

# **ANNUAL REPORT**

## **2003 - 2004**

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# **Sunil Agro Foods Limited**

Sunil Agro Foods Limited

## SUNIL AGRO FOODS LIMITED

### SIXTEENTH ANNUAL GENERAL MEETING 2003-2004

#### 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>
Mr. B S Krishnaswamy	<i>Company Secretary</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  
Kempagowda Road, Bangalore

#### SHARE TRANSFER AGENTS

Alpha Systems Private Limited  
Bangalore

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**Sunil Agro Foods Limited****NOTICE**

NOTICE is hereby given that the SIXTEENTH Annual General Meeting of the shareholders of the Company will be held at 11 am on Saturday, the 4th day of September, 2004 at 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 2004 and the Profit and Loss Account for the year ended on that date, together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Kamala Bai who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint Auditors and fix their remuneration.
2. The Listing fee has been paid to The Stock Exchange, Mumbai upto date. Approvals were received from the Stock Exchanges at Bangalore and at Ahmedabad for delisting of the Shares from the said Exchanges.
3. The Company's shares are traded in electronic form with ISIN No. INE224D01012.
4. The Company was not required to transfer the unclaimed dividend, declared upto the financial year ended 31st March 1996 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.

By Order of the Board  
FOR SUNIL AGRO FOODS LIMITED

Place : Bangalore  
Date : 30-6-2004

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.

**INFORMATION REQUIRED TO BE FURNISHED UNDER LISTING AGREEMENT**

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

**Name: Mrs. Kamala Bai**

Age: 58 years

Qualification: Matriculate

Expertise: In the field of Flour Milling; Associated with Mr. B. Shantilal, her husband in the said field for 25 years.

Other Directorships: None

Name of the Company Committee Status

Sunil Agro Foods Ltd Audit Committee Member

**Annual Report 2003 - 2004****DIRECTORS' REPORT**

Your Directors are pleased to present the Sixteenth Annual Report and the audited statements of accounts of the Company for the year ended 31st March 2004.

**FINANCIAL RESULTS:**

(Rs in lacs)

Particulars	Year Ended 31.03.2004	Year Ended 31.03.2003
Sales	4921.92	4792.26
Other income	93.80	123.77
Profit before depreciation & tax	76.22	111.46
Less: Depreciation	52.08	46.70
Profit/(Loss) before tax	24.14	64.76
Less: Provision for tax	8.20	26.78
Profit after Tax	18.10	40.62
Add: P & L A/c brought forward	143.53	119.84
<i>Proposed Appropriations:-</i>		
Balance Carried forward	161.63	160.46

**DIVIDEND:**

The profit after tax being much less as compared to that of the previous year and in order to conserve the resources to augment the working capital required to enhance the business prospects, your Board has thought it fit to plough back the profits and therefore regrets its inability to recommend dividend for the year that has passed.

**PERFORMANCE:**

Though the financial year ended 31.3.2004 was not very encouraging, due to the team efforts of employees and your working Directors, there was a better turnover as compared to the earlier year.

The turnover of the Company for the financial year ended 31.3.2004 was Rs 49.21 Crores as against the turnover of Rs 47.92 Crores recorded during the earlier financial year. But the net profit for the year was Rs 18.10 Lacs as compared to the net profit of Rs 40.62 during the earlier financial year. Following were the reasons for the fall in the net profits even though the turnover was better as compared to earlier year:

- Other income during the year was Rs 93.80 Lacs as compared to Rs 123.77 Lacs during the earlier year i.e there was a reduction of 25%.
- Total Expenditure during the year was Rs 4763.37 Lacs as compared to Rs 4694.13 Lacs during the earlier year i.e there was an increase of Rs 69.24 Lacs.
- Depreciation during the year was Rs 52.08 Lacs as compared to Rs 46.70 Lacs during the earlier year i.e there was an increase of Rs 5.38 Lacs.

The improved turnover is attributed primarily to better management of resources and optimization of sales efforts.

With more levies being imposed by the Government Authorities and with more flour mills commercialising leading to cut throat competition, your Company will face unforeseen hurdles. Your Board is however confident of counteracting these threats with well set up infrastructural and skill sets.

**DIRECTORS:**

Mr. Pramodkumar S and Mrs. Kamala Bai, Directors of the Company retire by rotation and being eligible offers themselves for reappointment.

There was no change in the constitution of the Board during the year.

**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

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**Sunil Agro Foods Limited**

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.

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

**DELISTING:**

At the Fifteenth Annual General Meeting of the Company duly held on 5th September 2003, the shareholders of the Company had passed resolution for delisting of the Securities from the following Stock Exchanges:

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

Necessary steps were taken and all the formalities for Delisting were completed successfully and the approvals were received.

Now, the securities of your Company are enlisted only on The Stock Exchange, Mumbai, a premier Stock Exchange with terminals across India.

**ACKNOWLEDGMENTS:**

Your Board wish to thank Bankers i.e 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

Place : Bangalore    B. Shantilal                      Pramod Kumar S.  
Date : 30-6-2004    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.

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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's investment in machinery designed for low energy consumption made in the previous year is operational for this year.

**FORM - A**

Disclosure of particulars with respect to conservation of energy

	2003-04	2002-03
Power and Fuel Consumption:		
i) Electricity:		
a) Purchase Unit	2564784	2578600
b) Total Amount (Rs)	11561075	11324424
c) Rate Per Unit (Rs)	4.50	4.39
ii) In own Generation:		
a) Through Diesel Generator	26800	34450
b) Units/Liter of diesel Oil	3.00	3.14
c) Cost per Unit (Rs)	6.86	6.38
iii) Consumption per ton of production	58.73	57.00

- 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 -	USD 141592 (USD 294482)
Foreign Exchange Outgo towards travelling	Rs. 133282 USD 2555 & 1920 Singapore Dollars (Rs. 49,350) (1750 Singapore Dollars)

Bangalore B.Shantilal Pramodkumar S  
30-6-2004 Managing Director Executive Director

**ADDENDUM TO DIRECTORS' REPORT IN RESPECT OF QUALIFICATIONS MADE IN AUDITORS REPORT:**

PARA Nos.

- 4.6 Accounting Policy No. 4 regarding valuing wheat products at net realisable value instead of a 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 the adequate reserves and surplus available in the books of the Company, the Board has decided that no provisions are required.

**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 whom three are Executive Directors and 2 Non - Executive Directors.

During the financial year ended 31.3.2004 five Board meetings were held on 30.6.2003, 28.7.2003, 10.10.2003, 30.10.2003 and 29.1.2004

The composition of Directors and their attendance at the Board Meetings 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 Directorship	No. of Board Meetings attended	Attendance at last AGM	No of other Directorships	Committee Memberships
Mr. B Shantilal	Executive	5	Yes	3	1
Mrs. Kamala Bai	Executive	5	Yes	-	2
Mr. S Pramodkumar	Executive	5	Yes	3	1
Mr. AVS Murthy	Non-Executive	5	Yes	6	3
Mr. Shailesh Siroya	Non-Executive	5	Yes	1	2

**C. Audit Committee**

The Audit Committee of the Company was constituted during the year. By the requirement of the Companies Act, 1956, all Companies with a paid up capital of Rs 5 Crores and above should have an Audit Committee. Though the paid up capital of the Company is less than Rs 5 Crores, the Audit Committee was formed to comply with the requirements of clause 49 of the Listing Agreement.

**1. Terms of Reference**

- Overview of the Company's financial process and the disclosure of its financial information.
- Recommend the appointment/removal of external auditor, nature and scope of audit, fixation of audit fee and payment for any other services to external auditors.
- Review with the management, the quarter and annual financial statements before submission to the Board.
- Review with the management, external and internal auditors, the financial audit report and the report of external auditors.
- Review of the adequacy and effectiveness of Internal Audit function, the internal control system of the Company, compliance with the Company's policies and the applicable laws and regulation.

The Audit Committee may also review such matters as considered appropriate by it or referred to it or referred to it by the Board.

- The Committee comprises 2 Non-Executive Directors and one Executive Director. Three meetings were held till date and all the members of the committee attended the same.

**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.



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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 2003-04

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	4,80,000/-	NA
Mr. AVS Murthy	NA	Nil
Mr. Shailesh Siroya	NA	Nil

**E Investors' Grievances / 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	7
Mr. S Pramodkumar	Member	7

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

**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
2002-2003	05.09.2003	11.00 am	Bharatiya Vidya Bhavan

**G Means of Communication:**

- Quarterly results are published in 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 Report forms part of the Annual Report

**H. General Shareholders Information**

- Annual General Meeting will be held at 11.00 am on Saturday, the 4th day of September 2004.
- Financial calendar:

Sl No.	Particulars	Dates
1.	Annual Results of the previous year	30.06.2003
2.	First Quarter Result	28.07.2003
3.	Annual General Meeting	05.09.2003
4.	Second Quarter Result	30.10.2003
5.	Third Quarter Result	29.01.2004

- Date of Book Closure for the year 2003-2004:  
1-9-2004 to 4-9-2004(Both days inclusive)



**Sunil Agro Foods Limited**

## 4. Listing of Equity Shares on Stock Exchanges at:

- Mumbai (BSE)

## 5. Registrar and Share Transfer Agent:

Alpha Systems Private Limited, 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bangalore-560 003, Phone: 23460815-18, Fax: 23460819, Email: alfint@vsnl.net.in.

## 6. Share Transfer System:

The Company's shares are traded in the Stock Exchange compulsorily in the demat mode. Shares in physical mode which are lodged for transfer at the Company/RTA 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.

## 7. Distribution of shareholding as on 30.6.2004

Shareholding of nominal value (Amount in Rs)	Shareholders		Share Amount	
	Number	% to Total	In Rs.	% to Total
(1)	(2)	(3)	(4)	(5)
Upto 5000	942	84.18	1621730	5.40
5001-10000	48	4.29	365000	1.22
10001-20000	72	6.43	1147000	3.82
20001-30000	15	1.34	406000	1.35
30001-40000	4	0.36	147000	0.49
40001-50000	7	0.63	350000	1.17
50001-100000	7	0.63	527000	1.75
100001 and above	24	2.14	25465270	84.80
Total	1119	100.00	30029000	100.00

## 8. Categories of Shareholders as on 30.6.2004

Category	No. of Shares held	% of shareholding
Promoters	20,60,707	68.62
Persons acting in concert	52,900	1.76
Institutional Investors	40,000	1.33
Others	8,49,293	28.28

## 9. Dematerialization of shares:

Particulars	Shares	Percentage	No. of shareholders
Physical mode	464600	15.47	895
Electronic mode	2538300	84.53	224
<b>Total</b>	<b>3002900</b>	<b>100.00</b>	<b>1119</b>

## 10. Plant Locations:

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

## 11. Address for correspondence:

The Company's registered office is situated at Plot No; 39-A2, Hosakote Industrial area, Chokkahalli, Hoskote -562 114

Shareholders correspondence should be addressed to Plot No; 39-A2, Hosakote Industrial area, Chokkahalli, Hoskote -562 114

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depositories Participants.(DPs)

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

## a. Business Overview:

## Annual Report 2003 - 2004

The Company recorded a turnover of Rs 49.21 Crores (Previous Year - Rs 47.92 Crores) for the financial year ended 31.3.2004 with a net profit of Rs 18.10 Lacs (Previous Year - Rs 40.62 Lacs). Factors contributing for the fall in the net profits even though the turnover was better were:

- (a) 25% reduction in other income during the year. (b) Increase in the total expenditure during the year.  
(c) Increase in depreciation during the year to the tune.

**b. Opportunities:**

Your Management foresees better opportunities during current year and the years to come, however subject to certain risks as given below.

The strength of our marketing team is that we do not lose customers and invariably there are always some additions, which means increase in customers, therefore increase in turnover.

**c. Risk and concerns:**

The price of the raw materials utilized by the Company is agricultural products such as wheat etc. The policy of the government has a great influence on the pricing of the agricultural products. Since the political situation in the country is not stable, the rates of the raw materials might undergo changes, which will have effect on its profitability.

The export of wheat & its products and the international price of wheat will have influence of the profitability of the Company's business.

**d. Outlook:**

The Company expects increase in turnover during the year as compared to the year passed. Due to competition in the market and the expected increase in the price of raw materials, the management expects reduction in profitability.

**e. Internal Control System:**

The Company has effective internal control system commensurate with its operations. The Internal Audit Department of the Company manned by qualified personnel, carries out the audit based on a planned program. The audit also reviews the adequacy and effectiveness of the internal control system and the follow up action taken pursuant to audit observation

**f. Human Resource Development:**

The Company conducts regular training program both internally and externally for employees at all levels to improve the skills and overall development. Employee relations at all level continuous to remain cordial.

On behalf of the Board of Directors

Place : Bangalore  
Date : 30-6-2004

B. Shantilal  
Managing Director

Pramod Kumar S.  
Executive Director

### AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITION OF CORPORATE GOVERNANCE AS STIPULATED IN CLAUSE 49 OF THE LISTING AGREEMENT

To  
The Members of SUNIL AGRO FOODS LIMITED

We have reviewed the compliance of conditions of Corporate Governance by Sunil Agro Foods Limited for the year ended 31st March 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for enduring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges have been complied with in all material respect by the Company.

As at 31st March 2004, no investor grievance was pending for a period exceeding one month against the company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

for Marian Suresh Sundar & Vittal  
Chartered Accountants

D.R. Venkatesh  
Partner

Membership No. 25087

Bangalore  
30th June, 2004.