic market has registered a growth of around 10% over last year based on the off-take during the months January to March, 99. The problems of logistics and the perishable nature of the commodity is still a critical factor that controls the volumes a producer can hope to achieve in this segment and our effort in this direction has been restricted largely on account of the large capital expenditure involved.

Future Prospects : Although the prices of canned mushrooms has shown improvement over the levels that prevailed in 1998 the realisation on the standard packaging in large cans, being significantly lower than the consumer packs, does not bring the unit to a breakdown situation. As the international prices of canned mushrooms in this packaging is not anticipated to go back to the levels of 1994/95 in the near future, the strategy being adopted is value addition by introducing consumer packs with better realisation.

DIRECTORS

In terms of Article 118 of the Articles of Association of the Company, Mr.D.Manivannan, Dr.R. Vasudevan, Dr.R.P. Tewari are retiring by rotation at the end of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Personnel

The Board places on record the appreciation for the untiring and sustained efforts and contributions of the employees at all levels.

Particulars of Employees

The Company had no Employees of the category mentioned in Section 217 (2A) of the Companies Act, 1956.

Conservation of energy, technology absorption, exports and foreign exchange earning and outgo.

A statement giving details of conservation of energy, technology absorption, exports and foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure.

Auditors

The Statutory Auditors, M/s. Sahni Natarajan & Bahl have resigned. M/s. SNB Associates, Chartered Accountants, Chennai have expressed their willingness to act as auditors, subject to the approval of the shareholders at the General Meeting.

Deposits

The Company has not received any deposits from the public and hence it is not attracted by Section 58 A of the Companies Act, 1956.

Y2K

The Company has taken due steps to assure / secure Y2K compliance of the equipment deployed in the company's operations. Most of the equipment, including data processing systems and main applications, have been found complaint. Replacement / upgradation of a few equipment for Y2K compliance, as necessary, is expected to be completed in time.

Acknowledgement

Your Directors place on record the valuable assistance extended by the Govt. of Tamilnadu, Tamilnadu Industrial Development Corporation Ltd., Industrial Credit and Investment Corporation of India Ltd., Industrial Development Bank of India and Bharat Overseas Bank Ltd.,

For and on behalf of the Board

PLACE : CHENNAI

S. SUSAI

DATED : 9TH JULY 1999

DIRECTOR



SAPTARISHI AGRO INDUSTRIES LIMITED

ANNEXURE TO THE DIRECTOR'S REPORT

Particulars of Conservation of Energy, Technology, Absorption and Foreign Exchange earnings and outgo in terms of section 217 (1) (e) of the Companies Act, 1956, read with the (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended 31st March 1999.

A) CONSERVATION OF ENERGY

a) The company's commitment to energy conservation continued. Energy conservation measures included optimum utilisation of energy intensive machines. All measures have resulted in cost savings.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Additional investments will be known only after finalisation of various proposals/studies.

c) Impact of measures at (a) and (b) above for reduction of Energy consumption and consequent impact on the cost of production of goods.

With the implementation of the Energy Conservation measures, the company anticipate considerable saving in power and fuel cost.

d) Total Energy consumption per unit of production.

Details furnished in Annexure Form - A.

B) Technology absorption

e) Efforts made in technology absorption.

Details furnished in Annexure Form B.

C) Foreign Exchange Earnings and out go

a) Activities relating to Exports.

The Company is a 100% Export Oriented Unit with a strong commitment towards promoting exports.

b) The Company has undertaken intensive marketing efforts to export the Mushrooms to Europe and U.S.A.

c) Development of new export markets for products and services.

Company is looking into possibility of introducing new value added products and exports of fresh mushrooms for better

realisation. Apart from using A-10 cans (Institutional type) the company is planning to pack mushrooms in bottles also.

d) Export Plans.

Our plan is to explore new markets both in canned, bottled and Fresh Mushroom segments.

e) Total foreign exchange used and earned.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
FOREIGN EXCHANGE EARNINGS	3,90,97,383	2,73,46,141
FOREIGN EXCHANGE OUTFLOW FOR IMPORT OF PACKING MATERIALS	- NIL -	22,92,632
RAW MATERIALS	- NIL -	6,988
STORES & SPARES	- NIL -	15,834
PAYMENT FOR TECHNICAL KNOW-HOW	- NIL -	1,97,530
QUALITY CLAIMS	6,48,299	- NIL -

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. POWER & FUEL CONSUMPTION		
a. Purchased		
Electricity Units	21,72,578	37,11,042
Total Amount Rs.	91,65,505	1,35,77,613
Rate / Unit Rs.	4.22	3.66
b. CAPTIVE POWER GENERATION		
Electricity Units	2,03,888	6,64,992
Total Amount Rs.	6,65,498	24,43,114
Rate / Unit Rs.	3.26	3.67
c. FURNACE OIL		
Quantity KL	182.14	307.61
Total Amount Rs.	7,96,812	14,46,434
Avg. Rate KL Rs.	4,374.72	4,702.17
B. CONSUMPTION PER KG OF PRODUCTION OF MUSHROOMS		
Electricity Units	5.31	3.77
Furnace Oil Ltrs.	0.40	0.26