

The logo for ADI (Agro Dutch Industries) consists of the letters 'ADI' in a bold, stylized, sans-serif font. The letters are black and set against a white background.

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

A large, semi-transparent watermark for 'Report Junction' is centered on the page. It features a yellow diamond icon to the left of the text 'Report Junction' in a bold, sans-serif font.

16TH ANNUAL REPORT 2007-08

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BOARD OF DIRECTORS

| | |
|-----------------------------|--------------------------------|
| Shri Malvinder Singh | Chairman Cum Managing Director |
| Shri Gurpreet Singh | Executive Director |
| Col. Satinder Singh (Retd.) | Executive Director |
| Shri A. P. S. Sandhu | Executive Director |
| Shri Dilsher Singh | Director |
| Dr. H. S. Garcha | Director |
| Shri S. R. K. Agnihotri | Director |
| Shri B. B. Huria | Director |
| Shri Maninder Singh | Director |
| Shri Ajay Arora | Director |
| Shri Arvind Kalra | Director |

VICE PRESIDENT (CORPORATE) & COMPANY SECRETARY

Shri Vivek Atri

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.
Axis 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.
Plot No.17-24, Vithal Rao Nagar,
Madhapur,
Hyderabad – 500 081

AUDITORS

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



NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of the Company will be held on Tuesday 30th September, 2008 at 11.30 A.M at the Chandigarh Institute of Hotel Management (Formerly Food Craft Institute), Sector 42-D, Chandigarh to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 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. S.R.K. Agnihotri, who retire by rotation & being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Ajay Arora, who retire by rotation & being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. B.B. Huria, 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 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 first pari passu charge in favour of State Bank of Indore (SBOI) and The Federal Bank Limited., for securing long term loan amounting to Rs.15.00 crores each together with interest, costs and other charges and expenses payable by the Company to State Bank of Indore (SBOI) and The Federal Bank Limited., 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 State Bank of Indore (SBOI) and The Federal bank Limited 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.
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 second pari passu charge in favour of State Bank of Patiala (SBOP), State Bank of Indore and Bank of India, for working capital limits aggregating to Rs.1500 lacs, Rs 1000 Lacs and Rs. 3505 lacs, together with interest, costs and other charges and expenses payable by the Company to the bank in terms of the Loan Agreement(s) entered into or to be entered into between the Company and the bank.
 "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 Bank Ltd., DEG-Germany, Axis Bank Ltd., State Bank of Patiala, State Bank of Indore, Exim Bank, and Union Bank of India, Bank of India and ICICI Bank Ltd. for their term loans granted/to be granted to the Company."

Agro Dutch Industries Limited

"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 : 31st July, 2008

Vivek Atri
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 from 25th September, 2008 to 30th September, 2008 (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 7 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

The Company has been sanctioned a term loan of Rs.15.00 Crores each by State Bank of Indore and The Federal Bank Limited for the expansion of existing mushroom growing facilities at works of the Company. The loan is to be secured by way of mortgage of all the fixed assets of the Company by way of 1st pari-passu charge. As per the provisions u/s sec-293 (1)(a) of Companies Act, 1956, the Board of Directors of the Company is required to be authorized 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. 7

The Company has been sanctioned/ enhanced working capital facilities of Rs.1500 Lacs (enhanced from Rs.1000 Lacs), Rs.1000 Lacs and Rs. 3505 lacs (enhanced from Rs. 3005 lacs) from State Bank of Patiala, State Bank of Indore and Bank of India 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 2nd charge on the fixed assets of the Company.

As per the provisions u/s sec-293 (1)(a) of Companies Act, 1956, the Board of Directors of the Company is required to be authorized 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.



INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49.IV (G) OF THE LISTING AGREEMENT.

DISCLOSURE REGARDING RE-APPOINTMENT OF DIRECTORS

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING:

| Particulars | Mr. SRK Agnihotri | Mr. Ajay Arora | Mr. B.B. Huria |
|---|--|--|---|
| Date of Birth | 17 th April, 1937 | 27 th July, 1960 | 1 st April, 1944 |
| Date of Appointment | 12 th November, 2004 | 27 th April, 2006 | 27 th April, 2006 |
| Qualifications | F.C.S., I.C.W.A | B.Com, F.C.S. | M.S. (Mechanical Engineering) |
| Expertise in specific functional area | He is a qualified Company Secretary and a Cost Accountant. He retired from Punjab Agro Industries Corp. Ltd. as Executive Director. He was on the Board of various Companies during his service with PAIC. | In practice for last more than 15 yrs. Consultant to good number of companies both listed and un-listed on corporate laws. | He is a Graduate in Bachelor of Science from University of Delhi. He has also got diploma in Russian – English Translation & interpretation. He retired as General Manager of Industrial Financial Corporation of India. He also acted as Director on the Board of Industrial Development Bank of India (IDBI) as nominee of Government of India for three years. |
| Directorship held in other public companies (excluding foreign, private and Section 25 companies) | Nil | Indian Yarns Ltd. Kudos Chemie Ltd. | Hind Industries Ltd. XO Infotech Ltd. |
| Membership/ Chairmanship of committees of other public companies (includes only Audit and Shareholder/ Investors Grievance Committee) | Nil | Nil | Nil |
| Number of shares held in the Company. | Nil | Nil | Nil |

Agro Dutch Industries Limited**DIRECTORS' REPORT**

The Directors are pleased to present the 16th Annual Report and Audited Statements of Accounts for the period ended on 31st March, 2008.

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

| Particulars | 2007-08 | 2006-07 |
|-------------------------------------|----------------|----------------|
| Net Sales/Income | 20329.61 | 20396.03 |
| Other Income | 1025.15 | 291.45 |
| Increase / (Decrease) in Stock | 2254.10 | 33.56 |
| Total Expenditure | 16339.01 | 15415.22 |
| Profit (Loss) before int /Tax/Dep | 7269.83 | 5305.83 |
| Interest | 2253.72 | 1742.21 |
| Depreciation | 1255.57 | 955.92 |
| Misc Expenses W/o | 44.44 | 41.69 |
| Profit (loss) before Tax | 3716.07 | 2565.99 |
| Provision for Taxation | 15.00 | 284.50 |
| Profit after Current Tax | 3701.07 | 2281.50 |
| Provision for deferred Tax | 964.01 | 365.67 |
| Profit/Loss after Tax | 2737.06 | 1915.83 |
| Previous year adjustments | 412.79 | 24.24 |
| Net Profit After tax | 2324.27 | 1891.58 |

OPERATIONS

During the year under review your company achieved a net sales of Rs.203.30 crores (previous year Rs.203.96 crores). However the sales in terms of US Dollars were USD 48.25 million as compared to USD 42.77 million in the previous year. The profit after tax for the year under review stood at Rs. 23.24 crores as compared to Rs.18.92 crores during the previous year.

Your company raised the installed capacity from 50,000 TPA to 60,000 TPA at its growing facility, in August 2008. The results of this expansion would be visible from the 3rd quarter of 2008-09. During the 1st quarter of FY' 09, to improve the yield, computerisation of compost making unit was undertaken. The said installations by AEM BV, the Netherlands has been completed and commissioned successfully on 20th July 2008

EXPANSION

The Unit at Vill. Kolambakkam, Post. Pazhayanoor (Chennai) TN, being set up to manufacture Cans, Easy-open-End and Six Color printing line is nearing completion and expected to be commissioned by end of December 2008. The said unit had cost overrun of Rs. 11 Crores, for which Rs. 7 Crores were financed by IDBI Bank Limited and balance was funded through internal accruals.

The project cost for the expansion of growing facility was Rs.40 Crores, which was funded by State Bank of Indore and The Federal Bank Limited to the tune of Rs 15 Crores each and balance was funded through internal accruals.

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 Mittal & Associates, Chartered Accountants, Patiala, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, have offered themselves for reappointment. The Board recommends their reappointment.

Agro Dutch Industries Limited**DIRECTORS**

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

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

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

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 in to one equity share on 6th December 2006 . Out of these warrants 7,50,000 warrants were converted into equity shares on 8th March 2007, 15,80,000 were converted on 27th February 2008.

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, 2008, 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. 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 Four 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 The Stock Exchange Mumbai & National Stock Exchange of India Ltd., Mumbai.

The listing fee for 2007-2008 has been paid on time and there being neither delisting nor suspension of shares from trading during the period under review.

INSURANCE

The company has taken the required insurance coverage for its assets against the possible risks like fire, flood, public liability, marine etc.

DEPOSITS

The Company has not invited any deposits from the public.



ACKNOWLEDGEMENTS

Your Directors place on record their appreciation to its stakeholders, bankers, statutory authorities and the business associates for their continuing guidance and support for the growth of the Company. 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 : Village Tofapur
Dated : 31.07.2008

Malvinder Singh
Chairman cum 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 2008.

| Name of Employer | Designation/Nature of Service | Expertise (years) | Date of Commencement 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 cum Managing Director | 27 | 22.06.1992 | B.E (Mech.) | 46,80,000 | 53 | Managing Director Vishwa Calibre Builders Pvt. Ltd. |
| Mr. Gurpreet Singh | Executive Director | 15 | 22.06.1992 | B.E (Civil) | 38,25,000 | 40 | Director Vishwa Calibre Builders. Pvt. Ltd. |
| Mr. Harsh Jajoo** | Executive Director | 15 | 01.08.2005 | C.A. | 26,16,413 | 39 | - |

**Resigned w.e.f. 20th November, 2007

i) Conservation of Energy

Energy cost constitutes a major part of cost of production. The Company has installed its own co-generation power plant which would help the Company to reduce energy cost and would also lower the dependence on State Electricity Board.

ii) Technology Absorption : Not Applicable

iii) Foreign Exchange Earning and Outgo

| | |
|------------------------------|-------------------|
| Earnings | Rs. 17001.91 Lacs |
| Interest | Rs. 89.08 Lacs |
| Outgo: | |
| Capital A/c | Rs. 3172.15 Lacs |
| Raw Material & Others | Rs. 3421.20 Lacs |
| Spares & Components | Rs. 49.40 Lacs |
| Travelling | Rs. 94.57 Lacs |
| Interest & Financial Charges | Rs. 134.14 Lacs |
| Others (Legal Fee etc.) | Rs. 90.28 Lacs |
| Repayment of term loans | Rs. 111.52 Lacs |

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

The principal business of the Agro Dutch Industries Limited (ADIL) is growing and export of canned mushrooms. The company also manufactures cans for its captive use.

a) Industry Structure

In India, there is no big integrated player in mushroom growing except ADIL. As such there are no big consumers for the mushrooms in India. Your company is catering to export market only. The substantial buyer or importer for mushrooms continues to be United States, Israel and Mexico only. The company is having 95 % share in canned mushroom export from the country with a 25% share in US market. The other grower and exporting country is China, where the mushroom is procured from the cottage growers then processed and exported. There are no integrated producers in China.

b) Opportunities and Threats

Your company is the largest integrated mushroom growing and exporting company with an installed capacity of 60,000 TPA per annum. The economy of scale, low cost of production, availability of raw materials and labour and with captive source of power/energy, make in its business the company most competitive and viable. With the commissioning of state of art can manufacturing, easy-open-end and six color printing line, the company is set to emerge market leader in the said industry.

Since company is a 100% export oriented unit, any change in export policy by the Indian Government and imposition/enhancement of anti dumping by its major importer i.e U.S may affect the working of the company.

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.

| 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

With the economy of scale, setting up of can, easy-open-end manufacturing and six color printing line, the future outlook is perceived to be good. The company is a value driven, dependable and reliable to its customers. The quality oriented approach coupled with dynamism and foresightedness of the promoters is set to improve its position in the international market.

e) Risks and concerns

Escalation in raw material prices and inputs for the power plant may result increased cost of production, which may affect the earnings. Being 100% EQU, the appreciation of INR may affect the realizations. Any change in Food laws of the importing countries may affect the operations of the company.

f) Internal Control Systems and their adequacy

The Company has adequate system of internal control relating to procurement of inputs and for capital expenditure. The internal control system commensurate with the size and nature of the company. The recording of transactions and preparation of financial statements is done with the conformity of the established Accounting Standards and Principles.

g) Human Resource Development/Industrial Relations

The company ensures to upgrade the skills and competence of its human resources. Relations between the Management and the Labour were cordial throughout the year under review.

h) Cautionary Statement

The report on the management discussion and analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the applicable security laws or regulations. The actual results could differ from those expressed or implied due to company's operations including global and domestic.

Therefore, the company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent development, information or events.