

65th

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**ANNUAL REPORT
2005-2006**



SAYAJI INDUSTRIES LIMITED

SAYAJI INDUSTRIES LIMITED

DIRECTORS

Shri Bipin V. Mehta
Shri Priyam B. Mehta
Dr. Biharilal Kanaivalal
Shri Mahendrabhai N. Shah
Shri Dashrathbhai G. Patel
Shri Vishvajitbhai M. Mehta

MANAGING DIRECTORS

Shri Bipin V. Mehta
Shri Priyam B. Mehta

COMPANY SECRETARY

Shri Rajesh H. Shah
B.Com., LL.B., A.C.S.

AUDITORS

M/s. C.C. Chokshi & Co.,
Chartered Accountants, Ahmedabad.

LEGAL ADVISORS

M/s. Nanavati & Nanavati, Advocates,
Ahmedabad.

BANKERS

Punjab National Bank

REGISTERED OFFICE

P.O. Kathwada-Maize Products.
Ahmedabad - 382 430.

FACTORY

Maize Products
Ahmedabad, Gujarat.

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SAYAJI INDUSTRIES LIMITED

P.O. KATHWADA - MAIZE PRODUCTS
AHMEDABAD - 382 430.

NOTICE

NOTICE IS HEREBY GIVEN THAT the 65th Annual General Meeting of the shareholders of the Company will be held on Thursday, the 28th day of September, 2006 at 4.30 p.m. at the Registered Office of the Company at P.O. Kathwada - MaizeProducts, Ahmedabad - 382 430, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Dr. Shri Biharilal Kanaiyalal, who retires by rotation from the Board of Directors in terms of Article 108 of the Articles of Association of the Company, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Mahendrabhai N. Shah, who retires by rotation from the Board of Directors in terms of Article 108 of the Articles of Association of the Company, but being eligible, offers himself for reappointment.
5. To appoint auditors and to fix their remuneration and for the purpose, to consider, and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED THAT M/s. C. C. Chokshi & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on a remuneration of Rs.2,00,000/- (Rupees Two Lacs only) plus applicable service tax and actual out of pocket expenses."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :
"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act as amended from time to time, Shri Priyambhai Bipinbhai Mehta, the Managing Director of the Company, be and is hereby paid the same remuneration as mentioned in the Agreement dated 11th November, 2003 (hereinafter referred to as "the said agreement") executed with him in connection with his appointment as the Managing Director for the remaining tenure of his appointment from 12th August, 2006 to 11th August, 2008."
"FURTHER RESOLVED THAT this modification shall form the part of the said agreement entered into by the Company with Shri Priyambhai Bipinbhai Mehta for his appointment as the Managing Director of the Company for the period from 12th August, 2003 to 11th August, 2008 and all other terms and conditions of the said agreement shall remain valid and unchanged."
"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary to give effect to this resolution."
7. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times, and in such form and manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertakings, or all undertakings including the present and/or future properties, whether movable or immovable, tangible or intangible comprised in any existing or new undertaking or undertakings of the Company, as the case may be, in favour of the lender(s), agent(s) and/or trustee(s) for securing the long term, short term and medium term borrowing of the Company availed/ to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and /or non convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rate notes bonds or other debt instruments) issued/ to be issued by the Company from time to time, subject to the limits

NOTICE



approved/ as may be approved by the members under Section 293 (1) (d) of the Companies Act, 1956 as also the interest on the principal amounts at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, premium (if any) on redemption, remuneration of agent(s), trustee(s), all other costs, charges and expenses, including any increase as a result of devaluation/ revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement, debenture trust deed(s) and/ or any other deed(s) or document(s), entered into/ to be entered into between the Company and the lender(s)/ agent(s)/ trustee(s) etc. in respect of the said loans/ borrowings/ debentures/ securities and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors of the Company (including committee thereof) and the lender(s)/ agent(s)/ trustee(s) etc."

"FURTHER RESOLVED THAT the consent of the Company be and is also hereby accorded to the mortgage(s)/ charge(s) already created by the Company on the whole or substantially the whole of the Company's any one or more of the undertakings, or all undertakings including the present and/or future properties, whether movable or immovable, tangible or intangible comprised in any existing or new undertaking or undertakings of the Company, as the case may be, in favour of the lenders for securing the long term, short term and medium term borrowings availed by the Company."

"FURTHER RESOLVED THAT the securities to be created by the Company as aforesaid may rank prior/ paripassu/ subservient with/ to the mortgage(s) and/ or charge(s) already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board of Directors or its Committee and as may be agreed to between the concerned parties."

"FURTHER RESOLVED THAT the Board of Directors or its Committee or persons authorised by the Board, be and is/ are hereby authorised to finalise, settle and execute any and all agreements, documents, deeds, writings and paper as may be necessary for creating the mortgage(s) and/ or charge(s) as aforesaid and to do all such acts, deeds, matters and things as it/ they may, in its/ their absolute discretion consider necessary, desirable or expedient for implementing this resolution and to resolve any question, difficulty or doubt relating thereto, or otherwise considered to be in the best interest of the Company."

Place : Ahmedabd
Date : 18th July, 2006.

By order of the Board of Directors
RAJESH H. SHAH
COMPANY SECRETARY

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE 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. INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 19th September, 2006 to Thursday, the 28th September, 2006 (both days inclusive).
3. The Dividend on shares, if sanctioned by the Annual General Meeting, will be payable at specified Branches of UTI Bank Limited, in India from 3rd October, 2006, by Dividend Warrants valid for a period of three months to those shareholders whose names appear on the Register of Members of the Company on 28th September, 2006. Thereafter, the dividend shall be paid by Account Payee Cheque only at the Registered Office of the Company at P.O. Maize Products-Kathwada, Ahmedabad - 382 430.
4. Pursuant to Section 205 A (5) of the Companies Act, 1956, all unclaimed/unpaid dividends in respect of the Company's Accounting Year ended 31st March, 1999 will be transferred to the Investor Education and Protection Fund set up by the Government of India pursuant to Section 205 C of the Companies Act, 1956, within 30 days from 10th September, 2006.
Members who have not yet encashed their dividend warrant (s) for the financial year ended on 31st March, 2000 and onwards, are requested to make their claims to the Company without delay.
5. Members are requested to note that Equity Shares of the Company are dematerialised and ISIN of the Company is FNE327G01016. The Shareholders having their accounts with DPs having connectivity with National Securities Depository Ltd (NSDL) and Central Depository Services (India) Limited (CDSL) may submit their shares for dematerialisation to their respective DPs.
6. The Company has appointed M/s Karvy Computershare Private Limited as the Registrars and Transfer Agents for carrying out all the work relating to transfer, transmission, issue of duplicate share certificates in lieu of misplaced/ lost certificate, change of address etc. And to establish connectivity with NSDL and CDSL and to process the Demat/Remat requests received from the DPs with whom members have opened their respective beneficiary accounts. The Members are requested to send all their requests for share transfer, transmission, issue of duplicate share certificates, change of address to **M/s Karvy Computershare Private Limited at Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.**
7. Members are requested to quote their Folio Numbers in all their correspondence.
8. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least 7 days before the date of the meeting so that the information referred by the members may be made available at the meeting.
9. Members are requested to notify their Bank Account Number to the Company/M/s Karvy Computershare Private Limited so as to ensure the smooth process of payment of Dividends. Change, if any, in the Bank Account Number should also be informed to the Company/ M/s Karvy Computershare Private Limited at the earliest.



EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956

As required by Section 173(2) of the Companies Act, 1956 (the Act) the following explanatory statement sets out all material facts regarding Special Business mentioned in the accompanying notice dated 18th July, 2006 convening the Annual General Meeting of the Shareholders of the Company.

Regarding Resolution No. 6

The Company had pursuant to the special resolution passed by the shareholders at the Annual General Meeting held on September 29, 2003 executed agreement dated 11th November, 2003 (hereinafter referred to as "the said agreement") with Shri Priyambhai Bipinbhai Mehta for his appointment as the Managing Director of the Company for the period of five years with effect from 12th August, 2003 to 11th August, 2008. Pursuant to the said special resolution and in view of the Notification No. GSR 36(E) dated 16th January, 2002 the remuneration to Shri Priyambhai Bipinbhai Mehta as the Managing Director of the Company was approved for the period of three years with effect from 12th August, 2003 to 11th August, 2006 and the same has been mentioned in the said agreement.

It is now proposed to pay the same remuneration to Shri Priyambhai Bipinbhai Mehta, the Managing Director as mentioned in the said agreement for the remaining tenure of his appointment with effect from 12th August, 2006 to 11th August, 2008.

All other terms and conditions of the said agreement shall remain valid and unchanged.

These particulars also constitute the abstract of the terms of modification in said agreement entered into with Shri Priyambhai Bipinbhai Mehta and required to be sent to every member of the Company pursuant to Section 302 of the Companies Act, 1956.

The said agreement dated 11th November, 2003 executed by the company in connection with the appointment of Shri Priyambhai Bipinbhai Mehta as the Managing Director is available for inspection at the Registered Office of the Company from 10.30 a.m. to 12.30 p.m. on any working day of the Company upto the date of the Annual General Meeting.

Shri Priyambhai Bipinbhai Mehta, the Managing Director is interested in the resolution as it concerns his appointment. Shri Bipinbhai Vadilal Mehta to whom Shri Priyambhai Bipinbhai Mehta is related may also be regarded as interested or concerned in the resolution.

Regarding Resolution No. 7

The Board of Directors of the Company has raised funds from its Bankers by way of loans for long term/ short term/ medium term which are secured by a mortgage/ charge over the immovable/ movable properties of one or more units of the Company in such form and in manner which is in the best interest of the Company and the members are requested to approve such action of the Board of Directors of the Company.

In addition to the funds already raised, the Company might be required to raise more funds for financing of capital expenditure/ working capital requirements and/ or general corporate purposes from time to time from Banks/ Financial Institutions/ Investment Institutions/ Mutual Funds/ Bodies Corporate/ Foreign Financial Institutions/ Individuals and/ or any other agencies by way of loans, both in rupee and foreign currency and/ or Debentures (partly convertible/ fully convertible/ non-convertible) for long term/ short term/ medium term or any other nature of instruments as may be permissible at law which are normally secured by a mortgage/ charge over the immovable/ movable properties of one or more units of the Company in such form and manner as may be determined by the Board of Directors of the Company or its committee, from time to time, in consultation with the lender(s)/ agent(s)/ trustee(s).

In view of the above and as required by the provisions of Section 293 (1) (a) of the Companies Act, 1956, the resolution as set out in item no. 7 of the notice is commended for your approval.

None of the Directors is concerned or interest in the resolution.

Place : Ahmedabd
Date : 18th July, 2006.

By order of the Board of Directors
RAJESH H. SHAH
COMPANY SECRETARY

To

THE SHAREHOLDERS,

Your Directors have pleasure in presenting the 65th Annual Report together with Audited Statements of Accounts of the Company for the financial year ended 31st March, 2006.

FINANCIAL RESULTS :

	2005-2006 (Rs. In Lacs)	2004-2005 (Rs. In Lacs)
Sales	18392.87	18844.56
Operating Profit before Interest, Depreciation and Taxation	593.40	588.19
Less : Interest	286.52	223.51
Gross Profit	306.88	364.68
Less: Depreciation	215.31	190.17
Profit before Tax	91.57	174.51
Less : Current Taxation	33.50	35.00
Fringe Benefit Tax	14.50	--
Provision for Deferred Tax	(51.33)	32.89
Net Profit for the year	94.90	106.62
Add: Balance brought forward from previous year	98.52	92.93
Amount available for Appropriation	193.42	199.55
Appropriations :		
Transfer to General Reserve	50.00	50.00
Proposed Dividend on Equity Shares	36.00	45.00
Tax on Dividend	5.48	6.03
Balance carried forward to Balance Sheet	101.94	98.52
	193.42	199.55

YEAR IN RETROSPECT :

During the year under review, despite of severe competition in the starch industry, your company has been able to increase its activity by 5% and has achieved a turnover of Rs.18362.21 Lacs (excluding turnover of trading goods) as compared to Rs.18270.06 Lacs (excluding turnover of trading goods) in the previous year. However, the profit margins continued to remain under severe pressure as a result of the increase in the cost of some major inputs like power & fuel and increase in the interest cost due to enhanced utilization of working capital limits and additional borrowing by way of unsecured loans. However, with stringent cost cutting measures, your company has been able to achieve net profit after tax of Rs. 94.90 Lacs as against Rs.106.62 Lacs in the previous year. Efforts to improve performance in all technical areas continued during the year under review.

CAPITAL EXPENDITURE FOR BOILER AND TURBINE PROJECT :

During the year under review the company took up a project to install a state-of-the-art modern technology FBC Boiler with a capacity of 40 TPH which facilitates use of lignite which is a cheaper fuel and a higher capacity Turbine of 4.00 M.W with the project cost of approx. Rs.18 crores. Combination of this new Boiler and turbine, will give a new dimension to our existing utility set up. The project, when fully operational is expected to result in substantial savings in the power and fuel cost of the company.

DIVIDEND :

Your Directors recommend dividend at the rate of Rs.60/- per Equity Share (Previous Year Rs.75/- per Equity Share) for the financial year ended 31st March, 2006, which if approved by the members at the forthcoming Annual General Meeting will be paid to those members whose names appear on the Register of Members of the Company on 28th day of September, 2006.

The total outflow on account of dividend will be Rs.41.48 Lacs including dividend tax of Rs.5.48 Lacs.

TECHNICAL KNOW HOW & SERVICE AGREEMENT WITH AMYLUM :

The Company has continued to avail the benefits of technical expertise from M/s Amylum Europe N. V. Belgium.

EXPORTS :

Export has continued to remain focused area of your company. During the year under review, the exports turnover of your company was Rs.4094.44 Lacs as compared to Rs.4180.36 Lacs (excluding export of goods traded in) in the previous year. This minor reduction in export is due to slightly unfavourable exchange rate, with rupee remaining firm for major part of the year under review, thus adversely affecting the realization. The company shall continue with its long term export oriented marketing policy and sustain its growth in the export market by exploring new avenues for its high value products.



MARKETING :

The company continues its thrust on aggressive marketing to be amongst the front-runners in the starch industry. Due to extensive and effective efforts of the company's sole selling agent, M/s L G & Doctor Associates Private Limited, despite of cut throat competition in the domestic starch industry, your company has been able to achieve higher volume of sales excluding turnover of goods traded in. The company has been able to further reduce the average credit period during the year under review as results of untiring efforts on the part of the sole selling agent.

PUBLIC DEPOSITS :

Deposits amounting Rs.11.00 Lacs due for repayment on or before 31st March, 2006 were not claimed by the depositors on that date. As on the date of this report, deposits aggregating Rs.5.30 Lacs from the aforesaid deposits have been claimed/paid/renewed. Your company continues to be one of the most sought after company amongst the investing community of this region investing in Fixed Deposits.

INSURANCE :

All the properties and insurable interests of the company including buildings, plant and machinery, stocks, loss of profit and standing charges and liabilities under legislative enactments are adequately insured.

DIRECTORS :

Pursuant to Article 108 of the Articles of Association of the Company read with Section 256 of the Companies Act, 1956, Dr. Shri Biharlal Kanaiyalal and Shri Mahendrabhai N. Shah, Directors of the company are due to retire at the ensuing Annual General Meeting, but being eligible, have offered themselves for reappointment.

AUDITORS :

At the ensuing Annual General Meeting members are requested to reappoint the Auditors for the current year and fix their remuneration.

STATUTORY INFORMATION :

Particulars of employees as required in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms the part of this report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the report is being sent to all shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining the particulars may obtain the same by writing to the company secretary of the company.

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 with respect to Conservation of Energy, Technology Absorption and Foreign Exchange earning/outgo is appended hereto and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm that :

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- (ii) 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 as on 31st March, 2006 and of the profit of the Company for that period.
- (iii) the Directors have 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; and
- (iv) the Directors have prepared the annual accounts on a "going concern" basis.

APPRECIATION :

Your Directors express their deep sense of appreciation for the valuable and devoted services rendered by both the Managing Directors in the management and conduct of the affairs of the company. The Directors also express their appreciation for the devoted services of the Sole Selling Agent. Your Directors also thank Punjab National Bank, the Sole Banker of the company for the term loan granted by it for the new boiler and turbine project and for enhancing working capital facilities at very competitive rates. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the company's Executives, Staff, Workers and all those concerned, directly and indirectly with the affairs of the company.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 18th July, 2006

Dr. Biharlal Kanaiyalal
Chairman