

SCHEDULE "24"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

(I) SIGNIFICANT ACCOUNTING POLICIES

(A) **Accounting Convention**

a. **Basis of Accounting**

1. The accounts of the Company are prepared under the historical cost convention and in accordance with applicable accounting principle in India the accounting standard issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act 1956. Accounting policies not specifically referred to are consistent with generally accepted accounting principles.
2. The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

3. **Sales and Other Operational Activities**

Revenue from sales is recognized at the time of dispatch of goods to customers. Sales other than manufacturing sales are shown as trading sales separately. Sales are shown net of sales return.

b. **Valuation of Inventory**

1. Closing stock of semi finished goods is valued at cost of material plus conversion cost to the stage of completion. Finished goods are valued at cost or net realizable value which ever is lower.
2. Closing stock of packing material stores and raw material are valued at cost or net realizable value which ever is less.

c. **Cash Flow Statements**

Cash flow statement has been prepared by using Indirect Method at per AS-3 issued by the ICAI.

d. **Contingencies and Events occurring after the Balance Sheet date.**

Accounting for contingencies (gains and losses) arising out of contractual obligations are made only on the basis of mutual acceptances. Events occurring after the date of the Balance Sheet are considered up to the date of approval of the accounts by the Board where material.

e. **Prior Period Items & Extra Ordinary Item**

Income & Expenses which arises in the Current Year as a result of error or omission in the preparation of Financial Statement of one or more prior period were shown as prior period adjustment during the year. Delay payment of Statutory Liabilities Rs.65520/- and other expenses of Rs.375263/- related to prior period are shown under the prior period items.

f. **Depreciation**

Depreciation is provided on the basis of Straight Line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act 1956. Assets of Rs.33128518/- are still in work in progress thus depreciation is not required to be provided on the same.

g. **Revenue Recognition**

Revenue from sales/ weighment service is accounted for as net of taxes and the principle of revenue recognition are given below:

- 1) Revenue from sales is recognised upon passing of title of the goods and on transit of significant risk and rewards of ownership.
- 2) Dividend income is recognised on receipt basis.
- 3) Government Benefit Licence income is also recognized on receipt basis.

h. **Fixed Assets**

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation.

i. **Foreign Currency Transactions**

Company has entered into export sale during the period and thereby earning foreign exchange. Foreign currency transactions are recorded by applying an exchange rate at the time of date of transactions.

j. **Investment**

Investments are long term investment and same are stated at their acquisition cost.

k. **Retirement Benefit**

Retirement Benefits to employees for payment of Gratuity is provided for in this year for the employees liable as per Gratuity act thus the profit of current year is reduced by Rs 57116/- . Further contribution in respect of Provident Fund and ESI is made monthly and is charged to the Profit & Loss Account.

l. **Borrowing Cost**

Borrowing cost which are directly attributable to the acquisition/construction of fixed assets till the time such assets are ready for use are capitalization as part of the assets. Other borrowing cost are treated as revenue expenditure and charged to profit and loss account for the year.

m. **Segment Reporting.**

The company has identified its primary reportable segments under AS-17 and necessary disclosure is separately made in notes of accounts. The accounting policies adopted for segment report are in line with the accounting policies of the company with the following additional policies for segment reporting:

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment .Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Un allocable". Segment assets and segment liabilities represents assets and liabilities in respective segments. Investments tax related assets and other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Un allocable".

n. **Related party disclosure.**

Related party disclosure as per AS-18 issued by the ICAI is made and disclosed separately in notes to accounts.

o. **Earning per Share.**

E.P.S. has been calculated on weighted average of total number of share (which is same in whole year) as per AS-20 issued by the ICAI. There are no securities which will be converted in Equity share so diluted and basic EPS are the same.

p. **Income Tax**

Tax expenses for the year comprises of current tax and deferred tax. Provision for current tax is made on the basis of provision of Income Tax Act. Deferred tax asset is not recognized for future tax consequences of timing differences because there is virtual convincing evidence for future taxable income. It is measured using enacted tax rates and tax laws applicable to taxable income of the current year.

q. **Miscellaneous Expenditure**

Miscellaneous Expenditure to the extent not written off pertaining to public issue expenses is of Rs 24486712/- which shall be amortized over a period of 5 years after the commencement of new project. A sum of Rs. 1575000/- in the current year has been transferred to Deposit a/c from miscellaneous expenditure, which is originally the part of deposit with BSE and had been transferred to miscellaneous expenditure in previous year.

r. **Impairment of Assets**

The company has a policy of assessing the impairment of intangible assets every year in accordance with AS-28 impairment of assets prescribed by the ICAI. This is done through comparing its carrying amount as per books of accounts with its recoverable value. During the year there was no impairment in the value of the assets; hence no provision is required as per AS-28.

s. **Provision Contingent Liabilities and Contingent Assets**

Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statement.

t. **Other Income**

Other Income for the year ended 31st March 2010 includes dividend on investments Interest on Bank Fixed deposits and interest on advances etc.

NOTES ON ACCOUNT

1. Under the Micro Small and Medium Enterprises Development Act 2006 certain disclosures are required to be made relating to Micro Small and Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available no disclosure has been made in the accounts. However in view of the Management the Impact of Interest if any that may be payable in accordance with the provisions of this Act is not expected to be material.
2. The Company has taken Factory Land on lease and lease expenses Rs. 300000/- paid in current year has been transferred to Preoperative expenses considering amortization of the same after starting use of the land for operation of business. The project for which the land has been acquired is yet to be implemented.
3. The Company has filed its return of income up to the Assessment Year 2009-2010 and the Income Tax Assessment of the Company has been completed upto Assessment Year 2007-2008.
4. Considering the deduction and exemption available as per the provision of the Income Tax Act 1961 a provision of Rs. 61250000/- (P.Y 3900000/-) made in the account towards current income tax for the year.
5. Conveyance and Traveling Expenses also includes expenditure incurred for the Directors of the Company on foreign tour & same was for the purpose of business of the Company.
6. The Company is engaged in the manufacturing of wheat products & Dall and also sales purchase of same item under trading activities.

7. **Contingent Liability not provided**

	<u>2009-2010</u>	<u>2008-2009</u>
1. Unexpired Letter of Credit	Nil	Nil
2. Bank Guarantee in favour of Authorities	1575000.00	1575000.00
3. Claim against the Company not acknowledged as debts.	Nil	Nil
4. Liability under Commercial Tax Entry Tax and Central Sales Tax (company having total vat credit of Rs.540369/-)	Nil	53647.00

8. The Company has obtained an SOD limit of Rs. 615.00 Lacks from Union Bank of India SSI Branch against FDRs of the company of Rs. 184468592/-.

	Current Year	Previous Year
	<u>2009-2010</u>	<u>2008-2009</u>
1. Audit Fees	60000=00	50000=00
2. Service Tax	6180=00	5150=00
Total	----- 66180=00 =====	----- 55150=00 =====

10. Director meeting fee represents the fee paid to Non executive directors of the company for their participation in the board meeting during the year.

11. All balances of debtors creditors and advances are subject to confirmation by the parties as letter of balance confirmation to parties have not been issued. However Management does not expect any material difference affecting the current year financial statement.

12. Previous year corresponding figures have been regrouped re-casted and re-arranged to make them comparable with current year's figures wherever necessary.

13. In the opinion of the Board of Directors the current assets loans and advances including deposits have value on realization in the ordinary courses of business at least equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities is adequate and not in excess of the amount which is reasonably necessary.

14. Information related to prior period items as per AS-5 is as under:-

a) Detail of prior period items with nature:-

Particular	Nature	Amount
Interest on TDS	Statutory	9665
Entry Tax (08-09)	Statutory	47545
Excess Provision of Govt.Benefit Licence	Reversal of Income	375263
Short Provision for Income Tax	Statutory	7872
TDS Diff.For The Year 08-09	Statutory	438
Total		440783

b) Above prior period items debited to Profit & Loss A/c of the current financial year and accordingly profit for the year is less by Rs. 440783/-

15. Remuneration to Directors:-

	Current Year 31.03.2010	Previous Year 31.03.2009
1. Salary	1500000=00	1800000=00
2. Sitting Fees	34000=00	36000=00
	-----	-----
Total:	1534000=00	1836000=00
	=====	=====

16. Expenditure on employee (excluding perquisite) who are in receipt of remuneration of not less than Rs. 24 00000/- per annum or Rs. 200000/- per month when employed for past of the year.

	Year ending on 31.03.2010	Year ending on 31.03.2009
	Nil	Nil

17. The products of the company are exempted from VAT and excise duty and accordingly no provision for said liability is provided in the books of accounts. Although Company having VAT credit of Rs.5 40369/-

18. The position of the fund raised by the company last year by public offer including share premium and utilization thereof as per the object of the issue up to 31 March 2010 is as under:

- a) Fund raised through Initial Public Offer is Rs 31.50 Crores.
b) Utilization as per Records

S.No.	Particulars	Amount(in crore)
1	FDR's**	14.700
2	Purchase of Plant & Machinery	3.310
3	Purchase of Land	2.140
4	Loans given	4.420
5	Expenses on Public issue	2.360
6	Use in Working Capital	4.555
7	Balance in IPO A/c	0.015
	Total	31.500

**Out of the above a Secured Overdraft (taken against these FDRs) outstanding amount as on 31.03.2010 is Rs. 6.12 Crores is for working capital. Thus actual utilization in working is Rs 10.675 Crores.

19. The company has not given any loan or advance in the nature of loan to its associates or group concerns firm/company in which Director are interested.

20. Loans & Advance includes Rs. Nil (P.Y. Rs 123943/-) due from parties on account of advance against Capital Goods.

21. All bank balances are reconciled and Balance confirmation with banks is held on the record.
22. The provision of deferred tax Asset as on 31/03/2010 has been calculated as under after considering the timing difference in depreciation and other as per AS-22 of ICAI.

	OPENING BALANCE 01-04-2009 -----	CURRENT YEAR -----	CLOSING BALANCE 31-03-10 -----
Differed Tax Liability due to Depreciation and late deposited of TDS as per books & tax	13166670.00	0.00	13166670.00

Note:

Calculation of Deferred Tax of current year

A) Total depreciation for the year 2009-10

1) as per Income Tax	3284775.00
2) as per companies Act.	4201890.00

A) Timing Difference due to Depreciation (917115.00)

B) Timing difference due to TDS not deducted or late deposited during the year. NIL

C) Timing difference due to previous year's expenses allowed during the year NIL

Total timing difference (A-B+C) (917115.00)

Deferred Tax Liabilities (Assets) created @ 33.99 % (311728.00)

There is lack of virtual certainty with convincing evidence that the company has future taxable profit to adjust this asset because there is huge amount of assets in progress so no deferred tax asset is recognized.

23. Related Party Disclosures:

A) List of related parties with whom transaction have taken place and relationship.

Details of related party disclosure as per AS-18 issued by the ICAI are as follows:-

A) LIST OF RELATED PARTIES AND RELATIONSHIP

1. Key Managerial Personnel

- a) Mr. Rajababu Agrawal Chairman *
- b) Mr. Dinesh Agrawal Managing Director
- c) Mr. Rupesh Agrawal Whole Time Director *
- d) Mr. Ashish Agrawal Whole Time Director

* Resigned with effect from 23rd Dec.2009

2. Relatives of Key Management Personnels

Name of the Relative	Relation
a) Smt. Chadraika Devi Agrawal	Wife of Mr. Dinesh Agrawal
b) Mr. Anoop Agrawal	Son of Mr. Dinesh Agrawal
c) Mr. Manish Agrawal	Son of Mr. Rajababu Agrawal
d) Mr. Manisha Agrawal	Daughter in law of Mr. Rajababu Agrawal
e) Mrs. Ruchi Agrawal	Wife of Mr. Rupesh Agrawal
f) S/s Rajababu Agrawal HUF	HUF of Mr. Rajababu Agrawal
g) S/s Dinesh Agrawal HUF	HUF of Mr. Dinesh Agrawal
h) Usha Devi Agrawal	Wife of Rajababu Agrawal
i) Neha Agrawal	Daughter of Dinesh Agrawal
j) Manish Agrawal HUF	HUF of Mr. Manish Agrawal

3. List of concerns and nature of control headed by Related Parties in the reported year

Name of the Party	Nature of Control
a) M/s. Manish Trading Co.	(Partnership firm of family members)
b) M/s. Sitaram Shreenarayan Agrawal & Co.	(Proprietorship firm of Mr. Manish Agrawal)
c) M/s. Sita Shree Marketing P. Ltd.	(Group Company)
d) Ms. Anoop Foods Ltd.	(Group Company)
e) M/s. Usha Dall Mill	(Proprietorship Firm of Directors brother)

(ii) Transaction held during the year with related parties:

	<u>2009-10</u>	<u>2008-09</u>
<u>OPENING BALANCE AS ON 1ST APRIL</u>		
Equity Share Capital	120130020	115368000
Sundry Debtors	37231947	127500285
Unsecured Loans taken	1292913	82981
Current account of Key Managerial Personnel	1335912 (Cr.)	461537 (Cr.)
Sundry Creditors	Nil	29521057
<u>TRANSACTIONS</u>		
Sale of Goods	77307258	327311386
Purchase of Goods	301136795	508685181
Repayment of unsecured loans taken	1292913	2758944
Remuneration to Key Managerial Personnel Salary	1500000	1800000
<u>CLOSING BALANCE AS ON 31ST MARCH .</u>		
Equity Share Capital	120130020	120130020
Sundry Debtors	102468601	37231947
Unsecured loans taken	Nil	1292913
Current account Key Managerial Personnel	430626Cr.)	1335912 (Cr.)
Sundry Outstanding	Nil	Nil
Sundry Creditors	Nil	Nil

24. Sundry debtors and sundry creditors include firm or Private Limited Company in which Director are a partner or a Director or a Member respectively:

A	As Debtors	2009-10	2008-09
	1) Anoop Foods Ltd.	25766345	Nil
	2) Manish Trading Company	31287007	4549618
	3) Sita Shree Marketing Pvt. Ltd.	19231525	14923700
	4) Usha Dall Mil	3980420	1230420
	5) Sitaram Shree Narayan Agrawal & Co.	22203304	16528209
	Total	102468601	37231947
B	As Creditors	2009-10	2008-09
	1) Manish Trading Company	Nil	Nil
	2) Sita Shree Marketing Pvt. Ltd.	Nil	Nil
	3) Usha Dall Mil	Nil	Nil
	4) Sitaram Shree Narayan Agrawal & Co.	Nil	Nil
	Total	Nil	Nil

25. Loan and advances in the nature of loans given to /Employee are given as per company policy.

NAME	AMOUNT OUTSTANDING		
	AMOUNT OF INTEREST	AS ON 31-03-2010	MAXIMUM OUTSTANDING DURING THE YEAR
Employee (as per the general policy of the company)	Interest Free	500000	500000

In addition to above advance given to employee Rs.514920/- (P.Y. Rs.156561/-) but these are not in the nature of loans.

26. EARNING PER SHARE

		2009-10	2008-09
1	Net Profit after tax available for equity share holders	11899424	3748321
2	Weighted average number of equity share	22036800	22036800
3	Basic & Diluted Earning Per Share (Rs.) (Face Value of Rs.10/- each)	0.54	0.17

27. DISCLOSURES IN RESPECT OF PROVISIONS PURSUANT TO ACCOUNTING STANDARD-29

	PARTICULAR	OPENING BALANCE AS ON 01-04-09	PROVIDED DURING THE YEAR	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	CLOSING BALANCE AS ON 31-03-10
1	Proposed dividend on equity Share	NIL	NIL	NIL	NIL	NIL
2	Corporate Dividend Tax	NIL	NIL	NIL	NIL	NIL
3	Provision for Income Tax	3900000	6125000	3900000	NIL	0
4	Provision for Fringe Benefit Tax	66468	NIL	66468	NIL	0

28. INFORMATION ABOUT BUSINESS SEGMENT

	MANUFACTURING		TRADING		CONSOLIDATED TOTAL	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Total Revenue (Sales)	796682896	816667136	555884423	217581477	1352567319	1034248613
Segment Result	52333809	52734000	35455446	30717243	87789255	83451243
Unallocated Corporate Exp.					51318828	70342956
Operating Profit					36470427	13108287
Interest and Other Income					15037964	34519814
Interest & other Exp.					33483967	39913312
Profit Before Tax					18024424	7714789
Income Tax					6125000	3966468
Profit After Tax					11899424	3748321
OTHER INFORMATION						
	MANUFACTURING		TRADING		CONSOLIDATED TOTAL	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Segment Assets	384335186	250193119	94877758	24721139	479212944	274914258
Unallocated Corporate Assets	-	-	-	-	364379842	376250120
Total Assets	-	-	-	-	843592786	651164378
Segment Liabilities	23488776	21118743	191149179	-	42637955	21118743
Unallocated Corporate Liabilities	-	-	-	-	367466846	210940360
Total Liabilities					410104801	232059103
Capital Expenditure	-	35611805	-	-	33128518	35611805
Depreciation	4201890	4270376	-	-	4201890	4270376
Non-Cash Exp. (Other than Depreciation)	NIL	NIL	NIL	NIL	NIL	NIL

Note:

The company has identified three reportable segments viz. Manufacturing Trading and Derivative Share Transactions. Segments have been identified and reported taking into account nature of products and services the differing risks and returns internal business reporting systems.

29. Additional information as far as applicable pursuant to the provision of Paragraph 3 4e 4D of part II of the Schedule VI of the Companies Act 1956 has been furnished as per Annexure – I.
30. Balance Sheet abstract and company's general business profile in pursuant to Part IV of Schedule VI to the Companies Act 1956 has been furnished as per Annexure – II.

Signed to Schedule "01" to "24"

In terms of our report of even date attached

we approve to the correctness of above

For M.K.SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS
(M.K. SHAH)
Proprietor
M.NO. 400-71199

FOR AND ON BEHALF OF THE BOARD
Dinesh Agrawal **Managing Director**
Ashish Goyal **Whole Time Director**
G.P.Chaturvedi **Chief Accountant**

Place: Indore
Date: 29th May 2010