



# **ANNUAL REPORT 2007 - 2008**

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**ANIL PRODUCTS LIMITED**

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## **ANIL PRODUCTS LIMITED**

### **BOARD OF DIRECTORS**

Shri Shripal C. Sheth - Chairman & Managing Director  
Shri Amol S. Sheth - Managing Director  
Shri Kamal R. Sheth - Director  
Shri Anish K. Shah - Director  
Smt. Indira J. Parikh - Director

### **AUDITORS**

M/s. Deloitte Haskins & Sells  
Chartered Accountants  
Ahmedabad

### **COMPANY SECRETARY**

Manan C. Bhavsar  
(Till 29th June, 2008)

### **BANKERS**

Bank of India  
Punjab National Bank  
HDFC Bank  
Allahabad Bank

ISIN No.: INE125E01019

### **REGISTRAR & SHARE TRANSFER AGENT**

M/s. Pinnacle Share Registry P. Ltd.  
Ashoka Mills Compound, Naroda Road, Ahmedabad - 380 025  
Phone: 079-22200338  
Fax No.: 079 - 22202963  
Email: investor.service@psrpl.com

### **REGISTERED OFFICE**

P. O. Box - 10009,  
Anil Road,  
Ahmedabad - 380 025

## NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held on Monday, the 29<sup>th</sup> day of September, 2008 at 9.45 a.m. at Ahmedabad Textile Mills Association (ATMA) Hall, Ashram Road, Ahmedabad – 380 009, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet and Profit & Loss Account for the year ended 31<sup>st</sup> March 2008 together with the Reports of the Board of Directors and the Auditors.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Anish K Shah, who retires by rotation under provisions of Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, pass with or without modification the following resolution as an Ordinary Resolution:  
 " Resolved that subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Parikh, Majmudar & co., Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2008-09, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors"

**By the order of the Board of Directors**

**Date : 29<sup>th</sup> August, 2008**

**Place : Ahmedabad**

**Amol S. Sheth**

Managing Director

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and on a poll, to vote instead of himself. A proxy need not be member of the Company.
2. Members/ proxies should bring attendance slip, duly filled in, for attending the meeting.
3. Members / proxies attending the meeting should bring their copy of the Annual Report for reference at the meeting.
4. Members desirous of obtaining any information concerning the accounts of the Company are requested to address their questions to the Company so as to reach at least 10 days before the date of the Annual General Meeting, so that the information required will be made available at the meeting, to the best extent possible.
5. The Register of Members and the Share transfer books of the Company will remain closed from 20<sup>th</sup> September 2008 to 29<sup>th</sup> September 2008 (both days inclusive).

### ANNEXURE TO NOTICE

#### Explanatory Statement as required by section 173 of the Companies Act, 1956:

##### ITEM NO. 4

At present the company's accounts are being audited by M/s. Deloitte Haskins & Sells, Chartered Accountants. M/s. Deloitte Haskins & Sells, Chartered Accountants have informed the company that they not willing to be re-appointment as Statutory Auditors of the company. In view of the above, and based on the recommendation of the Audit committee, the Board of Directors has at its meeting proposed the appointment of M/s. Parikh and Majmudar, Chartered Accountants as the Statutory Auditors in place of M/s. Deloitte Haskins & Sells for the year 2008-09.

M/s Parikh and Majmudar, Chartered Accountants have expressed their willingness to act as auditors of the company if appointed, and have further confirmed that the said appointment would be in conformity with the provision of Section of the Act.

The Members approval is being sought for the appointment of M/s. Parikh and Majmudar, Chartered Accountants as the Statutory Auditors and to authorize the board to determine the remuneration payable to Auditors.

**By the order of the Board of Directors**

**Date : 29<sup>th</sup> August, 2008**

**Place : Ahmedabad**

**Amol S. Sheth**

Managing Director

**ANIL PRODUCTS LIMITED****DIRECTORS' REPORT**

To  
The Members,

Your Directors take the pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2008.

**1. FINANCIAL RESULTS**

Particulars	(Rupees in Lacs)	
	2007-08	2006-07
Profit before Depreciation and tax	1591.53	1147.78
Less: Depreciation	366.44	266.41
Profit Before Tax	1225.09	881.37
Less: Provision for Taxation		
Current Tax	346.17	152.50
Fringe Benefit Tax	10.51	11.69
Deferred tax	139.42	168.78
Short Provision for earlier years	5.00	0.74
Profit After Tax	723.99	547.66
Add: Balance of Profit of previous year	1155.60	672.88
Less : Proposed Dividend	55.50	55.50
Tax on dividend	9.43	9.44
Balance carried to Balance Sheet	1810.49	1155.60

**2. DIVIDEND**

Considering various factors such as requirement of funds, present market conditions etc., for the year under review; your Directors have recommended a dividend of 7.50% on equity shares of the Company. The dividend and tax thereon will absorb Rs. 64.93 lacs for which necessary provision has been made in the accounts. During the year under review, the Company has transferred unclaimed dividend for the year 1999-00 amounting to Rs. 34,780/- to the General Revenue Account of the Central Government as required under sub-section (5) of section 205A of the Companies Act, 1956.

**3. OPERATIONS**

During the year under review, better monitoring & systemic controls in various functional areas has ensured greater operational efficiency. There has been a focus on improving efficiency in the utilization of Manpower, Machinery, Money and Material. There has been a conscious effort to control expenses, curb wastage of material and to improve overall efficiency and productivity in all the departments and functional areas. The improvement in demand supply position, change in product mix and focused cost reduction measures have lead to improvement in overall profitability and productivity. All these measures have manifested in better functioning of the Company with improvement in the bottom line.

During the year under report, the Company has achieved a gross turnover of Rs. 23924.76 lacs as compared to Rs. 21526.26 lacs during the previous year and the operations for the year under review have resulted into a net profit of Rs.723.99 lacs as against Rs. 547.66 lacs in the previous year. The net sales and net profit of the Company for the year under review increased by about 12.70% and 32.20% respectively in comparison to the previous year. Your Directors expect even better results for the current year.

**4. ISSUE OF CONVERTIBLE WARRANTS AND BSE LISTING**

During the year under report, with the consent of its members in the last AGM, the company issued 23,66,166 Warrants convertible into Equity Shares at a price of Rs. 60/-, having face value of Rs. 10/- each and a premium of Rs. 50/- per warrant, convertible at the option of the warrant holder within an aggregate time period of 18 months. As per the terms of issue, the company has already received 10% of the issue amount, the balance being payable on or before exercising the option of conversion of the warrants in to equity shares.

Looking in to the interest of its members and to provide liquidity, your company got its shares listed on Bombay Stock Exchange on 3<sup>rd</sup> December 2007.

**5. INDUSTRIAL RELATIONS**

Relations with the Staff members and the workmen continued to be cordial and satisfactory during the period under review. The Directors acknowledge and appreciate the determination and sincere efforts of all their employees.

**ANIL ANIL PRODUCTS LIMITED****6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A statement giving details of conservation of energy, technology absorption, 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**

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

**8. DIRECTORS**

Under Article 129 of the Articles of Association of the Company, Mr. Anish K Shah retires by rotation and being eligible offers himself for re-appointment.

**9. PUBLIC DEPOSITS**

Deposits accepted by the Company as at 31<sup>st</sup> March 2008 aggregated to Rs. 477.03 Lacs. Your Company has no over due deposits but deposits aggregating to Rs. 29.29 Lacs from 215 depositors though matured, had neither been claimed nor renewed until 31<sup>st</sup> March, 2008.

**10. RELATED PARTY TRANSACTIONS**

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

**11. CORPORATE GOVERNANCE**

The Company adheres to sound Corporate Governance practices as per clause 49 of the Listing Agreement. The philosophy of the Company on Corporate Governance is to ensure the long-term interest of the Shareholders, creation of transparency, maintaining management ethics and developing good corporate culture. The Management Discussion and Analysis Report as well as report on Corporate Governance are attached hereto as a part of this Annual Report.

**12. DIRECTORS' 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 we 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 31<sup>st</sup> March, 2008 and for the profit of the Company for that period;
3. that we 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 and
4. that we 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(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is not applicable.

**14. AUDITORS AND AUDITORS' REPORT**

M/s. Deloitte Haskins & Sells, the Chartered Accountants, Ahmedabad, retire as auditors of the Company at the ensuing Annual General Meeting and has not offered themselves for re-appointment. The Board accepts their retirement and recommends the appointment of M/s. Parikh and Majmudar as the Statutory Auditors of the Company. 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. COST AUDITOR**

As per the Order of the Central Government to appoint Cost Auditor pursuant to Section 233B of the Companies Act, 1956, your Company has appointed M/s. R. Nanabhoy & Co., the Cost Accountants, Mumbai as the Cost Auditor of the Company for the financial year 2008-09.

**16. ACKNOWLEDGEMENTS**

Your Directors are grateful and pleased to place on record their appreciation for the excellent support, guidance and cooperation extended by Suppliers, Banks, Government Authorities, Customers and Shareholders during the year under review. The Board also expresses its appreciation of the understanding and support extended by the employees of the Company.

**For and on behalf of the Board**

**Date : 29<sup>th</sup> August, 2008**

**Place : Ahmedabad**

**Shripal C. Sheth**  
Chairman & Managing Director

**ANNEXURE TO THE DIRECTORS' REPORT**

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo 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.

**A. CONSERVATION OF ENERGY:****(a) Energy Conservation measures taken:**

The conservation of energy resources is an ongoing process at the Plant and the Company is constantly striving to improve the performance so as to reduce energy consumption. The Company lays great emphasis on the conservation of energy and as part of continuous efforts for conservation of energy, several measures were taken such as: (i) Installation of variable frequency drives at various places (ii) Installation of condensate recovery system at various places (iii) New technology for online steam leakages.

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

Energy conservation measures have been given topmost priority across all the plants. A specific task force team has been formed to identify areas for saving in the steam and power cost. The team has been identifying areas for reduction in steam and power consumption as well for bringing in efficiencies in steam generation. Help of external experts in the field of energy has also been taken to identify areas and ways of reducing cost of energy. A study had been conducted across the entire factory to identify areas having a scope of energy saving.

**(c) Impact of the measures taken at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

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:****FORM A****I. POWER AND FUEL CONSUMPTION:**

Sr.	Particulars	2007-08	2006-07
1.	<b>ELECTRICITY:</b>		
	Purchased		
	Unit '000 KWH	27593.14	24973.42
	Total Amount (Rs. in Lacs)	1054.88	955.80
	Rate per unit	3.82	3.83
2.	<b>COAL-GRADES B TO E:</b>		
	Quantity (M.T.)	1218.71	2150.64
	Total Cost (Rs. in Lacs)	61.01	75.81
	Average Rate (Rs. per M.T.)	5006.11	3524.95
3.	<b>FURNACE OIL:</b>		
	Quantity (K.L.)	379.02	948.66
	Total Amount (Rs. in Lacs)	89.95	192.90
	Average Rate (Rs. per K.L.)	22149.23	20334.00
4.	<b>LIGNITE &amp; OTHERS:</b>		
	Quantity (M.T.)	46000.77	42944.74
	Total Cost (Rs. in Lacs)	831.84	664.51
	Average Rate (Rs. per M.T.)	1808.32	1547.35

**II. CONSUMPTION PER M.T. OF PRODUCTION**

Particulars	ELECTRICITY		STEAM	
	STD	Current Year KWH	STD	Current Year M.T.
Chemicals	—	206	—	1.361
	—	(210)	—	(1.425)
Processed Foods	—	120	—	2.946
	—	(131)	—	(3.03)

NOTE: Figures in brackets relates to previous year.



ANIL PRODUCTS LIMITED

**B. TECHNOLOGY ABSORPTION****FORM B****RESEARCH AND DEVELOPMENT:****(a) Specific Areas in which Research & Development carried out by the Company:**

The Company's Research & Development Center has been approved by the Department of Science & Technology since 1974 and it has been actively engaged in carrying out Research & Development in several areas including process and Product improvement. It has also been working on development of new products and newer applications for specific customers. The Research & Development efforts of the Company are directed towards quality control and improvement of in-house expertise.

**(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 Research & Development set out under para (a) above.

<b>(d) Expenditure on R&amp;D Particulars</b>	<b>(Rs. in Lacs)</b>	
	<b>2007-2008</b>	<b>2006-2007</b>
Capital	-	7.25
Recurring	<b>20.38</b>	14.94
Total	<b>20.38</b>	22.19
Total R&D Expenditure as percentage of total turnover	<b>0.09%</b>	0.11%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

Through continuous interaction with Research & Development Center, efforts are made towards technology absorption, adoption and innovation. The thrust areas have been the increase in productivity through cost effective programs, improvement of quality of all the products 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.



## REPORT ON CORPORATE GOVERNANCE

Your Company has implemented the Code of Corporate Governance in terms of Clause 49 of the Listing Agreement executed with the Stock Exchanges.

### 1. Company's philosophy on Corporate Governance

For your Company Good Corporate Governance is encompassing good corporate practices, transparency, accountability, and compliance in all spheres of its operations and in dealing with the shareholders, employees, the Government and the creditors. The Company believes in establishing a framework, which would enable in strengthening the decision-making processes and enhance the overall effectiveness of the organization. Your Company believes that profitability must go hand in hand with a sense of responsibility towards all stakeholders.

### 2. Board of Directors

#### (i) Composition

There are five members on the Board of the Company comprising of two Executive Directors and three Non Executive and Independent Directors. There is no institutional nominee on the Board of Directors of the Company.

The list of composition and categories of Directors are:

Sr	Name of director	Category	No. of other Directorship in other public limited companies	No. of Committee position held in other public companies	
				Member	Chairman
1.	Mr. Shripal C. Sheth	C.M.D.	2	-	1
2.	Mr. Amol S. Sheth	M.D.	1	1	-
3.	Mr. Kamal R. Sheth	N E D (I)	3	-	-
4.	Mr. Anish K. Shah	N E D (I)	-	-	-
5.	Dr. Indiraben J. Parikh	N E D (I)	2	-	-

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

MD – Managing Director – Executive & Non Independent.

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

#### (ii) Board procedure:

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.

#### (iii) Board meetings and attendance

During the year, the Board of Directors met Six times, on May 4, 2007, July 31, 2007, August 29, 2007, October 12, 2007, October 31, 2007 and January 31, 2008.

The details of attendance at the meetings of the Board of Directors and at the previous Annual General Meeting are as given below:

Name of Directors	No. of Meetings held	No. of meetings attended	Whether present at previous AGM
Shri Shripal C. Sheth	6	4	No
Shri Amol S. Sheth	6	6	Yes
Smt. Indira J. Parikh	6	-	No
Shri Kamal R. Sheth	6	6	Yes
Shri Anish K. Shah	6	6	Yes

Details of the various committees constituted by the Board of Directors of the Company are as mentioned below. The terms of reference of these committees have been determined by the Board from time to time. The Board has laid down the Code of Conduct for all the Board members and the Senior Management Personnel of the Company. The same has been posted on the website of the Company.

#### (iv) Details of Directors seeking Appointment/Reappointment at the Annual General Meeting:

Mr. Anish K Shah retires by rotation and being eligible offers himself for re-appointment. Shri Anish K Shah is a Director of the Company since 1998. He is aged about 40 years and by qualification he is B.E. and having more than 12 years of experience in the business administration. He is an independent Director on the Board of the Company.



**3. Audit Committee:****(i) Composition, Meeting and Attendance during the year**

The Audit Committee comprises of three Independent and Non-Executive Directors. During the financial year ended March 31, 2008, the Committee met four times, on May 4, 2007, July 31, 2007, October 31, 2007 and January 31, 2008. The attendance of the each member of the Committee is given below:

Directors	Chairman / Member	Category	No. of mtgs. Attended
Shri Kamal R Sheth	Chairman	I & N. E. D.	4
Smt. Indira J Parikh	Member	I & N. E. D.	1
Shri Anish K Shah	Member	I & N. E. D.	4

The composition of the Audit Committee meets the stipulated minimum requirement of independent Directors. CFO and Company Secretary, General Manager- Finance, Statutory Auditors and Internal Auditors are invitees to the meeting. The Company Secretary acts as the secretary of the committee. The quorum is either two members or one third of the members of the audit committee whichever is higher with a minimum of two independent Directors.

**(ii) Terms of reference**

The Terms of Reference of this committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956, and are as follows:

- (a) Supervision of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (c) Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with Stock Exchange and legal requirements concerning financial statements.
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.
- (d) Reviewing, with the management, the quarterly financial statement before submission to the Board for approval.
- (e) Reviewing with the management, external and internal auditors the adequacy of internal control system;
- (f) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (g) Reviewing with management, Management Discussion and Analysis of financial condition and results of operation.
- (h) Discussions with internal auditors any significant findings and follow up thereon.
- (i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (j) Discussions with external auditors before the audit commence, about the nature and scope of the audit as well as have post-audit discussions to ascertain any area of concern.

- (k) Reviewing the Company's financial and risk management policies.
- (l) To look into the reasons for substantial defaults in the payment to the depositors, debentures holders, shareholders (in case of nonpayment of declared dividends) and creditors.

#### 4. Remuneration Committee:

The Board of Directors of the Company constituted the "Remuneration Committee" to formulate Company's policy on specific remuneration packages for Executive Directors including pension rights and compensation payment.

##### (i) Composition, Meeting and Attendance during the year

Directors	Chairman / Member	Category
Shri Anish K. Shah	Chairman	I & N. E. D.
Smt. Indira J. Parikh	Member	I & N. E. D.
Shri Kamal R. Sheth	Member	I & N. E. D.

During the year one meeting of the Remuneration Committee of Directors of the Company was held on May, 4, 2007. Shri Anish K. Shah and Shri Kamal R. Sheth were present at the meeting.

##### (ii) Remuneration Policy

Remuneration Committee determines and recommends to the Board, the compensation of the Directors. The key components of the Company's Remuneration policy are:

- Compensation will be a major driver of performance.
- Compensation will be competitive.
- Compensation will be transparent, fair and simple to administer.
- Compensation will be fully legal and tax compliant.

##### (iii) The details of remuneration of Managing Directors of the Company for the financial year 2007-2008 are given below: -

(Rs. In Lacs)

Particulars	Mr. Shripal C. Sheth, Chairman-cum-Managing Director	Mr. Amol S. Sheth, Managing Director
Salary	15.00	15.00
Contribution to PF & Other Funds	1.80	1.80
Perquisites	8.06	8.01
Commission	9.00	9.00
<b>Total</b>	<b>33.86</b>	<b>33.81</b>

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 2007-2008 are given below:

Sr.	Name of the Non-Executive Director	Sitting Fees (Rs.)
1.	Mr. Kamal R. Sheth	18000
2.	Mr. Anish K. Shah	18000

#### 5. Share Transfer-Cum-Investors Grievances Committee

##### (i) Composition

Directors	Chairman / Member	Category
Shri Kamal R. Sheth	Chairman	I & N. E. D.
Shri Anish K. Shah	Member	I & N. E. D.
Shri Amol S. Sheth	Member	M.D.

##### (ii) Terms of reference

- A. 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.
- B. To look into other related issues towards strengthening investor's relation.  
The members of Share transfer cum investors Grievances Committee normally meet twice every month.