

# ADF FOODS LTD

<b>BOARD OF DIRECTORS</b>	Shri Ramesh H. Thakkar	Chairman and Managing Director
	Shri Kishore H. Thakkar	Joint Managing Director
	Shri Ashok H. Thakkar	Executive Director
	Shri D. E. Udwadia	Director
	Shri Nipun C. Shah	Director
	Shri Yasir J. Varawala	Director
	Shri Vikram S. Munshi	Director
	Shri Jay M. Mehta	Director
	Shri Bimal R. Thakkar	Executive Director

<b>SENIOR MANAGEMENT</b>	Bhavesh R. Thakkar	President
	Nagin C. Patel	Vice President (Works)
	A.J. Shankar	Factory Manager
	Dilip S. Golwala	Finance & Accounts Manager

<b>COMPANY SECRETARY</b>	Shalaka Ovalekar
<b>COUNTRY MANAGER</b>	Steve Pezzack for UK Vimal Bhalla for North America

<b>AUDITORS</b>	M/s. D. P. Ghevaria & Co.
	Chartered Accountants
	M/s.K. D. Godbole Chartered Accountants

<b>SOLICITORS</b>	M/s.Udwadia & Udeshi
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<b>BANKERS</b>	State Bank of Hyderabad
	Bank of Baroda
	State Bank of India

<b>REGISTERED OFFICE</b>	83/86 GIDC Industrial Estate, Nadiad – 387 001 Gujarat.
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<b>REGISTRAR AND SHARE TRANSFER AGENTS</b>	INTIME SPECTRUM REGISTRY LIMITED C-13 Pannalal Silk Mills Compound L.B.S. Marg, Bhandup (W) Mumbai – 400 078
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## 14TH ANNUAL GENERAL MEETING

*On Wednesday, 4th August, 2004, at 11.00 a.m.*

*at Sheth Khushaldas Gokaldas Patel Municipal Town Hall, 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 OF THE 14TH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held at Sheth Khushaldas Gokaldas Patel Municipal Town Hall, Nadiad – 387 001, Gujarat on Wednesday, 04<sup>th</sup> August, 2004 at 11:00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2004, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the financial year ended 31<sup>st</sup> March, 2004.
3. To appoint a director in place of Shri Ashok H. Thakkar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri D.E.Udwadia who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modifications the following resolution as a Special resolution :  
“RESOLVED THAT, in terms of the guidelines issued by the Securities and Exchange Board of India (SEBI), and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereafter) and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the Company be and is hereby accorded to the Board to delist the Company's equity shares from the Ahmedabad Stock Exchange and the Vadodara Stock Exchange at such time as the Board may in its absolute discretion consider appropriate and on such terms and conditions as may be stipulated and / or mutually agreed to in the best interests of the Company.”

RESOLVED FURTHER THAT the Board of Directors and any Committee thereof be and is hereby authorized to take all necessary steps in this regard in order to comply with all legal and procedural formalities and further to authorize the Board of Directors or any Committee of Director(s) to do all such acts, deeds ,matters and things, as may be necessary, to give effect to the above resolution .”

By Order of the Board of Directors

Mumbai, May 28, 2004

**SHALAKA OVALEKAR**  
Company Secretary

### Registered Office:

83/86 GIDC Industrial Estate,  
Nadiad – 387 001. Gujarat.

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXIES NEED NOT BE MEMBERS. In order to be valid, proxy forms duly complete in all respects, should be lodged with the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 21<sup>st</sup> July, 2004 to Wednesday, 04<sup>th</sup> August, 2004 (both days inclusive).
3. The dividend as may be declared shall be payable to members of the Company whose names appear:-
  - a) as Beneficial Owners as at the close of business hours on 04<sup>th</sup> August, 2004 as per the list to be furnished by National Securities Depository Ltd., and Central Depository Services (India) Ltd., in respect of the shares held in electronic form; and
  - b) as members on the Register of Members of the Company as at 04<sup>th</sup> August, 2004.
4. The Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) have advised all listed companies to mandatorily use the Electronic Clearing Services (ECS) facility wherever possible for dividend payment to the members. In view of this stipulation the Company proposes to implement the ECS facility. Members are requested to provide the Company with ECS mandate for crediting the future dividend payment directly to their respective bank accounts. The Company shall be able to coordinate with the bankers only on receipt of the necessary information . The main information required therein is the type of account, name of the bank and the account number. It should be signed by all the holders, as per the specimen signature recorded with the Company.



5. Members are hereby informed that dividends which remain unpaid/uncashed over a period of seven years from the date of transfer to the paid dividend account have to be transferred by the Company to the Investor Education & Protection Fund constituted by the Central Government under Section 205 A & 205 C of the Companies Act, 1956.
6. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios alongwith relevant share certificates to the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd. at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai: 400 078.
7. Members holding shares in physical segment are requested to notify change in their address/status, if any, immediately to the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd., at the address mentioned at item No.6 above.
8. Members who would like to ask any questions on the accounts are requested to send their questions at Registered Office of the Company atleast 10 days before the Annual General Meeting to enable the Company to answer their queries satisfactorily.
9. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.
10. The members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
11. **Appointment/Reappointment of Directors:**

Information in case of appointment/reappointment of directors as required under the Listing Agreement is given hereunder:-

***Profile of directors retiring by rotation and offering for re-appointment***

At the ensuing Annual General Meeting, Shri.Ashok H.Thakkar and Shri. D.E.Udwadia would retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 of the listing agreement relating to the code of Corporate Governance, the particulars of the aforesaid Directors are given below :

**1. Shri. Ashok H. Thakkar**

Shri Ashok H. Thakkar is one of the promoters of the Company . Presently he is working as the Executive Director of the Company. He has played an instrumental role in promoting the Company's products in international markets , development of brands and tapping new markets for the products. His exemplary contribution and guidance has helped the Company to grow in size over the years.

The details of the companies in which Shri Ashok H. Thakkar holds the directorships and Committee memberships are as follows :

**Name of the Company**

**Directorships**

ADF Foods Limited  
American Foods (India) Limited  
Lustre Investments Pvt. Limited  
Mishal International (India) Private Limited

**Committee Memberships**

ADF Foods Ltd.- Administrative Committee

**2. Shri. D.E.Udwadia**

Shri D.E.Udwadia holds a Master's Degree in Political Science and History. He is a Solicitor and Advocate of the Bombay High Court and a Solicitor of the Supreme Court of England. Previously he was a partner of M/s Crawford Bayley & Co. Presently, he is a partner of M/s. Udwadia & Udeshi, Solicitors & Advocates.

The details of the companies in which Shri D.E.Udwadia holds the directorships and Committee memberships are as follows :

**Name of the company**

**Directorships**

ADF Foods Limited  
AstraZeneca India Pvt. Ltd.  
AstraZeneca Pharma India Ltd.  
Avestha Gengraine Technologies Pvt. Ltd.  
Bombay Burmah Trading Corpn. Ltd.  
Coromandel Fertilisers Ltd.  
Eureka Forbes Ltd.  
Habasit Iakoka Pvt. Ltd.  
J.M.Financial & Investment Consultancy Services Pvt. Ltd.  
J.M.Morgan Stanley Pvt. Ltd.

# ADF FOODS LTD

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J.M.Trustee Co. Pvt. Ltd.  
Macmillan India Ltd.  
Mahendra Hybrid Seeds Co. Pvt. Ltd.  
Mechanalysis India Ltd.  
R&P Management Communications Pvt. Ltd.  
Skanska Cementation India Ltd.  
Sundaram-Clayton Ltd.  
Taj Asia Ltd.  
Trumac Engineering Co. Pvt. Ltd.  
Vista Travels Pvt. Ltd.  
VSC International Pte. Ltd.  
Wyeth Ltd.

## Committee memberships

### **Audit Committee :**

Coromandel Fertilisers Ltd.  
Macmillan India Ltd.  
Skanska Cementation India Ltd.  
Sundaram-Clayton Ltd.  
Wyeth Ltd.

### **Remuneration Committee :**

Macmillan India Ltd.  
Skanska Cementation India Ltd.  
Wyeth Ltd.

## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT , 1956.

#### **Item 6:**

The securities of the Company are presently listed on the following Stock Exchanges since the year 1992.

The Vadodara Stock Exchange (VSE)

The Ahmedabad Stock Exchange (ASE)

The Stock Exchange, Mumbai (BSE)

The promoters propose to delist its shares from ASE and VSE. Since shares of the Company will continue to be listed on BSE, no exit price is offered to the investors as per SEBI (Delisting of Securities) Guidelines 2003.

With the extensive network of BSE , and the extension of BSE terminals to other cities as well, investors have access to online dealing in the Company's securities across the country. The Company's equity shares are under compulsory dematerialisation category since 1<sup>st</sup> January, 2002.

It is observed that Company's shares are traded very infrequently on ASE and VSE. It is observed that the listing fee paid to the other stock exchanges is disproportionately higher as compared to trading volumes and liquidity.

In line with the SEBI (Delisting of Securities ) Guidelines, 2003 and approval from any other authority, if any , members approval is being sought by a special resolution for enabling voluntary de-listing of its securities from the said Stock Exchanges.

The proposed de-listing of the Company's securities from ASE and VSE will not adversely affect the investors . The Company's securities will be continued to be listed on BSE. The delisting will take effect after all approvals, permissions and sanctions , if any are received. The exact date on which de-listing will take effect will be suitably notified at that time.

Your Directors recommend the Special Resolution for approval of members.

None of the directors of the Company are, in any way, concerned or interested in the resolution.

By Order of the Board of Directors

Mumbai, May 28, 2004

**SHALAKA OVALEKAR**  
Company Secretary

#### **Registered Office:**

83/86 GIDC Industrial Estate,  
Nadiad – 387 001. Gujarat.

**DIRECTORS' REPORT**

To,  
The Members of  
ADF FOODS LIMITED

Your Directors are pleased to present the Fourteenth Annual Report on the business and operations of your Company and the Audited Financial Accounts for the year ended 31st March 2004.

**Financial Results:****Review of Financial Performance:**

	<b>FOR THE YEAR ENDED</b>	
	<b>Rs. In lacs 31-03-2004</b>	<b>Rs in Lacs 31-03-2003</b>
1) Net sales/Income from operations	6197.79	5009.91
2) Other Income	86.37	230.89
	<b>6284.16</b>	<b>5240.80</b>
3) Total expenditure		
a) Increase/decrease in stock in trade	257.50	(102.46)
b) Consumption of raw materials	3722.61	3318.22
c) Staff Cost	196.46	168.20
d) Other expenditure	1580.70	1378.52
	<b>5757.27</b>	<b>4762.48</b>
4) Interest	108.76	150.27
5) Depreciation	102.77	102.42
6) <b>Profit(+)/Loss(-) before tax (1+2-3-4-5)</b>	<b>315.36</b>	<b>225.63</b>
7) Provision for taxation	18.24	12.41
8) Deferred tax assets/(Liabilities)	(68.07)	(69.19)
9) <b>Net profit(+)/Loss(-) (6-7-8)</b>	<b>229.05</b>	<b>144.03</b>
10) Extra Ordinary Income	—	450.00
11) Prior Period Expenses/Income (Net off)	(1.82)	(0.73)
12) <b>Net Profit(+)/Loss(-) (9+10-11)</b>	<b>227.23</b>	<b>593.30</b>

**FINANCIAL CONDITION AND RESULTS OF OPERATION**

Management Discussion and Analysis of the financial condition and results of operation of the Company for the year under review, as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges, is given as a separate statement in the Annual Report.

**BRAND PERFORMANCE**

Your Company sells and markets its products through four major Brands ASHOKA, CLASSIC ASHOKA, AEROPLANE and CAMEL.

During the current financial year the total export turnover of the Company has grown by 32 % over the last financial year. This year nearly 80% of the total export turnover comprises of branded sales as against 68% during the last financial year. All brands have shown significant growth this year.

**DIVIDEND**

Your Directors are pleased to recommend dividend at 10% (Re.1/- per equity share of Rs. 10/- each).

# ADF FOODS LTD

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## MISSION

Your Company's mission is to become "World leaders in ethnic Indian Food". It aims at promoting the taste of Indian food across the Globe. With the nuclear family concept growing worldwide, consumers are demanding more and more ready to eat products. The Company aims to cater to the tastes and comfort needs of the consumers by providing a wide variety of ethnic Indian foods in frozen and shelf stable form.

## MARKET SCENARIO

Your Company's ambition is to create a strong global footprint in the processed & frozen food segment. ADF is one of the first Indian companies dealing in all three food segments viz. Canned Foods, Retorts and Frozen Foods. The Company's products are performing well in the international markets. The Company is proactively adopting the measures to strengthen its supply chain and set up effective distribution network to cater to the growing demand of its products. During this year a range of Instant Mixes under the ASHOKA Brand has been introduced in the countries like USA, UK, Canada & Middle East. Moreover new variants were added in Easi -Pouch (curries in pouches) and frozen Parathas. The initial response to these new entrants is very encouraging. The Company also intends to introduce a new range of products in different segments shortly.

## QUALITY

Your Company aims at providing the world class quality to its customers that meets customer needs and expectations at a cost that represents value to the customers. You may be aware that the Company has gained the internationally recognized HACCP certification and also renewed its ISO 9001 : 2000 certification as well. The Company is also in the process of applying for BRC (British Retail Consortium ) Quality Certification.

## EXPANSIONS

During the financial year 2003-04 the Company has set up an E.O.U. Division at Nadiad for the manufacturing of frozen food products. The production in the said division has been commenced from 21<sup>st</sup> April, 2004. This has helped the Company to increase the installed capacity about 25 % of the existing capacity and also it gives the Company better control over the quality and production in these frozen food products. In addition to this, your Company hopes to avail 100% tax benefit for the frozen food business upto Assessment year 2009-2010.

## FUTURE PLANS & OUTLOOK

The Company is in the process of starting a Green Field Project in Nadiad by the end of this financial year. The land for the same has already been identified and will be finalized shortly. The purpose of this project is to construct a factory as per the international standards and to bring all manufacturing activities under one roof. This will help the Company to achieve economies in scale of production and better controls over cost and quality. The project is expected to be fully functional in next two to three years.

The Company is also planning expansions at its Nashik and Nadiad factories in order to increase the production of certain existing products and to commence production of new products.

## BUYBACK

On 24<sup>th</sup> December, 2003 the Board of Directors of the Company approved buy back of 25,00,000 equity shares at a price of Rs. 11/- per share. The public announcement regarding the proposed buy back was made on 29<sup>th</sup> December, 2003 in two newspapers. However subsequently the Securities and Exchange Board of India (SEBI) directed to keep the said buyback in abeyance till receipt of further communication. The Company is yet to receive a further response from SEBI.

## SUBSIDIARY COMPANY

The certified statement of Accounts of Company's subsidiary viz. ADF Foods UK Limited, together with the Report of Directors and the Accountants as required under Section 212 of the Companies Act, 1956, are attached to this report.

During the current financial year ADF Foods UK Ltd. made a profit of SP 4512.

## CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the listing agreement with Stock Exchanges, the cash flow statement for the year ended 31st March, 2004 is annexed hereto.

## CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standards AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiary are annexed to this Report.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Ashok H. Thakkar and Mr. D.E. Udawadia, directors of the Company retire by rotation at the ensuing Annual General Meeting. Mr. Ashok H. Thakkar and Mr. D.E. Udawadia, being eligible have offered themselves for reappointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that 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 true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

**CORPORATE GOVERNANCE**

The Company has set up a system of Corporate Governance. A separate report on Corporate Governance is enclosed as a part of this Annual Report of the Company.

**FIXED DEPOSIT**

Your Company has not accepted any deposit within the meaning of Section 58 A of the Companies Act, 1956.

**LISTING**

The Equity Shares of the Company are listed on The Vadodara Stock Exchange, The Ahmedabad Stock Exchange and The Stock Exchange, Mumbai. The Company has paid the applicable listing fees to the above Stock Exchanges till date, including for 2004-05.

The Company's shares are tradeable compulsorily in electronic form and the Company has established connectivity with both the depositories, i.e. Central Depository Services (India) Ltd. & National Securities Depository Ltd. In view of the numerous advantages offered by the depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

**AUDIT COMMITTEE**

Audit Committee consists of three Non- Executive Directors of the Company viz. Mr. Nipun Shah, Mr. Yasir Varawala and Mr. Vikram Munshi.

**PARTICULARS OF EMPLOYEES**

There are no employees drawing remuneration within the monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956, as amended upto date.

**PERSONNEL**

Employee relations continued to be cordial during the year under review. The Company continued its thrust on Human Resource Development. The Board wishes to place on record its appreciation to all the employees in the Company for their sustained efforts and contribution for the operations of the Company.

**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.

**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.

**ACKNOWLEDGEMENT**

Your directors record their thanks to the Company's employees at all levels for their dedication and commitment throughout the year. The directors place on record their gratitude to the Company's bankers, investors, business associates and customers for assistance, cooperation and encouragement they extended to the Company.

For and on Behalf of the Board of Directors

**RAMESH H. THAKKAR**  
Chairman & Managing Director

**KISHORE H. THAKKAR**  
Joint Managing Director

Mumbai, Date : 28th May, 2004

**Registered Office:**

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



# ADF FOODS LTD

## ANNEXURE TO DIRECTORS' REPORT

### ANNEXURE I

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2004.

#### A. Conservation of Energy

The Company has been continuously attempting to create a conscious awareness against excessive consumption and wastage at all levels. The Company is taking all possible steps to conserve energy. Maximum efforts for this purpose will continue.

#### FORM A

Form for disclosure of particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption :-		2003-04	2002-03
<b>1 Electricity</b>			
a. Purchased Units (KWH)		571,087.00	440,536.00
Total Amount (Rs.)		3,117,986.39	2,684,802.84
Average Rate/Unit (Rs.)		5.46	6.09
b. Own Generation			
i. Through Diesel Generator		N.A.	N.A.
Units (KWH)			
Units/Lt. of Diesel			
Cost/Unit (Rs.)			
ii. Through Steam Turbine/Generator		N.A.	N.A.
<b>2 Coal</b>		N.A.	N.A.
<b>3 Fuel Furnace Oil + Light Diesel</b>			
Quantity (K.L.)		568,948.00	454,619.00
Total Amount (Rs.)		8,711,581.45	6,141,640.00
Average Rate/KL (Rs.)		15.31	13.51
<b>4 Others/internal Generation</b>		N.A.	N.A.

#### (B) Consumption per unit of production:

Products(with details)

Unit	Since the Company manufactures several items viz. Pickles,
Electricity	chutneys, Paste and other food stuffs, having regard to
Furnace oil	other books maintained by the Company, it is impracticable
Coal (specify Quality)	to apportion the utilities.

#### B. Technology Absorption, Research and development (R&D)

1. Specific areas in which R&D carried out by the Company
  - Development of new recipes.
  - Development of new products.
  - Improvement in quality.
  - Better packaging.
  - Standardisation in packaging.





2. Benefits derived as a result of the above R&D.

Benefits comprise of improved customer satisfaction, introduction of new brands, introduction of new products, meeting world class quality norms, enhancement of exports, reduced costs on packaging.

3. The Company will continue its efforts to develop new products, new recipes, reduce costs, improve technology and produce quality products.
4. Expenditure on R&D

	2003-04 Rs.	2002-03 Rs.
(a) Capital	—	—
(b) Recurring	25,295.50	27,398.18
(c) Total	25,295.50	27,398.18
(d) Total R&D expenditure as a percentage of total turnover	0.0041%	0.0001%

#### Technology Absorption. Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption. Adaptation and innovation. The Company upgraded its technology at Nadiad to world class standard. At Nasik, the Company has improved state of the art machinery for manufacture of spices and masalas.

2. Benefits derived as a result of the above efforts.

Satisfaction of customer needs, improvement in product quality, new product development.

#### C. Foreign Exchange Earnings and outgo:

1. The Company has maintained its focus on development of exports both in the ethnic and mainstream markets. The Company's products under the brand name "ASHOKA" & "AEROPLANE" are very popular in the U.S.A., U.K., Canada and Australia. While "CAMEL" is popular in the Middle East. The Company will continue to make exports a thrust area.

2. Total Foreign Exchange used and earned:

	2003-04 Rs. (in lacs)	2002-03 Rs. (in lacs)
Total Foreign Exchange Earned	5268.81	4015.61
Total Foreign Exchange Used	283.60	193.09

For and on behalf of the Board of Directors

**RAMESH H. THAKKAR**  
Chairman & Managing Director

**KISHORE H. THAKKAR**  
Joint Managing Director

Mumbai, May 28, 2004.

# ADF FOODS LTD

## MANAGEMENT ANALYSIS AND DISCUSSION

### 1. BUSINESS OF THE COMPANY

The Company is engaged in the manufacturing and distribution of various Indian Processed foods. The range of our products includes Pickles, Pastes, Chutney, Canned Ready to Eat Vegetable, Canned Vegetable in Brine, Frozen Foods, Spices in whole and ground form, IQF Indian Vegetables, Ready to Eat Indian Curries, Parathas etc. Our various brands include CAMEL, AEROPLANE, ASHOKA AND CLASSIC ASHOKA.

During the financial year 2003-04 the Company has set up an E.O.U. Division at Nadiad for the manufacturing of frozen food products. The production in the said division has been commenced from 21<sup>st</sup> April, 2004. This has helped the Company to increase the installed capacity about 25 % of the existing capacity and also it gives the Company better control over the quality and production in these frozen food products. In addition to this, the Company hopes to avail 100% tax benefit for the frozen food business upto Assessment year 2009-2010.

### 2. REVIEW OF OPERATIONS

Sales Turnover of Rs. 6197.79 lacs (including DEPB Licence sales, duty drawback and Exchange rate fluctuations) was higher by 24% on account of the increase in export sales.

Exports were at Rs. 5488.34 lacs, 32% higher compared to the previous year. Sales under the trade marks CLASSIC ASHOKA and CAMEL have shown a steep increase in the current year.

The total operating costs excluding depreciation and interest aggregated to Rs. 5757.27 lacs as compared to Rs. 4762.48 lacs during the previous year. This increase is mainly on account of increase in turnover.

PBIDT to sales ratio was 8.50% compared to 9.54% in the previous year (including extra ordinary income and expenses).

The staff cost was Rs. 196.46 lacs compared to 168.20 lacs of the previous year.

The cost of fuel, power and water was Rs. 123.15 lacs, as compared to Rs. 92.49 lacs of the previous year which is 33% higher than the previous year due to increase in sales.

The interest cost of Rs. 108.76 lacs is lower as compared to Rs. 150.27 lacs during the previous year.

The other income was Rs. 86.37 lacs as compared to Rs. 230.89 lacs in the previous year.

Profit before tax (PBT) was Rs. 315.36 lacs as compared to Rs. 225.63 lacs in the previous year (including extra ordinary income and expenses) registering an increase of 39%. The profit after tax for the year was Rs. 229.05 lacs as against Rs. 594.03 lacs for the previous year (including extra ordinary income and expenses).

Earnings per equity share was Rs. 2.27 for the year as against the EPS of Rs. 5.92 for the previous year (including extra ordinary income and expenses).

Provision for Income Tax at Rs. 18.24 lacs has been made as per the Income Tax Act 1961 as against Rs. 12.41 lacs during the previous year. Deferred Tax liability (net) for the current year was Rs. 68.07 lacs as against Rs. 69.19 lacs during the previous year.

### 3. SEGMENTWISE PERFORMANCE

	31/03/2004 Rs. in Lacs	31/03/2003 Rs. in Lacs
<b>Segment Revenue</b>		
a) Processed and preserved foods	5528	4385
b) Traded goods	670	625
<b>Total</b>	<b>6198</b>	<b>5010</b>
c) Less : Inter Segment revenue	—	—
<b>d) Net sales/ Income from operations</b>	<b>6198</b>	<b>5010</b>
<b>Segment results Profit/Loss before tax and interest from each segmentwise :</b>		
a) Processed and preserved foods	553	208
b) Traded goods	119	255
<b>Total</b>	<b>672</b>	<b>463</b>
Less :		
1) Interest	108	150
2) Other un-allocated expenditure	249	87
Net off un – allocated income		
<b>Total profit before tax</b>	<b>315</b>	<b>226</b>
<b>Capital employed</b>		
a) Processed and preserved foods	2622	2650
b) Traded goods	85	25
c) Other un allocated	352	202
<b>Total</b>	<b>3059</b>	<b>2877</b>