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16th Annual Report 2005-2006

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RAJ AGRO MILLS LIMITED

Annual Report 2006

BOARD OF DIRECTORS

(As on March 31,2006)

SH. RAJ PAUL BANSAL	CHAIRMAN
SH. SANJEEV BANSAL	MANAGING DIRECTOR
SH. SAHIL BANSAL	DIRECTOR (FINANCE)
SH. VARINDER KUMAR	DIRECTOR (TECHNICAL)
SH. R.C.SINGAL	DIRECTOR
Dr. S.K.SURI	DIRECTOR
SH.BHUPESH GUPTA	ADDITIONAL DIRECTOR

COMPANY SECRETARY

SH.SANJAY KUMAR AGGARWAL	G.M (LEGAL)-CUM-COMPANY SECRETARY

SR.EXECUTIVES

SH.MAN MOHAN SINGH	G.M (TECHNICAL)
SH.AJAY TAGRA	G.M (FINANCE. & TAXATION)
SH.KAMAL SRIVASTAVA	G.M (COMMERCIAL)
SH.VIJAY SINGH RATHI	G.M. (PRODUCTION)

STATUTORY AUDITORS

M/s P.C.Goyal & Co;
Chartered Accountant,
62, New Lajpat Nagar,
Ludhiana (PB)

BANKERS

STATE BANK OF INDIA
S C B, MILLER GANJ
PAHWA HOSPITAL
LUDHIANA - (PB)

STATE BANK OF INDIA
KESAR GANJ BRANCH
LUDHIANA -(PB)

COST AUDITORS

M/s Verma, Verma & Associates
EE-255, Panj Peer,
Bagh Karam Baksh
Jalandhar City (PB)

REGISTRAR & SHARE TRANSFER AGENT

M/s Intime Spectrum Registry Ltd.
A-31, 3rd Floor, Naraina Industrial Area,
Phase-I, Near PVR Cinemas, New Delhi - 110 028

REGISTERED OFFICE

C-2 / 34, West Enclave
Pitampura,
Delhi - 110 034

CORPORATE OFFICE & WORKS

Village Pawa, G.T. Road,
Near Civil Airport,
Ludhiana - 141 120

ADMN. OFFICE

Plot No. 190, Sector 1-A
Gandhidham.

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NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of the Members of **RAJ AGRO MILLS LIMITED** will be held on Friday, the 29th day of September,2006 at 11 30 A.M. at **ALL HEAVENS, B-97, Wazirpur, Ring Road, New Delhi – 110 052** for transacting the following business (es) :

ORDINARY BUSINESS :

Adoption of Annual Accounts, Directors' Report and Auditors' Report

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 & the Profit and Loss Account for the year ended on that date together with the Report of the Directors and Auditors' Report thereon.

Re-appointment of Director(s) retiring by rotation.

2. To appoint a Director in place of Dr.S.K.Suri, who retires by rotation, and being eligible, offers himself for re-appointment.

Appointment of Auditors

3. To appoint M/s P.C.Goyal & Co., Chartered Accountants, Ludhiana as Statutory Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

Appointment of Director

4. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT Sh.Bhupesh Gupta, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act,1956 and holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company subject to annual retirement under the Articles of Association of the Company."

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 09.08.2006

(SANJAY KUMAR AGGARWAL)
GM (Legal)-Cum-Company Secretary

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1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll instead of himself/ herself. A proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered/Works office of the company not less than forty eight hours before the commencement of the Meeting.**
2. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 relating to Special Business (Item No.4) to be transacted at the Meeting is annexed hereto and forms part of this notice.
3. The Register of Members shall remain closed from **Monday (25.09.2006) to Friday (29.09.2006) (both days inclusive).**
4. A Member desirous of getting any information in respect of the contents of the Annual Report is required to forward the queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
5. Members who hold shares in physical form/dematerialised form are requested to write their Ledger Folio No., Client-ID & DP ID numbers and to immediately notify their change of address etc., if any, to the Company's Share Transfer Agent M/s Intime Spectrum Registry Limited or Company.
6. Members are advised to hold shares jointly to simplify the procedure of transmission in the event of death of any holder.
7. Consequent to the amendment of Section 205 A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend commencing from the financial year ended March 31,1997 onwards remaining un-paid or un-claimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company, is required to be transferred to the Investor Education and Protection Fund (the "Fund") set up by the Government of India. Accordingly, the dividend which had remained unpaid/unclaimed for the financial year 1996-97 and 1997-98 have been transferred to the "Fund".

ANNEXURE TO THE NOTICE

INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE 49 OF THE LISTING AGREEMENT(S) REGARDING THE DIRECTOR SEEKING RE-APPOINTMENT BY WAY OF RETIRING BY ROTATION.

Name of the Director	:	DR.S.K.SURI
Date of Birth	:	12.06.1944
Date of Appointment	:	28.09.1991
DIN No.	:	00057562
Qualifications	:	M.Sc in Chemistry from Roorkee University (Now known as I I.T Roorkee) and Ph.D in Chemistry from I I.T New Delhi
Directorship in other companies as on 31.03.06	:	Nil
Chairman/Member of other committees of the Board as on 31.03.2006	:	Member - Audit Committee

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INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE 49 OF THE LISTING AGREEMENT(S) REGARDING APPOINTMENT OF DIRECTOR.

Name of the Director	:	Sh. Bhupesh Gupta
Date of Birth	:	17.09.1972
Date of Appointment	:	27.03.2006
Qualifications	:	B.Com, FCS
DIN No.	:	00007160
Directorship in other Companies as on 31.03.06	:	M/s Majestic Corporate Solutions (P) Ltd. - Director
Chairman/Member of other committees of the Board as on 31.03.2006	:	Nil

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO.4

Sh.Bhupesh Gupta, a Company Secretary in Whole-time Practice, was appointed as an Additional Director on the Board with effect from 27.03.2006 in terms of Article No.110 of the Articles of Association of the Company. Pursuant to Section 260 of the Companies Act,1956, he holds the office upto the date of this Annual General Meeting and is eligible for appointment as Director. The Company has received a Notice from a shareholder under Section 257 of the Companies Act,1956 proposing his name for appointment as Director of the Company. No equity share of the Company is being held by Sh. Bhupesh Gupta. A brief profile of Sh.Bhupesh Gupta and other information as per Clause 49 of the Listing Agreement with the Stock Exchange are provided elsewhere in this Annual Report . Your Director consider that the company would be benefited by the advice of Sh. Bhupesh Gupta from time to time and therefore, recommend the acceptance of the resolution.

MEMORANDUM OF INTEREST

Except Sh. Bhupesh Gupta, being the appointee, None of the Directors of the Company, is concerned or interested in this resolution.

This statement may be treated as an abstract of the terms & conditions and memorandum of interest under Section 302 of the Companies Act,1956.

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 09.08.2006

(SANJAY KUMAR AGGARWAL)
GM (Legal)-Cum-Company Secretary

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DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

Your Directors are pleased to present the 16th Annual Report for the financial year ended 31st March, 2006.

FINANCIAL RESULTS **(Rs.in lacs)**

	2005-06	2004-05
Sales & Other Income	**9253.66**	8988.93
Profit/(Loss) before Interest, Depreciation & Tax (PBIDT)	**204.99**	199.01
Interest & Finance Charges	**109.07**	87.37
Cash Profit/(Loss)	**95.92**	111.64
Depreciation	**76.40**	72.28
Profit/(Loss) before Tax (PBT)	**19.52**	39.36
Provision for Fringe Benefit Tax	**1.33**	—
Provision for Current Tax	**1.53**	3.05
Provision for Deferred Tax	**(4.46)**	55.77
Provision for Income Tax (Earlier Year)	**0.26**	0.03
Profit after Tax (PAT)	**20.86**	**(19.49)**

PERFORMANCE AND REVIEW

Members are hereby informed that the Company closed fiscal 2005-06 with a Sales & Other Income of Rs 9253.66 Lacs as against Rs.8988.93 Lacs, which reflects an increase of 2.95 % over the previous year, resulting in profitability of the Company is to the extent of Rs.20.86 Lacs as compared to the Loss of Rs 19.49 Lacs in the previous year.

Your Directors feel confident that the measures adopted alongwith other strategies which are being worked out/ followed, will enable the Company to show substantially improved results during the year 2006-07

DIVIDEND

Keeping in view the present constraints and to conserve the resources for future requirements, Your Directors express their inability to recommend any dividend.

FIXED DEPOSITS

During the year under review, the Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act,1956 and the rules made thereunder.

DIRECTORS

Sh. S. P.Sharma stepped down from the Board of Directors of the Company with effect from 27.03.2006. The Board wishes to place on record its appreciation for the valuable guidance extended and the contribution made by him during his long association with the Company.

Dr.S.K.Suri, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment. Brief resume of the Dr.S.K.Suri offering himself for re-appointment are furnished to the Notice of the ensuing Annual General Meeting in terms of Clause 49 of the Corporate Governance Report..

Sh.Bhupesh Gupta was co-opted as an Additional Director. His term of office as Additional Director is expiring at the ensuing Annual General Meeting and being eligible, he has given his consent and offered himself to be appointed as a regular Director of the Company. In terms of Clause 49 of the Listing Agreement with the Stock Exchange(s), the details of the Director (s) to be appointed are contained in the accompanying Notice of the forthcoming Annual General Meeting.

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DIRECTORS'RESPONSIBILITY STATEMENT

The Directors would like to assure the Members that the financial statements for the year under review, confirm in their entirety to the requirements of the Companies Act,1956. Hence, pursuant to the requirement under Section 217(2AA) of the Companies Act,1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

a. That in the preparation of accounts for the financial year ended 31.03.2006, the applicable accounting standards have been followed along with proper explanation relating to material departures.

b. 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 and loss account for that period.

c. That the Directors had 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.

d. That the Directors have prepared the annual accounts for the financial year ended 31.03.2006 on a going concern basis.

LISTING OF SECURITIES

The Equity Shares of the Company are presently en-listed at the following Stock Exchanges.

1. The Delhi Stock Exchange Association Limited, New Delhi
2. The Bombay Stock Exchange Limited,Mumbai
3. The Ludhiana Stock Exchange Association Limited, Ludhiana

The Company has paid the listing fees to above Stock Exchange(s) for the financial year 2006-07.

DEPOSITORY SYSTEM

As the members must be aware that the company's securities are tradable compulsorily in electronic form w.e.f 26.03.2001. Your Company has already established connectivity with both the Depositories i.e National Securities Depository Limited (NSDL) and/or Central Depository Services Limited (CDSL) to facilitate the holding and trading of securities in electronic form. As on date 82.21% of the share capital of the company has been dematerialized.

Further as per SEBI circular No. D&CC/FITTC/CIR-15/2002 dated 27.12.2002, the Company has appointed M/s Intime Spectrum Registry Limited,A-31, 3rd Floor, PVR, Naraina Industrial Area, Phase-1, New Delhi-110 028 as Registrar for Share Transfer and Electronic Connectivity. Accordingly, all the Shareholders, Investors, Member of the Stock Exchanges, Depository Participants and all other concerned are requested to send all communications in respect of Share Transfer, Demat/Remat etc. to our said Registrar. In case, any query/complaint remains unresolved with our Registrar, please write to the Company Secretary of the Company at the Registered Office/Corporate Office & Works of the Company.

The shareholders who have not gone in for dematerialisation of shares till date, are requested to opt for dematerialisation of the shares at the earliest.

ADEQUACY OF INTERNAL CONTROL

The Company has a proper and adequate system of internal control to ensure that all assets are properly safeguarded, properly utilized and protected against loss from un-authorized use or disposition and all that transactions are properly authorized, verified & recorded in the Books of Accounts of the Company by the Accounts Department and thereafter reported to the Audit Committee/Board on periodical basis .

AUDIT COMMITTEE

Presently, the constituent members of the Audit Committee are Sh.R.C.Singal, Independent Director, Dr.S.K.Suri, Independent Director and Sh.Sahil Bansal, Director (Finance) of the Company. Sh.S.P.Sharma is no more member of Audit Committee w.e.f 27.03.2006, the reason being, he stepped down from the Directorship of the Company as on that date. Sh.R.C.Singal has been the Chairman of the said Committee. The Committee met five times during the year under review.

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AUDITORS

M/s P.C Goyal & Co., Chartered Accountants, the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting of the company and being eligible offer themselves for reappointment as Statutory Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company. The Company has obtained from Auditors, a Certificate as required under Section 224(1-B) of the Companies Act,1956 to the effect that their reappointment, if made, would be within the limits specified in the said Section.

AUDITORS' REPORT

The Auditors Report on the Accounts of the Company is self-explanatory and require no comments.

COST AUDITORS

The Company appointed M/s Verma, Verma & Associates, Cost Accountants, EE 255, Panj Peer, Karam Baksh, Jalandhar City (PB) as Cost Auditors of the Company for the year 2006-07.The Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, New Delhi have approved the appointment vide their letter dated 16.05.2006. The Cost Audit Report of the Company will be submitted to the Central Government in accordance with the requirements of law.

CORPORATE GOVERNANCE

Your company continues to follow the principles of good Corporate Governance. The Company has already constituted several committees of Directors to assist the Board in good Corporate Governance. The Corporate Governance Report alongwith the Auditors' Certificate regarding compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange, is attached herewith.

INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to Section 205-C of the Companies Act,1956, the Company has transferred an amount of Rs.41400/- (Rs.Forty One Thousand Four Hundred only) being the amount of unclaimed diidend for the year 1997-98 to the Investor Education and Protection Fund.

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

The detailed information as required under Section 217(1)(e) of the Companies Act,1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is appended hereto and form part of this Report.

HUMAN RESOURCES

The Company is always following the policy of creating a healthy environment and work culture resulting into harmonious inter-personnel relations. Industrial Relations and work atmosphere remained very cordial throughout the year. There are no employees falling under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

ACKNOWLEDGEMENTS

The Board of Directors of the Company wish to place on record their sincere thanks and appreciation to the team of executives, staff members and workers at all levels for their cooperation and contribution to the operations of the company. Your directors also acknowledge with gratitude the co-operation, and support received from the Bankers, Central and State Government Authorities, Business Constituents and also place on record their sincere thank to the shareholders of the Company for their continued support, cooperation and confidence in the Management of the Company.

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA	**(SANJEEV BANSAL)**	**(SAHIL BANSAL)**
DATED : 09.08.2006	**Managing Director**	**Director (Finance)**

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INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES,1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

I. CONSERVATION OF ENERGY

The Company has over the previous years taken steps to conserve energy, wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements.

FORM A

PARTICULARS	UNIT	2005-06	2004-05
A. POWER & FUEL CONSUMPTION			
1. Electricity			
a) Purchased			
Units	KWH	3074550	3271400
Total Amount	RS.	13504435	13202699
Rate Per Unit	RS./KWH	4.39	4.04
b) Own Generation			
Through Diesel Generator			
Units	KWH	107820	240120
Amount	RS.	858929	1441766
Cost Per Unit	RS./KWH	7.97	6.00
Through Steam Turbine	---	---	---
2. Coal	NIL/N.A	NIL	NIL
3. Rice Husk			
Quantity	MTS.	7402.601	6528.150
Amount	RS.	6812689	5811209
Average Rate	RS./MT	920.31	890.18
4. Furnace Oil	NIL/N.A	NIL	NIL
5. Others/Internal Generation	NIL	NIL	NIL

B. CONSUMPTION PER UNIT OF PRODUCTION

Due to number of products produced by the company, it is not feasible to quantify consumption per unit of production.

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II. PARTICULARS AS PER FORM-B

A. RESEARCH & DEVELOPMENT (R&D)

1. **Specific area in which R&D carried out** : Product Improvement
2. **Benefits derived as a result of R & D** : Improvement in Manufacturing R&D process Reduction in Manufacturing Cost & Waste.
3. **Expenditure on R & D**

	Current Year (Rs. in Lacs)	Previous Year (Rs. in Lacs)
a) Capital	**Nil**	Nil
b) Recuring	**0.45**	0.72
c) Total	**0.45**	0.72

B. TECHNOLOGY ABSORPTION

The technology being used by the company is indigenous and consistent thrust is always given to continued Research and Development for new product development and products improvement.

III. FOREIGN EXCHANGE EARNING AND OUTGO

a) Activities relating to export, initiatives to increase exports, Development of New Export Markets for Products and Services and Export Plans.

No export of its product has been done by the Company during the year under review.

b) Foreign Exchange Earning and Outgo.

	Current Year (Rs.)	Previous Year (Rs.)
a) Earnings	**253275**	3874744
b) Outgo		
i) Value of Raw Material Imports	**256960619**	336480832
ii) Expenditure	**2073126**	1536506
iii) Remittance of Dividend	**Nil**	Nil

FOR AND ON BEHALF OF THE BOARD

PLACE : LUDHIANA
DATED : 09.08.2006

(SANJEEV BANSAL)
Managing Director

(SAHIL BANSAL)
Director (Finance)

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