



**Annual Report
2005-2006**

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SHAH FOODS LIMITED

SHAH FOODS LTD.

BOARD OF DIRECTORS

MR. PRADIP P. SHAH	Chairman
MR. JANAK P. SHAH	Vice-Chairman
MR. VIRENDERA P. SHAH	Director
MR. SUSHIL P. SHAH	Director
MR. NIRAV J. SHAH	Director
MR. SHRICHAND R. KAHHA	Director Operations

AUDITORS

ARVIND A. THAKKAR & CO.
Chartered Accountants

BANKERS

BANK OF BARODA
CENTRAL BANK OF INDIA
HDFC BANK LTD.
CITIBANK

REGISTERED OFFICE & WORKS

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

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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 26, 2006 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the Profit & Loss Account for the year ended March 31, 2006 and the Balance Sheet as at that date and the Reports of the Directors, Compliance Certificate and Auditors thereon.
2. To appoint a Director in place of Mr. Virendra P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sushil 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 in his stead 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 Monday, August 21, 2006 to Saturday, August 26, 2006, both days inclusive.
3. Members are requested to notify any change in their addresses to the Corporate office of the company or our Register and Transfer Agent M/s Pinnacle Shares Registry Pvt. Ltd. Near Ashoka Mills, Naroda Road, Ahmedabad-38 0025.
4. If any member has queries regarding audited accounts, please send the same in writing to the registered office of the company so as to reach at least seven days before the date of AGM.

By Order of the Board

Dated : 22-06-2006
Place : Chhatral

Pradip P. Shah
Chairman

SHAH FOODS LTD.**DIRECTORS' REPORT**

TO

THE MEMBERS

The Directors submit herewith the Annual Report together with audited statement of accounts for the year ended March 31, 2006.

FINANCIAL RESULTS

	F.Y. 2005-2006	F.Y. 2004-2005
	(Rs. in Lacs)	(Rs. in Lacs)
INCOME FROM OPERATIONS	107.75	76.81
Add : Gain From Trading	28.94	7.17
Add : Other Income	<u>1.83</u>	<u>1.92</u>
	138.52	85.90
Less : Expenditures	105.85	75.11
Less : Finance Charges	0.22	0.11
Less : Depreciation	<u>3.14</u>	<u>3.16</u>
PROFIT FOR THE YEAR BEFORE TAX	29.31	7.52
Less : Provision for Taxation	9.92	1.63
Less : Provision for FBT	0.25	--
Less : Provision for Deferred Tax	<u>0.11</u>	<u>0.92</u>
	19.03	4.97
Add: / Less : B/F from P & L A/c	<u>4.38</u>	<u>0.59</u>
Net Balance Carried to Balance Sheet	23.41	4.38

DIVIDEND

Due to the expansion of Factory Building and replacement of our production line with a modernized line of larger capacity, on which the company has started work, the Directors do not recommend any dividend for the year. Dividend prospects for the current year depend on job work allotment from Britannia Industries Limited.

PERFORMANCE OF THE COMPANY

The company produced 3009 metric tonnes of biscuits, as against 2514 metric tonnes in the previous year again in complete achievement of the target given by Britannia Industries Limited. The performance in terms of profits was the best so far. However these profits have arisen almost wholly from the activity of share trading from the liquid funds available with the company, and not from the operations of manufacturing biscuits for Britannia.

Britannia Industries Limited has not granted any increase in conversion charges since 1994. The increase per unit in job work charges arose only from pass-through of fuel price increases. Indeed, Shah Foods Limited

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continues to request Britannia to reimburse increase in direct costs as a result of power from April 1, 1995, but so far there has been no positive response from Britannia.

OUTLOOK

During the current year, the management of the company has doubled production capacity to 9000 MT per annum by replacing the existing 32" direct-fired oven with 39" indirect-fired turbulence oven and also the entire line from rotary molder to cooling conveyor, stacker & packing stations. After expansion and modernization of the plant, our company now has the capability to produce premium varieties of biscuits thus opening up new avenues to generate more revenue for our company. Our company has incurred an expense for addition in the floor space of the existing factory building, and modernization with expanded capacity of the oven and ancillary machineries, of approximately Rs. 45.00 lacs from internal accruals without any borrowing.

After expansion, the management has requested Britannia to increase production volume of the current variety and also to consider giving other premium varieties to enable us to utilize our full production capacity and also to extract the optimum performance from the plant. Britannia has in principle acceded to our request and assured us of higher production volume from July 2006 onwards for at least minimum 450 MT per month and are also planning to give us some other varieties of Tiger brand. The liquid funds available with the company are now substantially lower than the amount available last year.

DIRECTORS

Dr. A. S. Iyer, Mr. Virendra P. Shah and Mr. Sushil P. Shah retire by rotation. Mr. Virendra P. Shah and Mr. Sushil Shah, being eligible, offer themselves for re-appointment.

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.

SHAH FOODS LTD.**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 hereunder :

(A) PARTICULARS :

Power and Fuel Consumption		2005-2006	2004-2005
1. Electricity Purchased :	Units	146,950	117,955
	Amount (Rs. Lacs)	6.79	5.77
	Average Rate/Unit Rs.	4.62	4.89
2. LDO/ HSD :	K. Litres	175.57	132.34
	Amount (Rs. Lacs)	48.65	27.93
	Average Rate/K.L. Rs.	27,710.06	21,104.57

(B) CONSUMPTION PER UNIT OF PRODUCTION OF BISCUITS :

1. Electricity (KWH/T)	48.84	46.92
2. LDO/HSD - (KL/T)	0.0583	0.0526

PARTICULARS OF EMPLOYEES :

There is no employee drawing remuneration of Rs.24,00,000/- per annum or Rs. 2,00,000/- or above whose particulars are required to be annexed to the Director's Report under Section 217(2A) of the Companies Act, 1956.

DEPOSITS

The company has not accepted deposits from the public under section 58A of the Companies Act, 1956.

INSURANCE

All the fixed assets and stocks of the company are adequately insured.

For and on behalf of the Board of Directors

For and on behalf of the Board

Chhatral
Date : 22-06-2006

Pradip P. SHAH
Chairman

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COMPLIANCE CERTIFICATE

I have examined the registers, records, books and papers of M/S. Shah Foods Limited as required to be maintained under the Companies Act, 1956, and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st. March, 2005. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to us by the Company and its officers. I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, on the date as mentioned in the said Annexure 'B'.
3. The Company being Public Limited Company, the provisions of Section 3(1) (iii) of the Companies Act, 1956, are not applicable.
4. The Board of Directors duly met 4 (Four) times on 25-05-2005, 30-07-2005, 29-10-2005 and 25-01-2006 in respect of which proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Register of Members and Transfer Books of the Company remain closed from Monday, August 1, 2005 to Saturday, August 6, 2005, both days inclusive. The Company was required to close its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2005 was held on 06-08-2005 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
7. No Extra Ordinary General meeting was held during the financial year under review.
8. The Company has not advanced any loan to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has not made any transactions with the parties mentioned in the Register maintained under section 301, and hence the company was not required to make any entry in the Register.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (i) The Company has delivered all the certificates on lodgement thereof for transfer during the financial year. There was no allotment/ transmission of securities during the financial year.
 (ii) The Company has not deposited any amount in a separate Bank account as no dividend was declared during the financial year.
 (iii) The Company was not required to post warrants to any member of the company as no dividend was declared during the financial year.
 (iv) The Company has transferred deposits of Rs.29,000/- remained unclaimed for a period of seven years to Investor Education and Protection Fund and duly complied with the provisions of Section 205 C of the Companies Act, 1956.
 (v) The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There was appointment of additional directors. There was no appointment of alternate directors and directors to fill casual vacancy during the financial year under review.