

29th  
Annual Report & Accounts  
2002

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**VIPPY INDUSTRIES LTD.**



<b>Board of Directors</b>	<b>Dr. K.A. SAVAGAON</b> <b>SHRI K.B. SINGH</b> <b>SHRI SURESH C KAPUR (Nominee of ICICI)</b> <b>SHRI SAJEVE DEORA</b> <b>SHRI RAHUL MUTHA</b> <b>(Executive Director)</b> <b>SHRI PRAKASH MUTHA</b> <b>(Managing Director)</b>
<b>Auditors</b>	<b>M/s SODANI &amp; COMPANY</b>
<b>Cost Auditors</b>	<b>M/s M. GOYAL &amp; CO.</b>
<b>Company Secretary</b>	<b>SHRI ABHITAP K. JAIN</b>
<b>Bankers</b>	<b>THE BANK OF MAHARASHTRA</b> <b>THE UNITED WESTERN BANK LIMITED</b> <b>THE SARASWAT CO-OP. BANK LIMITED</b>
<b>Institutions</b>	<b>THE ICICI BANK LTD.</b> <b>THE INDUSTRIAL FINANCE CORPORATION OF INDIA LTD.</b> <b>THE INDUSTRIAL DEVELOPMENT BANK OF INDIA</b> <b>THE UNIT TRUST OF INDIA</b>
<b>Registered Office</b>	<b>28, INDUSTRIAL AREA,</b> <b>AGRA MUMBAI ROAD,</b> <b>DEWAS-455 001 (M.P.)</b>
<b>Works</b>	<b>28, 29 &amp; 30, INDUSTRIAL AREA,</b> <b>AGRA MUMBAI ROAD,</b> <b>DEWAS-455 001 (M.P.)</b>

**NOTICE**

NOTICE is hereby given that the 29<sup>th</sup> Annual General Meeting of the Company will be held on Friday 18<sup>th</sup> day of April 2003 at 11 A.M. at the Registered Office of the Company situated at 28 Industrial Area, A.B. Road, Dewas 455 001 (M.P) to transact the following business.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Balance Sheet as at December 31 2002 and the Profit and Loss Account for the year ended on that date and report of the Board of Directors and Auditors thereon.
2. (i) To appoint a Director in place of Shri K. B. Singh who retires by rotation and being eligible, offers himself for re-appointment.  
(ii) To appoint a Director in place of Shri Rahul Mutha who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration exclusive of Service Tax.

**SPECIAL BUSINESS**

4. (i) To consider and if though fit pass the following resolution as special resolution with or without modification.  
"RESOLVED THAT subject to the provisions of Section 198/269/310/311/313 and Schedule XIII and all other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if required, Shri Prakash Mutha, be and is hereby re-appointed as the Managing Director of the Company for a period of 3 years from 1.1.2003 to 31.12.2005 and may be paid the following remuneration even though the Company has no profit or in-adequacy of profit in any year during the tenure of his appointment.  
1) **Remuneration:** Rs.45,000 per month in the salary grade of Rs. 45,000-5,000-55,000  
2) **Perquisites:** Perquisites shall be restricted to an amount equal to Rs.4,50,000 per annum as detailed in categories 'A', 'B' & 'C'.

**CATEGORY 'A':**

- (a) **Housing:** House Rent Allowance 60% of the salary. The expenditure incurred by the Company on gas, electricity water and furnishings shall be valued as per the Income Tax Rules, 1962 that shall be subject to a ceiling of 10% of salary.
- (b) **Medical Reimbursement:** Medical expenses incurred by him and his family shall be reimbursed to him subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (c) **Leave Travel Concession:** For him and his family, once in a year, incurred in accordance with the Rules specified by the Company.
- (d) **Club Fees:** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- (e) **Personal Accident Insurance:** Benefit of a personal accident insurance of an amount, the premium of which does not exceed Rs. 4,000 per annum.

**Explanation:** For the purpose of Category 'A' above 'Family' means the spouse, dependent children and dependent parents of the Managing Director.

**CATEGORY 'B':**

- (a) **Provident Fund etc.:** Contributions to Provident Fund and Superannuation Fund or Annuity Fund to be in accordance with the practice, Rules and Regulations in force, from time to time. The contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the



computation of the ceiling of the perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.

- (b) **Gratuity:** Not exceeding half a month's salary for every completed year of service.

**CATEGORY 'C':**

- (a) The Company shall provide a Car with driver, a mobile phone and a telephone at the Managing Director's residence. Provision of a Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of a Car for private purpose shall be billed by the Company to the Managing Director.

- (b) The Director will also be allowed Earned/Privilege Leave on full pay and allowance as per rules of the Company, but not more than six weeks leave for every 12 months of service. However, leave accumulated but not availed of, will not be allowed to be encashed.

The Managing Director shall not be paid any sitting fee for attending any meeting of the Board of Directors or a Committee thereof.

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised with liberty and powers to the Board of Directors to increase, reduce, alter or vary the terms and conditions of remuneration in such manner as the Board may deem fit with in the limit specified in the Schedule XIII of the Companies Act, 1956 as existing or as amended modified or re-enacted from time to time."

"RESOLVED FURTHER THAT for the purpose of giving affect to this resolution the Board of Directors be and are hereby authorised to do all such acts, deeds, matters, and things, as they may in their absolute discretion deem necessary expedient usual and proper"

- (ii) To consider and if though fit pass the following resolution as special resolution with or without modification.

"RESOLVED THAT subject to the provisions of Section 198/269/310/311/313 and all other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, Shri Rahul Mutha be and is hereby re-appointed as a Whole-time Director of the Company for a period of 2 years from 1.9.2002 to 31.8.2004 and be paid the following remuneration even though the Company has no profit or inadequate profit in any year during the tenure of his appointment.

- 1) **Salary:** Rs. 35000 per month in the salary grade of 35000-5000-40000.
- 2) **Perquisites:** Perquisites shall be restricted to an amount equal to Rs. 2,00,000 per annum as detailed in categories 'A', 'B' & 'C'.

**CATEGORY 'A':**

- (a) **Housing:** House Rent Allowance 60% of the salary. The expenditure incurred by the Company on gas, electricity water and furnishings shall be valued as per the Income Tax Rules, 1962 which shall be subject to a ceiling of 10% of salary.

- (b) **Medical Reimbursement:** Medical expenses incurred by him and his family shall be reimbursed to him subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

- (c) **Leave Travel Concession:** For him and his family, once in a year, incurred in accordance with the Rules specified by the Company.

- (d) **Club Fees:** Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

- (e) **Personal Accident Insurance:** Benefit of a personal accident insurance of an amount, the premium of which does not exceed Rs. 4,000 per annum.

**Explanation:** For the purpose of Category 'A' above 'Family' means the spouse, dependent children and dependent parents of the Director.

**CATEGORY 'B':**

- (a) **Provident Fund etc.:** Contributions to Provident Fund and Superannuation Fund or Annuity Fund to be in accordance with the practice, Rules and Regulations in force, from time to time. The contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling of the perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- (b) **Gratuity:** Not exceeding half a month's salary for every completed year of service.

**CATEGORY 'C':**

- (a) The Company shall provide a Car with driver and a telephone at the Director's residence. Provision of a Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of a Car for private purpose shall be billed by the Company to the Director.
  - (b) The Director will also be allowed Earned/Privilege Leave on full pay and allowance as per rules of the Company, but not more than six weeks leave for every 12 months of service. However, leave accumulated but not availed of, will not be allowed to be encashed.
- The Whole-time Director shall not be paid any sitting fee for attending any meeting of the Board of Directors or a Committee thereof.
- "RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised with liberty and powers to the Board of Directors to increase, reduce, alter or vary the terms and conditions of remuneration in such manner as the Board may deem fit with in the limit specified in the Schedule XIII of the Companies Act, 1956 as existing or as amended modified or re-enacted from time to time."
- "RESOLVED FURTHER THAT for the purpose of giving affect to this resolution the Board of Directors be and are hereby authorised to do all such acts, deeds, matters, and things, as they may in their absolute discretion deem necessary expedient usual and proper."

By order of the Board

Place: Dewas  
Date: 22.02.2003

**Abhitap K. Jain**  
Company Secretary

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The proxy, in order to be effective, should reach the registered office of the Company at least 48 hours before the meeting.
3. The proxy form is enclosed.
4. Explanatory statement, pursuant to section 173 (2) of the Companies Act, 1956, is annexed.
5. The register of members and share transfer books will remain closed from 18.04.2003 to 24.04.2003 (Both days included) for the purpose of Annual General Meeting.

**EXPLANATORY STATEMENT**

(Pursuant to section 173 (2) of the Companies Act, 1956 )

**Item No.4(i)**

The members are aware that at the 24<sup>th</sup> Annual General Meeting of the Company held on 13th day of June 1997 they had accorded their consent to the appointment of and payment of remuneration to Shri Prakash Mutha, Managing Director, details thereof are contained in the notice forming part of that Annual Report. The tenure of Shri Prakash Mutha was over on 31.12.2002. As the Members are aware that Shri Prakash Mutha is a person qualified for the position and has experience of more than 28 years in Soya Extraction Industry. He is one of the promoters of the Company and under his leadership the Company has progressed. The Board of Directors of the Company keeping in view the present scenario, size and nature of operations of the Company and wide experience of Shri Mutha in the Soya Extraction Industry decided in their meeting held on 11.12.2002 to re-appoint him as Managing Director, subject to the consent of the Shareholders and approval of Central Government, if required, for a period of three year from 01.01.2003 to 31.12.2005 on the remuneration and perquisites payable to him as described the resolution.

Except Shri Prakash Mutha and Shri Rahul Mutha none of the directors is concerned or interested in the above resolution.

The contents of the Resolution along with explanatory statement shall be deemed to be an abstract of the terms and conditions of variation in terms of as appointment of Shri Prakash Mutha under Section 302 of the Companies Act, 1956 and Memorandum of interest in that regard.

Your Directors recommend the resolution for approval.

**Item No. 4(ii)**

The members are aware that at the 24<sup>th</sup> Annual General Meeting of the Company held on 13th day of June 1997 they had accorded their consent to the appointment of and payment of remuneration to Shri Rahul Mutha, Wholetime Director, details thereof are contained in the notice forming part of that Annual Report. The tenure of Shri Rahul Mutha was over on 31.08.2002. As the Members are aware that Shri Rahul Mutha is a person qualified for the position and has experience of more than 16 years in Soya Extraction Industry. The Board of Directors of the Company keeping in view the present scenario, size and nature of operations of the Company and wide experience of Shri Rahul Mutha in the Soya Extraction Industry decided in their meeting held on 29.07.2002 to re-appoint him as Whole-time Director, subject to the consent of the Shareholders and Approval of Central Government, if required, for a period of two year from 01.09.2002 to 31.08.2004 on the remuneration and perquisites payable to him as described the resolution.

Except Shri Rahul Mutha and Shri Prakash Mutha none of the directors is concerned or interested in the above resolution.

The contents of the Resolution along with explanatory statement shall be deemed to be an abstract of the terms and conditions of variation in terms of as appointment of Shri Prakash Mutha under Section 302 of the companies act, 1956 and Memorandum of interest in that regard.

Your Directors recommend the resolution for approval.

By order of the Board

Place: Dewas  
Date: 22.02.2003

**Abhitap K. Jain**  
Company Secretary

**VIPPY INDUSTRIES LTD.****29th Annual Report & Accounts 2002****DIRECTORS REPORT**

To,

Dear Shareholders,

Your Directors herewith present the 29<sup>th</sup> Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended 31<sup>st</sup> December, 2002.

**FINANCIAL RESULTS**

The operational results of the Company are summarised hereunder:

The sales and other income during the year ended December 31, 2002 were Rs. 19782.45 Lacs as against Rs. 21688.53 Lacs during the year ended December 31, 2001.

Particulars	Rs in Lacs	
	For the year ended Dec. 31, 2002	For the year ended Dec. 31, 2001
Loss before interest & depreciation	847.43	1,193.82
Add: Interest for the year	1,659.69	1,764.51
	2,507.12	2,958.33
Add: Depreciation	305.33	305.66
Loss for the year	2,812.45	3,263.99
Less: Prior period adjustment	189.57	—
Less: Insurance compensation	—	53.42
	2,622.88	3,210.57
Loss brought forward from Profit and Loss Account	7,798.28	4,587.71
Balance carried to Balance Sheet	10,421.16	7,798.28

The deficiency in rainfall for the fourth consecutive year has worsened the availability of water for cropping and production, thus adversely affecting the yield. Also, the increase in the average price of raw material during the year under review could not be absorbed by increase in price of finished goods due to heavy imports of edible oil and depressed international market for Soya Meal leading to negative pressure on processing margins.

The Company continued to focus on increasing its sales of value added products which contributed in containing the loss at a lower level.

**COST CONTROL MEASURES**

The Company undertook several measures to control production and operating cost including rationalization of manpower. The Managing Director and Whole time Director accepted 50% reduction in their remuneration over contracted amounts and had foregone the annual increments.

**DIVIDEND**

In view of the losses suffered by the Company, the directors express their inability to recommend any dividend.

**MANAGEMENT DISCUSSION AND ANALYSIS****FINANCIAL ANALYSIS**

Your Company has reported loss due to cutthroat competition in the market and adverse conditions of monsoon for 4<sup>th</sup> consecutive year, which resulted into lower soya bean production. Your Company is recovering from the huge losses suffered in earlier years. The gross loss for the year ending 2002 is Rs. 847.43 Lacs compared to Rs. 1193.82 Lacs in the previous year. After providing for interest and depreciation the net loss for the year is Rs. 2812.45 Lacs compared to Rs. 3,263.99 Lacs in the previous year.





During the year the Company processed 83861 MT of Soya bean (previous year 116723 MT). Soya bean price was around Rs. 10400 /MT in January 02 and increased to 13000-14000/MT during September-December 02 (Previous year Rs. 9300 – 10700). Increase in oil and Deoiled Cake prices were not sufficient to nullify the increase in seed prices. Thus there were negative margins in processing, hence lower capacity utilization.

The above conditions were as a result of lower Soya bean crop of 49.70 Lac MT during the harvest season 2002 as compared to 54 Lac MT during the harvest season 2001.

#### **INDUSTRY STRUCTURE AND DEVELOPMENT**

Your Company is engaged in the business of Edible Oil, Soya Meals & Soya Foods. The Soya Industry has been hit badly due to repeated failure of monsoons. Many small & big units have closed operation and several have substantially curtailed their capacity utilisation, which circumstances have arisen due to unchecked import of edible oil, putting pressure on the local oil prices. Your Company foray with value added products 4 years ago has helped carry on its operation marginally above the Industry average and the same are expected to improve in the years ahead.

#### **OPPORTUNITY AND THREATS**

During the year 2002 Soya Industry witnessed continued downfall as was seen in last 3 years on account of failure of Monsoon for the fourth consecutive year, which created scarcity of water for processing as well as for Crops of Soya bean. Several plants have since reduced / closed their operations and most manufacturers reported negative results during current year as increase in the price of raw material during the year under review could not be compensated by the rise in selling price of finished products.

The Company has made sufficient efforts to make its business less dependent on commodities by developing new markets and products and their applications. The benefits of these efforts have started to flow and will be more visible in the coming years. The Company is giving more attention on the export sales as the demand of Non Genetically Modified Products is rising substantially in the international market. The Company is also exploring the non-traditional markets to increase sales of its various value-added products. Due to over capacity in the industry your Company's focus on value added products is better positioned.

Though the Company is putting much efforts to improve performance, it continues to face the threats from shortage of water (which depends on Monsoon), increased cost of Electricity, Fuel, Transportation, Taxes, and reduced supplies of raw material and high cost thereof coupled with large scale import of oils.

#### **FUTURE OUTLOOK**

Future outlook of the Company depends upon normal rainfall, higher soya bean crop, and lower imports of oil, which will help in improving the capacity utilization. However, It is expected that there will be a gradual increase in sales of Non-Genetically Modified Value Added Products. Many countries have partially / fully banned import of genetically modified Soya products, thereby increasing the potential of exports to them from India.

#### **SEGMENTWISE PERFORMANCE**

The Company is operating in one segment only, hence segment wise reporting is not applicable.

#### **RISK AND CONCERN**

The situation of power and water supply in the local area is getting worrisome and the Company is identifying process that are less water intensive and reduce the risks associated with failure of Monsoon; however, the impact of monsoon on raw material supply position is uncontrollable. The Company is also exposed to the risk of large import of edible oils and likely imposition of excise duty thereon. The industry in general and the Company would lose competitive advantage of Non-GMO supplies if genetically modified Soya bean is introduced in the country.

#### **ADEQUACY OF INTERNAL CONTROL SYSTEMS**

The Company has a proper and adequate system of internal control system commensurate to its size and nature, to ensure that all assets are safeguarded and protected against loss from unauthorised use or





disposition and to ensure that all transactions are authorised recorded and reported correctly.

#### DEVELOPMENT IN HUMAN RESOURCE AND INDUSTRIAL RELATIONS

The industrial relations of the Company continue to remain harmonious and cordial with focus in improving productivity, quality and safety. The Company believe that the quality of its employees is the key to its business in the long-run. The Company regularly provides necessary training to employees, wherever required for improving their productivity and overall strengths. During the year under review total 329 peoples employed in the Company.

#### CAUTIONARY NOTE

The statement forming part of the Directors' report may contain certain forward-looking statements within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements.

#### DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of section 217 (2AA) of the Companies Act, 1956, the Directors would like to state that:-

- i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year under review.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the annual accounts on a going concern basis.

#### CORPORATE GOVERNANCE

##### Company's Philosophy on Code of Corporate Governance

The Company's philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its shareholders, employees, the government and lenders. The Company is committed to achieving the highest standards of corporate governance. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time and to ensure that:-

1. Adequate control systems exist to enable the Board to effectively discharge its responsibilities to all stakeholders of the Company;
2. That the decision making process is fair and transparent;

##### Board of Directors

The following is the composition of the Board of Directors:

- |                       |  |
|-----------------------|--|
| 1. Dr. K.A. Savagaon  | Independent (Food Technologist)                |
| 2. Shri K.B. Singh    | Independent (Consultant)                       |
| 3. Shri S.C.kapur     | Nominee of ICICI                               |
| 4. Shri Sajeve Deora  | Independent (Chartered Accountant in practice) |
| 5. Shri Rahul Mutha   | Whole Time Director                            |
| 6. Shri Prakash Mutha | Managing Director                              |

##### Board Meeting and A.G.M. Attendance

The Board met 5 times during the financial year on 07.01.2002, 19.04.2002, 29.07.2002, 18.10.2002, and

**VIPPY INDUSTRIES LTD.****29th Annual Report & Accounts 2002**

11.12.2002. Details of attendance of each Directors at the Board Meetings and at last Annual General Meeting held on 19.04.2002 are given below:

Name of Directors	Category Directorship	Financial year of 01.01.2002 to 31.12.2002 Attendance Particulars		No. of Directorship	Committee Position	
		Board Meeting	Last AGM		Chairman	Member
Shri Prakash Mutha	Managing Director	5	Yes	—	—	1
Shri Rahul Mutha	Whole Time Director	4	Yes	—	—	—
Dr K.A.Savagaon	Independent	5	Yes	—	2	3
Shri S.C. Kapur	Nominee of ICICI	4	No	3	—	—
Shri K.B. Singh	Independent	—	No	—	—	2
Shri Sajeve Deora	Independent	5	Yes	8	1	2

**Audit Committee**

The Audit Committee constituted by the Board pursuant to Section 292 A of Companies Act, met four times during the year on 05.01.2002, 19.04.2002, 28.07.2002, and 18.10.2002.

Name of Member	No. of Meetings Held	No. of Meetings Attended
1. Shri Sajeve Deora	4	4
2. Dr. K.A. Savagaon	4	4
3. Shri K.B.Singh	4	-

Health of Shri K. B. Singh, Director of the Company is not well since last year.

With a view to comply with the requirements of clause 49 of the Listing Agreement the Board of Directors re-constituted the Audit Committee on 19.04.2002. The reconstituted Committee consists of three non-executive Directors, viz. Shri Sajeve Deora, Dr. K.A. Savagaon and Shri K.B. Singh.

Shri Sajeve Deora is the Chairman of the Committee. Shri Abhitap K. Jain, Company Secretary is the Secretary of the Committee.

The role and terms of the present Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of The Companies Act, 1956, besides other terms and terms as may be referred to by the Board of Directors from time to time.

The Audit Committee performs the following functions:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
3. Reviewing with management the annual financial statements before submission to the Board focussing primarily on:
  - (i) Any change in accounting policies and practices,
  - (ii) Major accounting entries based in exercise of judgement by management,
  - (iii) Qualification in draft audit report,
  - (iv) The going concern assumption,
  - (v) Compliance with Accounting Standards,
  - (vi) Compliance with stock exchange and legal requirements concerning financial statements,