ANNUAL REPORT

2011-2012

SHAH FOODS LIMITED

An ISO : 22000 Certified Company

SHAHI

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

ZERTIFIKAT ◆ CERTIFICATE ◆ СЕРТИФИКАТ ◆ CERTIFICADO ◆ CERTIFICAT

Management Service

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

TGA-SM-07-92

TÜV SÜD Management Service GmbH • Zertifizierstelle • Ridlerstraße 65 • 80339 München • Germany

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.	

NOTICE

Notice is hereby given that the Annual General Meeting of the members of Shah Foods Limited will be held on Saturday, 22 September, 2012, at 11.00 a.m. at the Registered Office of the Company situated at Chhatral, Kalol-Mehsana Highway Road, Taluka. Kalol, Dist. Gandhinagar, Gujarat-382729 to transact the following business:

ORDINARY BUSINESS :

1. To receive consider & adopt the audited Balance Sheet as at 31st March 2012, the Profit & Loss Account for the year ended on that date and the Reports of the Directors' & the Auditors' thereon.
2. To appoint a Director in place of Mr. Sushil P. Shah, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Srichand R. Kahar, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and 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 subject to provision of Section 198, 309, 310 & 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the members hereby accords its approval for the re-appointment of Mr. Shrichand R. Kahar as Manager for a period of Three years w.e.f. 01/10/2012 and for the payment of remuneration as under:

a)	Salary	:	Rs 9,000/- p. m. in the grade of Rs. 9,000-700-11,100.
b)	D. A.	:	50 % of Basic
c)	HRA	:	40 % of Basic
d)	Conveyance	:	40 % of Basic
e)	Bonus	:	As provided under Payment of bonus Act, If applicable.
f)	Medical expenses	:	Ceiling of one month's Basic and D. A. in a year or three months' Basic & D. A. over a period of three years
g)	Leave travel concession	:	For self and family once in a year up to the maximum of one month Basic & D. A. (Within India)

Overall remuneration will not exceed Rs 66500/- p. m. and will include payment made by way of perquisites which shall be evaluated at actual cost to the Company and where it is not possible to ascertain actual cost, such perquisites shall be evaluated as per Income Tax Rules, 1962. It will not include followings:

a) Company's Contribution to Provident Fund as per the rules;

b) Gratuity payable shall not exceed half a month's salary for each completed year of service;

RESOLVED FURTHER THAT where in any financial year, the company has no profit or its profit is inadequate, the appointee shall be paid the above referred remuneration as minimum remuneration.

RESOLVED FURTHER THAT the aforesaid salary and the benefits, perquisites and amenities may be increased by the Board of Director as per the relaxation that may be made by the Government from time to time."

By Order of the Board of Directors
Janak P. Shah
Vice Chairman

Place: Ahmedabad
Date: 28th July, 2012

NOTES:

1. Amember entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on a Poll, if any, in his/her stead and the proxy need not be a member of the Company.
2. Theinstrument appointing proxies, in order to be effective, must be received by the Company at the registeredoffice, not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to thisnotice.
3. As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges the relevant details of Shri Sushil P. Shah and Shri Srichand R. Kahar,Directors retiring by rotation and seeking re-appointment under Item No. 2 and Item No.3 of the Notice respectively, are annexed herewith.
4. Register of Members and Share Transfer Books of the Company was remained closed from Saturday, the 15 Sept, 2012 to, 22 Sept., 2012 (both days inclusive).
5. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by members at the AGM.
6. The Register of Contracts maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the Members at the Registered Office of the Company.
7. As a Green Initiative in the Corporate Governance, the Ministry of Corporate Affairs("MCA") vide its circular bearing nos. (i) 17/2011 dated April 21, 2011 and (ii) 18/2011 dated April 29, 2011 allowed the Companies to send various notices/ documents (including Notice conveying AGM, Audited Financial Statements, Auditors' Report, Directors Report and other related documents) to shareholders through electronic mode, to the registered email Id of the shareholders. Pursuant to said Green Initiative. The Company urges the members to communicate their email id to the Company and / or RTA, so that the Company can send future communications to these shareholders in electronic mode.
8. Members are requested to visit the website of the Company 'www.shahfoodslimited.com' for viewing the quarterly & annual financial results and for more information on the Company.
9. For any investor-related queries, communication may be sent by e-mail to grievancescell@shahfoods.com
10. Big Share Services Private Limited (Big Share) is the Registrar & Share Transfer Agent (R&TAgent) of the Company. All investor related communication may be addressed to Big Share at the following address;
    Big Share Services Private Limited.
    E-2 & 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri (E), Mumbai, 400 072. Tel: 91-22-28470652|40430200|28470653Fax:91-22-28475207,
    E Mail:marketing@bigshareonline.Com.
11. For effecting changes in address/bank details/ECS (Electronic Clearing Service) mandate, members are requested to notify:
    (i) The R&T Agent of the Company, viz. Big Share, if shares are held in physical form; and
    (ii) Their respective Depository Participant (DP), if shares are held in electronic form.
12. Members are requested to send their queries, if any, to reach the Company at its Registered Office, at least 10 days before the meeting, so that the information can be compiled in advance.
13. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the meeting.

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

Members may kindly note that the present term of Shri Shrichand R. Kahar as Manager of the Company will end on 30 September, 2012. He was re-appointed as a Manager for a period of five years w. e. f. 1/10/2012 in Board Meeting dated 28/07/2012 on overall remuneration of Rs 7.98 lac p.a.

On recommendation of remuneration committee, the Board of Directors of the Company at the meeting held on 28/07/2012 has, subject to the approval of the members, unanimously approved the appointment of Shri Shrichand R. Kahar as Manager of the Company w. e. f. 1/10/2012 for a period of 3 (Three) years, including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated 28/07/2012 has already been circulated to the members.

Shri Shrichand R. Kahar has been associated with the Company since 1986 and looks after factory of the Company. Members' approval is required for the re-appointment of Shri Shrichand R. Kahar as Manager of the Company w. e.

f. 1/10/2012 and payment of remuneration as set out in the accompanying resolution. His appointment shall be terminable by three months' notice on either side or by payment of three months' salary in lieu of notice by either party.

The remuneration proposed is within the limits of Part II of the Schedule XIII of the Companies Act, 1956 and there is no default in repayment of any of debts or interest payable thereon till date. The remuneration is subject to provisions of the Income Tax Act, as applicable from time to time. The remuneration proposed under the resolution was also proposed to be paid as minimum remuneration during the tenure of his appointment, in case in any financial year the company earns no profit or inadequate profit.

The Board recommends the resolution set out at item no. 5 of the notice for your approval.

A draft agreement, recording the terms of remuneration as above to be executed with the appointee, is available for inspection during business hours.

None of the Directors in any way, concerned or interested in the resolution set out at item no. 5 of the Notice.

By Order of the Board of Directors

Place: Ahmedabad
Date: 28th July, 2012

Janak P. Shah
Vice Chairman

Details of the Directors seeking re-appointment in the Twenty Fourth Annual General Meeting [Pursuant toClause 49 of Listing Agreement of Bombay Stock Exchange]

Particulars	**Shri Sushil P. Shah**	**Shri Srichand R. Kahar**
Relationships with other Directors	Brother, Uncle	None
Date of Appointment	07/06/1988	01/10/1997
Expertise	Plastic engineer	Production manager
Qualification	B. Sc. Plastic Engineer	11 Pass
No. of Equity Sharesheld in the Company	29,550	200
List of other companies in which directorship are held	None	None
List of committees of the Board of Directors(across all companies) in whichChairmanship/ Membership is held	None	None

Note:

The Directorships held by Directors as mentioned above, do not include Directorships of Private Limited Companies.

DIRECTORS' REPORT

TO THE MEMBERS

The Directors submit herewith the Annual Report together with audited statement of accounts for the year ended March 31, 2012.

FINANCIAL RESULTS	F.Y. 2011-2012 (Rs. in Lacs)	F.Y.2010-2011 (Rs. in Lacs)
INCOME FROM OPERATIONS	27,084,879	21,854,058
Add : Gain/-Loss From Trading	(728,333)	76,234
Add : Other Income	240,653	270,214
Total Income	**26,597,199**	**22,200,506**
Less : Expenditures	25,364,177	21,307,739
Less : Finance Charges	12,139	27,501
Less : Depreciation	704,984	690,885
PROFIT FOR THE YEAR BEFORE TAX	**515,899**	**174,380**
Less : Provision for Taxation	212,000	105,411
Less : Provision for Deferred Tax	(12,017)	(123,731)
Net Surplus for the year	315,917	192,700

DIVIDEND

Due to non availability of required surplus, the Board does not recommend any dividend (2010-2011: NIL) so carry forward balance on 31-03-2012 in profit and loss account of Rs. 48.52 Lacs.

PERFORMANCE OF THE COMPANY

The company produced 5,306 metric tonnes of biscuits as against 5,223 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.

OUTLOOK

While the management continues to request Britannia to increase production volume of the current variety and also to consider giving other premium varieties, it 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 first time get additional 100% performance achieved incentive of Rs. 1,68,694/- from Britannia during current financial year 2011-2012 and previously selected as best franchisee for

having Zero Foreign Body Contamination (FBC) during financial year 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11, and was awarded Rs. 50,000/- cash prize by our principal customer Britannia Industries Ltd for the last five 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 resonse 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, 4,80,335 share have been dematerialized up to 31st March , 2012. Shareholders are requested to send their physical shares for dematerialization through their depository participants. The company's ISIN No. is INE 455D01012.

DIRECTORS

Mr. Sushil. P. Shah and Mr. Shrichand R. Kahar retire by rotation and, 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.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY AND ABSORBTION 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.

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

FORM-A

PARTICULARS :

Power and Fuel Consumption		**2011-2012**	**2010-2011**
1. Electricity Purchased :	Units	326,365	3,38,753
	.Amount (Rs. Lacs)	19.60	18.73
	Average Rate/Unit Rs.	6.01	5.53
2. GAS	SCM	309103.56	3,31,659.11
	Amount(Rs. Lacs)	82.67	64.27
	Average rate/SCM Rs.	26.75	19.38

(B) CONSUMPTION PER UNIT OF PRODUCTION OF BISCUITS :

1. Electricity (KWH/T)	61.51	64.86
2. GAS (SCM/T)	58.26	63.50

PARTICULARS OF EMPLOYEES :

There is no employee drawing remuneration of Rs.24,00,000/- per annum or Rs. 2,00,000/- per month 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.

APPRECIATION

Your directors places on record appreciation of services rendered to the company by employees, customers and suppliers as well as our bankers and Government authorities.

For and on behalf of the Directors

Place : Ahmedabad
Date : 28-07-2012

Pradip P. SHAH
Chairman