

*The Fruits Of Our Labour*

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ADF FOODS LTD

Dear Shareholders:

It gives me great pleasure to convey to all our shareholders the significant progress your Company has made in all areas of its business.

At the very outset let me reflect on the numerous achievements made by your Company on all fronts, from frozen foods to packaging and penetrating into the international market.

In 2001, your Company introduced 20 new varieties in the frozen foods segment. In March 2002, a new packaging format was introduced called 'Retort'. With the introduction of Retort packs, your Company has positioned itself as the only Company worldwide to present foods in all 3 categories – cans, retort and frozen in the ready-to-eat curry segment.

The Company's passion for the Indian Food Culture, has seen us reach it far and wide. This year, your Company plans to extend its frozen foods market to the Middle East. Your Company has already started tapping the distribution channels and establish its presence in the key markets. Your Company has appointed a 'Regional Head' based in Dubai, having 15 years' experience in the food business to spearhead its operations in the Middle East.

Your Company has also appointed an experienced Manager, a veteran in Foods Industry as the 'Country Manager' based in UK.

The Regional Head / Manager's responsibilities include ensuring increase in sales and market share and also improve the quality of service to the present distributors. This is a proactive step, vital to cope with competitors' activities and the changing market trends. Your Company's goal will be to continuously capture new markets and strengthen its bottom line.

It has been your Company's constant endeavour to provide high quality products to its customers and meet international standards. Your Company has achieved this through continuously improving the internal processes and facilities. Expansion and Modernisation of the existing facilities is also planned for the forthcoming year, to increase capacities of some of its products. The expansion activity is likely to be completed by the last quarter of 2003 and will be in time for the next year's season.

The year 2001, as you would all know, was a year of lows rather than highs. The September 11 attack shook economies, industries and companies worldwide and the impact was felt hard. Fortunately, your Company stayed afloat. The new product introductions nullified the changing world scenario, in its favour. Your Company stood almost undeterred, in spite of the fact that 80% of your Company's revenue comes from the international markets.

Your Company has by an Agreement for Sale dated 8th May, 2002 agreed to transfer its business connected with or relating to the registered trademark 'Mother's Recipe' and the goodwill associated therewith to Desai Brothers Limited. This business presently accounts for about 15% of the total turnover. The Board of Directors opine that with this arrangement your Company will be able to free resources and concentrate on its core strengths, i.e. the international operations of marketing and distribution of its range of food products under the 'Ashoka', 'Classic Ashoka', 'Camel' and 'Aeroplane' brands in the international markets.

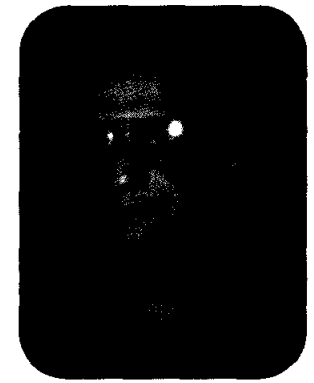
Your Company is in an industry that is not only highly competitive but one that is continuously evolving and coping with changing trends in consumers' tastes and needs. It is well known that when markets shift, technologies proliferate, competitors multiply – products become obsolete almost overnight. Your Company believes that successful companies are those who constantly create new ideas and quickly embody them, and your Company toils to always be among those.

Finally, I would take this opportunity to appreciate the enthusiasm, efforts, initiative and hard work of our personnel, without whom your Company would not have tasted success. With such progress, we remain confident of achieving milestone after milestone, on our way to becoming the World Leader in Ethnic Indian Food. Our ultimate goal is to delight the consumer and increase shareholders' value at all times.

Best Wishes,



**Ramesh Thakkar**  
Chairman & Managing Director



## ADF FOODS LTD

**BOARD OF DIRECTORS**

Shri Ramesh H. Thakkar	<i>Chairman &amp; Managing Director</i>
Shri Kishore H. Thakkar	<i>Joint Managing Director</i>
Shri Ashok H. Thakkar	<i>Executive Director</i>
Shri D. E. Udawadia	<i>Director</i>
Shri Nipun C. Shah	<i>Director</i>
Shri Yasir J. Varawala	<i>Director</i>
Shri Vikram S. Munshi	<i>Director</i>

**SENIOR MANAGEMENT**

Bimal R. Thakkar	<i>President</i>
Nagin C. Patel	<i>Vice President (Works)</i>
Bhavesh R. Thakkar	<i>Vice President (Finance)</i>
Anshuman N. Vora	<i>Vice President (Sales &amp; Mkt.)</i>
Kedar S. Sapre	<i>Factory Manager</i>
Dilip S. Golwala	<i>Finance &amp; Accounts Manager</i>

**COMPANY SECRETARY** Arzana P. Dubash

**COUNTRY MANAGERS** Steve Pezzack for UK  
Ashim Nayar for Middle East

**AUDITORS** D. P. Ghevaria & Co.  
*Chartered Accountants*  
K. D. Godbole  
*Chartered Accountants*

**SOLICITORS** Udawadia Udeshi and Berjis  
Thakkar & Thakkar

**BANKERS** State Bank of Hyderabad  
Bank of Baroda  
State Bank of India  
Central Bank of India

**REGISTERED OFFICE** 83/86 G.I.D.C. Industrial Estate,  
Nadiad-387 001,  
Gujarat.

**REGISTRAR AND SHARE  
TRANSFER AGENTS** K. R. Financial & Management  
Services Pvt. Ltd.  
103, Omex Apartments,  
64 Sahar Road, Koldongri,  
Andheri (East),  
Mumbai-400 069.

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**12TH ANNUAL GENERAL MEETING**

*On Wednesday, 26th June 2002, at 11.00 a.m.*

*at Sheth Khushaldas Gokaldas Municipal Town Hall, Station Road, Nadiad-387 001, Gujarat.*

**As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.  
Shareholders are requested to kindly bring their copies to the Meeting.**

# ADF FOODS LTD

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## NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held at Sheth Khushaldas Gokaldas Municipal Town Hall, Station Road, Nadiad – 387 001 Gujarat on Wednesday, 26th June, 2002 at 11:00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive consider and adopt the audited Balance Sheet as at 31st March 2002, the Profit and Loss Account for the year ended as at that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri D. E. Udawadia who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Yasir Varawala who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

To declare the results of postal ballot pursuant to Section 293(1)(a) of the Companies Act, 1956 in regard to the transfer of the business connected with or relating to the registered trademark 'Mother's Recipe' as a going concern and the goodwill associated therewith.

### NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy form duly completed and stamped must reach the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
- b. The Register of Members and Transfer Books of the Company will be closed from Thursday, 20th June, 2002 to Wednesday, 26th June, 2002 (both days inclusive).
- c. Shareholders desiring any information as regards the accounts are requested to write to the Company at least 8 days in advance so as to enable the management to keep the information ready.
- d. With the Introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed and unpaid for a period of seven years from the due date of payment is required to be transferred to the "Investor Education and Protection Fund." Shareholders who have not encashed their dividend warrants pertaining to the year 1994/95 which was declared on 27th September, 1995, are requested to write to the Company's Share Department immediately.
- e. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Share Department enclosing their Share Certificates to enable the company to consolidate their holding in one folio.
- f. Members are requested to notify the Company immediately of any change in their Registered Addresses alongwith the pin code.

By Order of the Board of Directors  
ADF FOODS LIMITED

Mumbai, May 22, 2002

### Registered Office :

83/86, G.I.D.C. Industrial Estate  
Nadiad – 387 001. Gujarat

ARZANA DUBASH  
Company Secretary

## EXPLANATORY STATEMENT

Notice seeking approval of the members of the Company to the transfer by the Company of the business connected with or relating to the registered trade mark 'Mother's Recipe' as a going concern and the goodwill associated therewith pursuant to Section 293(1)(a) of the Companies Act, 1956, sought through postal ballot has been sent to all the members. Last date for receipt of the duly completed postal ballot form is June 17, 2002. The results of the postal ballot so conducted would be declared by the Chairman at this meeting.



## DIRECTORS' REPORT

To,  
The Members of  
ADF FOODS LIMITED

Your Directors present the Twelfth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended 31st March, 2002.

### Financial Results:

#### Review of Financial Performance:

	FOR THE YEAR ENDED	
	31-03-2002 Rs. in lacs	31-03-2001 Rs. in lacs
Net sales/Income from operations	4441.45	4335.35
Other Income	37.44	27.11
	4478.89	4362.46
Total expenditure		
(a) Increase/decrease in stock in trade	(143.01)	120.72
(b) Consumption of raw materials	2962.24	2513.32
(c) Staff Cost	197.88	212.76
(d) Other expenditure	1072.01	1120.62
	4089.12	3967.42
Interest	217.08	264.53
Depreciation	100.69	100.32
Profit(+)/Loss(-) before tax	72.00	30.19
Provision for taxation	5.02	2.95
Deferred tax assets	2.44	—
Net profit(+)/Loss(-)	69.42	27.24
Prior period Expenses/Income (Net off)	4.21	8.23
Net profit(+)/Loss(-)	65.21	19.01

### Financial Results:

The year 2001-02 was a difficult phase for the Company's business growth because of unfavourable economic scenario in international markets. In spite of that your Company has achieved growth in turnover as compared to last year and substantial growth in profitability.

The turnover from export sales accounted for about 80% of the total turnover and balance was domestic sales.

### Dividend:

In view of inadequate profits, the Directors are not in a position to recommend any dividend for the current year.

### Operational and Cash Profit:

During the year under review your Company has made a profit before tax of Rs. 72.00 lacs (Previous year Rs. 30.19 lacs) and cash profit of Rs. 172.69 lacs (Previous year Rs. 130.51 lacs).

## ADF FOODS LTD

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### **Improving operational efficiency:**

A lot of efforts have been ploughed into strengthening the various areas of the business. Your Company has adopted best routes for success like Cost reduction to the minimum, better margins on sales, better utilisation of working capital, improvement in production efficiency, effective inventory and cash flow management.

### **Leverage:**

Your Company has been able to maintain a positive leverage in relation to its debts and equities. Your Company will continue to make best efforts to maintain positive gearing and will try and maintain a judicious mix of own and borrowed funds to maximize shareholder value.

### **International Markets:**

Your Company's performance in the international markets has been satisfactory and in the forthcoming year these markets would still perform better due to introduction of new varieties of products. Your Company is constantly strengthening its distribution in these markets and hopes to further improve consumer loyalty and increase sales.

New product introductions – your Company introduced a range of frozen foods during the year. The initial response to these products has been very encouraging and a special focus and emphasize is being given to this range in the future, as your Company sees a strong growth within this segment in the international markets.

This year also your Company intends to introduce other varieties of products within the frozen foods segment as well as in the shelf stable product segments. Continuous development work is being done at the factories to ensure that we are always one step ahead of our competitors.

### **Domestic Markets:**

The performance in the domestic markets was not very encouraging. In the domestic market the Company was engaged in the selling of pickles and papads under Mother's Recipe brand along with sales of pickles & other products under other brands and unbranded institutional sales. The turnover under the Mother's Recipe brand was not upto the mark during the year and was continuously declining on a year-to-year basis. The brand was losing market shares and the said business required substantial investments in marketing and distribution network. The present turnover was unable to cope with the working capital requirements and in turn affected the over all bottom line of the Company. This was also due to competition from organized and unorganized sectors in the domestic markets.

The Company uses the "Mother's Recipe brand to market and distribute a range of pickles and papads in India and pickles papads spices masalas etc. outside India with an estimated annual turnover of approximately Rupees Seven Hundred Lacs only which constitutes about 15% of the total turnover.

The Company has, by an agreement dated 8th May, 2002, subject to the approval of Shareholders under section 293(1)(a) of the Companies Act, 1956 agreed to transfer the business connected with or relating to the registered trademark "Mother's Recipe" as a going concern and the goodwill associated therewith for a consideration of Rs. 6,00,00,000/- (Rupees Six Hundred Lacs only) and upon and subject to the other terms and conditions contained in the agreement. However, the business under other brands/trademarks shall be continued to be carried on by the Company as before.

Consequently the final transaction, will envisage:

- Sale of Mother's Recipe brand and distribution network in India.
- Non-compete in branded pickles and papad in India only for a period of 5 years (with the exception of sales to the Canteen Stores Department in India).
- Product supply arrangement for a minimum duration of one year.

With the above transaction, the following benefits shall accrue to the Company:

- Overall improvement in Growth and Profitability. (Mother's Recipe brand had been losing sales and depressing overall growth).
- Losses from domestic business get eliminated.





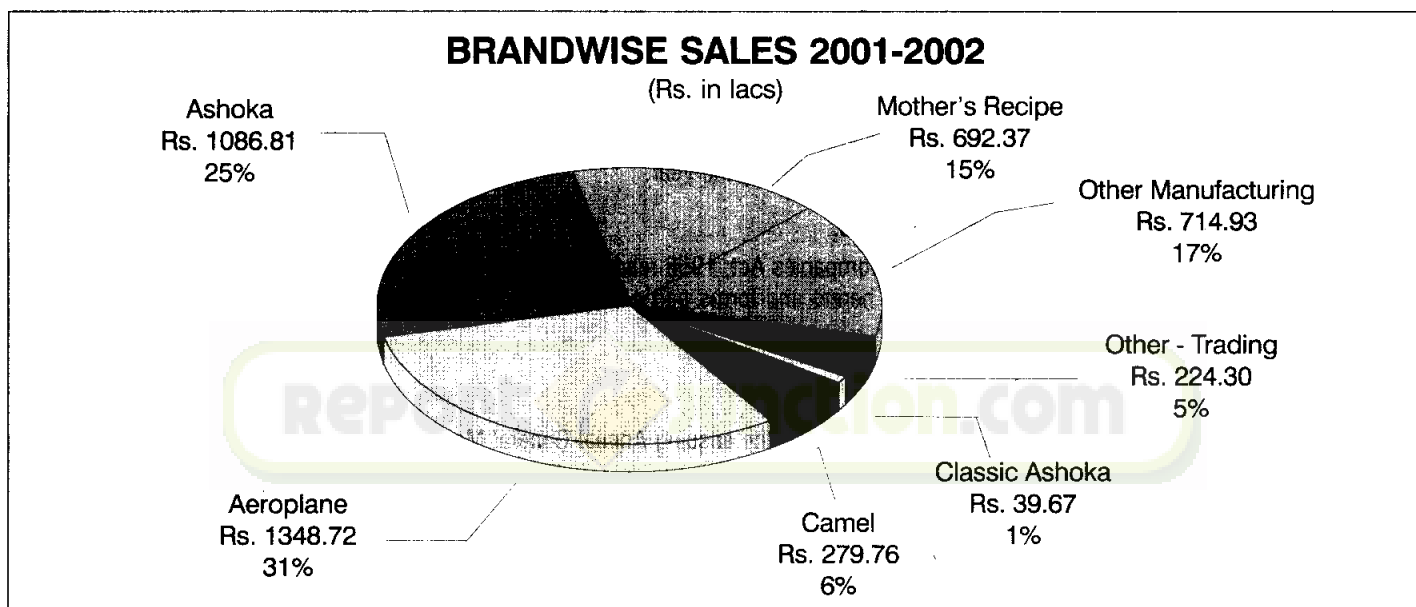
- Allows us to focus management attention on the core strengths being the Company's international operations, and drive profitability and growth.
- Product sourcing arrangement expected to cover Nasik fixed costs and yield approximately 10% margins on costs.

#### Customer Focus:

To insulate your Company from excessive exposure to one client or a group of clients and the consequent risk potential, impact on business and/or profit, the customer base of your Company has been rationalized consciously resulting in addition of new customers while at the same time dropping few from the previous year from where less potential resulted. Efforts initiated last year to get a broader distribution of customers has started yielding results.

#### Brand performances:

Your Company's brand performance is given hereunder.



Sales under Ashoka and Camel brand have shown growth during the year however, sales under Aeroplane and Mother's Recipe brand have declined, further sales under Classic Ashoka have more or less remained stagnant as compared to last years performance.

#### Director's Responsibility Statement:

As required under section 217(2AA) of the Companies Act 1956, your Directors hereby confirm that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors have selected such accounting policies and applied them consistently and made judgements 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 and loss account of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts have been prepared on a going concern basis.

# ADF FOODS LTD

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## Corporate Governance:

A separate report on Corporate Governance is attached as a part of the Annual Report.

## Depository System:

With effect from 25.09.2000 Equity Shares of the Company have been compulsorily traded in dematerialized forms, as mandated by the Securities and Exchange Board of India (SEBI). As on 31st March, 2002, Equity Shares representing about 35.35% of the Equity Share Capital have been dematerialized.

The ISIN number allotted to the Company is INE 982B01019.

## Managerial Remuneration

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules, 1975 as amended from time to time is not given, as there is no employee drawing salary more than that mentioned under the said section.

## Fixed Deposits:

Your Company has not accepted any deposits during the year under review.

## Employee Relations:

Your Directors wish to place on record its appreciation of the contributions made by all employees in ensuring the highest levels of performance and growth that your Company has achieved during the year.

## Energy, Technology Absorption and Foreign Exchange:

Information required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is appended hereto and forms part of this report as Annexure - 1.

## Directors:

Retirement by Rotation:

Shri. D. E. Udwalia and Shri Yasir Varawala Directors retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

## Auditors:

M/s. D. P. Ghevaria & Company, Chartered Accountants and M/s. K.D. Godbole, Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment as Auditors.

## Appreciation:

Your Directors thank all the employees of the Company, the Bankers, viz State Bank of Hyderabad, Bank of Baroda, State Bank of India, and Central Bank of India, the Distributors, Business Associates and Shareholders for their support during the year under review and look forward to their continued support in the future.

For and on behalf of the Board of Directors

RAMESH H. THAKKAR  
Chairman & Managing Director

KISHORE H. THAKKAR  
Joint Managing Director

Mumbai, May 22, 2002

## Registered Office:

83/86 G.I.D.C. Industrial Estate  
Nadiad-387 001, Gujarat.





## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Your Company is committed to good Corporate Governance. The Company fully understands the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. Corporate Governance strengthens Investors' trust and ensures a long-term partnership that helps in fulfilling our quest for achieving significant growth and profits.

The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself to increasing long-term shareholder value. The Company is committed to transparency in all its dealings and lays emphasis on business ethics.

### 2. BOARD OF DIRECTORS:

#### Composition of Board

Your company has optimum combination of Board of Directors with more than 50% of the Board of Directors being Non-Executive Directors. The present strength of the board is 7 Directors.

Director	Executive/Non-Executive/Independent	No. of outside Directorships held
Mr. Ramesh H. Thakkar	Executive	NIL
Mr. Kishore H. Thakkar	Executive	NIL
Mr. Ashok H. Thakkar	Executive	NIL
Mr. D.E. Udawadia	Non-Executive/Independent	13
Mr. Vikram Munshi	Non-Executive/Independent	NIL
Mr. Nipun Shah	Non-Executive/Independent	NIL
Mr. Yasir Varawala	Non-Executive/Independent	NIL

#### Board Meetings

The Board meets atleast once in a quarter to consider amongst other business, the quarterly performance of the company, the Financial Results and Segmentwise Results. The board held 5 meetings during the financial year 2001-2002 on 2nd May, 2001, 27th June, 2001, 27th July 2001, 26th November, 2001 and 25th January, 2002.

Attendance of each director at these meetings is as under:

Name of Director	No. of Board Meetings Attended	Attendance at the last AGM
Mr. Ramesh H. Thakkar	4	Absent
Mr. Kishore H. Thakkar	4	Present
Mr. Ashok H. Thakkar	4	Present
Mr. D.E. Udawadia	3	Present
Mr. Vikram Munshi	2	Absent
Mr. Nipun Shah	5	Present
Mr. Yasir Varawala	5	Present

# ADF FOODS LTD

## Information placed before the Board of Directors and Executive Committee

The following information is regularly placed before the Board of Directors:

- Quarterly results of the company
- Information on recruitment and remuneration of senior officials just below the Board level.
- Material Communications from Government Bodies.
- Fatal or serious accidents, dangerous occurrences or any material effluent pollution problems.
- Labour Relations
- Material Transactions, which are not in the ordinary course of business.
- Disclosures by the management of material transactions, if any, with potential for conflict of interest.
- Compliance with all regulatory and statutory requirements.

## Membership of Board Committees

None of the directors holds memberships of more than 10 committees of the Board.

### 3. COMMITTEE OF DIRECTORS:

#### (A) Audit Committee

The Board of Directors of the Company at their meeting held on 13.01.2001 constituted the Audit Committee and thereafter re-constituted the same on 02.05.2002. The Audit Committee comprises of three non-executive independent directors namely Mr. Nipun Shah, Chairman of the committee, Mr. Vikram Munshi and Mr. Yasir Varawala.

Three Audit Committee meetings were held during the year 2001-2002 on 30th April, 2001, 9th November, 2001 and 26th November, 2001.

The composition of the Audit Committee and the attendance of each director at each meeting was as follows:

Name of Director	No. of Meetings Attended
Mr. Nipun Shah (Chairman)	3
Mr. Vikram Munshi	1
Mr. Yasir Varawala	3

The Audit Committee is responsible for overseeing the company's financial reporting process, reviewing with the management the financial statements and adequacy of internal accounting functions and discuss significant findings on the accounting statements. The committee acts as a link between the management, external auditors and the Board of Directors of the Company.

#### (B) Remuneration Committee

The Remuneration Committee of the Board of Directors was constituted on 8th May, 2002 to recommend to the board the remuneration package for executive directors.

The Remuneration Committee comprises of three non-executive independent directors namely Mr. Yasir Varawala, Chairman of the committee, Mr. Vikram Munshi and Mr. Nipun Shah.

#### (C) Share Transfer Committee

The Share Transfer Committee comprises of three Executive Directors namely Mr. Ramesh H Thakkar, Chairman of the committee, Mr. Kishore H Thakkar and Mr. Ashok H Thakkar.

The Committee meets every 15 days to take on record share transfers received from shareholders in physical mode.