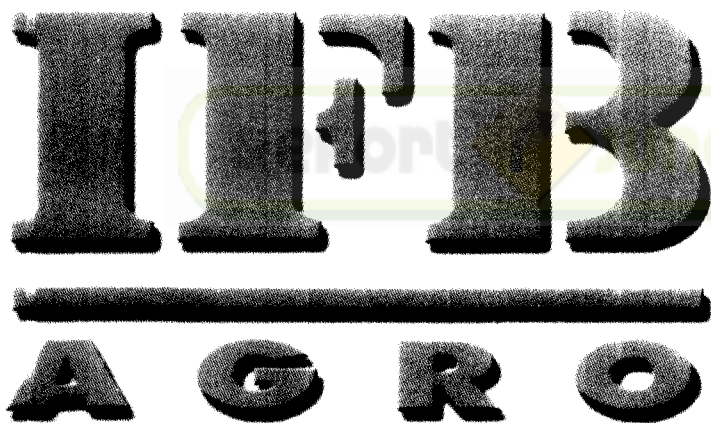


ANNUAL REPORT 2004-2005



IFB AGRO INDUSTRIES LIMITED

■ BOARD OF DIRECTORS

Bijon Nag	<i>Chairman</i>
K. Srinivasan	<i>Vice Chairman</i>
Bikramjit Nag	<i>Executive Director</i>
A. K. Banerjee	<i>Wholetime Director</i>

DIRECTORS

Nandan Bhattacharya
Amitabha Kumar Nag
Allen Lawrence
Ms. Kala S. Pant (Nominee of UTI)
(Since resigned)

■ AUDIT COMMITTEE

K. Srinivasan	<i>Chairman</i>
Nandan Bhattacharya	
Amitabha Kumar Nag	

■ SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Nandan Bhattacharya	<i>Chairman</i>
K. Srinivasan	
Amitabha Kumar Nag	

■ DGM - FINANCE & COMPANY SECRETARY

Sushil Kumar Agarwal

■ AUDITORS

Maheshwari & Associates
Chartered Accountants

■ BANKERS

Indian Overseas Bank
State Bank of India
Bank of Maharashtra

■ REGISTERED OFFICE

Plot No. IND-5, Sector-1
East Calcutta Township,
Kasba Industrial Estate,
Kolkata - 700 107
Ph : 2442-0997/98/99
Fax : 2442-1003

■ WORKS

Noorpur, P.S. Diamond Harbour
Dist. South 24 Parganas
West Bengal

Durgapur
Dist. Burdwan
West Bengal

Maheshtala
South 24 Parganas, West Bengal

Serampore
Hooghly, West Bengal

Marine Product Processing Plant
Kasba Industrial Estate, East Calcutta Township
Kolkata - 700 107

■ REGISTRAR & SHARE TRANSFER AGENT

(For Equity - Physical & Dematerialised Shares)
CB Management Services (P) Ltd.
P-22, Bondel Road, Kolkata - 700 019

■ DEPOSITORIES

National Securities Depository Limited, Mumbai
Central Depository Services (India) Limited, Mumbai

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Notice to the Members

Notice is hereby given that the Twenty Third Annual General Meeting of IFB Agro Industries Limited will be held on Tuesday, 30th August 2005, at 11.00 A.M. at Eastern Zonal Cultural Centre at Bidhannagar 1A-290, Sector-III, Salt Lake, Kolkata- 700 091 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts together with Reports of Directors and Auditors thereon for the year ended 31st March, 2005.
2. To appoint a Director in place of Mr. K. Srinivasan, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. N. Bhattacharya, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Maheshwari & Associates, Chartered Accountants as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications, the following resolutions:

5. As an Ordinary Resolution

“Resolved that pursuant to Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby accords its approval to the re-appointment of, and terms of remuneration of Mr. Arup Kumar Banerjee, Wholtime Director of the Company for a further period of three years with effect from 28th July 2004 on such terms and conditions as set out in Explanatory Statement, with liberty given to the Board of Directors to alter and vary the terms and conditions in such manner as may be agreed to by and between the Company and Mr. Arup Kumar Banerjee provided however, such alterations are within the maximum limits laid down in the Companies Act, 1956 for the time being in force.”

Registered Office :
Plot No. IND-5, Sector - 1
East Calcutta Township
Kolkata - 700 107
Date : 31st May, 2005

By Order of the Board

Sushil Kumar Agarwal
DGM - Finance &
Company Secretary

NOTES :

1. The Register of Members and Share Transfer Registers of the Company will remain closed from 25th August 2005 to 30th August 2005 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Proxies, in order to be effective, must reach the Registered Office of the Company at least 48 hours before the meeting.
3. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205-A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund, established under Section 205-C of the said Act. Members, who have not yet claimed their Dividend for the financial years 1997-98 and 1998-99 are requested to make their claims to the Company's Registrar and Share Transfer Agents, before the same is transferred to the Fund.
Dividends for the financial year ended 31st March 1997, which was unclaimed and unpaid has been transferred to Investor Education and Protection Fund, on 20.11.2004.
4. Members are requested to :
 - a) notify immediately any change in their address to the Company.
 - b) bring their copy of Annual Report in the meeting.
 - c) bring duly filled in attendance slips sent herewith for attending the meeting
 - d) members holding shares in identical order of names in more than one Folio are requested to write to the Company's Registrar & Share Transfer Agent, CB Management Services (P) Limited enclosing their share certificates for consolidation of all such shareholdings into one folio for better investor service. CB Management Services (P) Limited is the Share Transfer Agent for shares in physical as well as dematerialised forms.
5. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of the meeting is annexed hereto and forms part of this Notice.

Explanatory Statement

(pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5

At the Nineteenth Annual General Meeting of the Company held on 31st August 2001, Mr. Arup Kumar Banerjee was appointed as the Wholtime Director of the Company for a period of three years with effect from 28th July 2001.

Mr. Arup Kumar Banerjee has been re-appointed as Wholtime Director for a period of three years with effect from 28th July 2004, at the meeting of the Board of Directors of the Company, held on 31st July 2004. The said appointment is subject to the approval of the members in the General Meeting. The terms and conditions of the reappointment including remuneration payable to Mr. Arup Kumar Banerjee are as follows :

- | | |
|---------------------------------|---|
| 1. Period of appointment | : Three years effective 28th July 2004 |
| 2. Remuneration | |
| a) Salary | : Rs.46,000/- (Rupees Forty Six thousand only) in the scale of Rs.40,000-Rs.70,000/- per month with annual increment equivalent to 10% of the salary. |
| b) Children Education Allowance | : Rs.2000/- per month. |
| c) Special Allowance | : Rs.28,700/- per month. |
| d) Commission | : In addition to salary, perquisites and other allowances, one per cent commission based on net profit of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198 and Section 309 and other applicable provisions, if any, of the Companies Act, 1956.. |
| e) Perquisites | : Perquisites shall be restricted to an amount equal to the annual gross salary. |

IFB AGRO INDUSTRIES LIMITED

Part A

- | | | |
|--------------------------------|-----|---|
| a) Housing | : | The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceiling : |
| | I | : Not exceeding 60% of the salary. |
| | II | : In case the accommodation is owned by the Company ten per cent of the salary of the Wholetime Director shall be deducted by the Company. |
| | III | : In case no accommodation is provided by the Company entitlement to House Rent Allowance will be subject to the ceiling laid down as in the Housing - I. |
| b) Medical Reimbursement | : | Expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months salary over a period of 3 years. |
| c) Leave Travel Allowance | : | For self and family once in a year incurred in accordance with the Rules of the Company. |
| d) Club fees | : | Fees of club subject to a maximum of three clubs. This will not include admission and life membership fees. |
| e) Personal Accident Insurance | : | Premium not to exceed Rs.4000/- per annum. |
| Explanation | : | For the purpose of this part, 'family' means the spouse and dependent children below 18 years. |

Part B

- i) Gratuity as per the scheme of the Company but not exceeding half a month's salary for each completed year of service subject to a ceiling of Rs.3,50,000/-.
- ii) Contribution to the Provident Fund, Superannuation Fund as per the scheme of the Company to the extent they either singly or put together are not taxable under the Income Tax Act 1961.
- iii) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Part C

- i) Car : Provision of car for use on Company's business will not be considered as perquisites. However, use of car for private purpose will be billed by the Company to the Wholetime Director.
- ii) Telephone : Company will reimburse expenses in connection with telephone at residence. However, personal long distance calls will be billed by the Company.

The terms and conditions of the said appointment and/or the Agreement are subject to the provisions of Section 198 and Section 309 of the Companies Act, 1956 and may be altered, and varied from time to time by the Board of Directors as it may in its discretion deem fit within the maximum amount of remuneration payable in accordance with the applicable rules and regulations.

The Agreement may be terminated by either party by giving three months' notice or salary in lieu thereof.

Mr. Arup Kumar Banerjee shall perform such duties and exercise such powers as are entrusted to him from time to time by the Board, subject to the directions and restrictions imposed by the Board.

In compliance with the provisions of the Companies Act, 1956 the appointment and the terms of remuneration specified above are now being placed before the Members in the Annual General Meeting for their approval. The Board recommends passing of the Ordinary Resolution in the best interests of the Company.

The above may be treated as an abstract of the terms of contract between the Company and Mr Arup Kumar Banerjee under Section 302 of the Companies Act, 1956.

No Director except Mr. Arup Kumar Banerjee is concerned or interested in the proposed resolution.

By Order of the Board

Registered Office :
Plot No. IND-5, Sector - 1
East Calcutta Township
Kolkata - 700 107
Date : 31st May, 2005

Sushil Kumar Agarwal
DGM - Finance &
Company Secretary

DIRECTORS' REPORT

To the Shareholders,

Your Directors have pleasure in presenting before you the Annual Report together with the Audited Accounts and Auditors' Report thereon for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31st March 2005 (Rs.'000)	Year ended 31st March 2004 (Rs.'000)
Sales and Other Income (including Excise Duty)	19,30,092	16,82,414
Profit prior to Finance charges & Depreciation	51,664	98,766
Less : Finance charges	3,973	7,811
Depreciation	21,845	68,149
Profit before exceptional items	25,846	22,806
Exceptional items	5,261	(1,766)
Profit before Taxation	31,107	21,040
Provision for Taxation :		
Current Tax	8,431	15,132
Deferred Tax	4,395	(7,401)
Profit after Tax	18,281	13,309
Prior period adjustments	27	498
Balance carried to Balance Sheet	18,308	13,807

PERFORMANCE REVIEW

During the year under review your Company has recorded gross turnover of Rs.193.01 crores (as against Rs.168.24 crores in 2003-04) and profit before exceptional items and tax of Rs.2.58 crores (as against Rs.2.28 crores in 2003-04). However, after adjusting exceptional items of Rs.52.61 lacs {Rs.(-) 17.66 lacs in 2003-04} and providing for taxation, the post tax profit for the year has been Rs.1.83 crores (as against profit Rs.1.33 crores in 2003-04).

During the year, there was severe crisis of molasses prevailing in the country, due to which company had to import molasses from outside the country at mounting prices, which badly hit our rectified spirit division and as a result the division had incurred loss. However, we had positive margins in our country spirit and IMFL bottling business, due to which the company had net positive results from the alcohol segment as a whole. At the same time, our marine & feed trading division performed well, due to this our overall profitability has improved over last year. It may be noted that, in rectified spirit business, on account of higher molasses cost, losses are expected to rise till government accepts new prices.

Company's Marine Division witnessed volume jump by 29% over previous year. Its profitability had improved a lot due to its thrust on profitable exports and Marine feed trading. During the year Company had launched its domestic food business in New Delhi & Bangalore, besides its long presence in Kolkata.

IFB AGRO INDUSTRIES LIMITED

Despite stiff competition your Company's IMFL Division achieved a growth of 37% over the previous year in terms of own volume sales mainly due to major thrust on its prime product, i.e. 'Volga' Vodka, which has witnessed a volume jump of 77% over last year. Your Company also launched its product, in north east by having a third party tie-up in Assam. It plans to launch its products in nearby states so as to make its presence big in the eastern zone.

For detailed analysis of the performance, please refer to Management Discussion and Analysis Section of this Annual Report.

DIVIDEND

Your Directors have decided not to recommend any dividend for the financial year under review to conserve the resources for the purpose of capital expenditure at its distillery and other units.

DIRECTORS

Ms. Kala S. Pant has been withdrawn as nominee director w.e.f. 6th May 2005 by UTI Asset Management Co. Pvt. Ltd as a result of UTI's having no stake in your company, i.e. neither by way of any loan nor by way of any shareholding.

Mr. K. Srinivasan and Mr. Nandan Bhattacharya retire by rotation and being eligible, offer themselves for reappointment.

The details about their qualification, experience and directorships are provided in report of Corporate Governance annexed hereto.

DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

The Directors, having ensured through the officer designated for the purpose, hereby confirm :

That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

That the Directors have selected such accounting policies and applied them consistently and made judgements 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 and of the profit or loss of the Company for that period;

That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

That the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement, a report on Corporate Governance and the Auditors' Certificate in this regard form part of this report are annexed herewith.

AUDITORS & AUDITORS' REPORT

The Auditors of the Company M/s Maheshwari & Associates, Chartered Accountants retire at the ensuing Annual General Meeting of the Company and have given their consent for reappointment. The Company has received letter from the Auditors to the effect that their appointment, if made, would be within the limits as prescribed under Section 224(1B) of the Companies Act, 1956.

Observations made in the Auditors Reports have been adequately dealt with in the notes to the financial statements annexed to the Balance Sheet and Profit & Loss Account.

SUBSIDIARY

Financial results of the Subsidiary Company for the financial year ended 31st March, 2005 are separately disclosed along with Statement under Section 212 of the Companies Act, 1956.

PERSONNEL

Industrial Relations remained harmonious during the year and the Board wishes to place on record its deep appreciation of the contributions made by all the employees in the day-to-day operations of the Company. During the year, there was no employee whose particulars were required to be mentioned under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ENVIRONMENT, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your company has in place a system for controlling and monitoring pollutants at all factories complying with environmental standards and legislation. Your company is committed to ensure a green and pollution free environment as well as clean and safe workplace at all the plant locations and work sites.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 the relevant particulars are given in the Annexure to this report.

ACKNOWLEDGEMENT

Your Directors express their sincere thanks and place on record their deep appreciation of the valuable patronage extended by the shareholders, valued customers, financial institutions, bankers, Government authorities and the Investors for their continued support and confidence in the Company.

Kolkata, 31st May, 2005

On behalf of the Board

Bijon Nag
Chairman

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Annexure I to Directors' Report**STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.****[A] CONSERVATION OF ENERGY****a) Energy conservation measures taken :**

1. Operating a Co-generation Plant (low-pressure steam turbine) for reduction of energy costs.
2. Replaced cast aluminium fan of cooling tower by FRP blades for energy conservation.
3. Installation of equipments for heat recovery from waste hot water.
4. Installation of power capacitors for improving the average power factor to more than 0.98, resulting in reduction of power consumption.
5. Implementation of various energy saving schemes as per recommendation of National Productivity Council.

b) Additional investment proposals, if any, being implemented for further reduction of Energy Consumption

1. Installation of energy efficient pumps and motors and corresponding modification of pipelines and blowers in the entire plant.
2. Installation of 2 nos steam turbines of 650 KW each with the objective of making the plant power-free within the next two years.
3. Installation of further power saving systems.

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

The impact of above measures undertaken for reduction of energy consumption through the optimisation of production process is Rs 1.50 crores (approx.).

[B] TECHNOLOGY ABSORPTION**e) Efforts made in technology absorption as per Form B****Research & Development (R&D)**

1. Specific areas in which R&D carried out by the Company :
 - 1.1 Improvement of fermentation and distillation efficiencies, reduction in consumption of chemicals and speciality chemicals.
 - 1.2 Quality improvement, particularly for the development of special type of yeast and identification of different ingredients of input raw materials, affecting fermentation process.
 - 1.3 Waste utilisation with focus on conservation of water resources through recycling of waste water.
 - 1.4 Environmental safety.
2. Benefits derived as a result of R&D :
 - 2.1 Improved efficiency and yield.
 - 2.2 Better market acceptability.
 - 2.3 Cost saving.
3. Future plan of action :
 - 3.1 To produce high quality Extra Neutral Alcohol from multi-feed sources.

- 3.2 Setting up of a Micro-Biology Laboratory and upgrading the R&D Lab.
- 3.3 Optimising the generation of Biogas for savings in fuel consumption.
- 3.4 Development of bio-fertilizer from the waste sludge from both fermentation and ETP.
- 3.5 Installation of Evaporation and Incineration Plant for achieving Zero Discharge (of effluents) mandatory under MOEF for all molasses-based distilleries. The said plant will also ensure conservation of energy and other resources.
4. Expenditure on R&D:
 - 4.1 Capital : Rs 0.00 lakhs
 - 4.2 Recurring : Rs 0.28 lakhs
 - 4.3 Total : Rs 0.28 lakhs
 - 4.4 Percentage on turnover : Nil

Technology Absorption, Adaptation & Innovation

1. Efforts :
 - a) Modifications in the Fermentation & Distillation Sections for producing good quality Rectified Spirit.
 - b) Innovative ideas suggested by in-house Research & Development and by technical collaborators/consultants are being implemented in the area of optimum waste utilisation techniques and for environmental protection.
2. Benefits :
 - a) Savings in consumption of Furnace Oil.
 - b) Benchmarking of fermentation & distillation efficiencies.
 - c) Reduction in conversion cost.
 - d) Higher productivity and yield.
 - e) Better utilisation of by-products.

[C] FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. Activities relating to export, initiatives to increase exports, developments of new export markets for products and services and export plan.

IFB Agro's marine division meets the most stringent quality specifications under HACCP and EU norms, enabling exports to a large number of destinations in Japan, Europe and USA. The products of the Company are acclaimed among foreign buyers.

The Company is constantly exploring the prospects of developing new export markets in various parts of the world.

2. Total Foreign Exchange earned and used:

	This year (Rs.'000)	Previous year (Rs.'000)
a) Foreign Exchange Earnings (FOB value)	<u>124,223</u>	<u>100,668</u>
b) Foreign Exchange Outgo:		
- Raw Materials	278,453	2,015
- Components & Spare Parts	921	-
- Travelling	1,594	1,925
- Know-how Fees	-	-
	<u>280,968</u>	<u>3,940</u>