

25th Annual Report 2006-07

**IFB
AGRO**

IFB AGRO INDUSTRIES LIMITED

■ BOARD OF DIRECTORS

Bijon Nag *Chairman*
 K. Srinivasan *Vice Chairman*
 Bikramjit Nag *Executive Director*
 Arup Kumar Banerjee *Wholetime Director*

DIRECTORS

Nandan Bhattacharya
 Amitabha Kumar Nag
 Allen Lawrence

■ GM - FINANCE & COMPANY SECRETARY

Rahul Choudhary

■ AUDITORS

Maheshwari & Associates
 Chartered Accountants

■ BANKERS

Indian Overseas Bank
 State Bank of India
 HDFC Bank
 UTI Bank

■ REGISTERED OFFICE

Plot No. IND-5, Sector-1
 East Calcutta Township
 Kolkata - 700 107
 Ph : 3984 9631 • Fax : 2442 1003

■ REGISTRAR & SHARE TRANSFER AGENT

(For both Physical & Dematerialised Shares)

CB Management Services (P) Ltd.
 P-22, Bondel Road, Kolkata - 700 019

■ WORKS

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

Durgapur
 Dist. Burdwan
 West Bengal

Serampore
 Dist. Hooghly
 West Bengal

Maheshtala
 Dist. South 24 Parganas
 West Bengal

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

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Notice to the Members

Notice is hereby given that the Twenty Fifth Annual General Meeting of IFB Agro Industries Limited will be held on 7th September 2007, Friday, at 10.00 A.M. at Eastern Zonal Cultural Centre at Bidhannagar IA-290, Sector-III, Salt Lake, Kolkata- 700 091 to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts together with Reports of Auditors and Directors thereon for the year ended 31st March 2007.
2. To appoint a Director in place of Mr. Allen Lawrence, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. A.K.Banerjee, who retires by rotation and being eligible offers himself for re-appointment.
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.

AS 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, Wholetime Director of the Company for a further period of three years with effect from 28th July 2007 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."

6. 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. Bikramjit Nag, Executive Director of the Company for a further period of three years with effect from 27th January 2007 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. Bikramjit Nag provided however, such alterations are within the maximum limits laid down in the Companies Act, 1956 for the time being in force."

By Order of the Board

Registered Office :

Plot No. IND-5, Sector - 1

East Calcutta Township

Kolkata - 700 107

Date : 29th June, 2007

Rahul Choudhary

GM - Finance & Company Secretary

NOTES :

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Sl.No,5 and 6 above setting out the material facts related thereto is annexed hereto. The relevant details as required by clause 49 of the Listing Agreements entered into with stock exchanges, of persons seeking appointment as Directors under Item No 3 is also annexed.
2. The Register of Members and Share Transfer Registers of the Company will remain closed from 4th September 2007 to 7th September 2007 (both days inclusive).

3. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.** Proxies, in order to be effective, must be received at the Registered Office of the Company at least 48 hours before the meeting.
4. Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least one week before the date of the meeting. Replies will be provided in respect of such written queries at the meeting only.
5. Consequent upon the amendment to Sec 205A, read with Sec 205C of the Companies Act 1956, the amount of applications money, Dividends etc remaining unclaimed for a period of seven years from the dates that they first became due for payment have been duly transferred to Investor Education and Protection Fund with Department of Company Affairs. Dividends for the financial year ended 31st March 1998, which was unclaimed and unpaid has been transferred to Investor Education and Protection Fund, on 27.10.2006.
6. Members are requested to bring their copy of Annual Report to the Annual General Meeting.
7. Members/Proxies should bring the Attendance slip sent herewith, duly filled in, for attending the AGM.
8. 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 dematerialized forms.

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By Order of the Board

Registered Office :
Plot No. IND-5, Sector - 1
East Calcutta Township
Kolkata - 700 107
Date : 29th June, 2007

Rahul Choudhary
GM - Finance & Company Secretary

Annexure to the Notice

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No.5

Mr. Arup Kumar Banerjee a graduate in commerce from the Calcutta University having experience of more than 33 years in the industry. He joined the Company in the year 1995 in managerial capacity. He was appointed as Wholetime Director at the Nineteenth Annual General Meeting of the Company held on 31st August 2001 for a period of three years with effect from 28th July 2001 and thereafter reappointed for a period of three years from 28th July 2004. Since Mr. Banerjee's term was scheduled to expire on 27th July 2007, the Board of Directors of the Company had, at their meeting held on 29th June 2007, reappointed Mr. Banerjee as the Whole-time Director of the Company for a further period of three years with effect from 27th July 2007. 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 from 28th July 2007.

2. Remuneration

- a) Salary : Rs.1,50,000/- (Rupees one lac fifty thousand only) with the liberty to the Board to review and set the level from time to time.
- b) 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.
- c) Perquisites : Perquisites shall be restricted to an amount equal to the annual salary.

PART - A

- a) Housing : The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceiling :
 - I : In case the accommodation is owned by the Company ten per cent of the salary of the Executive Director shall be deducted by the Company.
 - II : In case no accommodation is provided by the Company entitlement to House Rent Allowance will be subject to the ceiling of Rs 35000/-.
- 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. 4,000/- 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 one 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 Whole-time 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. A.K. 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.

IFB AGRO INDUSTRIES LIMITED

Item No 6.

Mr. Bikramjit Nag, a BBA from RICHMOND, U.K. was appointed as Director of the Company on 14th October, 1997. He has eleven years of experience in the field of Marketing and Business Management. He has made several significant contributions to the Company's growth and implementation of investment plans and business strategies. His contributions have been invaluable.

Mr. Bikramjit Nag was appointed as the Executive Director of the Company at the Nineteenth Annual General Meeting held on 31st August 2001, for a period of three years with effect from 27th January 2001 and thereafter reappointed for a further period of 3 years at the 22nd Annual General Meeting of the Company held on 23rd June, 2004.

Since Mr. Nag's term was to expire on 27th January 2007, the Board of Directors of the Company had, at their meeting held on 27th January 2007, reappointed Mr Nag as the Executive Director of the Company for a further period of three years with effect from 27th January 2007.

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 Bikramjit Nag remains unchanged. The existing terms & conditions are as follows :

1. Period of appointment : Three years effective from 27th January 2007.
2. Remuneration :
 - a) Salary : Rs.40,000/- (Rupees Forty thousand only) in the scale of Rs.40,000/- to Rs.70,000/- per month with annual increment equivalent to 10% of the salary.
 - b) 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.
 - c) Other Allowances : Rs.23,000/- per month.
 - d) Perquisites : Perquisites shall be restricted to an amount equal to the annual salary.

PART - A

- a) Housing : The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceiling :
 - I : 60% of the salary.
 - II : In case the accommodation is owned by the Company ten per cent of the salary of the Executive 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 two 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 Executive 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. Bikramjit Nag shall perform such duties and exercise such powers as are entrusted to him by the Board.

In compliance with the provisions of the Companies Act, 1956, the appointment and the terms of remuneration specified above are now 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. Bikramjit Nag under Section 302 of the Companies Act, 1956.

No Director except Mr. Bikramjit Nag and Mr. Bijon Nag 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 : 29th June, 2007

Rahul Choudhary

GM - Finance & Company Secretary

Annexure to items 2 and 3 of the Notice

Details of Directors seeking reappointment at the forthcoming Annual General Meeting (in pursuance of New Clause 49 of the Listing Agreement)

<i>Name of the Director</i>	Mr. Allen Lawrence	Mr. A. K. Banerjee
<i>Date of Birth</i>	2.4.1963	23.8.1952
<i>Nationality</i>	Indian	Indian
<i>Date of Appointment on the Board</i>	31.7.2003	28.7.2001
<i>Qualification</i>	Chartered Accountant	B. Com
<i>Experience in functional areas</i>	20 years experience in Finance & Marketing.	33 years experience in Business Management.
<i>Shareholding in the Company</i>	Nil	2050
<i>List of Directorship held in other Companies</i>	Nil	Nil
<i>Committee Membership</i>	Nil	Nil

Directors' Report

To the Shareholders,

Your Directors have pleasure in presenting the 25th Annual Report of the Company and the Audited Financial Statements for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Year ended 31st March 2007 (Rs.'000)	Year ended 31st March 2006 (Rs.'000)
Sales and Other Income (incl. Excise Duty)	27,17,334	22,98,563
Profit prior to Finance Charges & Depreciation	2,01,759	47,845
Less : Finance charges	8,348	6,029
Depreciation	1,45,614	21,498
Profit before exceptional items	47,797	20,318
Exceptional items : Income/(Expenditure)	813	(277)
Profit before Taxation	48,610	20,041
Less : Provision for Taxation :		
Current Tax	29,444	9,980
Deferred Tax	(15,080)	(10,230)
Fringe Benefit Tax	1,086	1,645
Less : Income Tax adjustment for earlier years	4,974	—
Profit after Tax	28,186	18,646
Prior period adjustments	(26)	85
Balance carried to Balance Sheet	28,160	18,731

FINANCIAL PERFORMANCE

During the year under review your Company has recorded gross turnover of Rs.271.73 crores (as against Rs. 229.86 crores in 2005-06) recording a growth of 18.21%.

The Company has achieved profit before tax of Rs 486.10 crores as against Rs 200.41 crores, higher by 142.55% and net profit of Rs. 281.86 crores as against Rs. 186.46 crores in the previous year, higher by 51.16%.

During the year the Company has changed its depreciation policy from Straight Line Method to Written Down Value Method and as a result the deficiency of Rs. 11.69 crores arising from such retrospective re-computation of depreciation has been additionally adjusted in the Profit & Loss Account.

OPERATIONS

During the year, the alcohol business of the Company has performed well. Release of Compensation for higher cost of molasses by the Government and also favourable price of molasses has contributed to overall increase in the profit from the division.

The Marine Division has continued its top line growth. Its exports sales were up by 35% over last year with the rise in export turnover to Rs. 27.70 crores when the marine exports from India faced severe competition from the genetically modified shrimps cultured in East Asian Countries. Antidumping laws in USA reduced the opportunities and this has affected the bottom line adversely. The domestic business was up by 42% and new destinations were added.

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

CAPITAL EXPENDITURE AT DISTILLERY

The modernization project undertaken by the Company to ensure captive power, both grain and molasses based spirit whilst confirming to zero discharge norms. Captive Power facility and the facility for zero discharge norms started the operations from September 2006. The grain based spirit production is expected to commence from August 2007.

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

In accordance with the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Mr. Allen Lawrence and Mr. A K Banerjee retire by rotation and being eligible, offer themselves for re-appointment.

The details about their qualification, other directorships etc. as per Clause 49 of the Listing Agreement are provided separately and annexed to the notice.

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 :

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) 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;
- iii) 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.
- iv) 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 and 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 letters 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.

IFB AGRO INDUSTRIES LIMITED**SUBSIDIARY**

The Company has no subsidiary as at the end of financial year.

INDUSTRIAL RELATIONS

The relations between the employees and the Management have remained cordial 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.

HUMAN RESOURCE

The Board of Directors expresses its appreciation for sincere efforts made by the employees of your Company at all levels during the year and their co-operation in maintaining cordial relations.

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.

On behalf of the Board

Bikramjit Nag	A K Banerjee
<i>Executive Director</i>	<i>Wholtime Director</i>

Kolkata, 29th June, 2007