

**Annual Report
2009-2010**



SHAH FOODS LIMITED

An ISO : 22000 Certified Company



Regd. Office :

Block No. 453/1, Kalol-Mehsana Toll Road, Chhatral-382729, Sub-Dist. Kalol, Dist. Gandhinagar.
Phone: 2764-233931/932

CERTIFICATE

The Certification Body
of TÜV SÜD Management Service GmbH
Trading as TÜV SÜD South Asia Private Limited

certifies that

Shah Foods Limited
Block No. 453/1,
Kalol Mehsana Highway, Chhatral
District Gandhinagar - 382 729, INDIA

has established and applies
a Food Safety Management System for

**Manufacturing and
Supply of Britannia Biscuits**

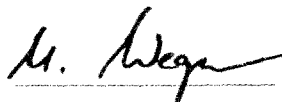
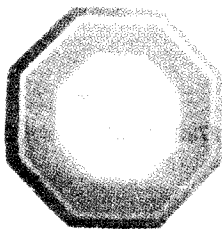
An audit was performed, Report No. 70717856

Proof has been furnished that the requirements
according to

ISO 22000:2005

are fulfilled. The certificate is valid until **2013-03-21**

Certificate Registration No. **12 510 30893 TMS**



Munich, 2010-04-20

ZERTIFIKAT ♦ CERTIFICATE ♦ CERTIFICADO ♦ CERTIFICAT ♦ 認証書 ♦ CERTIFICATE ♦ ZERTIFIKAT

BOARD OF DIRECTORS

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

AUDITORS

DINESH R. SHAH & CO.
Chartered Accountants

BANKERS

BANK OF BARODA
HDFC BANK LTD.

REGISTERED OFFICE & WORKS

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

SHAH FOODS LTD.

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, September 18, 2010 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31-3-2010, the Profit & Loss Account for the year ended at that date and the Reports of the Directors and Auditors thereon.
2. To declared dividend @ Re.1/- (net of tax) per equity share.
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 authorize the Board to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of the Articles of Association of the Company and Sections 198, 269, 309, 310, 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such consents, approvals and permissions as may be needed, Mr. Janak P. Shah be and is hereby appointed as Whole-time Director of the Company to be designated as Vice Chairman not liable to retire by rotation for a period of five years with effect from 1-10-2009 at a remuneration and on the terms and conditions set out below:

a) Salary (Basic) per month Rs.36000/- in a time scale of Rs.36000/--Rs.30000/--Rs.51000/-.

b) Allowances/perquisites :

(i) Leave Travel Allowance for self and family once a year in accordance with the rules of the Company in this regard

(ii) Gas/Electricity/Water and furnishings at his residence, the expenses of which will be evaluated as per Income Tax Rules, 1962, and will be subject to ceiling of 10% of his salary

(iii) Medical reimbursement expenditure incurred by the Managing Director and his family, subject to a ceiling of one month's basic salary in a year or three months basic salary over a period of three years.

(iv) Club Fees, actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.

(v) Hospitalisation Insurance Scheme as per the scheme of the Company provided the premium amount does not exceed a sum of Rs.4000/- per annum.

(vi) Contribution to Provident Fund and Superannuation Fund/Annuity Fund will be as per Scheme of the Company.

(vii) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.

(viii) Encashment of unavailed leave at the end of the tenure or at specified intervals will be as per Scheme of the Company.

(ix) Provision of car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites.

(x) Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

MINIMUM REMUNERATION: The remuneration specified at above should continue to be paid to

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Mr. Janak P. Shah as and by way of Minimum Remuneration notwithstanding the loss of inadequacy of profit during the relevant period of tenure of his office.

"Resolved further that the Board of Directors be and is hereby authorised to take all necessary or desirable steps for the purpose of affecting this appointment and matters incidental thereto"

Place : Ahmedabad
Dated : 29-07-2010

By Order of the Board
Pradip P. Shah
Chairman

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. Share transfer documents and all correspondence relating thereto, should be addressed to registrar and Share Transfer Agents of the Company.
M/S. Bigshare Services Pvt. Ltd.,
E/2, Ansa Industrial Estate, Sakivihar Road, Saki-Naka, Andheri (East), Mumbai-400 072.
Tel:91-22-28470652/40430200/28470653 Fax:91-22-28475207 E-mail:marketing@bigshareonline.com
4. Dividend if declared, will be despatched on or after 24-9-2010 to those members whose names appear on register of members as on 11-9-2010
5. Shareholders/proxies are requested to produce the attendance slip at the entrance of the Meeting Hall.
6. The Register of Members and Transfer Books of the Company will remain closed from Saturday, September 11, 2010 to Saturday, September 18, 2010, both days inclusive.
7. Shareholders desiring any information as regards the Accounts are requested to write to the Company at least five days in advance of the annual general meeting to enable the management to keep the information ready at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF COMPANIES ACT, 1956 ITEM 5:

In the Annual general Meeting held on 21-8-04 Mr. Janak P. Shah was appointed as Whole Time Director of the Company to hold office for a period of five years with effect from 1-10-04. The Board re-appointed Mr. Janak P. Shah as Whole Time Director (designated as Vice Chairman) of the Company for a period of five years w.e.f. 1-10-09 on the remuneration incorporated in the text of the resolution.

The appointment and remuneration of the Whole Time Director is required to be approved by the shareholders in the first General meeting after his appointment and accordingly this resolution is being placed before the shareholders of the Company..

The agreement entered into between the Company and appointee is available for inspection at the registered office of the Company during business hours on any working day except Sunday between 10.00am and 12.00 noon upto and including date of annual general meeting.

Your Directors consider the said resolution in the interest of the Company and therefore recommends the same for your approval.

None of the directors are in any way concerned or interested in the passing of the resolution except Mr. Janak P. Shah being an appointee and Mr. Pradip Shah, Mr. Sushil Shah and Mr. Nirav Shah being relatives of an appointee.

Place : Ahmedabad
Dated : 29-07-2010

By Order of the Board
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, 2010.

FINANCIAL RESULTS

	F.Y. 2009-2010	F.Y.2008-2009
	(Rs. in Lacs)	(Rs. in Lacs)
INCOME FROM OPERATIONS	203.98	241.70
Add : Gain/-Loss From Trading	15.54	-8.57
Add : Other Income	<u>2.84</u>	<u>4.72</u>
Total Income	222.36	237.85
Less : Expenditures	182.02	212.28
Less : Finance Charges	0.18	0.55
Less : Depreciation	<u>6.70</u>	<u>6.56</u>
PROFIT FOR THE YEAR BEFORE TAX	33.46	18.46
Less : Provision for Taxation	7.13	7.50
Less : Provision for FBT	0.00	0.31
Less : Provision for Deferred Tax	<u>0.01</u>	<u>1.07</u>
Net Surplus for the year	26.32	9.58
Add: B/F from P & L A/c	<u>27.08</u>	<u>27.49</u>
Balance for Appropriation	53.40	37.07
Less : Proposed Dividend	5.97	5.97
Less : Tax on Dividend	0.93	1.02
Less : Transfer to General Reserves	<u>3.00</u>	<u>3.00</u>
Net Balance c/f to Balance Sheet	43.50	27.08

DIVIDEND

The Board recommends a dividend of 10% (Re. 1 per share; 2008-2009; Re. 1 Per Share) which will absorb Rs. 6.90 lacs together with tax on Dividend of Rs. 0.93 Lacs. The Board has transferred Rs. 3.00 lacs to the General Reserves and proposed to carry forward balance in profit and loss account of Rs. 43.50 Lacs.

PERFORMANCE OF THE COMPANY

The company produced 4659 metric tonnes of biscuits as against 4,925 metric tonnes in the previous year, for our principal customer. However, profits from manufacturing operations are not satisfactory and we continue to raise this issue with Britannia. We continue to face the situation of inadequate orders on us from Britannia relative to our capacity, unevenness of order book month by month, as well as sudden reduction in ordered quantity.

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OUTLOOK

The management continues to request Britannia to increase production volume of the current varieties. They have also loaded us with Good Day butter and Cashew varieties from the first quarter of this year. Your company is also examining opportunities for diversification with urgency.

AUDITORS

The statutory Auditors M/s Dinesh R. Shah & Co. Chartered Accountants, Ahmedabad retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

ISO: 22000-2005 CERTIFICATE AND PRIZE FROM BRITANNIA

Your company has obtained ISO: 22000-2005 certificate for food safety by TUV-SUD Management Services GmbH - trading as TUV South Asia Private Ltd.- valid up to March, 2013

We are pleased to inform you that your company has been selected as best franchisee for having Zero Foreign Body Contamination (FBC) during financial year 2006-07, 2007-08, 2008-09 and again in financial year 2009-10, and was awarded Rs. 50,000/- cash prize by our principal customer Britannia Industries Ltd. for the last three years.

CORPORATE GOVERNANCE

The Company has complied with the provision of listing agreement. A compliance certificate confirming compliance with the company laws is annexed and forms a part of the Director's Report.

The company has put up email ID for investor grievances. Shareholders may lodge their complaint or grievances to Compliance Officer for quick response on following email ID grievancescell@shahfoods.com

The Registrars and Share Transfer Agents of the company are M/S Bigshare Servicex Pvt. Ltd., E/2, Ansa Industrial Estate, Sakivihar Road, Saki-Naka, Andheri (East), Mumbai - 400 072.

Of the subscribed capital of company of 5,97,500 shares, 4,55,185 shares have been dematerialized upto March 31, 2010. Shareholders are requested to send their physical shares for dematerialization through their depository participants. The company's ISIN No. is INE 455D01012.

DIRECTORS

Mr. Virendra P. Shah retires by rotation and, being eligible, offers himself 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the

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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.

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

As reported last year, the management took steps to improve fuel efficiency and energy conservation in this expansion and modernization programme.

1. Secured piped natural gas connection and switched over to gas as fuel for the oven from liquid fuel.
2. Replaced tube light chokes with electronic ballast to save electric power. Provided mirror-optic light fixtures with electronic ballast in newly built-up factory building. Also provided energy-efficient Super Saver Meta-Halide light fixtures in the factory premises.
3. Provided 80 KVAR capacitor bank with auto power factor control panel to improve power factor & reduce energy consumption.
4. Provided natural roof extraction ventilators in shop-floor & godown area for natural air circulation on shop floor and translucent fiberglass roofing sheets for providing natural day light.
5. Provided energy efficient man coolers & desert coolers for improving air circulation in the factory.
6. Replaced A.C. servo drives with Variable Frequency Drives.

As required in Section 217 (1) (e) of the Companies Act, 1956 details regarding conversion of energy, etc. are given hereunder :

FORM-A

(A) PARTICULARS :

Power and Fuel Consumption		2009-2010	2008-2009
1. Electricity Purchased :	Units	2,76,690	3,51,429
	Amount (Rs. Lacs)	16.15	20.65
	Average Rate/Unit Rs.	5.84	5.88
2. LDO/ HSD :	K. Litres FY 09-10 (01-4-08 to 30-11-08)	0.00	202.92
	Amount (Rs. Lacs)	0.00	73.85
	Average Rate/K.L. Rs.	0.00	36,394.19
3. GAS	SCM FY 09-10 (01-12-08 to 31-03-09)	3,14,373.45	81,122.30
	Amount(Rs. Lacs)	53.97	15.28
	Average rate/SCM Rs.	17.17	18.84