



**Annual Report
2000-2001**

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SHAH FOODS LIMITED

SHAH FOODS LTD.

BOARD OF DIRECTORS

MR. PRADIP P. SHAH	Chairman
DR. A. S. AIYAR	
MR. VIRENDRA POPATLAL SHAH	
MR. JANAK P. SHAH	Vice-Chairman
MR. SUSHIL P. SHAH	Managing Director
MR. SHRICHAND R. KAHAR	Director Operations

AUDITORS

ARVIND A. THAKKAR & CO.
Chartered Accountants

BANKERS

BANK OF BARODA
CENTRAL BANK OF INDIA

REGISTERED OFFICE & WORKS

CHHATRAL
KALOL-MEHSANA HIGHWAY
TALUKA KALOL, DISTRICT GANDHINAGAR
GUJARAT - 382 729.

ANNUAL REPORT 2000-2001**NOTICE**

NOTICE is hereby given that the Annual General Meeting of SHAH FOODS LIMITED will be held at the Registered Office of the company at Chhatral, Kalol-Mehsana Highway Road, Tal. Kalol, Dist. Gandhinagar, Gujarat - 382 729 on Saturday, August 25, 2001 at 11.00 a.m. to transact the following business :

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ORDINARY BUSINESS

1. To receive and adopt the Profit & Loss Account for the year ended March 31, 2001 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Janak P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Virendra P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead and such proxy need not be a member of the Company. Proxies in order to be effective, must 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 Transfer Books of the Company will remain closed from August 25, 2001 to August 31, 2001 both days inclusive.
3. Members are requested to notify any change in their addresses to the Corporate Office of the Company, 'Sarayu', 16/1, Kalyan Society, Mithakhali, Ellisbridge, Ahmedabad-380 006.

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4. Members are requested to note that the Governing Board of the Bombay Stock Exchange has decided that delivery of shares of the company is compulsorily required in the dematerialized form for all investors from May 1, 2001. In this connection the company has received ISIN number 'INE455D01012' from National Securities Depository Ltd.
5. Members are requested to also note that the company has appointed 'Pinnacle Shares Registry Pvt. Ltd., Near Ashoka Mills, Naroda, Road, Ahmedabad-380 025 as our Registrar and Transfer Agents for electronic connectivity with NSDL and CDSL. Physical share transfer activity will be carried out in-house at the corporate office of the company.

For and on behalf of the Board

Ahmedabad
Date : July 7, 2001

JANAK P. SHAH
Vice-Chairman



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DIRECTORS' REPORT

TO

THE MEMBERS

The Directors submit herewith the Annual Report together with audited statement of accounts for the year ended March 31, 2001.

RESULTS

The Surplus for the year amounts to Rs. 1.48 lacs against Rs. 16.67 lacs for 1999-2000. The current year surplus is substantially reduced due to curtailment of job work orders from Britannia Industries Limited as they apparently have faced difficulties in the market, which resulted in utilization of capacity of only 40% from October 2000 to March 2001.

After providing Rs. 7.60 lacs for loss from trading against Rs. 4.86 lacs for the year 1999-2000, Rs. 0.48 lacs financial charges (1999-2000: Rs. 0.38 lacs) and Rs. 3.90 lacs for depreciation (1999-2000: Rs. 3.84 lacs) and providing Rs. 0.89 lacs for provision for tax for the previous year 1999-2000, and adding to this the balance in the profit and loss account brought forward from the previous year, the net loss of Rs. 9.55 lacs is carried forward to the balance sheet.

From 1990-91, for eight consecutive years the company progressively increased output during which time it made reasonable profits after paying income tax, paid off all debt, started paying dividends, de-bottle necked the plant, and accumulated some liquidity. Last year and again this year, we have seen successively lower production as our principal customer faces difficult conditions in the markets it serves from our plant. Increase in excise duties and high sales taxes on biscuits have affected these markets. The central government has given excise concessions on nutritionally unimportant products like jams and sauces; farmers are lamenting the accumulation of a wheat mountain and government talks of exporting wheat without value-addition; but a hygienic, highly

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cost-efficient nutritional product of mass consumption, made from wheat, is sought to be punitively taxed by the central and the state government!

The company reissued 48,200 shares which had been forfeited earlier for non-payment of call money and these shares have been admitted for trading on the stock exchange. The company has entered into an arrangement with National Securities Depository Limited for dematerialization of securities and with Pinnacle Share Registry Pvt. Limited for electronic connectivity for the dematerialized transactions.

DIVIDEND

In absence of profit, the Directors do not recommend any dividend for the current year. In the previous year an interim dividend of 10% together with a special millennium dividend of 2.5 was paid. The Directors are deeply disappointed that after five years of uninterrupted dividends, the company has to skip dividend payment.

PERFORMANCE OF THE COMPANY

Shah Foods Limited produced 2741 metric tonnes of biscuits, as against 3330 metric tonnes in the previous year, again in complete achievement of the target given by Britannia Industries Limited.

Britannia Industries Limited has not granted any increase in conversion charges since 1994; indeed Shah Foods Limited continues to request Britannia to reimburse increase in direct costs as a result of power from April 1, 1995, but so far there is no response.

OUTLOOK

The company has applied for 288 hectares of wasteland on the North Gujarat side on nominal lease- rent from Gujarat Government. After submission of our R.F.Q. Bid for wasteland Agriculture Development, Government informed us that our company has been short-listed for possible allotment of wasteland and invited us to submit a project report in the stipulated time. Our company has prepared and submitted the

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same in time. The allotment formality is still pending. If the company is successful in procuring wasteland on acceptable terms from the Government, the company has plans to enter into agribusiness. The company has therefore purchased a pilot plant for solar drying of horticulture products and is working on technical modifications of the plant for commercial output from that plant.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 2000, the Directors state as under

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That the directors have selected such accounting policies and applied them consistently and made judgments 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 the period.
3. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the directors have prepared the annual accounts on a going concern basis.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

As required in Section 217 (1) (e) of the Companies Act, 1956 details regarding conversion of energy, etc. are given in the Annexure attached hereto forming a part of the Directors' Report.

There is no employee drawing remuneration of Rs.12,00,000/- or above whose particulars are required to be annexed to the Director's Report under Section 217(2A) of the Companies Act, 1956.