



A G R O
D U T C H
I N D U S T R I E S
L I M I T E D

(Formerly Agro Dutch Foods Limited)

15TH ANNUAL REPORT 2006-07

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BOARD OF DIRECTORS

Shri Malvinder Singh

Shri Gurpreet Singh

Col. Satinder Singh (Retd.)

Shri A. P. S. Sandhu

Shri Harsh Jajoo

Dr. H. S. Garcha

Shri S. R. K. Agnihotri

Shri B. B. Huria

Shri Arvind Kalra

Shri Ajay Arora

Shri Maninder Singh

Shri Dilsher Singh

Chairman & Managing Director

Executive Director

Executive Director

Executive Director

Executive Director

Director

Director

Director

Director

Director

Director

Director

**VICE PRESIDENT (CORPORATE) &
COMPANY SECRETARY**

Shri Jasbir Singh

REGISTERED OFFICE

S.C.O. 30, 2nd Floor, Sector 33-D, Chandigarh. 160020

BANKERS / TERM LENDERS

Union Bank of India

Bank of India

State Bank of Patiala

Federal Bank Ltd.

UTI Bank Ltd.

DEG Germany

State Bank of Indore

Kotak Mahindra Bank Ltd.

ICICI Bank Ltd.

Export Import Bank of India

WORKS

- Village Tofapur, Near Lalru, Distt. S.A.S. Nagar (Mohali) (Punjab)
- Village Bhagwanpura, Barwala Road, Dera Bassi Distt. S.A.S. Nagar, (Mohali) (Punjab)

REGISTRAR & SHARE TRANSFER AGENTS

M/s Karvy computershare Pvt. Ltd.

Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 0500034

AUDITORS

M/s Suresh Mittal & Associates,
Chartered Accountants
16-A Bank Colony,
Behind Amar Hospital,
Patiala

NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the Agro Dutch Industries Limited will be held on Saturday 29th September, 2007 at 11.30 A.M at the Bal Bhawan, Sector 23-B, Chandigarh to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date together with the report of Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Arvind Kalra, who retire by rotation & being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Maninder Singh, who retire by rotation & being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. H.S. Garcha, who retire by rotation & being eligible, offers himself for re-appointment.
5. To consider and if thought fit pass with or without modification the following resolution, as an ordinary resolution:
"Resolved that M/s Suresh Mittal & Associates, Chartered Accountants, the retiring auditors be and hereby reappointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting at remuneration to be fixed by the Board of Directors and/or any committee thereof."

SPECIAL BUSINESS

6. To consider and if thought fit pass with or without modification(s) the following resolution, as an Ordinary resolution:
"RESOLVED THAT subject to the provision of Section 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Gurpreet Singh as Executive Director for a period of five years w.e.f. 1st July, 2007 on the terms and conditions of payment of remuneration as set out in the Explanatory Statement annexed hereto.
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution:
"Resolved that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging/ charging all the immovable properties of the Company, wheresoever situated both present and future, and the whole or substantially the whole of the undertaking of the Company by way of pari passu first charge in favour of State Bank of Patiala (SBOP) for securing long term loan aggregate to Rs. 22.75 crores together with interest, costs and other charges and expenses payable by the Company to State Bank of Patiala (SBOP), in terms of the Loan Agreement entered into or to be entered into between the Company and bank.
"Resolved further that the aforesaid charges created/to be created by the Company in favour of the said bank shall rank pari passu to the first charge created/ to be created in favour of DEG-Germany, Axis Bank Ltd., State Bank of Patiala, State Bank of Indore, Exim Bank, and Union Bank of India for their term loans granted/to be granted to the Company."
"Resolved that the mortgage/charge created/to be created and/or all arrangement/documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified.
8. To consider and, if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution:
"Resolved that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging/ charging all the immovable properties of the Company, wheresoever situated both present and future, and the whole or substantially the whole of the undertaking of the Company by way of pari pasu second charge in favour of Union Bank of India, UTI Bank Ltd. & Federal Bank Ltd. for securing enhanced working capital limits aggregating to Rs.6250 lacs, Rs. 1000 lacs & Rs.2500 lacs respectively together with interest, costs and other charges and expenses payable by the Company to Union Bank of India, UTI Bank & Federal Bank in terms of the Loan Agreement(s) entered into or to be entered into between the Company and these banks.
"Resolved further that the aforesaid charges created/to be created by the Company in favour of the said bank shall rank subsequent to the first/prior pari passu charge created/ to be created in favour IDBI Ltd., DEG-Germany, Axis Bank Ltd., State Bank of Patiala, State Bank of Indore, Exim Bank, and Union Bank of India for their term loans granted/

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to be granted to the Company."

"Resolved that the mortgage/charge created/to be created and/or all arrangement/documents executed/to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors are hereby confirmed and ratified.

By order of the Board

Place : Chandigarh.

Date : 24th August, 2007

Jasbir Singh

V. P. (Corporate) & Company Secretary

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. THE PROXY NEED NOT BE MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME OF COMMENCEMENT OF MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed for 6 days i.e., from 24th September, 2007 to 29th September, 2007 (both days inclusive).
3. Members desirous of seeking any further information or clarification in respect of accounts and operations of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the meeting so that the required information can be made available at the meeting.
4. Members are requested to bring with them the attendance slips sent with this Annual Report duly completed and signed to hand it over at the entrance.
5. The Explanatory statement pursuant to Section 173 (2) of the Companies Act 1956 in respect of Item No. 6 to 8 set out above is annexed hereto.
6. Members holding shares in physical form are requested to notify immediately the change in their address, if any, at the Registered Office of the Company.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956.**ITEM NO.6**

Mr. Gurpreet Singh is the Promoter Director of the Company. His term as Executive Director has expired on 30th June 2007. The management has decided to re-appoint Mr. Gurpreet Singh as Executive Director for the period of five years w.e.f. 01st July, 2007 subject to the approval of shareholder in the general meeting on the following terms of payment of remuneration.

- I. Salary : Rs.2,50,000/- per month
- II. Perquisites : In addition to Salary the Executive Director will be allowed perquisites as specified in Category A, B & C below:-

Category 'A'**i) Housing**

The Executive Director shall be provided rent free accommodation by the company. In case no accommodation is provided, Executive Director shall be entitled to a House Rent Allowance @ Thirty percent of salary. -

ii) Medical Reimbursement

Expenses incurred for self and family subject to ceiling of one month's salary in a year or three months salary over a period of three years.

Category 'B'

- i) Contribution of Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the

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ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable will not exceed half a month's salary for each completed year of service.

- ii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on the perquisites.

Category 'C'

Provision of car(s) for use on company's business and telephone(s) at residence or mobile phone(s) will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

In case of absence or inadequacy of profits in any financial year, the aforesaid remuneration shall be paid to Mr. Gurpreet Singh, as minimum remuneration.

None of the directors except Mr. Malvinder Singh, Mr. A.P.S. Sandhu, Mr. Dilsher Singh & Col. Satinder Singh (Retd.) being relative are concerned or interested in this re-appointment.

ITEM NO.7

The company has been sanctioned a term loan of 22.75 crores by State Bank of Patiala for setting up a Co-generate Power Plant for Captive Consumption. This loan is to be secured by way of mortgage of all the fixed assets of the company by way of first pari passu charge. As per the provision u/s Sec 293(1)(a) of Companies Act 1956, the Board of Directors of the Company is required to be authorised by the members at a General Meeting for creating the charge/ mortgage on fixed assets/ immovable properties of the company. Therefore approval of the members is being sought. None of the Directors of the Company is interested in the resolution.

ITEM NO.8

The Company has been sanctioned/enhanced working capital facilities of Rs. 6250 lacs (enhanced from Rs. 5650 lacs) Rs. 1000 lacs (Rs. 500 lacs) and Rs. 2500 lacs (Rs. 2000 lacs) (both fund based and non-fund based) from Union Bank of India, UTI Bank Ltd and Federal Bank respectively during the year. These working capital limits are already secured by hypothecation of raw materials, semi finished goods finished goods and book debts. However, in terms of the agreements entered into between the Company and these Banks, these working Capital facilities are also further to be secured by way of second charge on the fixed assets of the Company.

As per provisions of Section 293(1)(a) of the Companies Act, 1956, the Board of Directors of the Company is required to be authorised by the Members at the General Meeting for creating the charge/mortgage on immovable properties of the Company. Therefore, approval of the members is being sought.

None of the directors of the Company is interested in the proposed resolution.

Agro Dutch Industries Limited**DIRECTORS' REPORT**

The Directors are pleased to present the 15th Annual Report and Audited Statements of Accounts for the period ended on 31st March, 2007.

FINANCIAL RESULTS**(Rs. in lacs)**

Particulars	2006-07	2005-06
Net Sales/Income	20396.03	13733.04
Other Income	291.45	659.56
Increase / (Decrease) in Stock	33.56	1304.45
Total Expenditure	15415.22	12284.23
Profit (Loss) before int /Tax/Dep	5305.83	3412.82
Interest	1742.21	1326.50
Depreciation	955.92	791.12
Misc Expenses W/o	41.69	41.31
Profit (loss) before Tax	2565.99	1253.88
Provision for Taxation	284.50	18.50
Profit after Current Tax	2281.50	1235.38
Provision for deferred Tax	365.67	717.99
Profit/Loss after Tax	1915.83	517.39
Previous year adjustments	24.24	71.08
Net Profit After tax	1891.58	446.31

OPERATIONS

During the year under review your company achieved a net sales of Rs.203.96 crores (previous year Rs.137.33 crores), resulting an increase in sales by 48% over the previous year. The profit after tax for the year under review stood at Rs.18.92crores as compared to Rs.4.46 crores during the previous year, showing a growth of 300%.

Your company raised the installed capacity to 45,000 TPA at its growing facility during the year and further 50,000 TPA in July, 2007. The company had established its compost making facility in 1993-94 for a production capacity of 3500 tons of fresh mushroom per annum. Your company had been increasing the capacity of compost yard with the additions to this facility till 2006-07. As the original facility had been planned only for 3500 tons, the increase in capacity was not as per the optimum design, because of the constraints imposed by the original setup. Your company has now shifted its entire composting to a brand new composting facility built at a new site.

EXPANSION

Your Company went ahead with the plan to set up easy-open-ends unit and a six colour metal printing line. The project cost of Rs.55.79 crores has been partly financed by way of term loan of Rs.43 crores from Industrial Development Bank of India and balance by way of internal accruals. The implementation of the facility was held up because of the permissions required from Tamil Nadu government. As Tamil Nadu government categorises metal printing line with the highest polluting industry, it took the company six months to get the relevant permissions under the single window clearance from Tamil Nadu government. More than 50% of the machinery has already been imported and lying at site. The company finally obtained clearance from Tamil Nadu government on 9th July,2007 and the construction at site is starting in September, 2007. The facility is expected to go into commercial production by June 2008.

DIVIDEND

Due to the on going expansion/diversification plans undertaken by the company, the Board of Directors are of the opinion that shareholders would be best served by ploughing the surpluses back into the company. Hence no dividend has been proposed.

AUDITORS

M/s Suresh K Mittal & Associates, Chartered Accountants, Patiala, Auditors of the Company, retire at the conclusion of the

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ensuing Annual General Meeting and being eligible, have offered themselves for reappointment. The Board recommends their reappointment.

DIRECTORS

Mr. Arvind Kalra, Director of Company, who retires by rotation at the ensuing Annual General Meeting being eligible offers himself for reappointment.

Mr. Maninder Singh, Director of Company, who retires by rotation at the ensuing Annual General Meeting being eligible offers himself for reappointment.

Mr.H.S. Garcha, Director of Company, who retires by rotation at the ensuing Annual General Meeting being eligible offers himself for reappointment.

Mr.Gurpreet Singh, Executive Director of Company, whose term expired on 30th June 2007 has been reappointed as Executive Director .

ISSUE OF CAPITAL

The Company issued 1,00,00,000 (One Crore) warrants of Rs 10/-each at a premium of 17.50 per warrant to be converted into one equity share for each warrant to the promoters/associates on 6th December 2006 . Out of these warrants 7,50,000 warrants were converted into 7,50,000 equity shares on 8th March 2007.

PARTICULARS OF EMPLOYEES

The information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given as Annex I to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of accounts for the period ended 31st March, 2007, the applicable Accounting Standards had been followed and there are no material departures;
- ii) that the selected accounting policies are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the year end and profit of the Company for that period;
- iii) that proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- iv) that the accounts have been prepared on a going-concern basis.

AUDIT COMMITTEE

The Audit Committee comprises of Sh. Maninder Singh, Chairman of the Committee, Sh. Arvind Kalra, Sh. S.R.K. Agnihotri and Dr H.S Garcha, Directors of the Company as members. The constitution is in accordance with Section 292A of the Companies (Amendment) Act, 2000.

The Committee met three times during the year. The Board of Directors has accepted all the recommendation of the Audit Committee.

CORPORATE GOVERNANCE

As required under Clause 49 of the listing agreement, a report on Corporate Governance is enclosed in this annual report. Auditor's Certificate on the compliance of Corporate Governance is also annexed with the report.

LISTING OF SHARES & SEBI REGULATION

The Equity shares of the company are listed on Bombay Stock Exchange Ltd. & National Stock Exchange of India Ltd., Mumbai.

The listing fee for 2006-2007 has been paid on time and there being neither delisting nor suspension of shares from trading during the period under review.

Since SEBI has stipulated electronic filing of Quarterly / half yearly results, Annual Report, Shareholding Pattern etc on website www.sebiedifar.nic.in , the statements of your company can be accessed at this website.

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DEPOSITS

The Company has not invited any deposits from the public.

ACKNOWLEDGEMENTS

The Directors acknowledge with gratitude the continuing cooperation and assistance rendered by the Industrial Development Bank of India, State Bank of Patiala, Axis Bank Limited, Union Bank of India, DEG - Germany, Export Import Bank of India, State Bank of Indore, Kotak Mahindra Bank Ltd. & ICICI Bank Limited,. The Directors also wish to place on record their appreciation for the devoted services rendered by the Executives, Staff and the Workers of the Company.

For and on behalf of the Board

Place : Vill. Tofapur
Dated : 24.08.2007

Malvinder Singh
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE OF PARTICULARS UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULAR OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED ON 31ST MARCH 2007.

Name of Employer	Designation/Nature of Service	Expertise (years)	Date of Service	Qualification	Remuneration (rupees)	Age (yrs)	Previous Employment/ position held.
A. Employed throughout the period and in receipt of remuneration aggregating Rs.24,00,000 or more per annum.							
Mr. Malvinder Singh	Chairman & Managing Director	26	22.06.1992	B.E (Mech.)	46,80,000	52	Managing Director Vishwa Calibre Builders Pvt. Ltd.
Mr. Gurpreet Singh	Executive Director	14	22.06.1992	B.E (Civil)	36,00,000	39	Director Vishwa Calibre Builders. Pvt. Ltd.
Mr. Harsh Jajoo	Executive Director	14	01.08.2005	C.A.	27,12,392	38	-

i) Conservation of Energy

Energy cost constitute more than 25% of the total production cost of mushrooms. With the increase in prices of diesel and electricity, the energy cost during the year went up disproportionately to the total production cost. Your company has decided to instal a co-generation captive power plant of 4.8 Mw at a cost of Rs.3150 lacs. The project has been funded by way of term loan of Rs.2000 lacs from State bank of Patiala and balance by way of internal accruals/equity of the promoters. After commissioning of this co-generation facility, your company expects to bring down the energy cost per unit to 2002-2003 level.

ii) Technology Absorption : Not Applicable

iii) Foreign Exchange Earning and Outgo

Earnings	Rs. 16048.12 Lacs
Outgo:	
Capital A/c	Rs. 4182.96 Lacs
Raw Material & Others	Rs. 3018.44 Lacs
Spares & Components	Rs. 50.88 Lacs
Travelling	Rs. 107.79 Lacs
Interest & Financial Charges	Rs. 271.73 Lacs
Others (Legal Fee etc.)	Rs. 139.32 Lacs
Repayment of term loans	Rs. 418.43 Lacs

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

The principal business of the Agro Dutch Industries Limited is growing of white button mushrooms.

a) Industry Structure

The mushroom industry can be divided into two sectors i.e. organized sector and unorganized sector. The organized sector can again be divided into two parts i.e. (i) integrated growers, processor & exports and (ii) processors & exports only (who procures the mushroom from cottage growers). The international trade/exports are dominated by organized sector. In China, mushroom is procured from the cottage growers then processed & exported to the world market i.e., U.S.A., Canada & Russia etc. There are no integrated producers in China. In India, Agro Dutch Industries Limited has almost 90% of the installed capacity of mushroom growing in the country and is only significant shipper of canned mushroom to the world market. All other companies, which came into existence from 1992-96 has either been closed down or operative at very low capacity utilization.

b) Opportunities and Threats

Your company has become/emerged world's largest integrated mushroom producer & exporter company with an installed capacity of 50,000 TPA per annum. The growing economies of scale, low cost of production, availability of raw materials and labour has translated into enhanced market shares/new markets for Agro Dutch Industries. With the setting up of can, easy-open-end manufacturing with six colour printing line, your company is entering into metal packaging business. All this opportunities holds a bright future for the company.

The potential threads could be in position of higher dumping deposit rate on the Company or any food regulatory changes in the world market without enough time to deal with such a situation.

c) Segment Review and Analysis

Segment has been identified in line with the Accounting Standard on Segment reporting (AS-17) Taking into account the organization structure as well as the differential risks and returns of these segments. The Company has disclosed business Segment as the primary segment. Types of products in each business segment.

Business Segment

Types of Products

a) Mushroom Plant

Fresh and Canned Mushrooms

b) Can Unit

Open Top Sanitary Cans and Ends for Food Packaging.

The Segment Revenues, Results, Assets and Liabilities include the respective amounts. Identifiable to each of the segment and amounts allocated on a reasonable basis.

d) Outlook

The canned mushroom market has seen an upward surge in prices after a gap of ten years. The market had been stagnant due to over supply from China. Starting with the year 2005 the production of Mushrooms in China is showing signs of decline due to the higher labour costs that are a consequence of the fast economic growth of that country. As China supplies more than 60 percent of the non- EU exports, a dip in production has resulted in increase of more than 20 percent in the selling prices of canned mushrooms during the year. Your company is well poised to take advantage of this situation and probably the only one in the world to partly fulfil the shortage. As the Mushroom cottage industry typically is inversely proportional to the economic growth of any region, your company sees an excellent opportunity in the future for growth as cottage industry production from China goes down.

e) Risks and concerns

Being agro based industry, any crop failure or shortage of raw material i.e. wheat straw, paddy straw, rice husk and chicken manure etc. may result in increase in cost of production which would affect the profitability of the company. Further, any change in food laws of importing companies i.e. USA, Canada, Russia, Mexico, Israel etc. may affect the profitability of the company. The appreciation of Indian rupee is also a matter of concern of company, being a 100% EOU.

f) Internal Control Systems and their adequacy

The Company has adequate system of internal control relating to purchase of stores, raw materials, including components, plant and machinery, equipment and other similar assets and for the sale of goods. The internal control system commensurate with the size of the company and nature of its business. The Company has internal control system for speedy compilation of accounts and management information reports and to comply with the applicable laws and regulations.

g) Human Resource Development/Industrial Relations

Relations between the Management and the Labour were cordial throughout the year under review.