

31st
Annual Report & Accounts
2004



VIPPY INDUSTRIES LTD.
An ISO 9001:2000 Certified Company

Quality Policy

We at Vippy Industries Ltd., Dewas are committed to produce and deliver high quality soya products meeting customer requirements and other statutory norms to achieve customer delight, through continual improvement and employee involvement.

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Board of Directors	Dr. K.A. SAVAGAON SHRI K.B. SINGH SHRI SURESH C KAPUR (Nominee of ICICI) SHRI SAJEVE DEORA SHRI RAHUL MUTHA (Joint Managing Director) SHRI PRAKASH MUTHA (Managing Director)
Auditors	M/s SODANI & COMPANY
Cost Auditors	M/s M. GOYAL & COMPANY
Company Secretary	SHRI ABHITAP K. JAIN
Bankers	THE BANK OF MAHARASHTRA THE UNITED WESTERN BANK LIMITED THE SARASWAT CO-OP. BANK LIMITED
Financial Institutions	THE ICICI BANK LTD. THE INDUSTRIAL DEVELOPMENT BANK OF INDIA THE INDUSTRIAL FINANCE CORPORATION OF INDIA LTD. THE UNIT TRUST OF INDIA
Registered Share Transfer Agent	ANKIT CONSULTANCY PVT. LTD. 2nd FLOOR, ALANKAR POINT, GEETA BHAWAN CHOURAHA, A.B. ROAD, INDORE. PH: 0731-2491298. FAX: 5065798
Registered Office	28. INDUSTRIAL AREA, A.B. ROAD, DEWAS-455 001 (M.P.) PH: 07272-258545, 6. FAX: 07272-258552
Works	28, 29 & 30, INDUSTRIAL AREA, A.B. ROAD, DEWAS-455 001 (M.P.)

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*31st Annual Report & Accounts 2004***NOTICE**

NOTICE is hereby given that the 31st Annual General Meeting of the Company will be held on Friday the 22nd day of April 2005 at 11.00 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 businesses.

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at December 31, 2004 and the Profit Account for the year ended on that date and report of the Board of Directors and Auditors thereon.
2. 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 a Director in place of Shri K. B. Singh who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

SPECIAL BUSINESS

5. To consider and if thought fit pass the following resolution as special resolution with or without modification if any:

"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 Joint Managing Director of the Company for a period of 3 years from 1/9/2004 to 31/8/2007 and 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) **Salary :** Rs.40000/- per month in the salary grade of 40000-2500-45000.
- 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. 4000/- 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.



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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 encashed.

The Jt. 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 the above salary / perquisites shall be restricted to the maximum amount as per schedule XIII of the Companies Act, 1956 or as may be approved by the Central Government, wherever required, whichever is less."

"RESOLVED FURTHER THAT the remuneration paid to the Joint Managing Director shall be subject to the approval of Central Government, if required. In case of the approval will not accorded by Central Government the entire remuneration paid to the Joint Managing Director will be refundable."

"RESOLVED FURTHER THAT for the purpose of giving effect 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."

6. To consider and if thought fit pass the following resolution as special resolution with or without modification if any:

"RESOLVED THAT the sitting fees payable to the Directors for attending the meetings of the Board be increased from Rs. 250 to Rs. 5000.

"FURTHER RESOLVED THAT the article 85 (a) of the Articles of Association of the Company be altered in pursuance Section of 31 of the Companies Act, 1956 in the following manner:-

Article 85 (a) be amended by substituting figure Rs 5,000/- in place of Rs 250/-."

"FURTHER RESOLVED THAT the said sitting fees will only be paid to the non executive directors attending the meeting of the Board of directors."

Registered Office

Vippy Industries Ltd.

8, Industrial Area,

B. Road Dewas-455001

By order of the Board of Directors

Abhitap K. Jain
Company Secretary

Date: February 24, 2005

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 OF THE COMPANY.
2. The proxy, in order to be valid and effective, should reach the registered office of the Company at least 48 hours before the appointed time of the aforesaid 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 22nd April 2005 to 28th April, 2005 (Both days inclusive) for the purpose of Annual General Meeting.


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6. Nomination facility is available to the shareholders for making nomination in respect of shares held by them in pursuance of section 109A of the Companies Act, 1956.
7. Members are requested to notify immediately any change in their address to the Company quoting their folio numbers.
8. Members are requested to inform their client ID and DP ID numbers if they hold shares in dematerialised form.

EXPLANATORY STATEMENT

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

Item No.5

The members are aware that at the 29th Annual General Meeting of the Company held on 18th day of April 2003 they had accorded their consent to the appointment and payment of remuneration to Shri Rahul Mutha, Joint Managing Director, details thereof are contained in the notice forming part of that Annual Report. The tenure of Shri Rahul Mutha was over on 31-08-2004.

As the Members are aware that Shri Rahul Mutha is a person qualified for the position and has experience of more than 18 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 23/07/2004 to reappoint him as Joint Managing Director, subject to the consent of the Shareholders and Approval of Central Government, for a period of 3 years from 1/9/2004 to 31/8/2007 on the remuneration and perquisites payable to him as described in the resolution.

Company has already been filed an application to central government for approval of appointment and payment of remuneration to Shri Rahul Mutha. Company's bankers have given consent for the said appointment in their consortium meeting held on 25.09.2004, one of the term lenders has also accorded their consent for the same and consent from rest of the term lenders is awaited.

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 appointment of Shri Rahul 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.6

Members are aware that the Company has been paying Rs. 250/- sitting fees to every Director other than executive Director attending the Board meeting since the incorporation. Presently the Board of Directors have 4 independent Directors from various states and they have to spend lots of time in pursuance of the responsibility posed by the Clause 49 of the Corporate governance of the listing agreements signed with the stock exchanges. Further the sitting fees had not been revised for a long period i.e. from 1973. Considering the present amount of sitting fees of Rs. 250 which is a very little amount, as cost of time incurred to attend a Board Meeting does not commensurate with present amount accordingly it is proposed to increase the sitting fees up to Rs 5,000/-.

The proposed amount of sitting fees has also been within the limit prescribed under the Rule 10B of the Companies (Central Government) General Rules and Forms 1956 as amended. The Remuneration committee has also recommended the said increased amount in its meeting held on 23.07.2004.

Your Directors recommend the resolution for approval.

Registered Office
Vippy Industries Ltd.
28, Industrial Area,
A B. Road Dewas-455001

By order of the Board of Directors

Abhitap K. Jain
Company Secretary

Date: February 24, 2005


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RE-APPOINTMENT OF DIRECTORS

A brief resume in respect of the proposed re-appointment of Directors is given below in terms of clause 49 of listing agreement.

Name	Shri Rahul Mutha
Date of Birth and Age	16.09.1965, 40 years
Date appointment	01.02.1992
Qualification	M. Com.
Experience	18 years
Other Directorships	NIL
Member of committees	NIL

Name	Shri K.B. Singh
Date of Birth and Age	20.07.1929, 75 years
Date appointment	15.12.2000
Qualification	M.A., L.L.B.
Other Directorships	NIL
Member of committees Vippy Industries Limited	Audit Committee Remuneration Committee

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*31st Annual Report & Accounts 2004***DIRECTORS' REPORT**

Dear Shareholders,

Your Directors herewith present the 31st Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended 31st December, 2004.

FINANCIAL RESULTS

The operational results of the Company are summarized hereunder:

The sales and other income during the year ended December 31, 2004 are 34002.09 Lacs as against 30585.37 Lacs during the year ended December 31, 2003.

Particulars	Rs in Lacs	
	For the year ended Dec. 31, 2004	For the year ended Dec. 31, 2003
Profit before interest & depreciation	161.51	(114.68)
Less: Interest for the year	1700.07	1693.28)
Total	(1538.56)	(1807.96)
Less: Depreciation	311.21	306.6
Profit for the year	(1849.77)	(2114.56)
Less : Prior period adjustment	30.48	-
Add: Prior period adjustment	-	13.15
	(1819.29)	(2127.71)
Profit brought forward from Profit and Loss Account	(12548.87)	(10421.16)
Balance carried to Balance Sheet	(14368.16)	(12548.87)

DIVIDEND

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

COST CONTROL MEASURES

The Company undertook several measures to control production and operating cost including rationalization of manpower.

CORPORATE GOVERNANCE

Your Company committed to good corporate governance practices. The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

A report on corporate governance as required under sub clause VII of clause 49 of the listing agreement signed with the stock exchanges is annexed hereto and forms part of this annual report.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies and applied them consistently and made judgments 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.
- 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.
- The Directors have prepared the annual accounts on a going concern basis.


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STATUS BEFORE THE BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

The Company's Rehabilitation Proposal was based on induction of Co-promoter. The Hon'ble BIFR directed that the new Co-promoter will have no say in the management of the Company. Aggrieved against the above direction the Company filed a writ petition before the Hon'ble High Court of Delhi. Subsequently the matter was transferred to AAIFR and is pending there.

In the joint meeting of the term lenders, majority of the lenders had expressed their willingness for OTS of their dues. The Company is in negotiation with them on the same.

COMMENTS ON QUALIFICATIONS IN AUDITORS REPORT

● **Non Provisioning of Penal Interest of Rs.218.57 Lacs.**

Details in this regard are given in Note No. 6. of Schedule 18. The Company has not made any provision for the penal interest and liquidated damages charged by the Banks and Financial Institutions amounting to Rs.218.57 Lacs. as the Company's proposal for restructuring incorporates relief to the above extent and that the same is under consideration.

● **Non-provisioning of Sales tax of Rs.24.30 Lacs**

Details in this regard are given in Note No. 7 of Schedule 18. The Company was granted exemption under Notification No. A-3-(24)/94/ST/V(112) dated 06.10.1994 under Entry tax up to 31.01.2000, and under Notification No. A-3-(24)-94-ST-V-(108) dated 06.10.1994 for Sales tax in respect of purchase / sales of raw material/ finished goods by Hipro (EOU Division). In accordance with the policy of State Gov. the Company has sought extension in the period of exemption equal to the number of days of closure of this plant. Accordingly, the Company does not consider itself liable for an amount of Rs.24.30 Lacs in respect of year ended 31.12.2004.

● **Sundry debtors/creditors are subject to confirmation and reconciliation.**

Details in this regard are given in Note No. 19 of Schedule 18. The balances of debtors and creditors are reconciled during the course of the year which may not be necessarily at the year end.

PUBLIC DEPOSITS

The Company does not accept / invite any deposits from public attracting provisions of Section 58A of the Companies Act, 1956 and rules made there under.

SOCIAL RELATIONS

Relations between the employees and management remained cordial. The Directors wish to place on record their appreciation of the devoted services rendered by the workers, staff and officers of the Company.

INSURANCE

The Company's buildings, machinery's, stocks, stores and spares are adequately insured against various risks including machinery breakdowns.

DIRECTORS

Shri K. B. Singh and Shri Rahul Mutha retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. During the year under review no Director appointed by the Board as additional Director.

The brief resumes of the Directors seeking reappointment are provided in the notice of ensuing A.G.M.

COMPLIANCE CERTIFICATE

Certificate as required under clause 49 VIII of Listing Agreement, for compliance of conditions stipulated in the Listing Agreement, obtained from the secretarial auditor of the Company and annexed herewith this Annual Report.

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*31st Annual Report & Accounts 2004***PARTICULARS OF EMPLOYEES**

Provisions of Section 217 (2A) of the Companies Act read with the Companies (Particulars of Employees) Rules 1975 are not applicable as there was no employee in receipt of the specified remuneration.

CONSERVATION OF ENERGY

In order to reduce the consumption of energy and also to reduce the cost the following measures have been taken by the company during the year :-

1. Installed 2 nos. 500 KVA capacitor panels with PF relay in Power House to improve the power factor.
2. 2 nos. Energy saving submersible pumps installed in Coal Yard & Solar system tube wells to reduce power consumption.
3. AC frequency drive installed in SEP-II for 204 conveyor to monitor variable RPM.
4. Stepdown transformer installed in Refinery to reduce energy consumption of lighting.
5. New battery charging system developed in power house for charging the battery without starting the DG.
6. Operation of soap stock transfer pump & gum pump made automatic for power saving.
7. Gum transfer line modified and shortened to reduce load on gum pump further to save power.
8. 170 HP energy efficient water pump with 900 cu.m./hr installed in pump house in reduce Hexane losses and consumption of power.
9. Discharge screw conveyor of DTDC in Plant -III replaced by rotary valve to maintain level in cooler & also to reduce power consumption (from 10 HP to 5 HP)
10. Separate steam header installed in Plant -III for flash system of condensate from plant to effectively re-use the condensate of plant and flash steam.
11. Redler conveyor (R-38) replaced by belt conveyor in SEP-I, Prep. to reduce maintenance & power cost.
12. Low pressure condensate flashes recovery system installed to use flash steam & avoid 3 HP motor & Pump.
13. One Spray pump installed with 3 HP instead of pump with 7.5 HP.
14. 2 nos. energy saving submersible pump installed in gate No. 2 Bore well No. 2 & 3.
15. All street light control with timer in electrical department for timely on and off.
16. R.O. No. 2 high pressure pump changed 20 HP to 10 HP.

Additional information on conservation of energy, technology, foreign exchange earning and outgo as required to be disclosed in terms of 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 annexed hereto (as annexure A) and forms part of this report.

AUDITORS

M/s. Sodani and Company, Chartered Accountants, retire at the conclusion of this meeting and being eligible offer themselves for re-appointment.

ACKNOWLEDGEMENTS

The Directors acknowledge with gratitude the support received by the Company from Bank of Maharashtra, The United Western Bank Limited, The Saraswat Co-operative Bank Limited, ICICI Limited, IDBI Limited, IFCI Limited, UTI Limited and the State and Union Governments.

For and on behalf of the Board of Directors

Place- Dewas

Date: February 24, 2005

Prakash Mutha
Managing Director