



**Annual Report
2002-2003**

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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
HDFC BANK LTD.
CITY BANK

REGISTERED OFFICE & WORKS

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

ANNUAL REPORT 2002-2003**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 23, 2003 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, 2003 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. Sushil P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. A. S. Aiyer 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. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of item no. 5 of notice is annexed.
2. The Register of Members and Share and Transfer Books of the Company will remain closed from Saturday, August 23, 2003 to Friday, August 29, 2003, 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.

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4. Members are requested to note that earlier the company has appointed Pinnacle Shares Registry Pvt. Ltd. Near Ashoka Mills, Naroda Road, Ahmedabad 380025 as our Register and Transfer Agent for electronics connectivity with NSDL & CDSL. Due to SEBI Circular (ref. no. D & CC/FITTC/CIR-15/2002 dated 27-12-2002) regarding appointment of common agency for share registry, the company has also appointed Pinnacle Shares Registry Pvt. Ltd. as our Register and Transfer Agent for Physical Share transfer activity w.e.f. 01-02-2003. Therefore, M/s Pinnacle Shares Registry Pvt. Ltd is common Register and Transfer Agent.
5. 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.

Dated : 24-5-2003

Place : Chhatral

By Order of the Board

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, 2003.

FINANCIAL RESULTS

The Directors are pleased to report a turnaround in the operations of the company due to cost reduction measures undertaken by the company. The Gross Surplus for the year amounts to Rs. 10.41 lacs against Rs. 4.49 lacs for 2001-2002. After including Rs. 1.87 lacs for gains from trading against Rs. 0.32 lacs loss for the year 2001-2002, providing Rs. 0.17 lacs for financial charges (2001-2002, Rs. 0.22 lacs), Rs. 3.55 lacs for depreciation (2001-2002: Rs. 3.80 lacs), and Rs. 1.11 lacs for taxation for the current year (2001-2002 Rs. 0.43 lacs), the surplus for the year is Rs. 7.11 lacs. Deducting Rs. 1.40 lacs for deferred taxation, and adding to this the negative balance in the profit and loss account brought forward from the previous year, the net negative balance of Rs. 4.37 lacs is carried forward to the balance sheet.

From 1990-91, for nine 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. This year, we have seen slightly higher production as our plant. The central government has given a marginal net excises reduction on bisuits. perhaps in recognition of a hygienic, highly cost-efficeint nutritional product of mass consumption, made from wheat of which the country has surplus and which it seeks to export without value addition and at a loss. One can only hope that under the leadership of Mr Jaswant Singh, the Finance Ministry will further reduce excise duties on such a product and the states will follow suit with a reduction in sales taxes.

DIVIDEND

Due to the negative balance in the profit and Loss account, the Directors do not recommend any dividend

SHAH FOODS LTD.

for the year under review. Dividend prospects for the current year depend on the job work orders placed on us by Britannia Industries Limited.

PERFORMANCE OF THE COMPANY

The company produced 2743 metric tonnes of biscuits, as against 2682 metric tonnes in the previous year. (Target given by Britannia Industries Ltd. for FY 2002-03 was 2774MT & for FY 2001-02 was 2913MT.)

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 requested to Britannia to increase production volume for viability of the company. Britannia has acceded to our request and increased production volume from May 2003 onwards for a short period.

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.
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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.

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.

DIRECTORS

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

For and on behalf of the Board of Directors

For and on behalf of the Board

Chhatral

JANAK P. SHAH

Date : 24-05-2003

Vice Chairman

SHAH FOODS LTD.**ANNEXURE TO THE DIRECTORS' REPORT**

- A. Conservation of Energy :** None
- B. Technology Absorption :** Not Applicable
- C. Foreign Exchange earnings and outgo :** None

Form - A**(A) PARTICULARS :**

Power and Fuel Consumption		2002-03	2001-2002
1. Electricity Purchased :	Units	141,326	152,977
	Amount (Rs. Lacs)	7.15	8.23
	Average Rate/Unit Rs.	5.06	5.38
2. LDO/ HSD :	K. Litres	143.75	145.45
	Amount (Rs. Lacs)	18.98	19.63
	Average Rate/K.L. Rs.	13,203.48	13,496.05

(B) CONSUMPTION PER UNIT OF PRODUCTION OF BISCUITS :

1. Electricity (KWH/T)	51.52	57.04
2. LDO/HSD - (KL/T)	0.0524	0.0542