

**Annual Report
2007-2008**

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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

ZERTIFIKAT ♦ CERTIFICATE ♦ CERTIFICADO ♦ CERTIFICAT



Management Service

CERTIFICATE

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

SHAH FOOD LIMITED
BLOCK NO. 453/1,
KALOL MEHSANA HIGHWAY, CHHATRAL,
DISTRICT GANDHINAGAR - 382729, 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 **2010-03-21**

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



M. Hagedorn

Munich, 2007-03-26



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

ANNUAL REPORT 2007-2008

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 20, 2008 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, 2008 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To approve payment of dividend @ Re.1/- per equity share.
3. To appoint a Director in place of Mr. Pradip P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Nirav J. Shah who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

The Register of Members and Transfer Books of the Company will remain closed from Saturday, September 13, 2008 to Saturday, September 20, 2008, (Both days inclusive)

SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution

1. "RESOLVED THAT subject to Sections 198, 309, 310, 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be required or necessary, Mr. Nirav Shah, be and is hereby re-appointed as Whole-time Director for a period of six years from October 1, 2008 on the following terms :
 - A monthly Basic salary of Rs. 20,000/- p.m. in the grade of Rs. 20,000-4000-40,000.
 - Reimbursement of medical expenses, including hospitalization and premium for medical insurance for self and family, subject to a ceiling of one month's Salary in a year or three months' Salary over a period of three years.
 - a. Leave travel concession (within India) for self and family once in a year up to the maximum of one month salary.
 - b. Personal accident insurance, the premium of which shall not exceed Rs. 5000 per annum.
 - c. Company's Contribution to Provident Fund and Super Annuation shall not exceed 27% of Salary. Gratuity payable shall not exceed half a month's salary for each completed year of service.
 - d. Sick Leave and Annual Privilege leave entitlement shall be as per the rules of the Company.

"RESOLVED FURTHER THAT where in any financial year during the currency of tenure of Mr. Nirav J Shah, the Company has no profits or if the profits are inadequate, Mr. Nirav J. Shah shall be entitled to the Salary and perquisites not exceeding the above-mentioned limits."

ANNUAL REPORT 2007-2008

"RESOLVED FURTHER THAT the appointment shall be terminable by three months notice by either party or by payment of three month's salary in lieu of notice by either party."

"RESOLVED FURTHER THAT necessary Agreement, recording the terms of remuneration as above, be executed between the Company and Mr. Nirav J. Shah."

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

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 September 13, 2008 to Saturday, September 20, 2008, both days inclusive.
3. Members are requested to notify any change in their addresses to the Registrar 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, they are requested to 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.
5. Subject to provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors of the Company, if declared at the meeting, will be payable on or after 26th. September, 2008 to those members whose names appear on the Register of Members as on the opening of 13th. September, 2008.

EXPLANATORY STATEMENT U/S 173(2) THE COMPANIES ACT. 1956.

ITEMS 5

Mr. Nirav J. Shah was appointed as Director of the company on August 06, 2005 on the terms and conditions as approved by the shareholders at the Annual General Meeting held on August 06, 2005.

In compliance with the provisions of the Companies Act, 1956, the terms of the appointment of Mr. Nirav J. Shah is placed before the members at the General Meeting for their approval. This may be treated as an abstract of the draft agreements between the Company and Mr. Nirav J. Shah respectively. The drafts are available for inspection by the members of the Company at the registered office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

The Board of Directors recommend the resolution for approval of members.

None of the Directors of the company except Mr. Pradip P. Shah, Mr. Janak P. Shah and Mr. Sushil P. Shah, are interested in this resolution.

By Order of the Board

Dated : 09-07-2008
Place : Ahmedabad

Pradip P. Shah
Chairman

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

The Directors submit the Annual Report together with the audited statement of accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

	F.Y. 2007-2008	F.Y.2006-2007
	(Rs. in Lacs)	(Rs. in Lacs)
INCOME FROM OPERATIONS	192.67	184.21
Add : Gain From Trading	7.40	5.87
Add : Other Income	<u>3.85</u>	<u>6.13</u>
Total Income	203.92	196.21
Less : Expenditures	173.49	176.66
Less : Finance Charges	0.57	0.33
Less : Depreciation	<u>6.37</u>	<u>4.28</u>
PROFIT FOR THE YEAR BEFORE TAX	23.49	14.94
Less : Provision for Taxation	7.98	4.06
Less : Provision for FBT	0.38	0.32
Less : Provision for Deferred Tax	<u>-1.86</u>	<u>3.49</u>
Net Surplus for the year	16.99	7.07
Add: B/F from P & L A/c	<u>20.49</u>	<u>23.41</u>
Balance for Appropriation	37.48	30.48
Less : Proposed Dividend	5.97	5.97
Less : Tax on Dividend	1.02	1.02
Less : Transfer to General Reserves	<u>3.00</u>	<u>3.00</u>
Net Balance c/f to Balance Sheet	27.49	20.49

DIVIDEND

The Board recommends a dividend of 10% (Re. 1 per share; 2006-2007; Re. 1 Per Share) which will absorb Rs. 6.99 lacs together with tax on Dividend of Rs. 1.02 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. 27.49 Lacs.

PERFORMANCE OF THE COMPANY

The company produced 4860 metric tonnes of biscuits as against 5381 metric tonnes in the previous year, in complete achievement of the target given by Britannia Industries Limited. However, profits from manufacturing operations are not satisfactory and we continue to raise this issue with Britannia. We 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. This leads to higher fuel costs, higher wastage, labour disruption and inadequate profitability. Because of supplemental profits from trading operations, the Board is pleased to be able to declare a dividend for this year.

ANNUAL REPORT 2007-2008

OUTLOOK

After expansion, the management continues to request Britannia to increase production Volume of the current variety and also to consider giving other premium varieties thus enabling us to utilize our full production capacity and also to extract optimum performance from the plant.

ENERGY CONSERVATION :

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

1. Replaced direct oil-fired turbulence baking oven with indirect dual-fuel much more efficient baking oven, complete sealed type with better heat insulation to save heat loss & improve fuel efficiency.
2. Replaced tube light chokes with electronic ballasts to save electric power. Provided mirror-optic light fixtures with electronic ballasts 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 natural day light.
5. Provided energy efficient man coolers & desert coolers for improving air circulation in the factory.

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, 2010

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 and again in financial year 2007-08, and was awarded Rs. 50,000/- cash prize by our principal customer Britannia Industries Ltd. for each of the years.

CORPORATE GOVERNANCE

The company has put up an e-mail ID for investor grievances. Shareholders may lodge their complaint or grievances to Compliance Officer for quick response on the following e-mail ID, grievancescell@shahfoods.com

The Registrars and Share Transfer Agents of the company are Pinnacle Shares Registry Pvt. Ltd., Near Asoka Mills, Naroda Road, Ahmedabad - 380 025.

Of the subscribed capital of company of 597,500 shares, 442,335 shares have been dematerialized upto June 30, 2008. Shareholders are requested to send their physical shares for dematerialization through their depository participants. The company's ISIN No. is INE 455D01012.

SHAH FOODS LTD.**DIRECTORS**

Mr. Pradip P. Shah and Mr. Nirav J. Shah retire by rotaion 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 ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS :

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		2007-2008	2006-2007
1. Electricity Purchased :	Units	328,621	223,851
	Amount (Rs. Lacs)	17.36	11.05
	Average Rate/Unit Rs.	5.28	4.94
2. LDO/ HSD :	K. Litres	258.57	321.102
	Amount (Rs. Lacs)	65.82	93.68
	Average Rate/K.L. Rs.	25,455.68	29,174.73

(B) CONSUMPTION PER UNIT OF PRODUCTION OF BISCUITS :

1. Electricity (KWH/T)	67.12	41.60
2. LDO/HSD - (KL/T)	0.0532	0.0597

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.