

16th
Annual Report
2007-2008



CEPHAM MILK SPECIALITIES LIMITED



16th Annual Report 2007-2008

BOARD OF DIRECTORS	Sh. J.S. Mann, (PSIDC Nominee)	<i>Chairman</i>
	Sh. Dewan. C. Pruthi	<i>Vice Chairman</i>
	Sh. S. L. Bansal (PSIDC Nominee)	<i>Director</i>
	Sh. S. K. Ahuja (PSIDC Nominee)	<i>Director</i>
	Sh. Puneet Pruthi	<i>Director</i>
	Sh. Samir Pruthi	<i>Director</i>
	Sh. B. M. Mahajan	<i>Director</i>
VICE PRESIDENT (Finance)/C.F.O.	Sh. O. K. Aggarwal	
COMPANY SECRETARY	Sh. Rajesh Kumar Vashishtha	
BANKERS	State Bank of Patiala, Chandigarh Punjab National Bank, Mohali	
AUDITORS	M/s J.P. Chawla & Co., Chartered Accountants 43, Darya Ganj, New Delhi, 110 002	
REGISTERED OFFICE & PLANT	Village Bhagwas, 6 K.M. Derabassi-Barwala Road Derabassi 140 507 District Mohali (Punjab)	
DELHI OFFICE	M-134, Connought Circus, New Delhi 110 001	

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CEPHAM

NOTICE

NOTICE is hereby given that 16th Annual General Meeting of the members of Cepham Milk Specialities Limited will be held on Monday, 29th day of September, 2008 at 04:00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt audited annual Accounts for the financial year ended 31st March 2008 together with reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sh. J.S Mann who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh. S.L. Bansal who retires by rotation and being eligible offers himself for re-appointment.
4. To consider, and if thought for, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of section 224 of the Companies Act 1956, M/s J. P. Chawla & Co. Chartered Accountants, the retiring auditors, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and that Sh. Puneet Pruthi, Director of the Company, be and is hereby authorized to fix their remuneration for the said period.”

**By order of the Board
For Cepham Milk Specialities Limited**

Place: Chandigarh
Dated: 05.09.2008

**Rajesh Kumar Vashishtha
Company Secretary**

of the company not less than forty-eight hours before the commencement of the meeting.

3. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Members may please note that no gifts shall be distributed at the meeting.
5. The Register of Members and Share Transfer Books shall remain closed from 27.09.2008 to 29.09.2008 (both days inclusive).

NOTES:

1. Explanatory Statement pursuant to section 173(2) of the Companies Act 1956 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the company.
The instrument appointing proxy should, however, be deposited at the Registered Office



**EXPLANATORY STATEMENT PURSUANT
TO SECTION 173(2) OF COMPANIES ACT,
1956**

Item No. 4

Punjab State Industrial Development Corporation Limited (PSIDC), a Punjab State Government Undertaking, is holding more than 25% of the subscribed capital of the Company and therefore it is required to appoint /reappoint the Statutory Auditors by Special Resolution.

M/s J. P. Chawla & Co., Chartered Accountants, New Delhi, the retiring auditors, are eligible to be re-appointed and a certificate to this effect has been furnished by them to the Company under Section 224(1B) of the Companies Act, 1956

This resolution is proposed to seek approval of shareholders.

No Director of the company is connected or interested in the proposed resolution.

**Brief Profile of Directors seeking re-
appointment/ appointment**

Dr. J.S. Mann(PSIDC Nominee) aged 58 years and has 33 years experience in state financial sector. He has widely traveled and attended many conferences. He is very competent & hard working personality.

Sh. S. L. Bansal (PSIDC Nominee) aged 52 years and has 27 year experience state financial sector. He is also a very competent & hard working personality.

**By order of the Board
For Cepham Milk Specialities Limited**

Place: Chandigarh
Dated: 05.09.2008

**Rajesh Kumar Vashishtha
Company Secretary**



DIRECTOR'S REPORT

Dear shareholders

The Board of Directors of the Company has pleasure in presenting the 16th Annual Report of the Company for the financial Year 2007-08.

Financial Results

The Financial performance of the Company for the year ended 31st March 2008 is summarized as below:

Rs. (In lacs)		
Particulars	As a 31.03.08	As a 31.03.07
Sales and other income	10581.55	3985.96
Profit before interest and depreciation	21.74	-298.64
Interest	102.17	1.11
Depreciation	237.45	237.91
Profit/(Loss) before tax	-317.87	-537.67
Prior Period Adjustment	113.26	-392.79
Balance b/f from earlier years	(13020.65)	(12083.66)
Profit/(Loss) c/f to balance sheet	(13235.09)	(13020.65)

Operations

The turnover of the company during the year is Rs. 10462.94 lacs as compared to previous year turnover of Rs 3966.60 lacs. The losses of the company are Rs. 214.44 lacs as compared to previous year's losses of Rs. 936.99 lacs. Your company had suffered losses, since its inception for reasons beyond the control of management and changing international market scenario for casein followed by reduction in import duty on lactose, (import substitute) rising milk prices and low availability of milk resulting in unsustainable operations.

Sick Company

The company is a Sick Industrial Unit under Sick Industrial Companies (Special Provisions) Act, 1985 and is registered with Board for Industrial & Financial Reconstruction (BIFR) as case no. 202/2002 and has been declared as a sick Industrial Unit by Hon'able BIFR in the hearing held on

19.07.2005 IDBI has been appointed as operating agency and preparation of draft rehabilitation scheme is under process.

Dividend

Owing to continuous losses suffered by the company, the Board is unable to recommend any dividend for equity shareholders for this year also.

Directors

Sh. J. S. Mann and Sh. S.L. Bansal (Both PSIDC Nominee) retire at the ensuing annual general meeting. They are eligible for reappointment and have offered them selves for the same.

Director's Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to director's responsibility statement, your directors confirm:

- That in the preparation of the accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation to material departure, if any;
- That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 net profit or loss of the company for the year under review;
- That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That the directors have prepared the accounts for the financial year ended 31st March 2008 on going concern basis.

Auditors

M/s J. P. Chawla & Co. Chartered Accountants, 43 Darya Ganj, New Delhi, statutory auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.



The Board recommends their reappointment.

Auditors Report

Auditors Report is self-explanatory and needs no comments from the Board.

Conservation of Energy, technology absorption and foreign exchange earnings and outgo

Information required under section 217(1)(e) of the companies Act 1956, read with Companies (Disclosure of Particulars in the report of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed and form part of this report.

Personnel

The information under section 217(2A) of the Companies Act, 1956 is nil as no employee of the Company is covered under the said section.

Employer – employees' relations were in good harmony during the year under report.

Fixed Deposits

The company has not accepted any public deposits during the year under report.

Listing

The shares of the company are listed on following stock exchanges

1. National Stock Exchange of India Limited, Mumbai
2. The Ludhiana Stock Exchange Limited, Ludhiana
3. The Delhi Stock Exchange Association Limited, New Delhi
4. Ahmedabad Stock Exchange Limited, Ahmedabad

At present the trading in Shares of the company is suspended by National Stock Exchange of India and Ludhiana Stock Exchange and the shares of the company have been delisted by Bombay Stock Exchange Limited, Mumbai.

The listing fee has been paid to National Stock Exchange Association Ltd. However, the payment of listing fees to other stock exchanges is outstanding since 2000 due to financial constraints.

Depository System

The company has ensured electronic connectivity with both the depositories NSDL and CDSL.

Corporate Governance

A detailed report on Corporate Governance is annexed herewith and forms part of Annual Report.

Acknowledgement

Yours directors would like to record their appreciation for the assistance and co-operation received from the IDBI, bankers, BIFR, and government authorities and also thank to the shareholders for the confidence reposed by them in the Company and look forward to their valuable support for the future plans of the Company.

For and on behalf of the Board

Place: Chandigarh
Dated: 05.09.2008

Sh. D.C. Pruthi
Vice- Chairman cum
Managing Director



ANNEXURE TO DIRECTORS' REPORT

A. Conservation of Energy

During the period, the Company has adopted various measures to conserve energy and has taken several measures including regular monitoring consumption and improved maintenance of system.

1) Electricity

a) Purchased	2007-08	2006-07
Purchased Unit	7629015	5020666
Total Amount (Rs. In lacs)	379.06	232.99
Rate Per Unit (Rs.)	4.97	4.64

b) Own Generation	2007-08	2006-07
Through Diesel Generators (Unit in KWH)	263043	411379
Total Amount (Rs. in Lacs)	18.15	28.80
Cost Per Unit (Rs.)	6.90	7.00

2) Furnace Oil

Quantity (K.L.)	0.073	20.97
Total Cost (Rs. in Lacs)	0.22	5.29
Average Rate Per K.L. (Rs.)	30000	25226

3) Consumption (Per Litre of Milk Processed)

Electricity (KWH)	0.117	0.120
Furnace Oil (Ltrs)+Husk	0.113	0.115

Research & Development (R&D)

- 1) Specific areas in which R&D carried out by the company - Nil
- 2) Benefits derived as a result of the above R & D - Nil
- 3) Future plan of action - Nil
- 4) Expenditure on R&D - Nil
 - a) Capital - Nil
 - b) Recurring - Nil
 - c) Total - Nil
 - d) Total R&D expenditure as a percentage of total turnovers - Nil

B. Technology Absorption

- 1) In the case of imported technology (imported during the past 7 years reckoned from the beginning of the financial years) the following information is furnished:

1 Technology imported	For production of Casein and Lactose
2 Year of Import	1995-1996
3 Has technology Been fully Absorbed	YES

C. Foreign Exchange Earnings and outgo

1 Foreign Exchange Earned (Rs. in Lacs)	450.29
2 Foreign Exchange outgo (Rs. in Lacs)	226.05



REPORT ON CORPORATE GOVERNANCE

Company Philosophy on Corporate Governance

The Board of your Company believes that the implementation of the code of Corporate Governance will strengthen the concept of transparency, integrity and accountability in the industry and its sincere implementation will further build trust of customers and increase corporate value for its shareholders.

Board of Directors

The Boards of Directors Comprises of Seven directors out of which three are from promoter directors, one independent director and three nominee directors of PSIDC and all the Seven directors are non executive as on 31-03-2008. The composition of board of directors the information regarding number of other directorship and membership of committees in other companies is as under:

Name & Designation	Category	No. of other Directorships In India	No. of Other Board Committee Position
1. Sh. J.S.Mann (Chairman) (Nominee PSIDC)	Independent / Non- Executive	Six	---
2. Sh. D.C.Pruthi (Vice-Chairman)	Promoter / Non- Executive	five	---
3. Sh. Sameer Pruthi (Director)	Promoter / Non- Executive	one	---
4. Sh. Puneet Pruthi (Director)	Promoter / Non- Executive	one	---
5. Sh. S.L. Bansal (Director) (Nominee PSIDC)	Independent / Non- Executive	Ten	Two
6. Sh. S.K. Ahuja (Director) (Nominee PSIDC)	Independent / Non- Executive	Nine	Three
7. Sh. B.M. Mahajan (Director)	Independent / Non- Executive	Two	---

* PSIDC – Punjab State Industrial Development Corporation

The directors are being paid by way of sitting fees; there are no pecuniary relationships or transactions between the company and independent directors.

None of the directors on Board holds the office of director in more than fifteen Companies or membership in more than ten committees of the board or Chairmanship of more than five committees

Five Board meeting were held during the year at following dates:

30.04.2007	31.10.2007
31.07.2007	31.01.2008
22.10.2007	

The attendance of Directors at Board and at last AGM is as under meeting is as under:

Name	Designation	No. Of Board Meetings Attended	AGM Attended
1. Sh. J.S.Mann (Nominee PSIDC)	(Chairman)	5	-
2. Sh. D.C.Pruthi	(Vice-Chairman)	-	-
3. Sh. Sameer Pruthi	(Director)	-	-
4. Sh. Puneet Pruthi	(Director)	5	Yes
5. Sh. B.M. Mahajan	(Director)	-	-
6. Sh. S.L. Bansal (Nominee PSIDC)	(Director)	5	-
7. Sh. S.K. Ahuja (Nominee PSIDC)	(Director)	5	-

Shareholding of Directors as on 31.03.2008 was as under:

Sr.	Name of the Director(s)	Shares Held (No.)	% to Total Capital
1	Sh. J.S.Mann (Nominee PSIDC)	-	-
2	Sh. D.C.Pruthi	1	-
3	Sh. Sameer Pruthi	-	-
4	Sh. Puneet Pruthi	1	-
5	Sh. S.L. Bansal (Nominee PSIDC)	-	-
6	Sh. S.K. Ahuja (Nominee PSIDC)	-	-



7 Sh. B.M. Mahajan

Particulars of the Directors seeking Appointment/Reappointment at the forthcoming Annual General Meeting

Name of the Director	Sh. Jagtar Singh Mann
Date of Birth	01.12.1950
Date of Appointment	22-08-2001
Expertise in specific functional areas	Finance
Other Public Companies in which membership of Committees of Directors held	

Name of the Director	Sh. S.L. Bansal
Date of Birth	15.09.1956
Date of Appointment	30.01.2006
Expertise in specific functional areas	Finance
Other Public Companies in which membership of Committees of Directors held	Two

Audit Committee

Five meetings of audit committee was held during the year, the composition of audit committee and the attendance of members is as under:

Name of Directors	Designation	Category	No. of Audit Meetings attend
Sh. S. K. Ahuja	Chairman	Non-Executive and Independent	5
Sh. B. M. Mahajan	Member	Non-Executive and Independent	-
Sh. Puneet Pruthi	Member	Non-Executive and Promoter	5

The terms of reference of the audit committee as approved by the Board include the following:

- Reviewing the annual financial statements before submission to the Board for approval.
- Reviewing the quarterly financial statements before submission to the board for approval.
- Reviewing performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigating by the internal auditors in the matter where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of the audit as well as post - audit discussion to ascertain any area of concern.
- To look in to the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re – appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Compliance with listing and other legal requirements relating to financial statements;



- Disclosure of any related party transactions;
- Qualifications in the draft audit report.
- Any other issue related to financial affairs can be examined.

Share transfer/Shareholder's Grievance committee

The committee meeting was held once during the year. The constitution of Shareholder's Grievance Committee as on 31.03.2008 and the attendance of the members is as under:

Name of Director	Category	Designation	No. of meetings attended
Sh. S. L. Bansal	Non-Promoter and Non Executive	Chairman	1
Sh. B. M. Mahajan	Independent and Non Executive	Member	-
Sh. Puneet Pruthi	Promoter and Non Executive	Member	1

Remuneration of directors

There is no pecuniary relationship or transaction of the company with its independent directors other than payment of sitting fee to them for attending Board and Committee meetings.

Remuneration Committee

The constitution of Remuneration Committee as on 31.03.2008 is as under

Name	Category	Designation
Sh. S. L. Bansal	Independent / non Executive	Chairman
Sh. S. K. Ahuja	Independent / non Executive	Member
Sh. B. M. Mahajan	Independent / non Executive	Member

No meeting of Remuneration Committee was held during the financial year 2007-08. The terms of reference include recommendation for payment to whole time Directors and their appointment and reappointment.

Compliance Officer

Mr. Rajesh Kumar Vashishtha, Company Secretary has been designation as Compliance Officer of the company.

General body meetings

Details of last three Annual General Meetings and special Resolutions passed is as under:

YEAR	LOCATION	DAY/DATE	TIME	NO. OF SPECIAL RESOLUTIONS
2004-05	-do-	Tuesday 27th September, 2005	11:00 a.m.	1
2005-06	-do-	Saturday 30th September 2006	3:00 p.m.	1
2006-07	-do-	Thursday 15 th November, 2007	4:00 pm	1

The company has not passed any special Resolution through postal ballot.

Disclosures

There were no transactions of material nature with the promoters, directors, management or their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company.

Transactions with the related parties are disclosed in Note No. 22 of Notes on Accounts in the attached Balance Sheet.