

Dear Shareholders,

Your Directors take pleasure in presenting the 11th Annual Report of the Company together with audited financial accounts for the year ended 31st March 2005.

Financial results	(Rs in Lacs)	
	2004-05	2003-04
Net sales	84502	60266
Profit before interest, depreciation and tax	8731	3961
Interest on borrowings	2914	1439
Depreciation	404	213
Profit before tax	5413	2309
Provision for tax	415	209
Profit after tax	4998	2100
Provision for deferred tax	1213	520
Profit after deferred tax	3785	1580
Profit brought forward	115	53
Profit available for appropriation	3900	1633
Appropriation:		
Dividend	662	238
Tax on dividend	86	30
Transfer to general reserve	3000	1250
Balance carried to balance sheet	152	115

- Your Company has recorded a stellar performance for the year. The turnover and net profit have improved significantly over the previous year. The total turnover of the Company for the year under review stood at Rs 84502 lacs, an increase of 40.21% over the previous year. The Company's profit before tax and profit after current tax but before deferred tax for 2004-2005 at Rs 5413 lacs and Rs 4998 lacs, respectively, were higher than in the previous year by 134.43% and 138.11%.
- Your Company has increased its product range by setting up parboiling facilities. For this purpose, the Company has purchased eight acres of land near the existing unit. The parboiling plant is fully functional at present. This has enabled the Company to cater to the requirements of the parboiled rice market, which constitutes a significant share of the export market, particularly Saudi Arabia.
- Over the last few years, your Company has initiated a combination of measures i.e. vigil on the cost, proper employment of working capital and the promotion of sales under its own brands to enhance shareholder value.
- A sharp focus on consistently optimising operational efficiencies through de-bottlenecking, plant up-gradation, reduction in energy consumption and modernisation processes have led to an upsurge in the productivity/recovery of head rice.

- As part of its backward integration the Company is undertaking contract farming with farmers in Northern India. During the year, the Company increased its production of paddy under contract farming, on a crop-sharing basis.
- Encouraged by the success of the wind power project, installed and commissioned in the previous year at Jaisalmer (Rajasthan), the Company has further installed ten wind turbine generators (WTG) of 1.25 MW each at Dhule in Maharashtra. This was done at a total cost of Rs 61.4 cr and all the ten WTGs are working satisfactorily.

Dividend

Considering the above results, your Board of Directors have recommended a higher dividend at 15% on equity shares for the year ended 31st March 2005. Your Board seeks your approval for the same.

The total outgo for the dividend to be paid to the equity as well as preference shareholders will be Rs 748 lacs (inclusive of corporate dividend tax) as against Rs 268 lacs paid in the previous year.

Future outlook

To keep pace with the rapidly growing Indian economy and in order to fuel the Company's own growth plans, your Company has further embarked upon the expansion of the plant capacity by 24MT per hour. Civil construction is already under progress. The plant is scheduled to be ready for commercial

production in the third quarter of the current fiscal. After consolidating its position through capacity enhancements and extending production line, the total capacity of the Company will be 66 MTPH. This plant will also have its captive power plant for 50% of its requirements, which will be using eco-friendly co-generation system utilising paddy-husk thereby substantially reducing power cost.

Research and development

Your Company continues to remain at the forefront of technical excellence through its commitment to invest management time and effort in R&D activities with a view to better product quality and plant efficiency.

Human resource development & industrial relations

Human resources are the strength of the Company and the Company has put in place various systems to reward and recognise employee contribution towards the growth of the Company. Your Company has a team of qualified and dedicated personnel who have contributed to the growth of the Company. Necessary training programmes are arranged to bridge the gap between the existing and desired skills of the employees in line with organisational needs, which includes understanding and utilising new technology, inter-functional knowledge, safety awareness, etc.

To remain at the cutting edge and to strive to be the best, your Company's

focus has not only been on operational and business strategies, but more importantly on 'people power'. We believe it is our people alone who provide us with the greatest sustainable and competitive advantage. Therefore an HR vision is embedded in your Company's overall vision and strategy.

REI continuously harnesses human resources and helps people to unleash their maximum potential. Entrepreneurial spirit is stimulated and encouraged by delegation, empowerment and decentralisation, as far down the line as possible, factoring the competency levels.

Corporate governance

Committed to good corporate governance practices, your Company fully prescribes to the standards set out by the Securities and Exchange Board of India's corporate governance practices and has implemented all of its major stipulations. The statutory Auditors Certificate in line with clause 49 of the Stock Exchange listing agreement validates our claim. This certificate is annexed to and forms part of the Director's Report.

Directors responsibility statement

As stipulated in Section 217(2AA) of Companies Act, 1956, your Directors subscribe to the "Directors Responsibility Statement" and confirm as under:

i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.

iii) that the Directors have taken sufficient and proper care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) that the Directors have prepared the annual accounts on a going concern basis.

Directors

Sri K. D. Ghosh and Shri Dr. N. K. Gupta, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General meeting. Names of the Company in which they hold Directorship and the membership / chairmanship of committees of the Board, as stipulated under clause 49 of the listing agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in this report.

Auditors

The Auditors M/s P.K. Lilha & Co., Chartered Accountants, of the Company retire at this Annual General meeting but being eligible, offer themselves for reappointment.

Employees

Employees receiving remuneration exceeding Rs 2400000 per annum or Rs 200000 per month, if employed for the part of the year under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. - Nil

Additional information

The information required to be furnished under section 217(1)(e) of the Companies Act, 1956 and the Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988 is appended and forms part of this report.

Acknowledgement

Your Directors wish to place on record their sincere thanks to all government departments, both Central and State, banks, employees, shareholders and customers for their continued support.

For and on behalf of the Board,
Sandip Jhunjunwala
Managing Director

Place: New Delhi
 Date: 27.05.2005

Annexure I to the

Directors' Report

Particulars required under the Companies (disclosure of particulars in the report of the Board of Directors) Rules, 1988.

Conservation of energy

Energy Conservation measures taken:

- i) Review of business processes and close co-ordination with plants has resulted in energy conservation. Adequate steps and measures are being taken by the Company for the conservation of energy i.e. installation of energy efficient machines, controls on proper running of electric motors etc. The Company is in the process of installing eco-friendly co-generation power plant for captive use by using its by-products husk, which will reduce the cost of power.

Technology Absorption

- i) Specific areas in which R&D carried out by the Company:

The Company has its own laboratory for improving the quality of its product. The Company is using nitrogen-flushed packaging system to provide longer shelf life to its products.

- ii) Benefit derived as a result of the above efforts:
The Company expects to decrease the percentage of broken rice and get finished rice grains with better gloss and finish resulting in increased marketability.
- iii) Future plan of action:
It is proposed to strengthen the in-house R&D facilities.

Technology absorption, adaptation and innovation efforts in brief, made towards improvement of quality and quantity of the product.

The Company is constantly striving to improve the process, so as to reduce

input costs and upgrade the quality of its product.

Benefits derived as a result of above efforts:

The Company has been able to improve the quality of its product.

Foreign exchange earnings and outgo

Total foreign exchange earned and used:

Foreign exchange earned (export of goods) Rs 4646 lacs

Foreign exchange spent (training and travelling exp.) Rs 61 lacs

For and on behalf of the Board,
Sandip Jhunjunwala
 Place: New Delhi *Managing Director*
 Date: 27.05.2005

Report on

Corporate Governance

Annexure II to the Directors' Report

The Directors present the Company's report on Corporate Governance.

The company's governance philosophy

REI Agro Ltd. considers the code of Corporate Governance to nurture the spirit of enterprise whilst ensuring transparency, accountability, probity, integrity, equity and responsibility. The policies, procedures and practices that are installed in the organisation ensure requisite care and diligence in functioning, thereby enhancing shareholders' value and safeguarding their interest.

The Company has been striving for excellence through best corporate governance and disclosure practices that are integral to our corporate values and remain a continuous process subject to feedback and reviews.

In so far as compliance with the requirements of clause 49 of the Listing Agreement with the Indian Stock Exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on the code of Corporate Governance.

Board of Directors

The Company endeavors to place all statutory and other significant and material information before the Board to enable it to discharge its responsibilities of strategic supervision of the Company as trustees of the shareholders.

Sri K D Ghosh and Shri Dr. N. K. Gupta, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General meeting.

Names of the Companies in which they hold Directorship and the membership / chairmanship of committees of the Board, as stipulated under clause 49 of the listing agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the annual report.

Composition:

The non Executive and independent Directors account for two thirds of the Board of Directors. The present Board consists of six Directors (2 Executive Directors and 4 non-Executive Directors who are also Independent Directors). The Independent Directors do not have any pecuniary relationships or transactions with the Company or with the management that may effect their judgement in any manner.

The details of other Directorship and Committee Chairmanship/Membership held by the Directors are given below:-

Name of the Director	Category	**No of other Directorship	No. of Membership/Chairmanship of other Board Committees
Sri Sanjay Jhunjunwala	Executive	–	–
Sri Sandip Jhunjunwala	Executive	–	–
Dr ING N.K. Gupta	Non-Executive & Independent	Three	–
Sri A. Chatterjee	Non-Executive & Independent	Three	Two
Sri K.D.Ghosh	Non-Executive & Independent	–	–
Sri D K Ray (Nominee of IDBI)	Non-Executive & Independent	Two	–
Sri Ajay Kumar Chakrabarti (Additional Director)	Non-Executive & Independent	–	–

** Excluding Directorship in private companies and Companies defined under section 25 of the Companies Act, 1956.

Details of attendance of each Director at the Board Meetings and at the last Annual General meeting are as under:

During the financial year ended 31st March, 2005, seven Board meetings were held on 28-04-04, 30-06-04, 30-07-04, 30-10-04, 13-11-04, 25-01-05 and on 22-03-05. The last Annual General meeting was held on 23.09.2004.

Sl.No.	Date	Board strength	No. of Directors present
1.	28.04.04	6	3
2.	30.06.04	6	3
3.	30.07.04	6	3
4.	30.10.04	6	4
5.	13.11.04	6	4
6.	25.01.05	6	3
7.	22.03.05	6	3

The attendance of each Director in the Board meeting and in the last Annual General meeting is as under :

	No. of Board meetings held.	No. of Board meetings attended	Attendance at the last AGM
1. Sri Sanjay Jhunjunwala	7	1	Absent
2. Sri Sandip Jhunjunwala	7	4	Present
3. Dr. ING N.K. Gupta	7	1	Present
4. Sri A. Chatterjee	7	7	Present
5. Sri K.D. Ghosh	7	5	Absent
6. Sri S. Jana (IDBI Nominee)	7	5	Absent

Details of the Annual General meetings: -

Venue	Financial year	Date & Time
At Registered office of the Company, 94, K.M.Mile Stone, Delhi-Jaipur Road, NH-8, Bawal Growth Centre, Vill.-Jaliawas, Distt : Rewari, Haryana.	2000-2001	22nd September, 2001 11.00 A.M
At Registered office of the Company, 94, K.M.Mile Stone, Delhi-Jaipur Road, NH-8, Bawal Growth Centre, Vill.-Jaliawas, Distt : Rewari, Haryana.	2001-2002	16th September, 2002 11.00 A.M
At Registered office of the Company, 94, K.M.Mile Stone, Delhi-Jaipur Road, NH-8, Bawal Growth Centre, Vill.-Jaliawas, Distt : Rewari, Haryana.	2002-2003	September 27th 2003 11.00 A.M.
At Registered office of the Company, 94, K.M. Mile Stone, Delhi-Jaipur Road, NH-8, Bawal Growth Centre, Vill – Jaliawas, Distt: rewari , Haryana.	2003-2004	September 23rd 2004 11.00 A.M

Details of the extraordinary general meetings:-

Venue	Financial year	Date & Time
At Registered office: 94, K.M.Mile Stone, Delhi-Jaipur Road, NH-8, Bawal Growth Centre, Vill.-Jaliawas, Distt : Rewari, Haryana.	2004-2005	9th March 2005, 11.00 A.M.

A special resolution was passed through postal ballot at the extraordinary general meeting held on 9th March, 2005 to change the registered office from the state of Haryana to the state of West Bengal and the petition filed before the Company Law Board is pending. No special resolution is proposed through postal ballot at the forthcoming Annual General meeting.

Remuneration of Directors:

The Details of remuneration paid to Directors for the year ended 31st March 2005 is as follows:

Name of the Directors	Sitting Fees	Salary & Perquisites	Commission
Sri Sanjay Jhunjunwala	Nil -	Nil	12,00,000/-
Sri Sandip Jhunjunwala	Nil -	7,46,775/-	Nil
Dr. ING N.K.Gupta	6000	Nil	Nil
Sri A.Chatterjee	15000	Nil	Nil
Sri K.D.Ghosh	12000	Nil	Nil
Sri S.Jana	7500	Nil	Nil

As the remuneration of the Managing Director is determined by the Board in terms of shareholder's approval, the remuneration committee is not required to be constituted.

Audit Committee

The Audit Committee of the Company comprises three independent and non-Executive Directors. All these Directors possess knowledge of corporate finance, accounts and Company law. The Chairman of the committee is an independent and non-Executive Director nominated by the Board. Statutory auditors and internal auditors are permanent invitees at the meeting of the committee.

Details of Audit Committee Meetings

During the year 2004-05, the committee met on 30th June 2004, 30th October 2004 and 25th January 2005. The constitution and particulars of meetings attended by members of the committee are given below:

Sl. No.	Name of the Director	No. of meetings attended
1.	Shri A. Chatterjee Chairman- Non Executive, Independent	3
2.	Dr. ING N.K. Gupta Non Executive, Independent	1
3.	Sri K.D. Ghosh Non Executive, Independent	3

Shareholder/Investor Grievances Committee

The Shareholder/Investor Grievance committee specifically looks into redressing of shareholders' and investors' complaints such as the transfer of shares, non-receipt of shares, non-receipt of declared dividends etc. The committee comprises of Mr. K.D.Ghosh (Chairman and independent Director), A.Chatterjee (member and independent Director). A single investor's complaint was received by the Company during the year under review and the same was sorted out immediately.

Name and designation of compliance Officer:

Sri Jitender Patnaik, Company Secretary.

For the convenience of investors, transfer and other related matters are accepted at the registered as well as corporate offices.

Registered office

94, K.M.Mile Stone
Delhi-Jaipur Road
NH-8, Bawal Growth Centre
Distt. : Rewari, Haryana.
Tel : (01284) 264457/264459
Fax : (01284) 264463.

Corporate office

46C, Chowringhee Road
Everest House.

Room No: 15B,
Kolkata-700071
Tel : (033) 30925061/62
Fax: (033) 22882241.

Share Transfer Committee And Share Transfer System

The Board of the Company has constituted a Share Transfer committee. The committee, which meets from time to time to approve inter alias, transfer of shares and issue of duplicate share certificates.

The committee comprises Mr. K.D. Ghosh (Chairman and Independent Director) and Mr. A. Chatterjee (Member and Independent Director).

Shareholders

The shareholders are provided with the necessary information through the notice sent for the Annual General meeting. Any other information sought by shareholders is being provided as per their requests. All the key information's provided to the Stock Exchanges are regularly published in the newspapers.

Disclosures

Related party transactions

There were no transactions of a material nature with the Directors or the management or the Company's subsidiary or relatives of the Directors during the financial year, which could have potential conflict with the interests of the Company at large. The Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly.

Compliance by the Company

There was no instance of non-compliance by the Company on any matter related to the capital markets or penalties/strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority.

Means of Communication

Timely disclosure of consistent, comparable, relevant and other reliable information on corporate financial performance is at the core of good governance and as such quarterly results are published in papers.

Shareholder's Information

AGM Details

Date	Saturday, 24th September 2005
Venue	Gyan Manch, 11 Pretoria Street, Kolkata - 700 071
Time	11.00 A.M
Book closure date	Friday, 23rd September 2005 to Saturday, 24th September 2005.(Both days inclusive)
Dividend payment date	On or after Saturday, 24th September 2005 but within the statutory time limit.
Financial calendar (Tentative)	Financial reporting for :- 1st Quarterly results- July 2005 2nd Quarterly results- Oct. 2005 3rd Quarterly results- Jan. 2006 Audited yearly result for the year ended 31st March, 2006 - May 2006.
Registrar and share transfer agents (RTA)	Maheshwari Datamatics Pvt. Ltd. 6, Mangoe Lane, Kolkata-700 001.

Dematerialisation of share and liquidity:

The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the depository systems in India-NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services (India) Limited). Nearly 76% of the total equity capital is held in dematerialised form with NSDL and CDSL as on 31st March 2005.

Under the depository system, the 'International securities identification number' (ISIN) allotted to the Company's equity shares is INE385B01015.

Listing on Stock Exchanges (With Stock Code)

	(Code No.)
a) The Stock Exchange, Mumbai	532106
b) National Stock Exchange of India Ltd	REIAGRO

(Note: Listing fees have been paid to all the Stock Exchanges for the year 2004-2005.)

The Company's application for the voluntary delisting of equity shares has been approved by the Calcutta Stock Exchange Association Limited and the shares have been delisted from 30th March 2005.

Market price data

The monthly highest and lowest

quotations of the equity shares of the Company at the Stock Exchange, Mumbai during financial year 2004-2005 are as follows:

Month	High(Rs.)	Low(Rs.)
April 2004	68.00	60.70
May 2004	71.80	62.50
June 2004	97.00	70.10
July 2004	108.00	90.00
August 2004	114.10	97.55
September 2004	122.90	107.00
October 2004	120.00	60.90
November 2004	120.10	71.30
December 2004	145.45	113.00
January 2005	138.35	124.10
February 2005	155.90	126.20
March 2005	148.00	109.15

Distribution of Shareholding

The shareholding distribution of equity shares as on 31st March 2005 is given below:

Sl no	No. of equity shares held	No. of folios	No. of shares	Percentage of shareholding
1.	1 to 500	891	153479	0.46
2.	501 to 1000	2409	2395261	7.16
3.	1001 to 2000	138	225678	0.67
4.	2001 to 3000	31	83201	0.25
5.	3001 to 4000	18	67101	0.20
6.	4001 to 5000	21	103238	0.31
7.	5001 to 10000	39	311772	0.93
8.	10000 & above	83	30107024	90.02
	Total	3630	33446754	100.00

Shareholding pattern as on 31st March 2005.

Sl. No.	Category	No of folios	Percentage of folios	No. of shares Held	Percentage of shares Holding
1.	Promoter Director and Relatives	13	0.36	17159500	51.31
2.	Body Corporates	199	5.48	8804290	26.32
3.	NRI 'S	11	0.30	1443143	4.31
4.	Public	3407	93.86	6039821	18.06
	Total	3630	100.00	33446754	100.00

NSDL/CDSL/Physical summary report as on 31-03-2005

The shareholding distribution of equity shares as on 31st March 2005 is given below:

		Holders	No. of shares	Percentage of shareholding
1.	Physical	2414	7827074	23.40
2.	NSDL	918	25373319	75.86
3.	CDSL	298	246361	0.74
	Total	3630	33446754	100.00

Other Information (Unclaimed Dividend):

Pursuant to Section 205 A read with 205 C of the Companies Act, 1956, unclaimed dividend for the year ended 31st March 1997 have been transferred to the investor education and shareholders protection fund.

Information of change of address, Bank details, Nomination etc.

Shareholders are requested to notify immediately any change in their address, bank mandate and nomination to the Company. Members holding shares in the electronic segment are requested to notify the change of address and bank details, nominations etc. to the depository participants (DP) with whom they are having client account for effecting necessary corrections. Any intimation made to the Company without effecting the necessary corrections with the depository participants, is not considered. Hence it is necessary to inform the changes to the depository participants with whom the shareholder has an account.

Plant Locations (Manufacturing units):

- (1) Plot No. 691 Sector 2, 94.8, K.M. Mile Stone, Delhi-Jaipur Road, NH-8, Bawal Growth Centre, Distt : Rewari, (Haryana).
- (2) Plot No 180 D,E, F, G, H, I, J, &181A, Sector -3, 94.8 KM Milestone, Delhi -Jaipur Road, Bawal Growth Centre, Distt: Rewari (Haryana).

(3) 53/4&5,Khera Kalan, Delhi-110082.

(4) Village: Soda-Mada, Distt: Jaisalmer, Rajasthan.

(5) Village: Dhulia, Distt: Dhule, Maharashtra.

Management Discussion and Analysis

It was another stellar performance year for REI. The Company reported impressive results amidst a challenging economic and industrial environment. Our business has performed well, with productivity gains, growth in volumes and improved margins.

REI continues to ensure the quality of its products to customer's satisfaction. Human resources, safety and environment have always been the aspects where your Company has never compromised and this year, too, significant progress has been made in these areas.

Our brands have established themselves in the market. REI has been the pioneer in branding of broken Basmati rice. In addition to broken rice we also brand our Head rice in consumer packs. We see a great future potential as our brands start developing a recall value. We have carefully and meticulously developed a strategy promoting the brands based on the regional preferences of the customers and have received a good response.

Realising the tremendous potential in the export market for parboiled rice, we set up one of the largest and most modern parboiling facilities with a

capacity of 768 MT per day, at the new site close to our existing factory, at Bawal (since sufficient vacant land was not available there) during 2004-05. This facility is fully functional and the quality is excellent. We have since then received large export orders from various buyers in Saudi Arabia.

Expansion Plan

Encouraged by the surging demand for our products, we have embarked upon further expansion of capacity from 42 MTPH to 66 MTPH at the new site. Orders for all plants & machineries have been placed with respective suppliers. The main plant will be supported by M/s BUHLER (India) Limited - the world-renowned manufacturer of grain processing machinery. Civil construction is progressing rapidly and we expect to commence the new plant in the 3rd quarter of the present fiscal. This will be most modern State-of-Art plant with latest machineries & updated technology. The plant will be fully controlled by PLC thereby reducing labour cost.

Windfarm

Looking at the great opportunity in Renewable Energy, your Company had set up a wind farm of 7.5 MW comprising six wind turbine generators of 1.25 MW each at Soda Mada near Jaisalmer in Rajasthan in 2003-2004. This wind farm is running successfully and results are as expected.

Encouraged by the success of this wind farm, we have further set up ten wind turbine generators of 1.25 MW

each at Dhule in Maharashtra. The same was commissioned successfully in March 2005. Armed with the two wind farms having a combined capacity of 20MW of power, we are poised to earn substantial income in the coming years. This sector has immense potential, is non-polluting and eco-friendly.

Review of Operations:

The year under review has again surpassed all previous years in respect of records for sales volumes, profitability and margins, which have reached an all time high.

There was an increase in throughput from the existing manufacturing facility, supported by a change in product mix, tilting towards higher head rice recovery with higher value addition.

Overall revenues have soared from Rs. 60266 lacs to Rs 84502 lacs reflecting a growth of 40.21% year on year (YoY). Benefiting from lower interest charges and modest rise in depreciation, pre-tax profit (before exceptional items) has jumped 134.43% to Rs 5413 lacs in 2004-05. Net profit after current tax is higher by 139.70% YoY at Rs 3785 lacs in 2004-05. The improved performance is the result of multiple factors i.e. strong position in the market, greater operational efficiency, good fiscal planning, introduction of innovative

products, customised solutions for various market segments etc.

Highlights (Rs in lacs)

Year	2004-2005	2003-2004	% Increase
Sales	84502	60266	40.21
Profit before tax	5413	2309	134.43
Profit after current tax	4998	2100	138.11
Profit after deferred tax	3785	1580	139.70
Production (in MT)	230672	207529	11.15

Industrial outlook opportunities and threats

REI have every reason to believe that 2005-06 will be another stellar year. We have put great emphasis on quality of our products to achieve success in different markets of the world and we intend to use our strength to expand our business further.

Domestic demand is increasing at a significant pace. Purchasing power of our people is increasing and they have become quality conscious. Demand for quality goods, especially in the food sector, is surging ahead at a rapid pace. We derive our main strength from one of the most modern state-of-the-art plant enabling us to produce top quality rice. With additional

capacity coming on-stream in 2005-06, we should be able to adequately cater to the growing export as well as domestic demand.

With the implementation of various measures over the past years leading to substantial reduction in the Company's overhead cost, including interest, the Company is now poised for sustainable growth and profit.

The Company remains focused on efficiency improvement and cost reduction in all areas, which is key to sustaining returns in mature business. Based on the above we look to the future with optimism.

Cautionary statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable laws and regulations. The management believes that the above statements are true to the best of its knowledge at the time of its preparation. Actual results may differ from such expectations, projections etc., whether express or implied. Important factors that could affect the Company's operation include, inter-alia, economic conditions affecting demand /supply and price conditions in the market in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

Auditor's Certificate on Compliance with clause 49 of the Listing Agreement

TO THE MEMBERS OF REI AGRO LIMITED

We have examined the compliance of conditions of Corporate Governance by REI Agro Limited ("the company") for the year ended 31st March 2005, as stipulated in clause 49 of the Listing Agreement of the Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanation given to us. We certify that the Company has complied with the condition of corporate Governance as stipulated in the above mentioned Listing Agreement.

for: **P.K.LILHA & CO.**
Chartered Accountants

Date: 27th May, 2005
Place: Kolkata

(P.K.LILHA)
Partner
M No. 11092

Corporate Information

Board of Directors	Sanjay Jhunjhunwala, <i>Chairman</i> Sandip Jhunjhunwala, <i>Vice Chairman & Managing Director</i> Dr. ING N.K. Gupta, <i>Director</i> A. Chatterjee, <i>Director</i> K.D. Ghosh, <i>Director</i> A.K. Chakrabarti, <i>Director</i> D.K. Ray, <i>Director (IDBI Nominee)</i>
Company Secretary	Jitender Patnaik
Statutory auditors	P/K. Lilha & Co. Chartered accountants
Internal auditors	B. Khaitan & Associates Chartered accountants
Bankers	Industrial Development Bank of India • State Bank of India • United Bank of India • Indian Renewable Development Agency Limited • Allahabad Bank • Uco Bank • Corporation Bank • Canara Bank • Punjab National Bank • Dena Bank • Indian Overseas Bank • Union Bank of India • Andhra Bank • Bank of Maharashtra • Syndicate Bank • The Jammu & Kashmir Bank Limited
Registered office	94, K.M. Milestone, Delhi-Jaipur Road, NH-8 Bawal Growth Centre, Village- Jaliavas, District- Rewari, Haryana Tel: +91 12 8426 4457, +91 12 8426 4461 Fax: +91 12 8426 4463 E-mail: reiagrobawal@reiagro.com
Corporate office	Everest House, 46C, Chowringhee Road, 15th Floor, Room No. 15B, Kolkata - 700 071 Tel: 91 33 3092 5061, 91 33 3092 5062 Fax: 91 33 2288 2241 E-mail: reiagrocal@reiagro.com
Regional office	58A/1, Sainik Farm, New Delhi - 110 062 Tel: 91 11 3090 5030, 91 11 3090 6030, Fax: 91 11 2955 2403 E-Mail: reiagro@reiagro.com
Website	www.reiagro.com

Auditor's Report

To the members of REI Agro Limited

1. We have audited the attached Balance Sheet of REI Agro Limited as at 31st March, 2005 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on test basis evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report is in agreement with the books of account.
 - d) In our opinion The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - 1) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - 2) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date, and
 - 3) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **P. K. Lilha & Co.**
Chartered Accountants

P. K. Lilha
Partner

Place: Kolkata
Date: 27th May, 2005

Membership No. 11092

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

1) In respect of its fixed assets

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets, is being physically verified in the phased manner by the management in accordance with a program of verification covering all the fixed assets over a period of three years, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) There was no substantial disposal of fixed assets during the year.

2) In respect of its inventories

- a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
- b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

3) According to the information and explanations given to us, the Company has not granted / taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

4) In our opinion and according to the information and explanations given to us, there are adequate internal control

procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods.

- 5) To the best of our knowledge and belief and according to information and explanations given to us, there are no transaction made by the company in the pursuance of the contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs 500000/- or more in respect of each party.
- 6) In our opinion and according to information and explanations given to us, the Company has not accepted any deposits from the public during the year. Hence paragraph 4 (vi) of the order is not applicable.
- 7) In our opinion Company has an internal audit system commensurate with the size of the Company and nature of business.
- 8) Maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 for the products manufactured by the company.
- 9) a) According to the information and explanations given to us the company has been regular in depositing Statutory dues, including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Wealth Tax, Service Tax, Sales tax, Custom Duty, Excise, Cess and any other material statutory dues with the appropriate authorities during the year.
- b) No undisputed amount payable were in arrear, for a period of more than six months from the date they became payable.
- c) According to the information and explanation given to us, the details of statutory dues of sales tax which have not been deposited on account of disputes are given below: -

Name of the statute	Nature of Dues	Amount (in lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act	Haryana sales tax	Rs.76.34(since paid Rs 25.00) and for the balance third parties bonds have been executed	1997-98	Appellate Tribunal Haryana at Chandigarh

- 10) The Company does not have accumulated losses as at the end of the year and company has not incurred cash losses during the current and the immediately preceding financial year.
- 11) Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in the repayment of dues to financial institutions, or Banks.
- 12) According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) The nature of the Company's business / activities during the year have been such that clauses (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company
- 14) According to the information and explanations given to us there are no guarantee given by the company for loans taken by others from banks or financial institutions.
- 15) According to the information and explanation given to us, the term loans have been applied for the purpose for which they were raised.
- 16) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment (Fixed Assets etc.) and vice versa.
- 17) According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- 18) According to the information and explanations given to us the company has not issued any debentures during the year.
- 19) The Company has not raised monies by public issues during the year except Private Placement of 3846154 no of equity Shares of Rs 10/- each at a premium of Rs 120/- per shares on preferential basis. The money has been used for the purpose for which it has been raised
- 20) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For **P. K. Lilha & Co.**
Chartered Accountants

P. K. Lilha
Partner

Place: Kolkata
Date: 27th May, 2005

Membership No. 11092

Balance Sheet

(Amount in Rupees)

As at 31 March,	Schedules	2005	2004
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	734,467,540	696,006,000
Reserves & Surplus	2	1,166,099,816	279,571,500
		1,900,567,356	975,577,500
Loan Funds			
Secured Loans	3	4,262,301,308	2,203,484,615
Unsecured Loans	4	863,039,892	670,500,000
		5,125,341,200	2,873,984,615
Grand Total		7,025,908,556	3,849,562,115
APPLICATIONS OF FUNDS			
Fixed Assets	5		
Gross Block		1,698,188,363	770,967,600
Less : Depreciation		124,602,977	84,540,161
Net Block		1,573,585,386	686,427,439
Capital Work-In-Progress		4,848,486	273,216
		1,578,433,872	686,700,655
Investments	6	2,246,548	777,600
Current Assets, Loans and Advances			
Inventories	7	5,130,871,003	3,143,459,593
Sundry Debtors	8	1,460,207,243	977,832,268
Cash & Bank Balances	9	153,155,478	105,832,343
Loans & Advances	10	121,485,206	48,040,670
		6,865,718,930	4,275,164,874
Less : Current Liabilities and Provisions	11	1,421,122,680	1,114,344,786
Net Current Assets		5,444,596,250	3,160,820,088
Miscellaneous Expenditure	12	631,886	1,263,772
(To the extent not written off or adjusted)			
Grand Total		7,025,908,556	3,849,562,115
Significant Accounting Policies	19		
Notes on Accounts	20		

As per our report of even date

For P. K. Lilha & Co.
Chartered Accountants

For and on behalf of the Board

P. K. Lilha
Partner
Membership No. 11092
Place : New Delhi
Dated : 27th May, 2005

Sandip Jhunjunwala
Managing Director

A. Chatterjee
Director

Profit and Loss Account

(Amount in Rupees)

For the year ended 31 March,	Schedules	31.3.2005	31.3.2004
INCOME			
Sales	13	8,450,152,052	6,026,625,297
Other Income	14	77,756	2,445,270
Increase/(Decrease) in Inventory	15	451,085,228	216,267,108
		8,901,315,036	6,245,337,675
EXPENDITURE			
Raw-Material Consumed	16	7,517,031,032	5,597,185,321
Manufacturing, Administrative & Selling Expenses	17	510,608,769	251,386,328
Interest and Finance Cost	18	291,398,242	143,907,457
Depreciation		40,365,404	21,345,188
Preliminary and Public Issue expenses Written Off		631,886	631,886
		8,360,035,333	6,014,456,180
Profit before tax		541,279,703	230,881,495
Provision for Current Year Tax		38,828,416	16,500,000
Provision for Income Tax for Earlier year		2,643,711	4,433,353
Net Profit before Deferred Tax		499,807,576	209,948,142
Less - Provision for Deferred Tax		121,298,476	51,972,275
Profit after Tax		378,509,100	157,975,867
Add - Balance brought forward		11,450,847	5,287,019
Amount available for Appropriation		389,959,947	163,262,886
Less - Proposed Dividend		66,170,131	23,720,420
Less - Dividend Tax		8,647,609	3,039,179
Less - Short Provision for Dividend and Dividend Tax		–	52,440
Less - Transfer to General Reserve		300,000,000	125,000,000
Balance Carried to Balance Sheet		15,142,207	11,450,847
Basic and Diluted Earnings Per Share (Rs.)		12.13	5.34
Significant Accounting Policies	19		
Notes on Accounts	20		

As per our report of even date

For P. K. Lilha & Co.

Chartered Accountants

For and on behalf of the Board

P. K. Lilha

Partner

Membership No. 11092

Place : New Delhi

Dated : 27th May, 2005

Sandip Jhunjunwala

Managing Director

A. Chatterjee

Director

Schedules forming part of the Accounts

(Amount in Rupees)

As at 31 March,	2005	2004
1 – SHARE CAPITAL		
Authorised Capital		
4,00,00,000 (3,00,00,000) Equity Shares of Rs.10/- each	400,000,000	300,000,000
40,00,000 (40,00,000) Preference Share of Rs 100/- each	400,000,000	400,000,000
	800,000,000	700,000,000
Issued, Subscribed and Paid-up		
3,34,46,754 (2,96,00,600) Equity Shares of Rs.10/- each fully paid up of the above 14800300 (14800300) Equity Shares of Rs 10/- each has been allotted by capitalisation of General Reserve	334,467,540	296,006,000
40,00,000 (40,00,000) 4% Non-Conv. Preference Shares of Rs.100/- each fully paid up in Cash	400,000,000	400,000,000
	734,467,540	696,006,000
2 – RESERVES AND SURPLUS		
a) Share Premium		
During the year	461,538,480	–
b) General Reserve		
As Per Last Year	159,315,934	182,318,934
Added during the year	300,000,000	125,000,000
Less : Capitalised for issue of Bonus Share	–	148,003,000
	459,315,934	159,315,934
c) Deferred Tax Reserve		
Deferred Tax Liability as per last year	108,804,719	56,832,444
Add : Provided during the year (net)	121,298,476	51,972,275
	230,103,195	108,804,719
d) Profit & Loss Account		
As per Annexed Account	15,142,207	11,450,847
Total	1,166,099,816	279,571,500
3 – SECURED LOANS		
a) Term Loan		
Industrial Development Bank of India	63,800,000	94,600,000
State Bank of India	36,400,000	47,600,000
United Bank of India	250,000,000	–
Interest Accrued but not Due	2,278,374	3,953,822
(Secured by creation of first charge on all Fixed Assets at Bawal unit both present and future and by second charge on hypothecation of stock of Rice, Paddy, Book-debts & Stores etc., both present and future on pari-passu basis at Bawal unit on which first charge being with consortium of Banks and personal guarantee of some of the Directors. Amount due in one year Rs 340 lacs (previous year Rs 420 lacs))		
Indian Renewable Energy Development Agency Ltd. (IREDA)	185,000,000	–
Allahabad Bank	41,500,000	–
Interest accrued but not Due	317,220	–
(Secured by creation of first charge on Wind Farm at Jaisalmer and personal guarantee of some of the Directors. Amount due in one year Rs 138 lacs (previous year Nil))		
	579,295,594	146,153,822
b) Working Capital demand Loan (From Banks)		
a) Foreign Currency Loan	1,033,044,479	1,264,735,010
b) Rupee Loan	484,888,589	319,571,695
	1,517,933,068	1,584,306,705
(WC DL & Cash Credit limits from banks are secured by creation of first charge on pari passu basis, on hypothecation of stocks of Rice, Paddy, Book Debts & Stores etc., both present and future on rice segment and by second charge on all Fixed Assets both present and future at Bawal unit, on which first charge is registered against term loan in favour of IDBI, SBI & UBI and personal Guarantee of some of the Directors)		

Schedules forming part of the Accounts

(Amount in Rupees)

As at 31 March,	2005	2004
3 – SECURED LOANS (Contd.)		
c) Cash Credit (From Banks)		
Rupee Loan	775,966,507	424,378,637
(WCDL & Cash Credit limits from banks are secured by creation of first charge on pari passu basis, on hypothication of stocks of Rice, Paddy, Book Debts & Stores etc., both present and future on rice segment and by second charge on all Fixed Assets both present and future at Bawal unit, on which first charge is registered against term loan in favour of IDBI, SBI & UBI and personal Guarantee of some of the Directors)		
d) Packing Credit (From Banks)		
Rupee Loan	389,106,139	48,645,451
(Packing Credit limits from Banks are secured by creation of first charge on pari passu basis, on hypothication of stocks of Rice, Paddy, Book Debts & Stores etc., both present and future and by second charge on all Fixed Assets both present and future on Bawal unit, on which first charge is registered against term loan in favour of IDBI, SBI & UBI and Personal Guarantee of some of the Directors)		
e) Commercial Paper	1,000,000,000	–
(Secured by earmarking working capital limit) (maximum balance outstanding during the year Rs.100 Crores)		
	4,262,301,308	2,203,484,615

4 – UNSECURED LOANS		
From Bodies Corporate	291,250,000	120,000,000
Deposit from Customers	311,461,772	319,500,000
Supplier's Credit	260,328,120	231,000,000
	863,039,892	670,500,000

5 – FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1.4.2004	Additions	Deductions	As on 31.3.2005	As on 31.3.2004	For the period	Deductions	As on 31.3.2005	As on 31.3.2005	As on 31.3.2004
Land	3,755,250	28,716,473	–	32,471,723	–	–	–	–	32,471,723	3,755,250
Lease Hold Land	6,000,000	–	–	6,000,000	–	300,000	–	300,000	5,700,000	6,000,000
Building	135,055,690	40,028,080	–	175,083,770	18,567,047	4,626,829	–	23,193,876	151,889,894	116,488,643
Plant & Machinery	287,902,659	251,335,045	–	539,237,704	60,872,565	16,500,521	–	77,373,086	461,864,618	227,030,094
Windfarm Generator	324,200,000	604,470,400	–	928,670,400	678,884	17,205,201	–	17,884,085	910,786,315	323,521,116
Office Equipment	1,022,342	482,081	–	1,504,423	194,588	63,521	–	258,109	1,246,314	827,754
Tubewell	251,962	216,888	–	468,850	68,213	23,665	–	91,878	376,972	183,749
Computer	6,647,583	327,423	–	6,975,006	2,152,128	1,021,582	–	3,173,710	3,801,296	4,495,455
Vehicle	3,541,418	1,899,439	764,716	4,676,141	1,421,946	450,035	302,588	1,569,392	3,106,749	2,119,472
Furniture & Fixtures	2,590,696	509,651	–	3,100,347	584,790	174,051	–	758,841	2,341,506	2,005,906
Total	770,967,600	927,985,479	764,716	1,698,188,363	84,540,161	40,365,404	302,588	124,602,977	1,573,585,386	686,427,439
Previous Year Total	417,339,845	354,134,655	506,900	770,967,600	63,341,372	21,345,188	146,399	84,540,161	686,427,439	
Capital Work In Progress	273,216	4,880,893	305,623	4,848,486					4,848,486	273,216

Schedules forming part of the Accounts

(Amount in Rupees)

As at 31 March,	2005	2004
6 – INVESTMENTS (Non-Trade and Long Term) at cost		
In Fully Paid-up Quoted Equity Shares of Rs 10/- each		
Nos. Company		
3109 OCL India Limited	1,434,286	–
1898 Punjab National Bank	740,220	–
1186 Transgene Biotech Limited (3814 shares purchased & sold during the year)	72,042	–
64800 UCO Bank	–	777,600
(Market Value as on 31.03.2005 : Rs 2561649)		
	2,246,548	777,600

7 – INVENTORIES (As taken, valued & certified by the Management)		
Raw Materials	3,755,668,280	2,221,902,930
Finished Goods	1,367,276,228	916,191,000
Stores, Spares & Packing Materials etc.	7,926,495	5,365,663
	5,130,871,003	3,143,459,593

8 – SUNDRY DEBTORS (Unsecured, Considered Good)		
Debts due for a period exceeding six months	318,769	4,043,751
Others	1,459,888,474	973,788,517
	1,460,207,243	977,832,268

9 – CASH & BANK BALANCES		
Cash in Hand (As certified by the management)	2,942,468	2,375,896
Balance with Scheduled Banks		
– On Current Account	7,539,135	303,026
– On Fixed Deposit Account	139,757,856	100,996,583
Interest Accrued thereon	2,916,019	2,156,838
	153,155,478	105,832,343

10 – LOANS & ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or value to be recd.	93,084,606	43,592,563
Deposits	9,527,847	3,042,033
Income Tax Payments	18,872,753	1,406,074
	121,485,206	48,040,670

Schedules forming part of the Accounts

(Amount in Rupees)

As at 31 March,	2005	2004
11 – CURRENT LIABILITIES & PROVISIONS		
(A) Current Liabilities		
Acceptances	1,165,240,710	882,631,904
Sundry Creditors		
For Goods, Expenses and others		
1) Amount to Small Scale Industries	1,878,032	722,751
2) Amount Due other than Small Scale Industrial Undertaking	74,014,208	90,152,831
2) For Windmill Generator	7,000,000	71,758,612
3) For other Liability	57,310,109	25,526,968
Investor Education & Protection Fund (Unpaid Dividend)	1,881,618	140,274
	1,307,324,677	1,070,933,340
(B) Provisions		
For Taxation	38,980,263	16,651,847
For Dividend	66,170,131	23,720,420
For Dividend Tax	8,647,609	3,039,179
	113,798,003	43,411,446
(A) + (B)	1,421,122,680	1,114,344,786

12 – MISCELLANEOUS EXPENDITURE (To the extent not written off)		
Preliminary Expenses	61,741	123,480
Public Issue Expenses	570,145	1,140,292
	631,886	1,263,772

(Amount in Rupees)

For the year ended 31 March,	2005	2004
13 – SALES		
Sales (Rice, Bran & Husk)	8,386,594,851	6,023,092,055
Export Incentives	550,550	3,367,627
Sale of Power	63,006,651	165,615
	8,450,152,052	6,026,625,297

14 – OTHER INCOME		
Insurance Claim	3,700	532,569
Profit on Sale of Investment(In Shares)	–	1,612,289
Dividend on Shares	51,840	114,240
Profit on Sale of Fixed Asset	–	139,499
Misc. Receipts	22,216	46,673
	77,756	2,445,270

15 – INCREASE/(DECREASE) IN INVENTORY		
Opening Stock of Finished Goods	916,191,000	699,923,892
Closing Stock of Finished Goods	1,367,276,228	916,191,000
	451,085,228	216,267,108

Schedules forming part of the Accounts

(Amount in Rupees)

For the year ended 31 March,	31.3.2005	31.3.2004
16 – RAW MATERIAL CONSUMED & PURCHASE OF GOODS		
A) Raw Material Consumed		
Opening Stock	2,221,902,930	1,700,925,956
Purchases	8,173,511,656	6,054,716,798
Agriculture crop produce expenses	22,229,256	18,522,398
Less - Closing Stock	3,755,668,280	2,221,902,930
	6,661,975,562	5,552,262,222
B) Purchase of Goods	855,055,470	44,923,099
	7,517,031,032	5,597,185,321
17 – MANUFACTURING, ADMINISTRATIVE, & SELLING EXPENSES		
Stores, Spares & Packing Material Consumed	61,226,043	23,482,956
Power & Fuel	48,943,159	40,288,825
Salary, Wages & Bonus	65,810,293	53,843,223
Contribution to Provident Fund & Other Fund	833,431	574,085
Staff Welfare	1,355,309	1,122,757
Security Charges	2,618,903	861,982
Hire Charges	5,756,164	4,106,404
Repairs & Maintenance		
– Plant & Machinery	1,072,853	796,637
– Building	225,674	961,158
– Others	256,277	516,926
Rent	2,731,454	1,352,960
Rates & Taxes	97,654	228,187
Insurance (including Key Man Insurance)	6,949,558	5,657,584
ECGC Premium	2,914,226	1,636,623
Bank Charges	21,072,935	7,697,655
Postage, Telephone & Telex	2,380,689	1,871,262
Auditors' Remuneration	416,156	423,964
Directors' Remuneration	1,872,000	1,072,000
Directors' Fees	40,500	30,000
Travelling & Conveyance	8,432,126	6,554,907
Miscellaneous Expenses	18,421,695	7,017,685
Filing Fees	518,489	515,450
Carriage Outward, Freight & Clearing Charges	248,471,019	73,473,349
Advertisement	332,257	657,343
Brokerage & Selling Expenses	7,692,148	12,357,717
Purchase/ Sales Tax	–	4,284,689
Loss on Sale of Investment	94,630	–
Loss on Sale of Fixed Assets	73,127	–
	510,608,769	251,386,328
18 – INTEREST		
– On Term Loan	33,680,687	22,603,025
– On Working Capital etc.	245,827,913	110,082,680
– Finance Charges	11,889,642	11,221,752
	291,398,242	143,907,457

Schedules forming part of the Accounts

19 – SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

- a) The accounts of the company are prepared under historical cost convention and with applicable accounting assumption of a going concern in compliance with the accounting standards referred to in section 211(3C) of the Companies Act 1956.
- b) The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.
- c) Accounting policies not specifically referred to otherwise, are consistent and in consonance with generally accepted accounting principles.

2. Fixed Assets

- a) Fixed Assets are stated at cost of acquisition or construction inclusive of freight, duty, taxes and incidental expenses related to acquisition or construction less depreciation.
- b) Land is stated at cost of acquisition inclusive of incidental expenses thereto.
- c) Leasehold Land is stated at cost and is amortized over the period of lease.
- d) Project under commissioning and other Capital Work in Progress are carried at cost, comprising direct cost & related incidental expenses and attributable interest on borrowed funds for project, if any.
- e) When assets are sold or discarded, their cost and accumulated depreciation are removed from fixed assets and any gain / loss resulting from disposal is included in Profit & Loss Account.

3. Depreciation

Depreciation on Fixed Assets is provided pro-rata and on the Straight Line Method (SLM) at the rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

4. Investments

Long Term Investments are stated at Cost.

5. Valuation of Inventories

- a) Inventories are valued as under:

Raw Materials	: At cost. (FIFO)
Finished Goods	: At cost (less realizable value of by-products) or market price whichever is lower.
- b) Stores, Spares and Packing: At cost, other than used materials which are at estimated realizable value.
- c) Raw material on floor shop and in process is taken as part of raw material and valued accordingly.
- d) Market value is based on the available market price and estimated realizable value.

6. Foreign Currency Transactions

- a) Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction.
- b) Current Assets and Current Liabilities are translated at the year end rate. The differences between the rate prevailing on the date of transaction and on the date of settlement as also on translation of current assets and current liabilities at the end of the year are recognized in the Profit & Loss Account.
- c) In respect of forward exchange contracts, the difference between the forward rate and the exchange rate at the inception of the forward contract is recognized as income or expense over the life of the contract.

7. Revenue Recognition

- a) Sales are recognized when goods are supplied and are recorded net of trade discounts, rebates, sales tax etc. but include, where applicable, export incentives and premiums on sale of import licenses, where the amounts are ascertainable with certainty.
- b) Income for Services rendered is booked based on agreement/arrangements with the concerned parties.
- c) Interest on Advances/Fixed Deposits is booked on time proportion basis taking into account the amount invested and the rate of interest.
- d) Profit/Loss on Sale of Investments has been booked on the basis of contract notes for sale of shares.

Schedules forming part of the Accounts

19 – SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- e) Dividend Income on Investments is accounted for when the right to receive the payment is established.
- f) Insurance claims are recorded on cash basis.

8. Retirement Benefits

Retirement Benefits to employees comprise Provident fund, Gratuity and Leave Encashment Benefits under the Scheme of the Company.

In respect of defined contribution scheme, the contribution payable for the year is charged to Profit to Loss account.

In respect of defined scheme the retirement benefits cost for the Gratuity for the year has been accounted for based on Actuarial Valuation as at Balance Sheet date where as it was accounted for on cash basis till last year and for leave encashment, it is being debited on cash basis.

9. Taxes on Income

Tax expense for the year comprising current tax and deferred tax is included in determination of net profit for the year.

Deferred Tax is recognized on all timing difference's subject to consideration of prudence in respect of Deferred Tax Assets.

10. Borrowing Costs

Borrowing cost are recognized as an expense in the year in which they are incurred except borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying assets are capitalised as part of the cost of that assets.

11. Preliminary and Public Issue Expenses

Preliminary and public issue expenses are amortized over a period of ten years.

20 – NOTES ON ACCOUNTS

1. Contingent liabilities not provided for in respect of:

- a) Exports bills discounted with the banks and remaining outstanding at the year end amounting to Rs NIL (previous year Rs 4.90 lacs).
- b) Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs 670 lacs (previous year Rs 162 lacs)
- c) Sales Tax Demand for the financial year 1997-98 of Rs 51.34 lacs (Net of deposits) for which Bonds have been executed by third parties.
- d) Letters of Guarantee issued by the Bank in favour of Dy. Commissioner of Customs, for Rs.22,29,200/- on account of import of Plant & Machinery against the Import License issued under Para 5.2/5.7 of Exim Policy 2002-07 under lower Custom Duty EPCG Scheme against which differential duty amounts to Rs 22,29,200/- These amounts have been taken credit in the year of import while capitalising the Plant & Machinery, on the obligations that the Company will export items to GCA and realize money in the Convertible Foreign Exchange worth Rs.5.00 Crores, over the period of 8 years from the date of issue of license. The Company has already fully met its past and present obligation during the year by export worth Rs.24.34 Crores by use of imported capital goods to GCA. The company has now requested the custom authority to release the Bonds executed by the company and also Bank Guarantee issued by the Bank.

2. Unsecured Loan

Unsecured Loan includes an amount of Rs 2603 Lacs outstanding towards suppliers credit from Suzlon Energy Ltd for installation of Wind Farms at Dhule, Maharashtra. In case the loan disbursement from lending bankers/ financial institution is delayed beyond 30 days after commissioning of the project, interest will be payable on the amount of unsecured loan as per the sanction rate of interest of funding agency. Arrangements for credit facility are in progress from a financial institution at competitive rate of interest.

Schedules forming part of the Accounts

20 – NOTES ON ACCOUNTS (Contd.)

3. The company has purchased & sold investment during the year:

No of Equity Shares	Name of the Company
50,000	The Bank of Rajasthan Limited
1,00,000	Himachal Futuristics Communication Limited
18,500	Megasoft Limited
3,814	Transgene Biotech Limited

4. Managerial Remuneration

(Amount in Rupees)

	2004-05	2003-04
(a) Salaries & Allowances	6,72,000	10,72,00
(b) Company's cont. to provident fund	9,360	17,160
(c) Commission to director	12,00,000	–
(d) Director Sitting Fees	40,500	30,000
(e) Other Perquisites	65,415	1,99,773
	1987275	1318873

Computation of net profit in accordance with section 198 of the Companies Act 1956: -

Net Profit after Taxation	37,85,09,100	15,79,75,867
Add: Managerial Remuneration	19,87,275	13,18,873
(Profit)/ Loss on sale of fixed assets	73,127	(1,39,499)
(Profit)/Loss on sale of Investment	94,630	(16,12,289)
Net Profit	380664131	157542952
Commission: -	12,00,000	–
- Percentage of Net Profit	0.32%	–

Commission Payable to Director up to @ 1% of Net Profit restricted to sum determined as above by the Board of Directors.

5. Auditors Remuneration includes

(Amount in Rupees)

	2004-05	2003-04
(a) Audit Fees	250000	250000
(b) Tax Audit Fees	50000	50000
(c) For Certification	25000	25000
(d) For Service Tax	29630	24000
(e) For reimbursement of expenses	61525	72964
Total	416155	421964

- The estimated liability on account of Gratuity provided on the basis of actuarial valuation amounts to Rs 916270 /- (Nil).
- Fixed deposits with banks include Rs 1310.00 lacs pledged as margin money against Letter of Guarantee and Letter of Credits issued by them.
- Insurance includes Key Men Insurance premium of Rs 7,37,963/- (Rs 12,28,389/-).
- Interest on working capital etc is net of interest on fixed deposit with Bank etc.
- Stores, Spares and Packing Materials consumed are net of realisation.
- Contract Farming/ Agriculture:
The company has taken agricultural land on crop sharing basis from various owners for cultivating and raising the paddy crop, in addition to leasehold rights on part of agricultural land allotted by the Government from time to time. All Agricultural expenses relating to cultivation of land, labour charges and expenses like fertilizers, seeds, insecticides ,pesticide and transportation etc. were incurred by the company.

Schedules forming part of the Accounts

20 – NOTES ON ACCOUNTS (Contd.)

12. Earning Per Share :

a) Calculation of weighted number of equity shares of Rs 10 each	
1) No. Of Equity Shares at the beginning of the year	2,96,00,600
Add: Further Preferential issue of 3846154 Equity Shares of Rs 10 each at premium of Rs 120/- on private placement basis on 22.03.05	94,836
Total No. Of Shares	2,96,95,436
Net Profit After Tax	37,85,09,100
Less: Preference Shares Dividend and Dividend Tax thereon	1,80,91,000
Net profit after tax available to Equity Share holders (Numerator used for calculating EPS)	36,04,18,100
Earning Per Share =	Rs.12.13

13. Segment Reporting:

Based on the guiding principles given in accounting standard on Segment Reporting (AS-17) issued by the Institute Of Chartered Accountants Of India, the company primary business segment is Rice and additionally Electricity Generation through Wind Farm.

a) Primary Business Reporting (By Business Segment). (Rs in lacs)

Sl. No.	Particulars	Rice	Energy Generation (Wind Farm)	Total
1	Net Sales/Income from operation	83871.45 (60264.59)	630.07 (1.66)	84501.52 (60266.25)
2	Segment Result Profit(+)/ Loss (-) before Tax, Interest & depreciation from each segment	8164.41 (3959.67)	566.02 (1.66)	8730.43 (3961.33)
	Less: i) Interest	2761.12 (1439.07)	152.86 (-)	2913.98 (1439.07)
	ii) Depreciation	228.6 (206.66)	175.05 (6.79)	403.65 (213.45)
	Total Profit before Tax	5174.69 (2313.94)	238.11 (-5.13)	5412.8 (2308.8)
3	Segment Assets	75155.32 (46311.59)	9308.67 (3314.84)	84463.9 (49626.4)
4	Segment Liability	58376.35 (36850.97)	7088.28 (3032.32)	65464.63 (39883.2)
5	Capital Employed (Segment Asset- Segment Liability)	16778.96 (9460.62)	2220.39 (282.52)	18999.35 (9743.14)
6	Addition to Segment Fixed Assets	3135.15 (221.35)	6144.7 (3320)	9279.85 (3541.3)
7	Depreciation	228.6 (206.66)	175.05 (6.79)	403.65 (213.45)

Schedules forming part of the Accounts

20 – NOTES ON ACCOUNTS (Contd.)

b) Geographical Segment

(Rs in lacs)

Sl. No.	Particulars	Rice	Energy Generation (Wind Farm)	Total
1	Revenue Source: India	78380.12 (57994.59)	630.07 (1.66)	79010.19 (57996.25)
	Outside India	5491.33 (2270)	– (–)	5491.33 (2270)
	Total	83871.45 (60264.59)	630.07 (1.66)	84501.52 (60266.25)
2	Assets: India	74848.88 (46311.59)	9308.67 (3314.84)	84157.55 (49626.43)
	Outside India	306.44 (–)	– (–)	306.44 (–)

14. Related party disclosures :

In accordance with Accounting Standard 18 on Related Party Disclosure issued by the Institute of Chartered Accountants of India, the company has complied with the required information as per details given below:

(A) List of related parties :

I) Name of the companies where control exists (either individually or with others)

- a) Aspective Vanijya Pvt. Ltd.
- b) Jagdhatri Tracon Pvt. Ltd.
- c) REI Steel & Timber Pvt. Ltd.
- d) Snehpusph Barter Pvt. Ltd.
- e) Subhchintak Vancom Pvt. Ltd.
- f) Shree Krishna Gyanodaya Flour Mills Pvt. Ltd.
- h) Relative of Directors :
 - i) Sri Kailash Chandra Chandra Jhunjunwala
 - ii) Smt. Koushalya Devi Jhunjunwala
 - iii) Smt. Sangita Jhunjunwala
 - iv) Smt. Suruchi Jhunjunwala

II) Key Management Personnel :

- i) Sri Sanjay Jhunjunwala (Chairman)
- ii) Sri Sandip Jhunjunwala (Managing Director)

III) Transactions with Related partners/Related individuals/Corporate bodies :

	Control	Key Management personnel	Relatives of key managerial personnel
1) Dividend Paid	1,13,32,447 (48,56,763)	5,95,448 (2,55,192)	1,40,070 (60,030)
2) Remuneration to Director	– (–)	7,46,775 (12,88,933)	– (–)
3) Commission to Director	– (–)	12,00,000 (–)	– (–)

Note: Reimbursement of expenses has not been treated a related party transactions.

15. Working Capital Demand includes foreign currency loan for a period of 6/12 months (with option for further renewal) and is partly covered by forward contract but liability if any uncovered portion has been properly considered.

Schedules forming part of the Accounts

20 – NOTES ON ACCOUNTS (Contd.)

16. The net deferred tax liability as on 31st March 2005 comprises of the following :-

	As on 31.03.2005 (In Rs.):	As on 31.03.2004 (In Rs.):
a) Deferred Tax Liabilities :		
– On Depreciation	23,03,90,583	10,88,04,719
b) Deferred Tax Assets		
– On Gratuity	2,87,388	–
	23,01,03,195	10,88,04,719

This amount has been shown as deferred Tax Reserve under the head "Reserve & Surplus". The Deferred tax balance has arisen principally on account of the timing difference between the depreciation admissible under Income Tax and the depreciation adjusted in the accounts. Though provision is being made as per Accounting Standard (AS-22) "Accounting of Taxes on Income" issued by the Institute of Chartered Accountants of India., having regard to the normal capital expenditure which the company is expected to continue to make in the future years, the timing difference is not expected to be reversed and no cash outgo is expected to materialize towards such liability in foreseeable future.

17. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of Part II of schedule VI of the Companies Act, 1956.

(A) Capacities, Production, Sales and Stocks	2004-05	2003-04
I) Licensed Capacity	Not Applicable	Not Applicable
II) Installed Capacity (As certified by the Management)		
Rice (MTPH)	42	42
Wind Turbine Generators (MW)	20	7.5

A) Finished Goods	2004-05		2003-04	
	Qty in MT.	Amount (Rs)	Qty in MT.	Amount (Rs)
a) Processed Rice				
i) Opening Stock	22264	916191000	15956	647249377
ii) Actual Production	230672	–	207529	–
iii) Sales	220257	755381158	201221	5861708039
iv) Closing Stock	32679	1112474513	22264	916191000

B) By- Product	2004-05		2003-04	
	Qty in MT.	Amount (Rs)	Qty in MT.	Amount (Rs)
Bran & Husk				
Sales	28354	103676394	15672	49263862

C) Purchase of Goods	2004-05		2003-04	
	Qty in MT.	Amount (Rs)	Qty in MT.	Amount (Rs)
Bran & Husk				
i) Opening Stock	Nil	–	7479	52674515
ii) Purchase	81954	855055470	5571	44923099
iii) Sales	56925	729057299	13023	112120154
iv) Closing Stock	24759	254801715	Nil	–
v) Shortage	270	–	27	–

(B) Raw material consumed & purchase of goods

A) Finished Goods	2004-05		2003-04	
	Qty in MT.	Amount (Rs)	Qty in MT.	Amount (Rs)
a) Processed Rice				
i) Raw Material consumed	311459	6661975562	252216	5552262221
ii) Purchase of Goods	81954	855055470	5571	44923099
		7517031032		5597185321

Schedules forming part of the Accounts

20 – NOTES ON ACCOUNTS (Contd.)

(C) Power Generation

	2004-05		2003-04	
	Units	Amount (Rs)	Units	Amount (Rs)
i) Electricity	14498395	630006650	49884	165615

(Amount in Rupees)

	2004-05	2003-04
(D) C.I.F. Value of Capital Goods imports	5933494	5282600
(E) FOB Value of Exports	464604593	223176677
(F) Expenditure in Foreign Currency		
i) Revenue Expenditure (Traveling)	3915945	3716621
ii) Management Training Expenditure	2165585	2359121
(G) i) Amount remitted in Foreign Currency on Account of Dividend		
(a) Equity Share	825440	354667
(b) Preference Share	3000000	–
ii) No. of Non-resident Shareholders		
(a) Equity Shares	4	5
(b) Preference Share	5	5
iii) No. of shares held by Non- resident Shareholders		
(a) Equity Shares	1179200	1241180
(b) Preference Shares	4000000	4000000

Previous years figures have been regrouped/re-arranged wherever considered necessary.

Figures in brackets denote previous year figures.

Signature to schedule 1 to 20

In terms of our attached report of even date

For and on behalf of the Board

As per our report of even date

For P. K. Lilha & Co.

Chartered Accountants

P.K.Lilha

Partner

Membership No. 11092

Place : New Delhi

Dated : 27th May, 2005

Sandip Jhunjhunwala

Managing Director

A. Chatterjee

Director

Balance Sheet Abstract and Company's Business Profile

I. Registration Details

Registration No.

3 4 4 7 9

State Code

0 5

Balance Sheet Date

3 1 0 3 2 0 0 5

Date

Month

Year

II. Capital Raised during the year (Rs in Thousands)

Public Issue

N I L

Bonus Issue

N I L

Right Issue

N I L

Private Placement

3 8 4 6 1 5 4

III. Position of Mobilisation and Deployment of Funds (Rs in Thousands)

Total Liabilities

7 0 2 5 9 0 9

Total Assets

7 0 2 5 9 0 9

Sources of Funds

Paid-up Capital

7 3 4 4 6 8

Reserves & Surplus

1 1 6 6 1 0 0

Secured Loans

4 2 6 2 3 0 1

Unsecured Loans

8 6 3 0 4 0

Deferred Tax

N I L

Application of Funds

Net Fixed Assets

1 5 7 8 4 3 4

Investments

2 2 4 7

Net Current Assets

5 4 4 4 5 9 6

Misc. Expenditure

6 3 2

Accumulated Losses

N I L

IV. Performance of Company (Rs in Thousands)

Turnover

8 9 0 1 3 1 5

Total Expenditure

8 3 6 0 0 3 5

Profit/loss before Tax

5 4 1 2 8 0

Profit/loss after Tax

3 7 8 5 0 9

Earning per share in (Rs.)

1 2 . 1 3

Dividend Rate

1 5 %

V. Generic Names of three principal Products/Services of Company (As per Monetary terms)

Product Description:

Item Code No.

i) Rice Processing

1 0 0 6

As per our report of even date

For P. K. Lilha & Co.

Chartered Accountants

For and on behalf of the Board

P. K. Lilha

Partner

Membership No. 11092

Place : New Delhi

Dated : 27th May, 2005

Sandip Jhunjhunwala

Managing Director

A. Chatterjee

Director

Cash Flow Statement

(Amount in Rupees)

For the year ended 31 March,	2005	2004
A Cash Flow Operating Activities		
Net Profit before Taxes as per Accounts	541,279,703	230,881,495
Adjustment for		
Depreciation and Amortization	40,997,290	21,977,074
Other income not related to operations	(77,756)	(2,445,270)
Loss on Sale/ Discard of assets	73,128	–
Operation profit before working capital Changes	582,272,365	250,413,299
Adjustment For:-		
Decrease/ (increase) in trade & other receiveables	(482,374,975)	(234,986,407)
Decrease/ (increase) in inventories	(1,987,411,410)	(735,674,771)
Decrease/ (increase) in loan & advances	(73,444,536)	23,020,089
Increase/ (Decrease) in trade payable	236,562,161	310,070,911
Cash generated from operations	(1,724,396,395)	(387,156,879)
Less : Direct Tax Paid	9,314,535	28,130,109
Net Cash Flow from Operating System	(1,743,710,930)	(415,286,988)
B Cash Flow From investing Activities		
Purchase of Fixed Assets	(927,985,479)	(354,134,655)
Capital Work in Progress	(4,575,270)	(273,216)
Sale of Fixed Assets	389,000	360,501
Other Income	77,756	2,445,270
Sale of investment	4,858,028	2,284,800
Purchase of Investment	(6,326,976)	(3,062,400)
Net Cash from investing activities	(933,562,941)	(352,379,700)
C Cash Flow from financing Activities		
Proceeds from issue of share Capital	500,000,020	315,369,744
Proceeds from long term borrowings	433,141,772	(27,463,595)
Proceeds from short term borrowings	1,625,674,921	451,823,693
Proceeds from unsecured loans	192,539,892	64,390,000
Dividend Paid	(26,759,599)	(9,177,798)
Net Cash from financing activities	2,724,597,006	794,942,044
Net increase in cash and cash equivalents	47,323,135	27,275,356
Cash and cash equivalents (opening Balance)	105,832,343	78,556,987
Cash and cash equivalents (closing Balance)	153,155,478	105,832,343
Net increase	47,323,135	27,275,356

In terms of our attached report of even date

As per our report of even date

For P. K. Lilha & Co.

Chartered Accountants

For and on behalf of the Board

P. K. Lilha

Partner

Membership No. 11092

Place : New Delhi

Dated : 27th May, 2005

Sandip Jhunjunwala

Managing Director

A. Chatterjee

Director