

ANNUAL REPORT 2002 - 2003

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Sunil Agro Foods Limited

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**SUNIL AGRO FOODS LIMITED
FIFTEENTH ANNUAL GENERAL MEETING 2002-2003**

BOARD OF DIRECTORS

Mr. B Shantilal	<i>Managing Director</i>
Mr. Pramodkumar S	<i>Executive Director</i>
Mrs. Kamala Bai	<i>Director</i>
Mr. AVS Murthy	<i>Director</i>
Mr. Shailesh Siroya	<i>Director</i>

REGISTERED OFFICE & FACTORY

Plot No; 39-A2, Hosakote Industrial Area,
Chokkahalli,
Hoskote -562 114

CORPORATE OFFICE

No:1/104, Ahuja Chambers,
Kumara Krupa Road,
Bangalore -560 001

AUDITORS

Messrs. Manian Suresh Sundar & Vittal
Chartered Accountants
Bangalore

BANKERS

The Karnataka Bank Limited
Kempegowda Road, Bangalore

SHARE TRANSFER AGENTS

Bigshare Services Private Limited
Mumbai

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NOTICE

NOTICE is hereby given that the FIFTEENTH Annual General Meeting of the shareholders of the Company will be held at 11 am on Friday, the 5th day of September, 2003 at the BHARATIYA VIDYA BHAVAN Race Course Road, Bangalore-560 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date, together with the reports of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. AVS Murthy 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 modification(s), the following as an Ordinary Resolution:

"RESOLVED THAT Mr. Shailesh Siroya who was appointed as Additional Director of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as Director of the Company liable to retire by rotation."

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreements, and all other applicable Laws, Rules, Regulations and Guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modification(s) as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which the Board of Directors of the Company

(hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution), be and is hereby authorized to agree, the consent of the Company be and is hereby accorded to the Board to de-list the Equity Shares of the Company from the Stock Exchanges at Ahmedabad and Bangalore".

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 or any amendment(s) or modification(s) thereof, consent of the members be and are hereby accorded to the increase in the salary of Mr. Pramod Kumar, Executive Director of the Company from the existing Rs. 30,000/- (Rupees Thirty Thousand only) per month to Rs. 50,000/- (Rupees Fifty Thousand only) per month with effect from 1-10-2003 with all other terms and conditions remaining same.

8. To consider, and if thought fit, to pass with or without modification(s), the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the following manner:

By including the following two new Articles 168 and 169 after the existing Articles 167 as hereunder:

168 PURCHASE OF SHARES/BUYBACK OF SHARES

The Company may purchase/buy back its own shares or other specified securities in accordance with the provisions of Sections 77A, 77AA and 77B of the Act and such regulations or

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guidelines framed by SEBI or any other appropriate authority.

169 POSTAL BALLOT:

The Company may and in the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, shall, get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company. Where the Company requires to or decides to, as the case may be, get a resolution passed by means of a postal ballot, the provisions of Section 192A of the Act or such other rules, regulations and modifications framed thereunder from time to time shall be complied with."

By Order of the Board

FOR SUNIL AGRO FOODS LIMITED

BANGALORE
28-7-2003

B.SHANTILAL
Managing Director

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at the Registered office not less than 48 hours before the meeting.
2. The Listing fees are paid to the Stock Exchanges at Bangalore, Mumbai and Ahmedabad upto date.
3. The Company's shares are traded in electronic form with ISIN No. INE224D01012.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.
5. The Company was not required to transfer the unclaimed dividend, declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend

(Transfer to General Reserve Account of the Central Government) Rules, 1978 as there were no balances in the unpaid dividend account.

6. Dividend, if approved at the ensuing AGM, will be paid on or before 4th October, 2003 to those Members whose name appear on the Company Registrar of Members as on 5th September, 2003 subject however to the provisions of Section 206A of the Companies Act, 1956. In respect of shares held in electronic form, dividend will be payable on the basis of ownership as per details furnished by NSDL and CDSL for this purpose.

INFORMATION REQUIRED TO BE FURNISHED UNDER LISTING AGREEMENT

As per Listing Agreement, particulars of Directors who is proposed to be re-appointed/appointed are given below:

I **Name:** Mr. AVS Murthy
Age: 50 years

Qualification:

1. BE (Mechanical), Bangalore University,
2. MS (Grain Science & Industry), Kansas State University, USA,
3. MIE, Institution of Engineers, India

Expertise:

General Management

Other Directorships:

1. Srushti Pharmaceuticals (P) Ltd
2. Mysore Vegetable Oil Products Limited
3. Mysore Snacks Foods Limited
4. Mukunda Industrial Finance Limited
5. Alampalli Investments (P) Ltd
6. Krishna Industries (P) Ltd

II **Name:** Mr. Shailesh Siroya
Age: 37 years

Qualification:

1. B.com
2. MBA (University of Akron, USA)

Expertise:

Management Experience in Corporate Sector

Sunil Agro Foods Limited

Other Directorships:

1. BL Pharma Ltd - Managing Director

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

Item No. 5:

Mr. Shailesh Siroya was appointed as an Additional Director of the Company at the Board meeting duly convened and held on the 28th day of July 2003 with an intention of having an Independent Director on Board. Mr. Shailesh Siroya is a leading businessman and his induction will only help the Company in very many ways. He holds office till the date of this Annual General Meeting as per the provisions of the Companies Act, 1956.

The Board recommends this resolution to be passed at the Annual General Meeting.

None of the Directors other than Mr. Shailesh Siroya is interested/concerned in the resolution.

Item No. 6:

The Company's Shares are enlisted on the following Stock Exchanges:

1. The Bangalore Stock Exchange Limited
2. The Exchange, Mumbai
3. Ahmedabad Stock Exchange

Approval of the members was once obtained to delist the Shares from Ahmedabad Stock Exchange which was not given effect to, by your Board. With the new SEBI {Delisting of Securities} Guidelines, 2003 coming in to effect, your Board has recommended that the Shares be delisted from the Stock Exchanges at Bangalore and at Ahmedabad. This would not cause any inconvenience to any investors since the Shares will continue to be traded on the Stock Exchange at Mumbai. However, the proposed delisting would reduce significant unnecessary expenditures and redundant compliances which in any case will be done with the Stock Exchange at Mumbai. Investors situated wherever, have access to the Stock Exchange at Mumbai through the wide network.

None of the Directors of the Company is concerned or interested in the resolution.

Your Directors recommend the resolution for your approval.

Item No. 7:

Based on the recommendations made by the Remuneration Committee, the Board of Directors at their meeting held on 28th July 2003 decided to increase the salary of Mr. Pramodkumar S. Executive Director of the Company from the existing Rs 30,000/- to Rs 50,000/- per month with all the other terms and conditions remaining same with effect from 1.10.2003 subject to the approval of the Shareholders in the Fifteenth Annual General Meeting of the Company.

This will be within the limits prescribed under Schedule XIII to the Companies Act, 1956. Requirement of guidelines have been complied with, in this connection.

Mr. Pramodkumar S, Executive Director, Mr. B Shantilal, Managing Director and Mrs. Kamala Bai, Director of the Company are interested/concerned in the resolution.

Your Directors recommend the resolution for your approval.

Item No. 8:

The Articles of Association of the Company are proposed to be updated by inserting the new articles relating to Buy Back of Shares and Postal Ballot. The provisions of the Companies Act, 1956 were amended in the recent past with regard to Buy Back of the Shares and Postal Ballot. Your Board opines that the Articles of Association of the Company should be updated in the light of the aforesaid amendments.

The Board recommends this resolution to be passed at the Annual General Meeting.

None of the Directors of the Company is concerned or interested in the resolution.

By Order of the Board
FOR SUNIL AGRO FOODS LIMITED

BANGALORE
28-7-2003

B.SHANTILAL
Managing Director

Annual Report 2002 - 2003**DIRECTORS' REPORT**

Your Directors are pleased to present the Fifteenth Annual Report and the audited statements of accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS:

(Rs in lacs)		
Particulars	Year Ended 31.03.2003	Year Ended 31.03.2002
Sales	4792.26	4227.42
Other income	123.77	54.52
Profit before depreciation & tax	111.46	95.38
Less: Depreciation	46.70	44.78
Profit/(Loss) before tax	64.76	50.60
Less: Provision for tax	26.78	18.45
Profit after Tax	40.62	32.15
Add: P & L A/c brought forward	119.84	105.68
Proposed Appropriations:-		
Balance Carried forward	160.46	137.83

DIVIDEND:

Your Board is pleased to recommend dividend of Rs. 0.50 {5%} per fully paid up Equity Share of Rs10/- each for the year under report.

PERFORMANCE:

The year that has passed witnessed recovery in the industry to which your company belongs. The continued economic sluggishness world wide although affected the industry in general, your Company achieved better results.

As compared to Rs. 42.27 Crores of revenue during the previous year, your Company recorded a revenue of Rs 47.92 crores for the year that has just passed. Profit after tax which stood at Rs. 32.15 Lacs in the previous year rose to Rs 40.62 Lacs.

The improved performance with higher profitability is attributed primarily to better management of resources and optimization of sales efforts. Measures were uniformly applied to reduce costs wherever possible and significant efforts were put in to increase the margins.

The objective now is to ensure faster growth of profits than the revenue. The members may appreciate the trend of continued rise in profits in the last three years with which your Board feels quite enthused and your Directors desire to assure you that more efforts will be infused to maximize profits and thereby enhance shareholders' value.

DIRECTORS:

Mr. AVS Murthy retires by rotation and is eligible for reappointment.

Mr. Shailesh Siroya was appointed as Additional Director of the Company by the Board of Directors of your Company at their meeting held on 28th July, 2003. He holds office upto the date of this Annual General Meeting. He becomes a regular Director liable to retire by rotation, if the proposed resolution under the special business is passed by the shareholders at the Annual General Meeting.

Notice pursuant Section 257 of the Companies Act, 1956 is received proposing the candidature of Mr. Shailesh Siroya from a shareholder along with deposit of Rs. 500/-.

AUDITORS:

Messrs. Manian Suresh Sundar and Vittal, Chartered Accountants, retire as Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

DEPOSITS:

The Company did not accept any deposits during the year and there was no outstanding deposit due for payment.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956:

There was no employee drawing remuneration in excess of the limits prescribed under the above mentioned Section of the Act during the current year.

INFORMATION PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:

The information as required under the above Section is given in Annexure and forms part of the Report.

CORPORATE GOVERNANCE REPORT:

Corporate Governance Report is given as an Annexure to this report and forms part of the Report.

INDUSTRIAL RELATIONS:

The relations with employees continued to be cordial throughout the year. Your Directors wish to place on record their sincere appreciation for the excellent team spirit displayed by the employees at all levels.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors have fulfilled their responsibility for the preparation of the accompanying financial statements by taking all reasonable steps to ensure that:

These statements have been prepared in conformity with the generally accepted accounting principles and appropriate accounting standards. Judgments and estimates that are reasonable and prudent have been made wherever necessary.

The accounting policies selected and applied consistently give a true and fair view of the financial statements.

The Company has implemented internal controls to provide reasonable assurance of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures, and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties. The Company's internal auditors conduct regular internal audits, which complement the internal controls.

The Company's Statutory Auditors, Messrs. Manian Suresh Sundar & Vittal, Chartered Accountants, Bangalore, have audited the financial statements in accordance with the generally accepted auditing standards and practices as indicated in their report.

GOING CONCERN:

The Directors have prepared the annual accounts on a going concern basis.

DELISTING:

Your Directors propose to delist the shares from the following Stock Exchanges:

- a. Bangalore Stock Exchange
- b. Ahmedabad Stock Exchange

This proposal would result in significant savings to the Company whilst not causing any hardships to any of the investors. Adequate explanations have been furnished in the Notice and the Explanatory Statement annexed thereto.

ACKNOWLEDGMENTS:

Your Board wish to thank Karnataka Bank Limited for their continued support and assistance. Your Directors also wish to place on record their gratitude to the customers, distributors, dealers, vendors and investors for their continued and valued support.

By Order of the Board

FOR SUNIL AGRO FOODS LIMITED

BANGALORE	B.SHANTILAL	PRAMODKUMARS
28-7-2003	Managing Director	Executive Director

ANNEXURE TO THE DIRECTORS' REPORT

Conservation of Energy Technology Absorption and Foreign Earnings/Outgo

- 1). *Energy Conservation measures taken:*
The Company has a system to monitor consumption of energy and all efforts for conservation of energy wherever possible are made.
- 2). *Additional investments and proposal being implemented for reduction and consumption of energy and the impact of the same in the cost of production of goods:*

The Company made investment in machinery designed for low energy consumption made which is operational.

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Disclosure of particulars with respect to conservation of energy

	2002-03	2001-02
i) Electricity:		
a) Purchase Unit	25,78,600	22,57,720
b) Total Amount (Rs)	1,13,24,424	98,30,468
c) Rate Per Unit (Rs)	4.39	4.35
ii) In own Generation:		
a) Through Diesel Generator	34,450	1,40,611
b) Units/Liter of diesel Oil	3.14	3.08
c) Cost per Unit (Rs)	6.38	5.86
iii) Consumption per ton of production	57.00	52.30

3) *Technology Absorption Adoption and Innovation:*

The Company is committed to maintaining its standard and high quality of its production and is constantly engaged in efforts to confer to the guaranteed customer satisfaction.

4) *Foreign Exchange Earning and Outgo:*

Foreign Exchange Earnings -	Nil
Foreign Exchange Outgo -	Nil

For and on behalf of the Board of Directors

BANGALORE	B.SHANTILAL	PRAMOD KUMARS
28-7-2003	Managing Director	Executive Director

ADDENDUM TO DIRECTORS' REPORT IN RESPECT OF QUALIFICATION MADE IN AUDITORS' REPORT:

PARA Nos.

4.6 Accounting Policy No. 4 regarding valuing wheat products at net realisable value instead of at lower of cost or net realisable value.

Keeping in view of complexity of the process and difficulty & huge costs involved in ascertaining the actual cost of wheat products individually, the Company has been consistently valuing the wheat products at net realisable value.

4.7 Accounting policy No. 5: The temporary nature of fluctuations in the Capital market is the reason for valuing the Investments at cost. In view of adequate reserves and surplus available in the books of the Company, the Board has decided that no provisions is required.

4.8 Accounting policy No. 7 Encashment of leave salary on payment basis.

The Company has followed the above policy in the earlier year. There is no materials financial impact on the financial statement.

CORPORATE GOVERNANCE REPORT**A. Company Philosophy:**

The Company firmly believes in and has consistently practiced good Corporate Governance. The Company's essential character is shaped by the very values of transparency, professionalism and accountability. The Company will endeavor to improve on these aspects on the ongoing basis.

B. Board of Directors:

The Board of Directors comprises of 5 Directors out of which three are Executive Directors and 2 Non-executive Directors.

During the year 8 Board meetings were held on 15.4.2002, 28.6.2002, 30.7.2002, 5.9.2002, 30.9.2002, 30.10.2002, 9.1.2003, 29.1.2003 and 31.03.2003.

The composition of Directors and their attendance at the Board Meeting during the year and at the last Annual General Meeting as also number of other Directorship/membership of the committees are as follows:

Name of Director	Category of Directorships	No. of Board Meetings attended	Attendance at last AGM	No of other Directorship	Committee memberships
Mr. B Shantilal	Executive	8	Yes	3	1
Mrs. Kamala Bai	Executive	8	Yes	-	-
Mr. S Pramodkumar	Executive	8	Yes	3	2
Mr. AVS Murthy	Non-Executive	6	Yes	6	1
Mr. Shailesh Siroya*	Non-Executive	NA	NA		

*Appointed on 28.07.2003

C. Audit Committee

Audit Committee was constituted on 28th July 2003 consisting of Mr. Shailesh Siroya, Mr. AVS Murthy and Mr. Kamala Bai. The Committee will discharge the responsibilities as per prevailing guidelines.

D. Remuneration Committee**1. Terms of Reference:**

To review, assess and recommend the appointment and remuneration of executive directors and senior employees of the Company from time to time, periodically review the remuneration package of the executive directors/senior employees and recommend suitable revision to the Board.

2. Composition:

The Committee comprises 2 Non-executive Directors and one Executive Director. Only one meeting was held till date and all the members of the Committee attended the same.

3. Remuneration Policy:

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives.

The components of the total remuneration vary from different cadres and are governed by industry pattern, qualifications and experience of the employee, responsibilities handled by him, individual performance etc.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent in the organization and reward merit.

4. Details of remuneration for the year 2002-2003

Name of Director	Remuneration Amount in Rs	Sitting Fees Amount in Rs
Mr. B Shantilal	2,40,000/-	NA
Mrs. Kamala Bai	90,000/-	NA
Mr. S Pramodkumar	3,60,000/-	NA
Mr. AVS Murthy	NA	NA
Mr. Shailesh Siroya	NA	NA

Annual Report 2002 - 2003**E Investors Grievance / Share Transfer Committee**

1. Terms of reference

To look into the shareholders complaints, if any, and to redress the same expeditiously. The committee approves the request for issue of duplicate share certificates and issue of certificates after split/ consolidation/renewal as also requests from transmission of shares, referred by the share transfer committee.

2. Composition

The Shareholders' Grievance Committee comprises of 2 Executive Directors.

During the year the Committee had 4 meetings; the attendance of the members was as follows:

Name of Director	Status	No. of meetings attended
Mr. B Shantilal	Chairman	4
Mr. S Pramodkumar	Member	4

During the year there were no complaints received from the shareholders.

The Committee was reconstituted on 28th July 2003 consisting of the Mr. AVS Murthy, Mr. Shailesh Siroya and Mr. Pramodkumar S.

F. General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Location
1999-2000	21.09.2000	11.00 am	Registered Office
2000-2001	05.09.2001	11.00 am	Registered Office
2001-2002	05.09.2002	11.30 am	Registered Office

G. Means of Communication:

- Quarterly results are published in the prominent daily newspapers.
- Necessary disclosures as per the requirement of SEBI/Listing Agreement and Corporate Laws are made within prescribed time as required.
- Management Discussion and Analysis forms part of the Annual Report.

H. General Shareholders Information:

- Annual General Meeting will be held at 11.00 am on Friday, the 5th day of September 2003.
- Financial calendar:

Sl No.	Particulars	Dates
1.	Annual Results of the previous year	30.07.2002
2.	First Quarter Results	30.07.2002
3.	Annual General Meeting	05.09.2002
4.	Second Quarter Results	30.10.2002
5.	Third Quarter Results	29.01.2003

- Date of Book Closure for the year 2002-2003:
3-9-2003 to 5-9-2003(Both days inclusive)
- Listing of Equity Shares on Stock Exchanges at:
▪ Bangalore (BgSE) ▪ Mumbai (BSE) ▪ Ahmedabad (ASE)
- Registrar and Share Transfer Agent:
Bigshare Services Private Limited, E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai Ph: 29523474 Fax: 28525207 email: bigshare@boon7.vsnl.net.in Mumbai.
- Share Transfer System:
The Company's shares are traded in the Stock Exchanges compulsorily in the demat mode. Shares in physical mode which are lodged for transfer at the Investor Service Center are processed and subject to exercise of option under compulsory transfer cum demat procedures, share certificates are either dematted or returned within the time prescribed by the authorities.