



IFB

AGRO

IFB AGRO INDUSTRIES LIMITED

29th Annual Report 2010 - 2011

[New Bottling Plant at Panagarh,
West Bengal]



■ BOARD OF DIRECTORS

Mr. Bijon Nag *Chairman*
Mr. Bikram Nag *Joint Executive Chairman*
Mr. Arup Kumar Banerjee *Managing Director*

DIRECTORS

Mr. Nandan Bhattacharya
Mr. Amitabha Kumar Nag
Mr. H R Agarwal
Mr. M K Vijay
Mr. S K Mukherji

■ VP - FINANCE & COMPANY SECRETARY

Mr. Rahul Choudhary
Tel : 033-3984-9627
E-mail : complianceifbagro@ifbglobal.com

■ AUDITORS

Haribhakti & Co.
Chartered Accountants

■ BANKERS

Indian Overseas Bank
IDBI Bank Ltd.

■ REGISTERED OFFICE

Plot No. IND-5, Sector-1
East Kolkata Township, Kolkata - 700 107
Website : www.ifbagro.in

■ REGISTRAR & SHARE TRANSFER AGENT

(For both Physical & Dematerialised Shares)
CB Management Services (P) Ltd.
P-22, Bondel Road, Kolkata - 700 019
Tel : 4011 6700/11, 4011 6718/23
E-mail: rta@cbmsl.com

■ WORKS

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

Durgapur
Dist. : Burdwan
West Bengal

Serampore
Dist. : Hooghly
West Bengal

Panagarh Bazar
Bud Bud, Burdwan
West Bengal

Maheshtala
Dist. : South 24 Parganas
West Bengal

Dankuni
Dist. : Hooghly
West Bengal

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

Contents

Notice	2
Directors' Report	7
Report on Corporate Governance	14
Auditors' Report	23
Balance Sheet	26
Profit & Loss Account	27
Schedules to Balance Sheet and Profit & Loss Account	28
Notes to Financial Statements	34
Cash Flow Statement	48

Notice to the Members

Notice is hereby given that the Twentyninth Annual General Meeting of IFB Agro Industries Limited will be held on Thursday the 28th day of July, 2011, at 3.00 PM at Eastern Zonal Cultural Centre, 1A-290, Sector-III, Salt Lake, Kolkata - 700 091 to transact the following:

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 2011.
2. To appoint a Director in place of Mr H R Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. M K Vijay, who retires by rotation and being eligible offers himself for re-appointment.
4. To reappoint M/s. Haribhakti & Co., 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:

5. To reappoint Mr A.K. Banerjee
“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 reappointment of, and terms of remuneration of Mr. Arup Kumar Banerjee as Managing Director for a period of three years with effect from 30th July, 2011 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. “RESOLVED THAT subject to the provisions of Section 309(4), read with Section 198 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the payment of commission at a rate not exceeding one per cent of the net profit of the Company in any financial year for a period of five years commencing from the financial year 2011-12 to Directors who are neither Managing Directors nor in the whole-time employment of the Company, subject to such limits as may be decided by the Board from time to time.

Resolved further that the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient in order to give effect to the above resolution.”

By Order of the Board

Registered Office:
Plot No. IND-5, Sector - 1
East Kolkata Township
Kolkata - 700 107
Date: 26th May, 2011.

Rahul Choudhary
VP-Finance & Company Secretary

NOTES:

1. The Register of Members and Share Transfer Registers of the Company will remain closed from 21st July 2011 to 28th July, 2011 (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.
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 Annual General Meeting.
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.
 - e) provide their e-mail address to the Registrar.

By Order of the Board

Registered Office:
Plot No. IND-5, Sector - 1
East Kolkata Township
Kolkata - 700 107
Date: 26th May, 2011.

Rahul Choudhary
VP-Finance & Company Secretary

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

As required by section 173 of the Companies Act, 1956("Act") , the following explanatory statements set out all material facts relating to the business mentioned under items nos. 2, 3, 5 and 6 of the accompanying Notice dated 26th May, 2011.

1. Item No 2 & 3

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

Name of the Director	Mr. H R Agarwal	Mr. M K Vijay
Date of Birth	10.10.1963	20.06.1966
Nationality	Indian	Indian
Date of Appointment on the Board	02.06.2008	02.06.2008
Qualification	B.Com (H), FCA, FCS, LLB	B.Com (H)
Experience in functional areas	A Law graduate and a fellow member of Institute of Chartered Accountants of India as well as of the Institute of Company Secretaries of India. Mr. Agarwal is an advisor in Accountancy and Income Tax matters to various body corporates.	20 years of experience in Accounts and Finance function
Shareholding in the Company	Nil	Nil
List of Directorship held in other Companies	ATN International Ltd.	Peterhouse Investments India Ltd UMIL Share & Stock Broking Service Ltd.. KGVK Agro Limited Usha Gases & Industries Ltd.
Committee Membership	Nil	Nil

2. Item No 5:

Mr. Arup Kumar Banerjee, a Honours graduate in Commerce and Diploma in Business Management from Calcutta University having experience of more than 38 years in the industry. Before joining the Company in the year 1995 he worked with IFB Industries Limited in various positions. He was appointed Whole-time 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 from time to time. He was designated as Managing Director on 30th July 2008. The existing terms of Mr Banerjee expires on 30th July, 2011. The Board of Directors in its meeting held on 26th May, 2011, on the recommendations of the Remuneration Committee, appointed Mr Banerjee for a further period of 3 years with effect from 30th July, 2011. 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 30th July, 2011.
2. Remuneration:
 - a) Salary : Rs.2,60,000/- (Rupees two lakhs sixty thousand) per month with the liberty to the Board to review and set the level from time to time.

- b) House Rent Allowance : Rs.1,30,000/- (Rupees One lakh thirty thousand only) per month.
- c) 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.
- d) Perquisites : Classified into three categories A, B and C restricted to an amount equal to the annual salary.

Part A

- a) Medical Reimbursement : Actual medical expenses incurred by the Managing Director for self and members of the family.
- b) Leave Travel Allowance : For self and family once in a year incurred in accordance with the Rules of the Company.
- c) Club fees : At actuals excluding admission and life membership fees.
- d) Personal Accident Insurance: : Premium not to exceed Rs.15,000/- per annum.

Part B

- i) Gratuity as per the scheme of the Company.
- ii) Contribution to the Provident Fund, Superannuation Fund as per the scheme of the Company.
- 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) Provision of car for use on Company's business and telephone at residence at the cost of the Company.

The terms and conditions of the said appointment and/or 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.

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.

Item No. 6

As per the provisions of Section 309 of the Companies Act, 1956 (hereinafter referred to as Act) approval of the members is required by a Special Resolution for payment of remuneration to non-Executive Directors by way of Annual Commission upto 1% of the net profits of the Company, computed in accordance with the Act, subject to such limits as may be decided by the Board from time to time.

With the changed business scenario and increased responsibilities and involvement of the non-Executive Directors in the affair of the Company and keeping in view the existing provisions of the Act, this Resolution is being proposed as an enabling resolution which shall be exercised by the Board in accordance with the provisions of the Act and any alterations may be made thereto from time to time.

The Board recommends the passing of this Special Resolution in the interest of the Company subject to its renewal at the end of the five years from the date of passing of this resolution.

Except Mr Arup Kumar Banerjee, Managing Director and Mr Bikram Nag, Joint Executive Chairman, all other Directors are concerned or interested in the proposed resolution.

INSPECTION OF DOCUMENTS

The documents mentioned in Items no 5 is available for the inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company prior to the date of the meeting.

By Order of the Board

Registered Office:
Plot No. IND-5, Sector - 1
East Kolkata Township
Kolkata - 700 107
Date: 26th May, 2011.

Rahul Choudhary
VP-Finance & Company Secretary

IMPORTANT COMMUNICATION FOR SHAREHOLDERS

The Ministry of Corporate Affairs (MCA) has issued Circular Nos 17/2011 dated 21-4-2011 & 18/2011 dated 29-4-2011 stating that the service of documents by a Company can be made through electronic mode. These circulars have been issued in pursuance of “Green Initiative in the Corporate Governance” taken by MCA.

Keeping in view the above circulars, it is proposed to send documents like Notice of the Annual General Meeting and Annual Reports in electronic form. These documents will be sent to those shareholders who have already provided their e-mail IDs unless they exercise their option to receive them in physical form by visiting the following Web page of our Registrar at the earliest.

Those who are holding shares in Demat mode but have not provided the e-mail address are requested to provide the same to their respective Depository Participants immediately. However, those who intend to receive the above documents in physical form, please exercise their option by visiting the following web page of our Registrar.

Shareholders, holding shares in physical mode are requested to visit the following web page and register their email IDs and also exercise their option immediately, if they intend to receive the documents in physical form.

click here www.cbmsl.com/green.php

Thanking you,

For IFB Agro Industries Limited

Rahul Choudhary
VP Finance & Company Secretary

Directors' Report

To the Shareholders,

Your Directors have pleasure in presenting the 29th Annual Report of the Company and the Audited Financial Statements for the year ended 31st March, 2011.

1. FINANCIAL RESULTS

	Year ended 31.03.2011 (Rs.'000)	Year ended 31.03.2010 (Rs.'000)
Sales and Other Income (incl. Excise Duty)	58,47,788	41,95,568
Profit prior to Finance charges & Depreciation	3,62,758	1,73,868
Less : Finance charges	18,411	17,663
Depreciation	82,057	91,225
Profit before Taxation	2,62,290	64,980
Less: Provision for Taxation:		
Current Tax	93,014	18,547
Deferred Tax	(8,976)	3,160
Less : Income Tax adjustment for earlier years	11	(972)
Profit after Tax	1,78,241	44,245
Balance carried to Balance Sheet	1,78,241	44,245

2. MANAGEMENT DISCUSSION & ANALYSIS

OVERALL PERFORMANCE

During the year under review your Company has recorded gross turnover of Rs.584.78 crores (as against Rs. 419.56 crores in 2009-10) recording a growth of 39%.

The Company has achieved profit before tax of Rs 26.22 crore as against Rs 6.50 crores, and net profit of Rs 17.82 crore as against Rs 4.42 crores in the previous year. The release of transport cost reimbursement pertaining to 2008-09 from the West Bengal Government has helped in improving profitability for the year.

There is a marginal increase in Bank finance charges due to export packing credit obtained for export of marine products during the year. The term loan availed for new IMFL bottling plant at Dankuni was prepaid out of the surplus funds generated during the year.

Earning per equity share is Rs.22.26 as compared to Rs.5.53 per share in previous year.

REVIEW OF DIVISIONAL PERFORMANCES

Alcohol and Bottling :

The molasses distillery was operated at a much lower capacity and faced intermittent stoppage due to non availability of sufficient molasses at the economical price which is basic raw material of the Distillery. The discontinuation of the molasses transportation cost reimbursement policy by the State Government effective December 2010 has made the operation of the Distillery un-viable as the landed cost of Rectified Spirit from other States like Uttar Pradesh is cheaper.

With the increased price of grain along with the prices of fuel like husk, coal etc and electricity charges has affected the margins of the Grain Distillery. Due to non-availability of the broken rice in the local areas of West Bengal, the Company has to source the materials from other states which has increased transportation cost. To mitigate the risk of dependency on one grain i.e rice, the distillery during the year used other grains like jawar, bazra, maize etc which has given good results. The Company could not obtain CDM benefits due to non availability of rice husk within the state.

Due to abolition of Privilege area by the State Government from December 2010 onwards in the Country Spirit segment along with formulation of MRP based pricing and introduction of own brands have created market competition among the existing Bottlers to enhance the market share. All the existing bottling plants of the Company are operating at full capacity and do not have space for expansion. In view of the huge potential demand the Company has established a new bottling plant at Panagarh, West Bengal, the operation of which could not be started, though the plant is complete in all respect, due to delay in receipt of necessary license from West Bengal Government. The removal of privilege area concept will lead to new entrants in the industry which is likely to increase competition.

On IMFL, your Company has strengthened its position in West Bengal, Orissa and Assam. During the year, the Company has sold 5.51 lacs cases of IMFL products. The Company has carried out wide promotion for 'Volga' Vodka in West Bengal, Orissa and North East, and is receiving encouraging results from the same. For the future growth and huge potential demand of Rum and Brandy, the Company has launched 'Jubilation' Rum in Bengal and "Benjamin" brandy in Orissa. The Division is continuously improving quality of its product and packaging to enhance market share.

Marine :

The Marine Division has performed well during the year. To increase export of value added products the Company has modernised its plant with new IQF Machines and expanded cold room facility.

The Shrimp Feed trading business has recorded a growth of 65% in value and has a market share of 48% in West Bengal. Around 10,000 franchise farmers are benefited from the services provided by Company's Aqua culturists.

"IFB ROYAL" Retail Brand of frozen Marine Products are now available in major Metros in the country, sale recorded a growth of 25% in value. The Company is in the process of developing more value added products for the Retail Consumers in the country.

OPPORTUNITIES & CHALLENGES:

The current accounting year will again be another year of tough challenges. The un-viability of molasses distillery, pressure on margins in the grain distillery and competition in the country liquor segment is likely to bring about stiff challenge in future. Study is being conducted for conversion of the Molasses distillery into Grain distillery to produce Rectified Spirit and ENA.

The increased bottling capacity, once the Panagarh plant becomes operational will bring good opportunity to the Company by way of volume growth and market share in the Country Liquor segment.

The Company is continuing its efforts to attain further efficiencies in fermentation and distillation, improve upon its bio-gas generation to reduce fuel cost, and to further improve power generation to reduce the cost of production. The Company is giving continuous emphasis to cut costs on inputs, minimise wastages and make optimal use of human resources on all fronts.

In IMFL, the Company visualises ample opportunity for the growth as the demand in the industry is growing at 20%. The Company being a regional player in the industry faces a stiff competition from large Indian as well as multinational companies.

The Company expects better demand for its Marine products in the export as well as domestic market due to overall global economic growth and better demand for frozen sea food. Adverse fluctuation in foreign exchange, the exorbitant increase in the raw material prices, dis-continuation of the export benefits by the Government may put the exports in a challenging situation. In the domestic market, the Company plans to focus on aggressive marketing of its products in order to penetrate into householders' as well as retail segment in India.