

# ANNUAL REPORT 2005 - 2006

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**Sunil Agro Foods Limited**

## Annual Report 2005 - 2006

### SUNIL AGRO FOODS LIMITED EIGHTEENTH ANNUAL GENERAL MEETING 2005-06

#### BOARD OF DIRECTORS:

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

#### 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

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#### AUDITORS

Messrs. MSSV & Co.  
Chartered Accountants  
Bangalore - 560 027

#### BANKERS

The Karnataka Bank Limited  
Kempegowda Road, Bangalore - 560 009

#### SHARE TRANSFER AGENTS

Alpha Systems Private Limited  
Bangalore

# Sunil Agro Foods Limited

## SUNIL AGRO FOODS LIMITED

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

### NOTICE

NOTICE is hereby given that the **EIGHTEENTH** Annual General Meeting of the shareholders of the Company will be held at 11 am on Monday, the 4th day of September 2006 at Registered office of the Company at Plot No. 39-A2, Hosakote Industrial Area, Chokkahally, Hosakote - 562 114, Bangalore District to transact the following business:

#### ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 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 Mr. Sunil S. Jain as Director in place of Mrs. Kamala Bai who retires by rotation and who does not offer herself for reappointment.
- 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 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 modifications(s) thereof, consent of the members be and is hereby accorded to the appointment of Mr. Sunil S Jain as Wholtime Director of the Company with effect from 4.9.2006 for a period of 5 years (Five years) on terms as set out below:

##### 1. Salary:

Rs. 12,500/- Rupees Twelve 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 Lacs 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 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 months 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.

## Annual Report 2005 - 2006

**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 Managers of the Company from time to time and will not be included in the computation of the ceiling of perquisites mentioned above to 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 as telephone at resident. 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 Wholetime Director shall be entitled to reimbursement of expenses incurred in connection with the business of the company.

The Wholetime 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 Section 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 Wholetime 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."

By Order of the Board  
For SUNIL AGRO FOODS LIMITED

Place : BANGALORE

**B. SHANTILAL**

Date : 29-7-2006

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 Bombay Stock Exchange Limited, 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.
- 6) The Share Transfer Books and the Register of Member will be closed from 31.8.2006 to 4.9.2006 (both days inclusive)

## Sunil Agro Foods Limited

### 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. Sunil S. Jain**

Age : 38 years

**Qualification :**

1. Graduate in Engineering
2. Masters Degree in Business Administration from USA

**Expertise :**

General Management

**Other Directorships :**

1. Belgaum Roller Flour Mills Pvt. Ltd.
2. Brindavan Softland Pvt. Ltd.

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
Sunil Agro Foods Limited	Remuneration Committee	Member

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

#### ITEM # 5 :

Mr. Sunil S Jain is a Graduate in Engineering and holds an MBA from the USA. He has good amount of experience in the line of the business.

It is proposed to appoint Mr. Sunil S Jain as Wholetime Director of the Company on such terms and conditions as mentioned in the aforesaid resolution.

Apart from Mr. Sunil S Jain himself, Mr. B Shantilal 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.

Name of the Company	Committee	Status
NA	NA	NA

**1. Name : Mr. AVS Murthy**

Age : 54 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

For SUNIL AGRO FOODS LIMITED

Place : BANGALORE

Date : 29-7-2006

**B. SHANTILAL**

MANAGING DIRECTOR

## Annual Report 2005 - 2006

### DIRECTORS' REPORT

Your Directors are pleased to present the EIGHTEENTH Annual Report and the audited statements of accounts of the Company for the year ended 31st March 2006.

#### FINANCIAL RESULTS : (Rs. in Lacs)

Particulars	Year Ended 31-03-2006	Year Ended 31-03-2005
Sales	4799.55	4360.52
Other Income	148.98	56.38
Profit before depreciation & Tax	60.90	8.88
Less : Depreciation	44.97	44.80
Profit / (Loss) before tax	15.93	(31.95)
Less : Provision for tax	-	-
Profit / (Loss) after tax	16.20	(31.95)
Add : P & L A/c brought forward	129.68	161.63
Proposed Appropriations :	16.21	-
Balance Carried forward	145.88	129.68

#### DIVIDEND :

Your Board of Directors regrets its inability to recommend dividend for the year that has passed due to inadequate profits earned and with a view to ploughing back the same to the system.

#### PERFORMANCE :

Your Company's performance improved during the year under report. Institutional business continued to support the revenue stream of the Company. The business segment to which the Company belongs to, showed signs of improvement. Your Company tied up with ITC Foods for contract milling which yielded good revenue contributing to the profits. The contract has been renewed for another year. Synergic with the main objective of the Company's business, your Company also carried on trading in Commodity Exchange through NCDXEX resulting in profitable position. Wheat price having gone up, the industry has viewed the same with concern. Government of Karnataka has exempted the products of your Company from the purview of sales tax.

#### DIRECTORS :

Mrs. Kamala Bai and Mr. AVS Murthy, Directors of the Company retire by rotation. Mrs. Kamala Bai has opted

not to seek reappointment. Your Board proposes the appointment of Mr. Sunil S. Jain, a qualified Engineer and an MBA from the USA in her place. Mr. Murthy being eligible, offers himself for reappointment.

#### AUDITORS :

The erstwhile Auditors have notified that the name of their firm is changed to MSSV & Co., without any change in composition.

Messrs. MSSV & Co., Chartered Accountants, retire as Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

#### LOANS, DEPOSITS :

The Company accepted unsecured loan from Director during the year.

#### 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.

## Sunil Agro Foods Limited

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. MSSV & Co., 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 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 PRAMODKUMAR S  
Date : 29-7-2006 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's investment in machinery designed for low energy consumption made in the previous year is operational for this year.

### FORM - A

Discolosure of particulars with respect to conservation of energy

	2006-05	2005-04
<b>Power and Fuel Consumption L</b>		
<b>i) Electricity :</b>		
a) Purchase Unit	2658900	2546001
b) Total Amount (Rs.)	13022578	12013862
c) Rate Per Unit (Rs.)	4.88	4.72
<b>ii) In own Generation :</b>		
a. Through Dielsel Generator	29298	26093
b. Units/Liter of diesel Oil	3.00	3.00
c. Cost per Unit (Rs.)	9.84	8.47
iii) Consumption per ton of production	56.23	60.62

#### 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 Earning and Outgo :

(Amount in Rs.)

Sl. No	Particulars	Current year	Previous Year
1	Foreign Exchange Earnings	NIL	NIL
2	Foreign Exchange Outgo	Rs. 66,600 (USD 1500) Rs. 64,386 (AED 5100)	Rs. 46,500 (USD 1000)

By order of the board

For SUNIL AGRO FOODS LIMITED

Place: Bangalore B. SHANTILAL PRAMODKUMAR S  
Date : 29-7-2006 MANAGING DIRECTOR EXECUTIVE DIRECTOR

### ADDENDUM TO DIRECTORS' REPORT IN RESPECT OF QUALIFICATION MADE IN AUDITOR'S REPORT;

PARA No.

4.6 Accounting Policy Nos : 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 provision are required.



## Annual Report 2005 - 2006

### 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 financial year ended 31-3-2006 four Board meetings were held on 30-6-2005, 29-7-2005, 29-10-2005 and 29-01-2006.

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 committee are as follows:

Name of the Directors	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	Committee Memberships
Mr. B. Shantilal	Executive	4	Yes	4	1
Mrs. Kamala Bai	Executive	4	Yes	1	2
Mr. Pramodkumar S	Executive	4	Yes	4	1
Mr. AVS Murthy	Non-Executive	4	Yes	6	2
Mr. Shailesh Siroya	Non-Executive	4	Yes	4	3

#### 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 constitute 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, half yearly and annual financial statements before submission to the Board.
  - Review with the management, external and internal auditors, the internal 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.

##### 2) Composition

The Committee comprises 2 non-executive Directors and one Executive Director. Four meetings were held on 30-6-2005, 29-7-2005, 29-10-2005 and 29-01-2006 during the year and all the members of the Committee attended the same.



## Sunil Agro Foods Limited

### 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. There was no revision in the remuneration of any Wholetime Director and hence convening Meeting of the Committee was not necessitated during the year.

#### 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 employees, 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 2005-2006

Amount in Rs.

Name of Director	Remuneration	Sitting Fees
Mr. B. Shantilal	3,00,000/-	NA
Mrs. Kamala Bai	90,900/-	NA
Mr. Pramodkumar S	6,00,000/-	NA
Mr. AVS Murthy	NA	4,000/-
Mr. Shailesh Siroya	NA	4,000/-

### 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 issued oof 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 metings; the attendance of the members was as follows:

Name of the Directors	Status	No. of meeting attended
Mr. B Shantilal	Chairman	4
Mr S Pramodkumar	Member	4

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

### F. General Body Meetings

The last Annual General Meetings were held as under :

Financial Year	Date	Time	Location
2002-2003	05-09-2003	11.00 am	Bharatiya Vidya Bhavan
2003-2004	04-09-2004	11.00 am	Bhaartiya Vidya Bhavan
2004-2005	14-09-2005	11.00 am	Bharatiya Vidya Bhavan

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### G. Means of Communication :

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

### H. General Shareholders Information

- 1) Annual General Meeting will be held at 11.00 am on Monday, the 4th day of September 2006.
- 2) Financial Calendar :

Sl. No.	Particulars	Dates
1	Annual Results of the previous year	30-06-2005
2	First Quarter Result	29-07-2005
3	Annual General Meeting	14-09-2005
4	Second Quarter Result	29-10-2005
5	Third Quarter Result	30-01-2006

- 3) Date of Book Closure for the year 2005-2006 :  
31-08-2006 to 04-9-2006 (Both days inclusive)
- 4) Listing of Equity Shares on The Stock Exchanges at: Bombay Stock Exchange Limited, Mumbai (BSE)
- 5) Registrar and Share Transfer Agent :  
Alpha Systems Private Limited, No. 30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleshwaram, Bangalore – 560 003. Phone : 23460815-18, Fax : 23460819, E-mail: [alfint@vsnl.net.in](mailto:alfint@vsnl.net.in)
- 6) Share Transfer System :  
The Company's shares are traded in the Bombay Stock Exchange Ltd., 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 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 31-3-2006

Shares or Debenture holding of nominal value of	Share/Debenture holders		Share/Debenture Amount	
	Number	% of Total	In Rs.	% of Total
Upto 5,000	892	84.79	1503190	5.01
5,001 – 10,000	47	4.47	372790	1.24
10,001 – 20,000	60	5.70	969340	3.23
20,001-30,000	12	1.14	322300	1.07
30,001-40,000	3	0.29	112000	0.37
40,001-50,000	6	0.57	300000	1.00
50,001-1,00,000	9	0.86	631110	2.10
1,00,001 and above	23	2.19	25818270	85.98
Total	1052	100.00	30029000	100.00