

ANNUAL REPORT

2004-2005

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Sunil Agro Foods Limited

Sunil Agro Foods Limited

SUNIL AGRO FOODS LIMITED
SEVENTEENTH ANNUAL GENERAL MEETING 2004-05

CONTENTS :

NOTICE	01
DIRECTORS' REPORT.....	07
CORPORATE GOVERNANCE.....	09
AUDITORS REPORT.....	14
BALANCE SHEET.....	19
PROFIT & LOSS ACCOUNT.....	20
SCHEDULES.....	21
BALANCE SHEET ABSTRACT.....	34
CASH FLOW STATEMENT.....	35

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
Kempegowda Road, Bangalore

SHARE TRANSFER AGENTS

Alpha Systems Private Limited,
Bangalore.

SUNIL AGRO FOODS LIMITED

**REGD. OFFICE : PLOT NO. 39/A2, HOSAKOTE INDUSTRIAL AREA
CHOKKAHALY BANGALORE - 562 114.**

NOTICE

NOTICE is hereby given that the SEVENTEETH Annual General Meeting of the shareholders of the Company will be held at 11 am on Wednesday, the 14th day of September 2005 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 2005 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 Mr. AVS Murthy who retires by rotation and being eligible, offers himself for reappointment.
- 3) To appoint a Director in place of Mr. Shailesh Siroya 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 pursuant to the provisions of Sections 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 is hereby accorded to the appointment of Mr. B Shantilal as Managing Director of the Company with effect from 1-10-2005 for a period of 5 years (Five years) on terms as set out below :

1. **Salary :**
Rs. 30,000/- (Rupees Thirty Thousand Only) per month.
2. **Commission :**
At 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 1956 but subject to a ceiling of Rs. 1,20,000 (Rupees One Lac Twenty Thousand only).

3. Perquisites :

As detailed hereinafter restricted to an amount equal to the annual salary or Rs. 3,60,000 (Rupees Three Lac Sixty Thousand only) per annum, whichever is less. Unless the context otherwise requires, the perquisites are classified in three categories 'A', 'B' and 'C' as follows :

CATEGORY 'A'**i) Housing :**

The expenditure incurred by the Company on providing furnished residential accommodation for the appointee shall be subject to a ceiling of 60% (Sixty percent) of the appointee's salary over and above 10% (ten percent) payable by the appointee himself.

Alternatively

In case the accommodation is provided by the Company, 10% of the salary of the appointee shall be deducted by the Company.

Alternatively

In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance, subject to a ceiling of 60% (sixty percent) of salary payable the appointee.

Explanation :

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962, as amended from time to time, however, such expenditure shall be subject to a ceiling of 10% (ten percent) of the appointee's salary.

ii) Medical Reimbursement :

Expenses incurred for the appointee and his family, subject to, a ceiling of one month's salary over a period of three years.

iii) Leave Travel Concession :

For appointee and his family once in a year, while

Annual Report 2004-2005

on leave, in accordance with the rules and regulations applicable to Senior Managers of the Company from time to time.

iv) Personal Accident Insurance :

Premium not to exceed Rs. 4,000/- (Rupees Four Thousand only) per annum.

Explanation : For the purpose of Category 'A', "Family" means spouse, dependent children and dependent parents of the appointee.

CATEGORY 'B'

- 1) Contribution to provident Fund, Superannuation Fund or Annuity Fund - These will be in accordance with the schemes applicable to Senior Manager of the Company from time to time and will not be included in the computation of the ceiling of perquisites mentioned above the extent they, either singly or put together are not taxable under the Income Tax Act, 1961 and as amended from time to time.
- 2) Gratuity - In accordance with the Rules and Regulations applicable to Senior Manager of the Company from time to time not exceeding half month's salary for each completed year of service.
- 3) Encashment of leave at the end of the tenure in accordance with the Rules and Regulations applicable to Senior Managers of the Company from time to time, the monetary equivalent of such encashed leave shall not be included in the computation of the ceiling on perquisites referred to in paragraph (C)

CATEGORY 'C'

Provision of car for use Company's business and telephone at residence. Both these facilities will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the company to the appointee.

OTHER BENEFITS

Apart from the aforesaid remuneration, the Managing Director shall be entitled to reimbursement of expenses incurred in connection with the business of the company.

The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Director or committees thereof.

The total remuneration including perquisites shall

not exceed 5% of the profits calculated in accordance with Sections 349 & 350 of the Companies Act, 1956.

MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein where. In any financial year during the currency of tenure of the Managing Director, the company has no profits or its profits are inadequate, the above remuneration payable by way of salary and perquisites shall be deemed as Minimum Remuneration.

This may be deemed as abstract under Section 302 of the Companies Act, 1956 of the terms and conditions of appointment of Mr. B Shantilal".

- 6) 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 Sections 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 hereby accorded to the appointment of Mrs. Kamala Bai as Whole Time Director of the Company with effect from 1-10-2005 for a period of 5 years (Five years) on terms as set out below :

1. Salary :

Rs. 7,500/- (Rupees Seven Thousand Five Hundred only) per month.

2. Commission :

At 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 1956 but subject to a ceiling of Rs. 1,20,000 (Rupees One Lac Twenty Thousand only).

3. Perquisites :

As detailed hereinafter restricted to an amount equal to the annual salary or Rs. 3,60,000 (Rupees Three Lac Sixty Thousand only) per annum, whichever is less. Unless the context otherwise requires, the perquisites are classified in three categories 'A', 'B' and 'C' as follows :

CATEGORY 'A'

i) Housing :

The expenditure incurred by the Company on providing furnished residential accommodation for

Sunil Agro Foods Limited

the appointee shall be subject to a ceiling of 60% (Sixty percent) of the appointee's salary over and above 10% (ten percent) payable by the appointee himself.

Alternatively

In case the accommodation is provided by the Company, 10% of the salary of the appointee shall be deducted by the Company.

Alternatively

In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance, subject to a ceiling of 60% (sixty percent) of salary payable the appointee.

Explanation :

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962, as amended from time to time, however, such expenditure shall be subject to a ceiling of 10% (ten percent) of the appointee's salary.

ii) Medical Reimbursement :

Expenses incurred for the appointee and his family, subject to, a ceiling of one month's salary over a period of three years.

iii) Leave Travel Concession :

For appointee and his family once in a year, while on leave, in accordance with the rules and regulations applicable to Senior Managers of the Company from time to time.

iv) Personal Accident Insurance :

Premium not to exceed Rs. 4,000/- (Rupees Four Thousand only) per annum.

Explanation : For the purpose of Category 'A', "Family" means spouse, dependent children and dependent parents of the appointee.

CATEGORY 'B'

- 1) Contribution to Provident Fund, Superannuation Fund or Annuity Fund - These will be in accordance with the schemes applicable to Senior Manager of the Company from time to time and will not be included in the computation of the ceiling of perquisites mentioned above the extent they, either singly or put together are not taxable under the Income Tax Act, 1961 and as amended from time to time.

- 2) Gratuity - In accordance with the Rules and Regulations applicable to Senior Managers of the Company from time to time not exceeding half month's salary for each completed year of service.
- 3) Encashment of leave at the end of the tenure - in accordance with the Rules and Regulations applicable to Senior Managers of the Company from time to time, the monetary equivalent of such encashed leave shall not be included in the computation of the ceiling on perquisites referred to in paragraph (C)

CATEGORY 'C'

Provision of car for use Company's business and telephone at residence. Both these facilities will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the company to the appointee.

OTHER BENEFITS

Apart from the aforesaid remuneration, the Whole Time Director shall be entitled to reimbursement of expenses incurred in connection with the business of the company.

The Whole Time Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or committees thereof.

The total remuneration including perquisites shall not exceed 5% of the profits calculated in accordance with Sections 349 & 350 of the Companies Act, 1956.

MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein where, in any financial year during the currency of tenure of the Whole Time Director, the company has no profits or its profits are inadequate, the above remuneration payable by way of salary and perquisites shall be deemed as Minimum Remuneration.

This may be deemed as abstract under Section 302 of the Companies Act, 1956 of the terms and conditions of appointment of Mrs. Kamala Bai".

- 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 Sections 198, 269, 309 and other applicable

Annual Report 2004-2005

provisions, if any of the Companies Act, 1956 or any amendment(s) or modification(s) thereof, consent of the members be and is hereby accorded to the appointment of Mr. Promodkumar S as Executive Director of the Company with effect from 1-11-2004 for a period of 5 years (Five years) on terms as set out below :

1. Salary :

Rs. 50,000/- (Rupees Fifty Thousand Only) per month.

2. Commission :

At 1% of the net profits of the company computed in the manner laid down in the Companies Act, 1956 but subject to a ceiling of Rs. 1,20,000 (Rupees One Lac Twenty Thousand only).

3. Perquisites :

As detailed hereinafter restricted to an amount equal to the annual salary or Rs. 3,60,000 (Rupees Three Lac Sixty Thousand only) per annum, whichever is less. Unless the context otherwise requires, the perquisites are classified in three categories 'A', 'B' and 'C' as follows :

i) Housing :

The expenditure incurred by the Company on providing furnished residential accommodation for the appointee shall be subject to a ceiling of 60% (Sixty percent) of the appointee's salary over and above 10% (ten percent) payable by the appointee himself.

Alternatively

In case the accommodation is provided by the Company, 10% of the salary of the appointee shall be deducted by the Company.

Alternatively

In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance, subject to a ceiling of 60% (sixty percent) of salary payable the appointee.

Explanation :

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962, as amended from time to time, however, such expenditure shall be subject to a ceiling of 10% (ten percent) of the appointee's salary.

ii) Medical Reimbursement :

Expenses incurred for the appointee and his family, subject to, a ceiling of one month's salary over a period of three years.

iii) Leave Travel Concession :

For appointee and his family once in a year, while on leave, in accordance with the rules and regulations applicable to Senior Managers of the Company from time to time.

iv) Personal Accident Insurance :

Premium not to exceed Rs. 4,000/- (Rupees Four Thousand only) per annum.

Explanation : For the purpose of Category 'A', "Family" means spouse, dependent children and dependent parents of the appointee.

CATEGORY 'B'

- 1) Contribution to provident Fund, Superannuation Fund or Annuity Fund - These will be in accordance with the schemes applicable to Senior Manager of the Company from time to time and will not be included in the computation of the ceiling of perquisites mentioned above the extent they, either singly or put together are not taxable under the Income Tax Act, 1961 and as amended from time to time.
- 2) Gratuity - In accordance with the Rules and Regulations applicable to Senior Manager of the Company from time to time not exceeding half month's salary for each completed year of service.
- 3) Encashment of leave at the end of the tenure - in accordance with the Rules and Regulations applicable to Senior Managers of the Company from time to time, the monetary equivalent of such encashed leave shall not be included in the computation of the ceiling on perquisites referred to in paragraph (C).

CATEGORY 'C'

Provision of car for use Company's business and telephone at residence. Both these facilities will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company to the appointee.

OTHER BENEFITS

'Keyman Insurance' shall be taken in the name of the Executive Director and all premium(s) in this respect to be paid by the Company.

Sunil Agro Foods Limited

Apart from the aforesaid remuneration, the Executive Director shall be entitled to reimbursement of expenses incurred in connection with the business of the company.

The Executive Director shall not be paid any sitting fees for attending the meeting of the Board of Director or committees thereof.

The total remuneration including perquisites shall not exceed 5% of the profits calculated in accordance with Sections 349 & 350 of the Companies Act, 1956.

MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein where in any financial year during the currency of tenure of the Executive Director, the company has no profits or its profits are inadequate, the above remuneration payable by way of salary and perquisites shall be deemed as Minimum Remuneration.

This may be deemed as abstract under Section 302 of the Companies Act, 1956 of the terms and conditions of appointment of Mr. Pramod Kumar S".

By Order of the Board

For SUNIL AGRO FOODS LIMITED

Place : BANGALORE

Date : 29-7-2005

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) Explanatory Statement in respect of Special Business in terms of Section 173(2) of the Companies Act, 1956 is attached herewith.
- 3) Listing fee has been paid to The Stock Exchange, Mumbai upto date.
- 4) The Company's shares are traded in electronic form with ISIN No. INE224D01012.
- 5) The Company was not required to transfer the unclaimed dividend, declared upto the financial year ended 31st March 1998 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 was no unpaid dividend account.

INFORMATION REQUIRED TO BE FURNISHED UNDER LISTING AGREEMENT

As per Listing Agreement, particulars of Director who are proposed to be reappointed are given below :

1. Name : Mr. AVS Murthy

Age : 53 years

Qualification :

1. BE (Mechanical) Bangalore University,
2. MS (Grain Science & Industry),
3. Kansas State University, USA,
4. 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. Alampalli Investments (P) Ltd.
5. Krishna Industries (P) Ltd.

Name of the Company	Committee	Status
Sunil Agro Foods Limited	Audit Committee	Chairman
Sunil Agro Foods Limited	Remuneration Committee	Chairman

Annual Report 2004-2005

2. Name : Mr. Shallesh Siroya

Age : 38 years

Qualification :

1. MBA (University of Akron; USA)

Expertise :

Management experience in corporate sector

Other Directorships :

1. Bal Pharma Limited
2. Novosynth Research Labs Private Limited
3. Sanjay Gems Private Limited

<u>Name of the Company</u>	<u>Committee</u>	<u>Status</u>
Bal Pharma Limited	Share Transfer and Investor Grievance Committee	Member
Sunil Agro Foods Limited	Audit Committee	Member
Sunil Agro Foods Limited	Remuneration Committee	Member

EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS IN TERMS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956 :

ITEM # 5 :

Mr. B Shantilal is the promoter of the Company. He has immense experience in the line of the business. He was appointed as Managing Director of the Company by the shareholders at the Twelfth Annual General Meeting of the Company duly convened on 21-9-2000 with effect from 1-10-2000 for a period of five years. By the said resolution, his office of Managing Director expires as at 30-9-2005.

It is proposed to appoint Mr. B Shantilal as Managing Director of the Company with such terms and conditions as mentioned in the aforesaid resolution.

Mr. B Shantilal, Mrs. Kamala Bai and Mr. Pramodkumar S being relatives may be deemed to be interested/concerned in the resolution.

The aforesaid may be deemed as abstract and memorandum under section 302 of the Companies Act, 1956.

ITEM # 6 :

Mrs. Kamala Bai is actively involved in the business of the Company. She was appointed as Wholetime Director of the Company by the shareholders at the Twelfth Annual General Meeting of the Company duly convened on 21-9-2000 with effect from 1-10-2000 for a period of five years. By the said resolution, her office of Wholetime Director expires as at 30-9-2005.

It is proposed to appoint Mrs. Kamala Bai as Wholetime Director of the Company with such terms and conditions as mentioned in the aforesaid resolution.

Mrs. Kamala Bai, Mr. B Shantilal and Mr. Pramodkumar S being relatives are deemed to be interested/concerned in the resolution.

The aforesaid may be deemed as abstract and memorandum under section 302 of the Companies Act, 1956.

ITEM # 7 :

Mr. Pramodkumar S has been Executive Director of the Company and has been responsible for the day to day affairs of the Company on a continuous basis. He was re-appointed as Executive Director of the Company with the aforesaid terms and conditions by the Board at its meeting held at 30-10-2004, however subject to the approval of the shareholders at the Seventeenth Annual General Meeting of the Company.

It is proposed to appoint Mr. Pramodkumar S as Executive Director of the Company with such terms and conditions as mentioned in the aforesaid resolution.

Mr. Pramodkumar S, Mr. B Shantilal, and Mrs. Kamala Bai being relatives may be deemed to be interested/concerned in the resolution.

The aforesaid may be deemed as abstract and memorandum under section 302 of the Companies Act, 1956.

For SUNIL AGRO FOODS LIMITED

Place : BANGALORE

Date : 29-7-2005

B. SHANTILAL

MANAGING DIRECTOR

Sunil Agro Foods Limited**SUNIL AGRO FOODS LIMITED****DIRECTORS' REPORT**

Your Directors are pleased to present the SEVENTEENTH Annual Report and the audited statements of accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS :

	(Rs. in lacs)	
Particulars	Year Ended 31-03-2005	Year Ended 31-03-2004
Sales	4360.52	4921.92
Other income	56.38	93.80
Profit before depreciation & tax	8.88	76.22
Less : Depreciation	44.80	52.08
Profit / (Loss) before tax	(31.95)	24.14
Less : Provision for tax	-	8.20
Profit / (Loss) after tax	(31.95)	18.10
Add : P & L A/c brought forward	161.63	143.53
Proposed Appropriations :	129.68	161.63
Balance Carried forward		

DIVIDEND :

Your Board of Directors regrets its inability to recommend dividend for the year that has passed due to the loss recorded during the financial year 2004-05.

PERFORMANCE :

The turnover of the Company for the financial year ended 31-3-2005 was Rs. 43.61 Crores as against the turnover of Rs. 49.22 Crores recorded during the earlier financial year. The net loss for the year was Rs. 31.95 lacs as compared to the net profit of Rs. 18.10 lacs during the earlier financial year.

Following were the reasons for the fall in the sales as compared to earlier year :

- Increase in the Sales Tax by the State Government.
- Fluctuation in the wheat market due to the exports during the harvest season.

DIRECTORS :

Mr. AVS Murthy and Mr. Shailesh Siroya, 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 Accounts, 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.

DIRECTOR'S 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.

Annual Report 2004-2005

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.

ACKNOWLEDGEMENTS :

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
Date : 29-7-2005

B. SHANTILAL
MANAGING DIRECTOR

PRAMOD KUMAR S
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'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

	2004-05	2003-04
Power and Fuel Consumption :		
i) Electricity :		
a) Purchase Unit	2546001	2564784
b) Total Amount (Rs.)	12013862	11561075
c) Rate Per Unit (Rs.)	4.72	4.50
ii) In own Generation :		
a) Through Diesel Generator	26093	26800
b) Units/Liter of diesel Oil	3.00	3.00
c) Cost per Unit (Rs.)	8.47	6.86
iii) Consumption per ton of production	60.62	58.73

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 :

(Amount in Rs.)

Sl. No.	Particulars	Current year	Previous Year
1.	Foreign Exchange Earnings	Nil	Rs. 62,24,221 (USD 141592)
2.	Foreign Exchange Outgo towards purchase of raw materials	Rs. 46,500 USD 1000	Rs. 1,33,282 (USD 2555 & HKD 1920)

By Order of the Board

For SUNIL AGRO FOODS LIMITED

Place : BANGALORE
Date : 29-7-2005

B. SHANTILAL
MANAGING DIRECTOR

PRAMOD KUMAR S
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 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.