

7th

7th ANNUAL REPORT

**1st January 1999
to
31st December 1999**

REPORT  JUNCTION.COM

SWOJAS ENERGY FOODS LIMITED

SWOJAS ENERGY FOODS LIMITED

7th ANNUAL REPORT

BOARD OF DIRECTORS

FORTUNATO GUADALUPI	CHAIRMAN & MANAGING DIRECTOR (with effect from 23 rd September, 1999.)
GIORGIO LACOVARA	CHAIRMAN & MANAGING DIRECTOR (upto 23 rd September, 1999.)
ANDREA DALL'OLIO	WHOLE TIME DIRECTOR (with effect from 23 rd September, 1999 to 20 th April, 2000)
ALBERTO FERRARIS	NOMINEE DIRECTOR OF PARMALAT S.p.A. (with effect from 23 rd September, 1999.)
DR. FRANCESCO GIUFFREDI	NOMINEE DIRECTOR OF PARMALAT S.p.A. (upto 23 rd September, 1999.)
ANGELO UGOLOTTI	NOMINEE DIRECTOR OF PARMALAT S.p.A. (upto 23 rd September, 1999.) (Since 13 th July, 2000)
NUGGEHALLI J. KESHAVIDAS	NOMINEE DIRECTOR OF PARMALAT S.p.A.
ASHISH R. SHAH	NOMINEE DIRECTOR OF PARMALAT S.p.A. (upto 13 th July, 2000)
ASHUTOSH R. SHAH	DIRECTOR

AUDITORS :

M/S. Deloitte Haskins & Sells
Chartered Accountants
Mafatlal House,
Backbay Reclamation,
Mumbai 400 020.

REGISTERED OFFICE :

S. No. 106-A/1, Plot No. 17
Nirmiti Chambers,
Off Senapati Bapat Road
Shivajinagar, PUNE 411 016.

FACTORY :

Gat No. 328/1-1, Village Sarvad
Taluka & District Dhule 424001
MAHARASHTRA

SECURITIES LISTED AT :

THE STOCK EXCHANGE, MUMBAI
PUNE STOCK EXCHANGE LIMITED
THE STOCK EXCHANGE, AHMEDABAD

NOTICE

NOTICE IS HEREBY GIVEN that the **Seventh Annual General Meeting of the Members of Swojas Energy Foods Limited** will be held on **Thursday, the 31st day of August, 2000 at 10.30 a.m.** at registered office at **S. No.106-A/1, Plot No. 17, Nirmiti Chambers, Off. Senapati Bapat Road, Shivajinagar, Pune 411016** to transact the following business :

1. To receive, consider and adopt the audited Profit and Loss Account of the company for the year ended 31st December, 1999, the Balance Sheet as on that date and the Report of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N.J.Keshavdas, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashutosh R. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and authorise the Board to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification/s the following Resolution as an **Ordinary Resolution**

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 and the approval received from the Central Government, Ministry of Finance, Department of Company Affairs, New Delhi vide their letter No. 1/435/99-CL.VII dated 30th June, 2000, the Company hereby accord its approval to the appointment of Mr. Fortunato Guadalupi as a Managing Director of the Company for a period of five years with effect from 23rd September, 1999 on the following terms and conditions with a liberty to the Board of Directors to decide, alter and vary the terms and conditions of the said appointment without any further reference to the members of the Company in General Meeting during the tenure of his appointment.

REMUNERATION:

1. Rs. 1,25,000/-per month inclusive of all allowances and perquisites for the period from 23.9.1999 to 01.03.2000.
2. Rs. 1,34,000/-per month inclusive of all allowances and perquisites for the period from 2.3.2000 till 22.09.2004 or such other maximum remuneration as may be permissible from time to time within the Section II of Part II of Schedule XIII of the Companies Act, 1956.

PERQUISITES :

In addition to the above remuneration the appointee is entitled for the following perquisites, which shall not be included in computation of ceiling on remuneration.

1. Leave Travel Concession : Return passage for self and family in accordance with the rules specified by the Company where it is proposed that the leave be spent in home country instead of anywhere in India.
Explanation : Since the appointee is the ex-patriate managerial person the perquisite shall not to be included in the computation of the ceiling on remuneration.
2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
3. The Gratuity payable shall not exceed half a month's salary for each completed year of service.
4. The appointee is entitled for earned/privilege leave as per rules of the Company. Leave accumulated and not availed of during the tenure may be encashed at the time of retirement or at the end of the tenure

as per rules of the Company. Encashment of leave will not be included in the computation on ceiling on perquisites.

5. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to Managing Director.

The Managing Director, so long as he function as such, shall not be paid any sitting fees for attending any meetings of the Board of Directors or committee thereof.

The Company shall reimburse to the Managing Director entertainment, travelling and all other expenses incurred by him for the business of the Company subject to a maximum ceiling of 50% of the remuneration per month.

6. To consider and if thought fit to pass with or without modification/s the following Resolution as an ordinary Resolution

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 and the approval received from the Central Government, Ministry of Finance, Department of Company Affairs, New Delhi vide their letter No. 1/435/99-CL.VII dated 30th June, 2000, the Company hereby accord its approval to the appointment of Mr. Andrea Dall'Olio as a Whole Time Director of the Company for a period of five years with effect from 23rd September, 1999 on the following terms and conditions with a liberty to the Board of Directors to decide, alter and vary the terms and conditions of the said appointment without any further reference to the members of the Company in General Meeting during the tenure of his appointment.

REMUNERATION:

1. Rs. 1,25,000/-per month inclusive of all allowances and perquisites for the period from 23.9.1999 to 01.03.2000.
2. Rs. 1,30,000/-per month inclusive of all allowances and perquisites for the period from 02.03.2000 till 20.04.2000 as per Section II of part II of Schedule XIII of the Companies Act, 1956.

PERQUISITES :

In addition to the above remuneration the appointee is entitled for the following perquisites, which shall not be included in computation of ceiling on remuneration.

1. Leave Travel Concession : Return passage for self and family in accordance with the rules specified by the Company where it is proposed that the leave be spent in home country instead of anywhere in India.
Explanation : Since the appointee is the ex-patriate managerial person this perquisite shall not to be included in the computation of the ceiling on remuneration.
2. Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of ceiling on perquisites to the extent of these either singly or put together are not taxable under the Income Tax Act.
3. The Gratuity payable shall not exceed half a months' salary for each completed year of service.
4. The appointee is entitled for earned/privilege leave as per rules of the Company. Leave accumulated and not availed of during the tenure may be encashed at the time of retirement or at the end of the tenure as per rules of the Company Encashment of leave will not be included in the computation on ceiling on perquisites.
5. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Use of car for private purpose and personal long distance calls on telephone shall be billed

by the company to the Whole Time Director.

The Whole Time Director, so long as he function as such, shall not be paid any sitting fees for attending any Meetings of the Board of Directors or Committee thereof.

The Company shall reimburse to the Whole Time Director entertainment, travelling and all other expenses incurred by him for the business of the Company subject to a maximum ceiling of 50% of the remuneration per month.

By Order of the Board of Directors

Place : Pune

Date : 14 / 07 / 2000

FORTUNATO GUADALUPI

CHAIRMAN & MANAGING DIRECTOR

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 AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE ATLEAST 48 HOURS BEFORE THE MEETING.
3. Members of the company requested to notify immediately any change in their addresses to the company.
4. Members are requested to note that demat facility has been made available with effect from 3rd April, 2000.
5. Explanatory statement pursuant to section 173(2) of the companies Act, 1956 in respect of item No. 5 & 6 has been attached with this notice.
6. Members are requested to bring the copy of the annual report at the annual general meeting.

ANNEXURE TO THE NOTICE**Explanatory statement as required under section 173 (2) of the Companies Act, 1956.****Item No.5 & 6**

In view of the position of the Company, Parmalat S.p.A., Italy has decided to restructure the managerial positions and organisation hierarchy of the company and therefore vide their letter dtd. 22nd September, 1999, nominated Mr. Fortunato Guadalupi as a Managing Director of the Company and Mr. Andrea Dall' Olio as a Whole Time Director of the Company with effect from 23rd September, 1999. The Board of Directors have appointed Mr. Fortunato Guadalupi as Chairman and Managing Director and Mr. Andrea Dall' Olio as a Whole Time Director and designated him as a Chief Financial Officer of the Company. Their appointment was subject to the approval of the Central Government and members of the Company on the terms and conditions mentioned in the resolution set out at item No. 5 and 6 respectively of the Notice.

The Company has received the approval from Central Government, Ministry of Finance, Department of Company Affairs, New Delhi vide their letter No. 1/435/99-CL.VII dated 30th June, 2000. A copy of the said approval is open for inspection by the members of the Company at the registered office of the Company during the business hours on any working day. The Company will entered into necessary supplementary agreement with the Managing Director and Whole Time Director after incorporating provisions of Central Government's approval.

The Proposed appointees are associated with Parmalat S.p.A., Italy for several years. Both have completed several assignments before taking up this task in India. Considering their expertise knowledge and experience, Parmalat S.p.A., Italy has nominated them on the Board of the Company to improve the position of the Company.

After the said appointment but before this Annual General Meeting Mr. Andrea Dall' Olio resigned from the Board of the Company w.e.f. 20.04.2000 on his transfer by Parmalat. Therefore members are requested to grant their approval for his appointment for the period from 23.9.1999 to 20.04.2000.

None of the other Directors are concerned or interested in this resolutions.

This may be treated as abstract of the terms and conditions of contract of appointment of Managing Director and Whole Time Director under section 302 of the Companies Act, 1956.

By Order of the Board of Directors**Place : Pune****FORTUNATO GUADALUPI****Date : 14 / 07 / 2000****CHAIRMAN & MANAGING DIRECTOR**

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Report together with the Audited Accounts of the Company for the year ended 31st December, 1999.

FINANCIAL RESULTS :

PARTICULARS	FOR THE YEAR ENDED 31.12.1999 (12 MONTHS)	FOR THE PERIOD ENDED 31.12.1998 (9 MONTHS)
TURNOVER	98,454,376	69,260,736
PROFIT/(LOSS) BEFORE TAX, DEPRECIATION INTEREST & FINANCE CHARGES	(97,971,828)	(82,474,177)
PROFIT/(LOSS) AFTER TAX, DEPRECIATION INTEREST & FINANCE CHARGES	(83,000,388)	(62,704,247)
BALANCE CARRIED TO BALANCE SHEET	(232,745,547)	(149,745,158)

1. BOARD'S NOTE :

- 1) As You may be well aware, Your Company has been poorly performing in the whole of every past year, as also stated by the new Auditors appointed in 1999.
- 2) The parent Company hence decided to appoint a new team of managers in order to verify the reasons of such poor results and identify any possible solution/strategy to revamp the business.
- 3) New management, arrived in late September, has spent quite some time to assess the overall current situation, mainly due to the absence of a well organized accounting department, as well as to weak local managerial structure.
- 4) Conclusions with reference to such main facts can be summarized as follows:
 - i. Company has been operating in a commodity market largely dominated by co-operatives and characterized not only by very limited margins (if any), but also, very sensitive to factors beyond the control of any management, i.e. sharp increases in the cost of raw milk, which are not reversible on consumers' prices. (see rep. last year also,p.2)
 - ii. The attempts made to add value to some products, by packing them in small consumer portions and launching the Parmalat brand has been hindered by the lack of adequate constant supply of quality raw materials (mainly milk), and availability of local skilled and committed workforce. It is the present management belief that advertisement and promotion of such products could not be performed effectively in the absence of appropriate support from production quality, goods distribution and, above all, product profitability (as better specified below).

- iii. The sub-contracts and agreement in which the Company entered with the scope of enhancing sales of more value added products both in the retailer market and to institutional customers, along with the outsourcing for production of some selected items under the brand Parmalat, resulted unsuccessful, mainly for the totally different views and scopes of the other parties involved.
- iv. Along with the change of management appointed by the parent Company, a quick turnover of previous local management also took place by means of several immediate resignations. The aforementioned, read in conjunction with an organizational structure to be sharply strengthened, resulted in some difficulties in sourcing and perusing of some key information.
- v. Nevertheless Your Board has managed to reconcile the financial flows of the Company and to install, inter alia, a cash management system which resulted in an effective immediate control over day to day management, as well as planning.
- vi. Discontinuation of liquid pasteurized milk, even if strongly affecting the Company's turnover, paradoxically resulted in significantly reduced losses, due to the fact that pasteurized milk was not even recovering direct costs.
- vii. In the meantime a restructuring exercise began, with the scope of reducing the overall strength of Company's employees, mainly in the distribution area, where several D.Cs. had been previously set up, with a sharp increase in fixed costs for the Company, not justified by volumes and margins.
- viii. A new budgeting exercise based on a deeper understanding of the market and its opportunities, as well as a precise and detailed cost accounting has been performed.
- ix. After the beginning of the New Year an entire business plan, including hypothesis of variation of the profile of Your Company has been developed.
- x. Board is still taking in consideration all possible, viable actions to reduce losses.

2. BOARD'S CONSIDERATIONS AND ANSWER TO NOTES AND QUALIFICATIONS STATED IN THE AUDITOR'S REPORT.

Auditor's report :

Paragraph 2, item (i) and paragraph 3, item (g):

As stated in para 1 of the Board's notes, the overall situation of the Company was known, hence the measures undertaken, as specified also in para 4, items (viii) and (ix), with reference to a new budget and a brand new business plan, respectively.

Paragraph 2, item (ii):

Attention is drawn on Board's notes, paragraph 3 and paragraph 4, items (iv) and (v).

Paragraph 2, item (iii):

With its letter dated June 30th, 2000, the Central Government, through the Ministry of Law, Justice and Company Affairs Department of Company Affairs, approved the appointment of two whole-time Directors, w.e.f. September 23rd, 1999.

Paragraph 2, item (iv):

As also stated in Annexure to the Auditors' report, paragraph 1, item (a), the Accounting Department is updating the fixed assets register. Furthermore, in order to get an even better detailed situation of its fixed assets, the Company has appointed a chartered engineer and registered valuer, to produce a fully comprehensive list of all the existing fixed assets pertaining to the Company.

Paragraph 2, item (v):

It's a normal auditing procedure, often delayed and affected, by the large number of very small customers' and their accounting systems. Nevertheless the Company has taken this issue into proper account.

Paragraph 2, item (vi):

Note is self explanatory.

Paragraph 2, item (vii):

At current point in time Your Board doesn't see any reason why such a provision should be made.

5. Y2K COMPLIANCE :

All the systems of the Company are Y2K Compliant.

6. PUBLIC DEPOSITS :

The Company has not accepted any deposits from the Public and Shareholders during the year under review.

7. DIRECTORS :

At the previous Annual General Meeting of the Company resolution for re-appointment of Capt. R. K. Shah as a Director was not carried.

In accordance with the Article 138(1) of Articles of Association of the Company, Mr. N. J. Keshavdas and Mr. Ashutosh R. Shah, Directors of the Company are liable to retire by rotation and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

8. AUDITORS :

M/s. Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company, are retiring at the conclusion of this Annual General Meeting and being eligible offer themselves for the re-appointment.

The Board of directors recommends the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants as Auditors of the Company. The Company has received a certificate from M/s. Deloitte Haskins & Sells, Chartered Accountants conveying their eligibility under sub-section (1B) of section 224 of the Companies Act, 1956, that if appointed, their appointment will be within the limits.

9. THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

The information 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 with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure 'A' and forms part of this Report.

10. PARTICULARS OF EMPLOYEES :

The particulars of employees as required to be disclosed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are set out in Annexure 'B' and forms part of this Report.

11. ACKNOWLEDGMENT :

Your Directors wish to place on record their deep desire of appreciation for the devoted services of the executives, staff and workers of the Company. Finally the Directors wish to express their gratitude to the members for their continued support.

For and on behalf of the Board of Directors .

Place : Pune

Date : 14 / 07 / 2000

FORTUNATO GUADALUPI

CHAIRMAN & MANAGING DIRECTOR

Report  junction.com