

Leading by excellence and vision



Board of Directors

Mr. Balbir Singh Uppal

Chairman & Managing Director

Mr. Janak Raj Singh

Joint Managing Director

Mr. I.S.Gumber

Executive Director

Mr. Harwant Singh

Executive Director

Mrs. Vijay Luxmi

Director

Mr. Amarjeet Singh

Director

Maj. Gen. (Retd.) A.L.Suri

Director

Mr. Nirdosh Bali

Director

Mr.V.K.Mishra

Director

Mr.KanwalJit Singh Jolly

Director

CONTENTS

Lakshmi Energy and Foods Ltd

Chairman's Message	1
Notice of Annual General Meeting	2
Directors' Report	4
Management Discussion and Analysis	14
Corporate Governance Report	19
Auditor's Report	34
Balance Sheet	37
Profit & Loss Account	38
Cash Flow Statement	39
Annexures	40
Balance Sheet Abstract	56
Statement u/s 212	57

Consolidated Financial Statements

Auditor's Report	59
Balance Sheet	60
Profit & Loss Account	61
Cash Flow Statement	62
Annexures	63
Financial Details of Subsidiary Companies	75

ANNUAL REPORT 2010-11

Bankers

Punjab National Bank
 Syndicate Bank
 Axis Bank
 ICICI Bank

Auditors

S.Kumar Gupta & Associates
 Chartered Accountants
 Chandigarh

Mr. K.I. Singh
 General Manager -Finance

Mr. Ajay K. Ratra
 Company Secretary

Registered Office :

S.C.O. 18-19, 1st Floor, Sector 19-D,
 Madhya Marg, Chandigarh-160017, India
 Tel.: 0172-2740352 Fax: +91-172-2743057

Works & Admin. Office :

V.P.O. Khamanon
 Ludhiana-Chandigarh National Highway,
 Khamanon 140801, Punjab, India.

Registrars & Share Transfer Agents :

M/s Beetal Financial & Computer
 Services (P) Ltd.
 Beetal House, 3rd Floor,
 99, Madangir, New Delhi-110062

CHAIRMAN'S MESSAGE

Dear Shareholders,

It's my pleasure to communicate with you through this medium after a gap of one year. The year gone by had its own toll on the rice and green power producing industries. The country had bumper production of paddy, particularly 1121 basmati and that led the buyers to believe there would be sharp fall in prices which did happen and the prices were all time low. Government of India finally lifted three year old ban, though partially, on export of non-basmati rice which gave some relief to the industry. With varying news coming from different places in India and overseas about rice production the prices are never stabilizing. The major cause of worry for basmati producers is the demand pick-up and consequent rise in prices which can give some profit to the mills which are suffering from the losses quarter after quarter.

This being fourth year of difficulties there is good hope of revival in the fortunes of the industry now. The farmers who sold basmati paddy cheap would hardly dare to produce same varieties again and once that got established the price would move northwards. We have an agenda to take our product to the masses in India at right price and also export. We produce the finest quality of rice in raw, steam and sella varieties and we are distributing them across the States in India. We also secured orders from Saudi Arabia, US and UAE. Once prices firm up as expected in near future we should be doing really well. The same applies to green power which ceased sale at our plant for quite some time due to sharp fall in power tariffs. We are seeing firming of prices once again that should help us start the sale of green power again.

The performance figures and future prospects

Due to the abovementioned situation the annual turnover of your company for the financial year ending 30th September 2011 was Rs.10,370.88 million. We were able to earn a profit after tax of Rs.123.28 million as against Rs.831.31 million previously. There is a decline in performance figures and margins during the review period due to multitude of factors such as sharp fall in latest paddy prices as explained above, which led us to reduce and correct value of inventory in our accounts by depreciating its value and the high cost of bank borrowings. If all goes well, may be in the next year we would be able to recoup this loss and improve our balance sheet. If power plant also starts operations as expected then there will be further boost. Besides what has been stated above your company is making its best efforts to bring down the borrowing cost by using various methods being a foreign exchange earner.

Conclusions

All the difficult years seem to have passed and there is a ray of hope. The company has been working on internal strengthening by building own warehouses, adding additional equipments and adding more customers overseas. We will also participate in one of the world's largest food fairs, Gulf Food Feb, 2012 to be held in Dubai. At the end I would like to thank the 22,000 plus strong family of shareholders and all other stakeholders, not to forget the company's employees who have stood with the company all the time and worked really hard. My best wishes and regards to you all.

Balbir Singh Uppal
Chairman and Managing Director

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 21st Annual General Meeting (AGM) of the Shareholders of **Lakshmi Energy and Foods Limited** will be held on **Wednesday, 28th March, 2012 at 11.00 A.M. at PHD Chamber of Commerce and Industry, PHD House, Sector 31A, Chandigarh**, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the company as at 30th September, 2011 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend of Rs.0.20 per equity share on 6,31,90,000 equity shares of Rs.2/- each for the financial year 2010-11.
3. To appoint a director in place of Maj. Gen. (Retd.) A. L. Suri who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Nirdosh Bali who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Harwant Singh who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint M/s. S. Kumar Gupta & Associates, Chartered Accountants, Chandigarh, the retiring statutory auditors of the company to hold office as Auditors from the conclusion of this meeting until the conclusion of the next annual general meeting and to fix their remuneration.

By Order of the Board
For **Lakshmi Energy and Foods Limited**

Place: Chandigarh
Date: 13-02-2012

Sd/-
(Ajay K. Ratra)
Company Secretary

Notes:

- A. Appointment of Proxy:** A Shareholder entitled to attend and vote at the annual general meeting may appoint a proxy to attend and vote on a poll instead of himself / herself and the proxy need not be a shareholder of the company.

Proxies, in order to be effective, the proxy form must be deposited and received at the registered office of the company not less than 48 hours before the scheduled time fixed for commencement of the annual general meeting.

- B. Corporate Shareholders:** Corporate Shareholders intending to send their authorised representatives are requested to send a duly certified copy of the board resolution authorizing the representatives to attend and vote at the annual general meeting.
- C.** Shareholders / Proxies attending the meeting are requested to bring their admission slips alongwith their copy of Annual Report to the annual general meeting.
- D. Queries at the AGM:** Queries proposed to be raised at the annual general meeting may be sent to the company at its registered office at least 7 (seven) days prior to the date of annual general meeting to enable the management to compile the relevant information to reply the same in the annual general meeting.
- E. Book Closure:** The Register of Members of the company and Share Transfer Books of the company shall remain closed from 24th March, 2012 to 28th March, 2012 (both days inclusive) for the purpose of the annual general meeting. The dividend, if declared, will be paid to those shareholders entitled thereto and whose names shall appear on the Register of Members of the company, or to their mandatees as on 28th March, 2012 subject to the provisions of Section 206A of the Companies Act, 1956, or any amendment or re-enactment thereof. In respect of dematerialized shares, the dividend will be payable on the basis of beneficial ownership as on closing hours of business on 23rd March, 2012 as per details to be furnished by National Securities Depository Limited ('NSDL') and Central Depository Service (India) Limited ('CDSL') for this purpose.
- F.** Shareholders are requested to notify any change in their address / mandate / bank details as furnished by them or by NSDL / CDSL to the company for the shares held in certificate form and in the dematerialized form, respectively immediately to the share transfer Agent of the company - M/s. Beetal Financial & Computer Services (P) Limited.
- G. Inspection of Documents:** Documents referred to in the Notice etc., are open for inspection at the registered office of the company at all working days except Saturdays between 11 A.M. and 2 P.M. up to the date of annual general meeting.
- H.** The details pertaining to the directors being appointed and / or reappointed required to be provided pursuant to Clause 49 of the listing agreement with the stock exchanges are furnished in the statement on Corporate Governance, which is enclosed with the Directors' Report.
- I.** The company has implemented the "Green Initiative" as per Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/documents and annual report to shareholders, Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts (which will be periodically downloaded from NSDL/CDSL) will be deemed to be your registered email address for serving notices/documents including those covered under section 219 of the companies Act, 1956. The Notice of AGM and the copies of audited financial statements, directors' report, auditors' report etc. will also be displayed on the website www.lakshmigroup.in of the company and the other requirements of the aforesaid MCA circular will be duly complied with. Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated with the Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company quoting their number(s).

DIRECTORS' REPORT

Dear Members

Your directors have the pleasure in presenting and submitting the 21st Annual Report of your company together with the Audited Annual Accounts for the financial year ended September 30, 2011.

Financial Highlights

Particulars	For the year ended	
	30 th Sep. 2011	30 th Sep. 2010
	(Rs. million)	(Rs. million)
Sales	10370.88	11676.61
Other Income	9.70	24.84
Total Income	10380.58	11701.45
Profit before Interest, Depreciation and Tax	1483.94	2059.00
Financial Expenses	1057.70	734.11
Depreciation	386.04	367.00
Profit before tax	40.20	957.89
Provision for tax		
- Income tax	8.01	195.35
Deferred Tax Assets / (Liabilities)	91.09	68.77
Profit after tax	123.28	831.31
Add: Excess Provisions of tax in earlier years	-	214.38
Add: MAT credit entitlement	8.01	346.66
Add: Balance of Profit brought forward	4703.56	3346.78
Profit available for appropriation	4834.85	4739.13
Appropriations		
Provision for dividend (inc. of tax)	14.79	14.79
Transfer to General Reserve	3.08	20.78
Balance carried to Balance Sheet	4816.98	4703.56

The Audited statement of accounts for the year ended September 30, 2011 is attached along with the Report.

Business Performance

During the year under review, Sales of the company were Rs.10370.88 million as against Rs.11676.61 million in the previous year registering a decline of 11.18% in the sales. The company was able to earn a profit before tax of Rs.40.20 million during the current financial year as against a profit before tax of Rs. 957.89 million in the previous year. As per Accounting Standard (AS-2), existing stock of Pusa 1121 basmati paddy has been revalued at market price as on 30th September 2011 and this has resulted into a loss of Rs.424.44 millions on this stock revaluation. Consequently, PBT is much lower this year. PBT for the year before stock revaluation as per AS-2 amounts to Rs.464.65. Profit after tax was Rs.123.28 million as compared to Rs. 831.31 million in the previous year, registering a decline of 85.17%.

Sales and Profit margins of the company during the period under review are on the lower side because of the following:

Export Margins are limited.

Since, we have only recently moved from whole sale to retail, the Initial expenses on setting up retail network are heavy; such expenses will get compensated/even off with increase in the retail volume in future.

We have not been selling electricity/power in Open Access since Oct 2010 as prices have come down heavily and are not remunerative at the moment.

The off-take by FCI for Parmal Rice to be distributed by them in Public Distribution System (PDS) had been low. Therefore, there has been a lull in the Govt. sales.

Keeping with the changed business environment, we have been able to re-adjust company's product-mix. Company is currently focusing on export of 1121 Pusa Basmati Rice and strengthening its retail segment by selling our branded "Lakshmi Foods" Pusa 1121 Basmati Rice in the Indian Market. The company is appointing C&F Agents and Distributors throughout India for distribution of "Lakshmi Foods" brand Pusa 1121 Basmati Rice of 30 plus variants. In 5 states C&F Agents have been appointed and more than 30,000 (approx) retail outlets are in our network. The company is planning to cover 19 states by 30th Sep 2012. The results of this re-orientation of business will be perceptible in medium term.

M/s Acreaty Management Consultants Pvt. Ltd. has been retained for strategic marketing consultancy services. The Pusa 1121 Basmati Rice has been well accepted in the Middle East countries (including Saudi Arabia) and USA which are major buyers of Indian Rice. PerceptH (India's largest entertainment, media and communication group) is assisting us in Brand building, design and packaging etc for launching 'Lakshmi Foods' brand Basmati Rice in domestic market.

We have not been selling power in Open Access since Oct 2010 as prices came down and were not remunerative. Meanwhile, we are operating and generating power for captive consumption.

Expansion cum Modernization Project

The company is enhancing Paddy processing capacity by setting up new plant of 40 MT/hr (20 MT+20MT/hr) capacity of rice milling, alongwith expansion of by-product processing capacities. Out of above, Paddy processing plant of 20MT/hr capacity has already been installed. Machinery for the above said plants has been imported from Satake-Japan, Schmidt Seeger- Germany and MFS York, USA. It also plans to install most advanced packaging capacity for their retail products.

The company is adding world class covered warehousing infrastructure to the tune of 1 million sq.feet on the factory premises; out of this 0.70 million sq.feet of covered area alongwith roads and boundaries has already been completed. Stocks of the company have been stored in these warehouses. The cumulative covered warehousing infrastructure is more than 1.50 million sq.feet

apart from open storage infrastructure of 1 million sq.feet. The company is also constructing Corporate Complex in 4 acre area which will include Corporate Office, R&D, Training Center with mini auditorium, Recreation gym and Food court. Other Modernization of infrastructure including new entry gate with electronic surveillance system, weigh bridges for efficient loading/unloading and transportation. Out of the above, Main entrance, front desk, stock control & accounts office has been completed and other work is in progress. The company is running successfully SAP ERP system. M/s Deloitte Touche Tohmatsu India Private Limited has been continuously associated with the company for SAP consultancy and support.

Aforesaid expansion cum modernization plan will be helpful in giving quality products and further achieve economies of scale resulting in strong bottom line. Creation of world class infrastructure is necessary for producing products of international standards to stand in the export and retail branded market.

Transfer to Reserves

The company has transferred Rs.3.08 million in the General Reserve during the financial year under review in pursuance to the provisions of Companies (Transfer of Profits to Reserves) Rules, 1975.

Dividend

Your directors now recommend a final dividend of Rs. 0.20 per share (10%) for the year ended 30th September, 2011.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

In terms of Section 205A (5) and 205C of the Companies Act, 1956, the Company has deposited Rs.3,70,748.50 being un-claimed 1st interim dividend for the year 2004-05 in the "Investor Education and Protection Fund" established by the Central Government.

Material Changes and commitments

Save as mentioned elsewhere in this Report, no material changes and commitments affecting the financial position of the company have occurred between the end of the financial year of the company – September 30th, 2011 and the date of this Report.

Management Discussions and Analysis Report

Management Discussions and Analysis Report as required under Clause 49 of the Listing Agreement is given as a separate statement in the Annual Report and forms part of this Report.

Public Deposits

During the year under Report, your company did not accept any deposits from the public in terms of the provisions of Section 58A of the Companies Act, 1956.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

a. Conservation of Energy & Technology Absorption:

i. Energy Conservation Measures taken:

In pursuit of continual improvement towards energy conservation and compliance

with environmental regulations, many initiatives have been taken and implemented in the year under review. The company is aware about energy consumption and environmental issues related with it and is, therefore, continuously making sincere efforts towards conservation of energy. The maintenance of the Boiler and Electrical Equipments is carried out regularly with optimum care with the help of the technical professionals and modern equipments. New equipments such as pumps, compressors as well as air conditioning equipments are being purchased considering efficient performance to conserve energy. Most of the traditional lights are being converted into CFL.

The company is in fact engaged in the continuous process of further energy conservation through improved operational and maintenance practices.

ii. Additional Investments / Proposals, if any, being implemented for reduction of consumption of energy

During the year, the company has made substantial progress in installing the state of the art equipments which are highly efficient and consume less energy for the same productivity.

With the present resources, the company had taken overall measures to reduce the consumption of energy. This was rendered possible through proper maintenance, on regular intervals, of Plant & Machinery and other electrical installed in the manufacturing / processing unit of the company as well as replacing low energy consuming electrical items in place of old ones.

iii. Impact of i & ii above for reduction of energy consumption

The above energy conservation measures would result in reduction in energy consumption and effectively saving in drawal of power from the State Grid. With the commissioning of husk based power plant, the company has captive power and has become a net exporter of energy.

iv. Total Energy consumption and Energy consumption per unit of production as per Form 'A'

The additional information as required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are given as Annexure-I to this report and forms part of it.

b. Technology Absorption: The Company is taking care of latest developments and advancements in technology and all steps are being taken to adopt the same. The company is using latest technology which is well established the world over. The company has installed / is installing new equipments with latest technology for the purpose of rice processing. However, the company has not carried any R&D and has not incurred any expenditure during the year on this account as the same was not needed and not possible in-house for improvement of the process.

c. Foreign Exchange Earnings and Outgo:

i) **Export Activities / Initiatives to Increase Exports / Development of New Export Markets / Export Plans**