

ANNUAL REPORT 2003-2004

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ANIL PRODUCTS LIMITED

A MEMBER OF THE LALBHAI GROUP

ANNUAL REPORT

Anil Products Limited

Directors :

Shripal C. Sheth

Chairman & Managing Director

Amol S. Sheth

Managing Director

Kamal R. Sheth

Anish K. Shah

Indira J. Parikh

Auditors :

Messrs S. R. Godiawala & Co.

Chartered Accountants

Ahmedabad

Bankers :

Bank of India

The Lord Krishna Bank Ltd.

Regd. Office :

Anil Road,

Ahmedabad - 380 025.

ANIL PRODUCTS LIMITED

ANIL PRODUCTS LTD.

NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held on Tuesday, the 28th day of September, 2004 at 9.30 a.m. at Ahmedabad Textile Mills Association (ATMA) Hall, Ashram Road, Ahmedabad-380009, to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and audited Balance Sheet as at 31st March, 2004 with the documents required by law to be annexed thereto.
2. To appoint a Director in place of Shri Kamal R. Sheth, who retires by rotation under provisions of Articles of Association of the Company and, being eligible, offers himself for reappointment.
3. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary resolution.

RESOLVED THAT Smt. Indira J. Parikh, who pursuant to the provisions of section 260 of the Companies Act, 1956 and Articles of Association of the Company, has been appointed as an additional director of the company; by the Board of Directors of the company and who holds office up to the date of this annual general meeting of the company and being eligible offers herself for reappointment and in respect of whom a notice in accordance with the provisions of Section 257 of the Companies Act, 1956, has been received in writing from a member of the Company, proposing her candidature for the office of directorship of the Company, be and is hereby appointed as a director of the Company.

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

By Order of the Board

Registered Office:

Anil Road,
Ahmedabad - 380 025.
29th June, 2004.

Naresh Bheda
Company Secretary

NOTES:

1. Printed copy of Annual Report for 2003-2004 is enclosed herewith.
2. The Register of Members and the share transfer books of the Company will remain closed from Tuesday, 21st day of September, 2004, to Thursday, 23rd day of September, 2004 (both days inclusive).
3. For any further information regarding the accounts, advance intimation be given and the members should ensure that it reaches the Company at least 10 days before the date of the ensuing meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956. ITEM NO. 5:

Smt. Indira J. Parikh has been appointed as an additional director of the Company by the Board of Directors and the Company has received a notice under section 257 of the Companies Act, 1956, from a member proposing her candidature as a director of the Company. A brief resume of Smt. Indira J. Parikh is provided in the Corporate Governance Report.

No director other than Smt. Indira J. Parikh is concerned or interested in the resolution.

Your Directors recommends the resolution for your approval.

By Order of the Board

Registered Office:

Anil Road,
Ahmedabad - 380 025.
29th June, 2004.

Naresh Bheda
Company Secretary

ANNUAL REPORT**DIRECTORS' REPORT**

Gentlemen,

Your Directors have pleasure in presenting their Annual Report and audited Accounts of the Company for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	2003-04	2002-03
Profit before Depreciation and tax	341.18	364.64
Less: Depreciation	188.98	181.79
Profit Before Tax	152.20	182.85
Less: Provision for Taxation		
Current Tax	14.30	15.00
Deferred tax	63.37	77.67
Profit After Tax	74.53	113.09
Excess/(Short) Provision for earlier years	(8.68)	7.46
Add: Balance of Profit of previous years	310.69	190.14
Balance carried to Balance Sheet.	376.54	310.69

2. DIVIDEND

Considering various factors such as present requirement of long term funds, current market conditions etc., your directors have not recommended any dividend for the year under report.

3. OPERATIONS

The Company has taken up diversification in its present production plant and added new products and capacity during the month of January, 2004 viz. Sorbitol / Manitol and Sizing Gum / Printing Gum for which the Company has setup new facilities.

During the whole year under review, inspite of good rain all over the country, the prices of maize, which is the major raw material of the company, remained at higher level. This coupled with higher cost of other major inputs such as fuel, stores and spares, has resulted into increased cost of production and due to prevailing stiff competition in the market, the increased cost of production could not be passed on to the consumers. Your company during the year under report has been able to achieve a gross turnover of Rs.14032.95 Lacs as compared to Rs.10636.32 Lacs during the previous year. However, as a reason of tremendous increase in cost of production, the profit margin remained under pressure and the profit after tax for the year under report stood at Rs.65.85 Lacs as against Rs.120.55 Lacs for the preceding year.

Your directors expect some better results for the current year.

4. LISTING OF EQUITY SHARES

Pursuant to the Scheme of Amalgamation of erstwhile The Anil Starch Products Ltd with the company, the company had allotted equity shares to the shareholders of the transferor company. On receipt of NOC under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957, from SEBI, the 74,00,000 equity shares of Rs. 10/- each, fully paid up, have been listed with the Stock Exchange, Ahmedabad w.e.f. 05.01.2004. The equity shares of the company are compulsorily traded in the demat form only. The equity shares of the company are not listed on any other stock exchange.

5. INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year. Human resources development, employee/workmen training and safety measures continued to receive higher attention.

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption and foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed hereto and forms part of the Report.

7. INSURANCE

Company's buildings, plant and machineries, stocks and other properties wherever necessary and to the extent required have been adequately insured.

8. DIRECTORS

- During the year under report, Smt. Indira J. Parikh has been appointed as an additional director of the company and holds office untill the conclusion of ensuing Annual General Meeting and her appointment as Director of the company has been proposed at the Annual General Meeting.
- Under Article 129 of the Articles of Association of the Company, Shri Kamal R. Sheth retires by rotation and being eligible offer himself for re-election.

9. PUBLIC DEPOSITS

Public Deposits accepted by the company as at 31st March, 2004 aggregated to Rs.632.08 Lacs.

ANIL PRODUCTS LIMITED

Your company has no over due deposits but deposits aggregating to Rs.7.54 Lacs from 93 depositors though matured, had neither been claimed nor renewed until 31st March, 2004.

10. RELATED PARTY TRANSACTIONS

As a matter of policy, the company enters into transactions with related parties on an arms-length basis other than loans to employees. The details of related party transactions are given in notes forming part of accounts.

11. CORPORATE GOVERNANCE

Your company is committed to the tenets of good corporate governance and has taken adequate steps to ensure that the requirements of Corporate Governance as laid down in Clause 49 of the Listing Agreement are complied with.

- A separate report on Corporate Governance and a Management Discussion and Analysis report are being published as a part of the Annual Report of the company.

12. DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of section 217(2AA) of the Companies Act, 1956, your Directors confirm:

1. that in preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from it;
2. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended on 31st March, 2004 and for the profit of the Company for that period;
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that they have prepared the annual accounts on a going concern basis.

13. PARTICULARS OF EMPLOYEES

The Company has not employed any person drawing remuneration aggregating not less than Rs.2,00,000/- per month, hence information as per section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not applicable.

14. AUDITORS

You are requested to appoint the Auditors and fix their remuneration. The specific notes forming part of the Accounts referred to in the Auditors' Report are self-explanatory and do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

15. APPRECIATION

Your Directors take this opportunity to thank all employees for their sustained effort and high level of dedication and commitment, which enabled the Company to perform well despite of heightened competition and adverse market conditions.

By Order of the Board

Registered Office:

Anil Road,
Ahmedabad - 380 025.
29th June, 2004.

Shripal C. Sheth
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT (UNDER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956)**A. CONSERVATION OF ENERGY:****(a) Energy Conservation measures taken :**

The Company lays great emphasis on the conservation of energy and as part of continuous effort for conservation of energy several measures have been taken during the year such as: (i) Generation of Bio-gas from the factory's effluent has been continued, (ii) Reutilization of condensate steam, (iii) Several measures for reduction in consumption of water & electricity.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Conservation of energy has been given top priority and a specific team dedicated for energy conservation has been actively identifying areas wherever there is a scope for energy saving. Specific studies have been undertaken and measures suggested for optimizing utilization of energy, improving steam condensate recovery, improving power factor for ultimate reduction in cost of steam and electricity.

(c) Impact of measures taken:

The adoption of energy conservation measures have resulted in more efficient utilization of steam as well as power.

(d) Total energy consumption per unit of Production:

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FORM A

I. POWER AND FUEL CONSUMPTION:

	2003-04	2002-03
1. ELECTRICITY: Purchased		
Unit '000 KWH	24255.107	16779.94
Total Amount (Rs.in Lacs)	1088.09	780.42
Rate per unit	4.49	4.65
2. COAL-GRADES B TO E:		
Quantity (M.T.)	13236.075	8846.83
Total Cost/Rs.in Lacs	390.37	255.20
Average Rate (Rs. per M.T.)	2949.27	2885.00
3. FURNACE OIL:		
Quantity (K.L.)	1789.000	865
Total Amount (Rs. in Lacs)	222.15	96.43
Average Rate (Rs. per K.L.)	12.42	11.14
4. LIGNITE & OTHERS:		
Quantity (M.T.)	25427.025	23,040
Total Cost (Rs. in Lacs)	360.27	316.98
Average Rate (Rs. per M.T.)	1416.86	1376.00

II. CONSUMPTION PER M.T. OF PRODUCTION

	ELECTRICITY Current Year		STEAM Current Year	
	STD	KWH	STD	M.T.
Chemicals	—	199	—	1.24
		(213)		(1.54)
Processed Foods	—	132	—	2.668
		(147)		(3.332)

NOTE: Figures in brackets relate to previous year.

B. TECHNOLOGY ABSORPTION

FORM B

RESEARCH AND DEVELOPMENT:

(a) *Specific Areas in which R&D carried out by the Company:*

The Company's R&D Center has been approved by the Department of Science & Technology since 1974 and it has been actively engaged in carrying out R&D in several areas including process and Product improvement. It has also been working on development of new products and newer applications for specific customers.

(b) *Benefits derived as a result of R&D*

- (i) The company has been able to develop and manufacture speciality starches suitable for specific end use and finding specific applications in the targeted industries.
- (ii) Reduction of cost of production and improvement in the quality of the products.

(c) *Future plan of action*

The Company will continue to lay emphasis on the main areas of R&D set out under para (a) above.

(d) *Expenditure on R&D*

	2003-2004 Rs.in Lacs	2002-2003 Rs.in Lacs
Capital	0.62	Nil
Recurring	9.34	26.43
Total	9.96	26.43
Total R&D Expenditure as percentage of total turnover	0.07%	0.24%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATIONS:

Through continuous interaction with R&D center, efforts are made towards technology absorption, adoption and innovation. The trust areas have been the improvement of quality of all the products, increase in productivity through cost effective programs and development of related products for various end uses.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information is given in Notes forming part of the accounts. Members are requested to refer the said notes.

ANIL PRODUCTS LIMITED**CORPORATE GOVERNANCE****COMPLIANCE REPORT FOR THE YEAR 2003-2004.****A brief statement on company's philosophy on code of Governance:**

The company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as:

- Fair and transparent business practices.
- Effective Management Controls at all levels.
- Adequate representation of promoter, executive and independent directors on the board.
- Accountability for performance at all levels.
- Monitoring of executive performance by the Board.

Board of Directors:

There are five members on the Board of the Board of Directors of the company comprising of two Executive Directors and three independent directors. There is no institutional nominee on the board. The list of composition and categories of directors are:

Sr	Name of director	Executive / Independent	No. of other directorships in Public Limited Companies	No. of other Board Committees of which Member/ Chairman
1	Mr.Shripal C. Sheth	C.M.D.	2	Nil
2	Mr.Amol S. Sheth	M.D.	2	Nil
3	Mr.Kamal R. Sheth	NED(I)	6	Nil
4	Mr.Anish K. Shah	NED (I)	2	Nil
5	Dr.Indiraben J. Parikh	NED(I)	4	1

CMD – Chairman cum Managing Director – Executive & Non Independent.

MD – Managing Director – Executive & Non Independent.

NED(I)– Non-Executive Director (Independent)

Board procedure :

Meetings, Board meetings are governed by a structured agenda and any director may bring up any matter for consideration of board at the meeting, in consultation with the chairman. Agenda papers are generally circulated to the members of the board well in advance.

Board Meetings:

During the year, the Board of Directors met 5 times on 7/5/2003, 30/06/2003, 30/07/2003, 31/10/2003 & 31/01/2004. The details of attendance of meetings of the Board of Directors is given below:

Name of director	No. of Meetings held when the director was on board	No. of meetings attended	Whether present at previous AGM
Shri Shripal C. Sheth	5	5	No
Shri Amol S. Sheth	5	5	Yes
Smt.Indira J. Parikh	1	0	N.A.
Shri Kamal R. Sheth	5	5	Yes
Shri Anish K. Shah	5	5	No

Smt.Indira J. Parikh has been appointed as Director of the company w.e.f.30/10/2003.

To reply the query of members, Shri Kamal R. Sheth has represented as Chairman of the Audit Committee at previous AGM.

The board of directors of the company has constituted various committees of the members of the board. The terms of reference of these committees have been determined by the board from time to time.

Audit Committee:

The Audit Committee consists of 3 Non-Executive & Independent Directors. Smt.Indiraben J. Parikh is the Chairperson of the Committee. Other members of the Committees are Shri Kamal R. Sheth and Shri Anish K. Shah. All the members have financial and accounting knowledge. The Company Secretary of the company acts as a Secretary to the Committee.

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The Audit Committee has adequate powers and detailed terms of reference to play effective role as required under the provisions of the Companies act, 1956 and clause 49 of the Listing Agreement. The details of meetings of the audit committee is given below:

Name of member	No. of Meetings held when the member was on committee	No. of meetings attended
Smt.Indira J. Parikh	1	0
Shri Kamal R. Sheth	4	4
Shri Anish K. Shah	4	4

Smt.Indira J. Parikh has been appointed as director of the company w.e.f. 31st October, 2003 and has been nominated as Chairperson of Audit Committee. Earlier, then the director Shri Rahul A. Patel was the chairman of the Audit Committee who has resigned as a director of the company w.e.f. 07/02/2003.

Share Transfer-cum-investors Grievances Committee:

The Board has constituted Share Transfer cum Investors Grievances Committee consisting of Shri Shripal C. Sheth, who is the Chairman of the Committee and Shri Amol S. Sheth is another member. The terms of reference of the Committee are:

- 1) To look into the redressal of investors grievances relating to
 - a) Transfer and Dematerialization / Rematerialization of shares
 - b) Issue of duplicate share certificates.
 - c) Non-receipt of shares, dividends etc.
 - 2) To look into other related issues towards strengthening investor's relation.
- The members of Share transfer cum investors Grievances Committee normally meets twice in every month.

During the year, the company has received 19 miscellaneous complaints, which were redressed. No complaint was pending as on 31st March, 2004. Mr.Naresh G. Bheda, Company Secretary is the compliance officer.

The company has not constituted the Remuneration Committee. The details of remuneration of Managing Directors of the company for the financial year 2003-2004 are given below:-

Particulars	Mr.Shripal C. Sheth, Chairman-cum- Managing Director	Mr.Amol S. Sheth, Managing Director
Salary	Rs.3.00 Lacs	Rs.2.70 Lacs
Contribution to PF & Other Funds	Rs.0.36 Lacs	Rs.0.32 Lacs
Perquisites	Rs.2.41 Lacs	Rs.2.18 Lacs
Total	Rs.5.77 Lacs	Rs.5.20 Lacs

The company is not paying any remuneration to its Non-Executive Directors. The details of sitting fees paid to the Non-Executive Directors during the financial year 2003-2004 are given below:

Sr.	Name of the Non-Executive Director	Sitting Fees (Rs.)
1.	Mr.Kamal R. Sheth	2500/-
2.	Mr.Anish K. Shah	2500/-
3.	Dr.Indiraben J. Parikh	Nil

General Body Meetings:

The last three Annual General Meetings of the company were held as under:

Day & Date of AGM	Time	Venue
Saturday, the 29 th September, 2001	11.00 a.m.	Anil Starch Premises, Anil Road, Ahmedabad.
Friday, the 27 th September, 2002	9:30 a.m.	Ahmedabad Textile Mills Association Hall, Ashram road, Ahmedabad.
Wednesday, the 24 th September, 2003	9:30 a.m.	Ahmedabad Textile Mills Association Hall, Ashram road, Ahmedabad.

ANIL PRODUCTS LIMITED

Resolutions at above annual general meetings were passed by show of hands. None of the resolutions were placed before the above-referred Annual General Meetings, which required to be passed by postal ballot. During last three financial years, two extra ordinary general meetings were held on 17th July, 2001 and on 23rd November, 2001.

Details of Directors seeking Appointment/Reappointment at the Annual General Meeting:

Smt. Indira J. Parikh has been proposed to be appointed as a director of the Company. Presently, she is a Dean in Indian Institute of Management, Ahmedabad and specialization in Organisation development, design and institution building. Her educational qualification is Ph.D. (Gujarat), MA ED University of Rochester, NV. She is also acting as director on the Board of Tudor India Ltd., M.P. Power Transmission Ltd., Mahindra Gujarat Tractors Ltd, Sintex Industries Ltd and she is also a member of Audit Committee of Tudor India Ltd.

Shri Kamal R. Sheth, retires by rotation and being eligible offers himself for reappointment. Shri Kamal R. Sheth is a directors of the since 1998. He is B.Sc and possess wide experience in the field of Marketing and business administration. He is also Director on the board of Anil Biochem Ltd, Anagram Wellington Asset Management Co. Ltd, Asman Investment Ltd, Aura Securities Ltd, Lifestyle Fabrics Ltd and The Sports Club of Gujarat Ltd.

Disclosures:

Disclosure regarding materially significant related party transactions:

Transactions with related parties, if any, are disclosed in Notes on accounts annexed to the financial results of the company for the year. There was no related party transaction during the year, having potential conflicts with the interest of the company.

Disclosure on non-compliance by the company:

There were no instances of non-compliance or penalty imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years. During the period 07/02/2003 to 31/10/2003 there were only two directors on Audit Committee of the company and the company commenced to publish its quarterly results from the date of listing of its equity shares i.e. 05/01/2004.

Means of Communication:

After listing of Equity shares of the company with the Stock Exchange, Ahmedabad, w.e.f. 05.01.2004, the quarterly Results of the company were submitted to the Stock Exchange and were also published in newspapers - Indian Express and Jansata.

Management Discussion and Analysis Report forms a part of this Annual Report.

General Shareholder Information:

Annual General Meeting:

The ensuing Annual General Meeting ("the AGM") of the company will be held on Tuesday, the 28th September, 2004 at 9.30 a.m. at Ahmedabad Textile Mills Association Hall, Ashram Road, Ahmedabad - 380 009.

Financial Calendar:

The Financial year of the company is for a period of 12 months from 1st April to 31st March. The financial results of the company during the financial year 2004-05 are scheduled to be published as under:

a. Results for the first quarter ending on 30 th June, 2004	By end of July, 2004
b. Results for the second quarter ending 30 th September, 2004	By end of October, 2004
c. Results for the third quarter ending 31 st December, 2004	By end of January, 2005
d. Results (Audited) for the financial year ending 31 st March, 2005	By end of June, 2005
e. Annual General Meeting for the year ending March, 2005	By end of September, 2005

Dates of Book Closure: The Register of Members and Share Transfer Books of the company will remain closed from Tuesday, 21st September, 2004 to Thursday, 23rd September, 2004 (both days inclusive).

Dividend Payment:

The board of directors of the company has not recommended any dividend for the financial year ended 31st March, 2004.

Stock Exchange Listing:

The equity shares of the company are listed on The Stock Exchange, Ahmedabad, Kamdhenu Complex, Ambawadi, Ahmedabad and the company has paid annual listing fees to The Stock Exchange.

Stock Code

The Stock Exchange, Ahmedabad - Company Code: 04292 (ANILPRODUCT)

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During the financial year 2003-2004, no transaction has been reported with the Stock Exchange, Ahmedabad. Hence, the monthly high & low prices of the shares is not available.

Registrar and Transfer Agents:

M/s.Pinnacle Share Registry P. Ltd, AAA Hospital Premises, Naroda Road, Ahmedabad -380 025 (Phone: 079-22200582) is our registrar and transfer agent, who provides all shareholder related services.

Share Transfer system:

The Share Transfer-cum-Investors Grievance Committee attends to share transfer formalities normally twice in a month. Demat requests are normally confirmed within 21 days from the date of receipt of request.

Shareholding pattern and Distribution of Shareholdings as on 31st March, 2004.**Shareholding pattern.**

Category	No. of Shares held	% of Shareholding
1. Promoters	4083920	55.19%
2. Mutual Funds	311560	4.21%
3. Banks, FIs, Insurance companies	33160	0.4%
4. Private Bodies Corporate	740320	10.00%
5. Non-Resident Indians	2228940	30.12%
6. Indian Public	2100	0.03%
TOTAL	7400000	100.00%

Distribution of Shareholdings

No. of equity shares held	No. of shareholders	% of share holders	No. of shares	% of shareholding
1-500	14806	95.82	1144720	15.47
501-1000	324	2.10	305420	4.13
1001-2000	189	1.22	266580	3.60
2001-5000	68	0.44	204220	2.76
5001-10000	27	0.17	190720	2.58
10001 and Above	39	0.25	5288340	71.46
TOTAL	15453	100	7400000	100

Dematerialization of shares:

The company's shares are available for dematerialization on both the depositories viz. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). As on 31st March, 2004, 2937610 shares amounting 41.96% of the equity share capital of the company has been dematerialized.

DEMAT ISIN No. INE 125E01019

Plant Locations:

Main Factory at : Anil Road, Ahmedabad - 380 025.

Karan Nagar Plant : Plot No.195/E,Nr.Petrol Pump, Kadi Road, Karan, nagar, Mehsana (Dist.),, Gujarat.

Address for Correspondence:

Shareholders may correspondence with the company at the Register office of the company at:

Anil Products Ltd,
Secretarial Department,

Anil Road, Ahmedabad - 380 025.

The above report has been placed before the board at its meeting held on 29th June, 2004.

For & on behalf of Board

Place: Ahmedabad

Date : 29/06/2004.

Chairman cum Managing Director