

***10th
Annual Report
2002-2003***



BOARD OF DIRECTORS

R.P. Jain, *Chairman*

Mohit Jain, *Vice Chairman & Managing Director*

S.C. Nanda

Pradeep Dinodia

Mohit Satyanand

B.D. Sharma

AUDITORS

A.K. Gangaher & Co.

BANKER

Punjab & Sind Bank

REGISTERED OFFICE

8377, Roshanara Road,
Delhi - 110 007.

FACTORIES

Flour Milling Division

33-33A, Shivaji Marg Industrial Area,
New Delhi - 110 015.

Flavour Foods Division

C-40, Meerut Road Industrial Area,
Ghaziabad (U.P.) - 201 003.

REGISTRARS & TRANSER AGENT

Computech International Ltd.

Shri Venkatesh Bhawan

212-A, Shahpur Jat,

New Delhi - 110 049.



NOTICE

Notice is hereby given that the 10th Annual General Meeting of the Members of **DFM FOODS LIMITED** will be held on Thursday, the 24th day of July, 2003 at 10.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi-110 010 to transact the following business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2003, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S.C. Nanda, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. B.D. Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

M/s A.K. Gangaher & Co., Chartered Accountants, the retiring Auditors being eligible, offer themselves for reappointment.

By order of the Board
For DFM FOODS LIMITED

DELHI
DATED : 24th May, 2003

(N.K. ARORA)
SECRETARY

Registered Office:
8377, Roshanara Road, Delhi-110 007.

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY SHOULD REACH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. The Register of Members and Share Transfer books of the Company will remain closed from 16th July, 2003 to 24th July, 2003 both days inclusive.
3. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
4. Members are requested to intimate Computech International Ltd., Shri Venkatesh Bhawan, 212-A, Shahpur Jat, New Delhi-110049, Registrar and Transfer Agent of the Company, change of address, if any, alongwith Pin Code Numbers for updating the records.
5. Shareholders are requested to check up and send their claims in respect of unclaimed dividend, if any, for the relevant years from 1995-96 onwards before the respective amounts become due for transfer to the "Investor Education and Protection Fund."
6. The details of the Stock Exchanges, on which the securities of the Company are listed, are given elsewhere in this annual report.



SHAREHOLDER INFORMATION

Stock Exchanges on which the Company's Securities are listed

The Company's Securities are listed at the following 4 Stock Exchanges in India:-

1. The Delhi Stock Exchange
Association Limited,
(Regional Stock Exchange)
DSE House,
3/1, Asaf Ali Road,
New Delhi-110 002.
2. The Stock Exchange Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400 001.
3. The Stock Exchange, Ahmedabad,
Kamdhenu Complex,
Opp. Sahajanand College,
Panjarapole,
Ahmedabad - 380 015.
4. The Calcutta Stock Exchange
Association Limited,
7, Lyons Range,
Calcutta - 700 001.

Note: The Company has paid annual listing fees to each of the above Stock Exchanges for the financial year 2003-04.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their report along with the audited accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

The financial results as compared to the previous year are as under:-

	(Rs. In lacs)	
	Year ended 31.3.2003	Year ended <u>31.3.2002</u>
Total Turnover	8249.26	7953.40
Profit before interest and depreciation	158.36	159.61
Interest	65.08	66.69
Profit before depreciation	93.28	92.92
Depreciation	50.55	48.02
Profit before Tax	42.73	44.90
Provision for Tax including earlier years	5.71	3.50
Provision for Deferred Tax	15.00	26.82
Net profit for the year	22.02	14.58
Surplus brought forward	123.56	108.98
Available for appropriation	145.58	123.56
Appropriations		
Balance Carried forward	145.58	123.56

DIVIDEND

Your Directors are unable to recommend the payment of any dividend in view of the continuing difficult situation faced by the Company.

REVIEW OF BUSINESS

Flour Milling

The Government continued its current policy for the procurement of foodgrains for the wheat crop of 2003 as well. Under this policy, the Government has been fixing unrealistically high procurement prices for wheat and is committed to open ended quantities of procurement. This has led to a huge build up of inventory. In order to liquidate these inventories, the Government has been resorting to export sales and increased releases of wheat for welfare schemes, both at highly subsidized prices. This has increased the food subsidy to over Rs. 25,000 crore per year, which is clearly unsustainable. Besides, this policy keeps the wheat prices high and product prices low thereby squeezing the flour milling industry.

Reports suggest that the Government is desirous of correcting this situation by limiting its role in the foodgrain economy. However, no concrete policy changes have yet been announced.

During the year, purchase of wheat was made largely from Food Corporation of India. The ad-hoc policies followed by Food Corporation of India caused severe difficulties in both the availability and quality of wheat, thereby causing frequent disturbances in the markets and business. However, despite these difficulties, the financial results of this business improved. This was primarily on account of the steps taken to achieve the objective of creating a proprietary market for high quality wheat products. Certain fresh initiatives were taken during the year. These were aimed at improving customer knowledge, brand identification and making the products more accessible for the customers.

Policies to further strengthen the market position of our products will continue to be taken.



Snack Foods

The financial results of this business were adversely affected on account of the higher marketing expenditures incurred, the fall in the sales level of certain products and the rise in cost of certain raw materials.

Suitable action is being taken to correct the situation.

FIXED DEPOSITS

The total amount of deposits remaining due not having been claimed for repayment as on 31/03/2003 was Rs. 45,000/- in respect of 4 deposits. Out of the same 2 deposits for Rs. 28,000/- have since been renewed/repaid.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is enclosed in Annexure 'A' of this report.

PARTICULARS OF EMPLOYEES

There are no employees whose remuneration is required to be disclosed under Section 217(2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Company has complied with the provisions of Corporate Governance as prescribed in the Listing Agreement with the stock exchanges. A separate report on corporate governance is included as a part of the Annual Report alongwith the Auditors' report on its compliance.

RESPONSIBILITY STATEMENT

The Directors state as under:-

- i) The applicable accounting standards have been followed.
- ii) The accounting policies have been followed consistently and wherever required judgments and estimates have been made in a reasonable manner so as to give a true and fair view of the state of affairs of the Company as at 31/03/2003 and of the profit for the year ending on the same date.
- iii) Adequate accounting record has been maintained for safeguarding the assets of the Company.
- iv) The accounts have been prepared on a going concern basis.

DIRECTORS

Shri S.C. Nanda and Shri B.D. Sharma retire by rotation and being eligible offer themselves for reappointment.

AUDITORS

The auditors M/s A.K. Gangaher & Co., who retire, offer themselves for reappointment.

ACKNOWLEDGEMENT

The Directors place on record their appreciation for the loyal and devoted services rendered by all categories of employees.

On behalf of the Board

Place : Delhi
Dated : 24th May, 2003

R.P. JAIN
CHAIRMAN



ANNEXURE 'A' TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. Conservation of Energy

(a) Energy conservation measures taken:-

- i) Adjusting process flow for optimal loading of motors.
- ii) Changing motors as per loading requirements for improving efficiency.
- iii) Changing inefficient motors.
- iv) Conducting energy audits.

(b) Additional investments and proposals for reduction of consumption of energy:-

- i) Changing the generator in the snack foods factory.
- ii) Using more efficient heating systems for the manufacture of namkeens.

(c) Impact of the above measures:-

Reduction in power / fuel consumption.

(d) Total energy consumption and energy consumption per unit of production:-

As per Form 'A' enclosed.

B. Technology absorption

- (e) As per Form 'B' enclosed.

C. Foreign exchange earnings and outgo

(f) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and exports plan:-

No progress could be made in this direction, as there was no commercial viability of exports.

(g) Total foreign exchange used and earned

(Rs. in Lacs)

- | | |
|--------------------------------------|---|
| (i) CIF value of import | — |
| (ii) Expenditure in foreign currency | — |
| (iii) Foreign exchange earned | — |



FORM 'A'
DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	SNACK FOODS		FLOUR MILLING	
	2002-03	2001-02	2002-03	2001-02
A. POWER AND FUEL CONSUMPTION				
1. Electricity				
a) Purchased Unit	348315	375240	3382815	3459079
Total Amount (Rs.)	1646788	1788143	14067258	14305021
Rate per Unit (Rs.)	4.73	4.76	4.16	4.14
(b) Own Generation				
(i) Through Diesel Generator				
Unit	288759	296609	830160	805862
Unit per ltr. of Diesel Oil	2.82	2.71	3.63	2.49
Cost per Unit	5.93	6.27	6.01	7.31
(ii) Through Steam Turbine/Generator				
Units	—	—	—	—
Units per ltr. of Fuel Oil/Gas	—	—	—	—
Cost per Unit	—	—	—	—
2. Coal				
Qty. (Tonnes)	—	—	—	—
Total Cost	—	—	—	—
Average Rate	—	—	—	—
3. Furnace Oil				
Qty. (K.Ltrs.)	—	—	—	—
Total Amount	—	—	—	—
Average Rate	—	—	—	—
4. Other/Internal Generation				
Qty. (Kgs.)	—	—	—	—
Total Cost (Rs.)	—	—	—	—
Rate per Unit (Rs.)	—	—	—	—

	STANDARDS	SNACK FOODS		FLOUR MILLING	
		2002-03	2001-02	2002-03	2001-02
Production	MT	2527	2396	86810	90175
Electricity Units	KWH	252	280	48.53	47.30
Furnace Oil		—	—	—	—
Coal		—	—	—	—
Diesel (for namkeens)	Litres	220	225	—	—
LPG (for extruded snacks)	Kg.	21.26	20.88	—	—



FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research and Development (R & D)

1. Specific areas in which R & D was carried out by the Company

- (i) Developing new product and product improvements.
- (ii) Optimizing process parameters to improve yield and quality.
- (iii) Standardization of raw material, production methods and finished goods quality.
- (iv) Mechanization of certain production system.
- (v) Use of Information technology in operations.

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

- (i) Greater consistency in the quality of products.
- (ii) Reduction in cost of operations.

3. Future plan of action

To continue R & D activity in the existing areas.

4. Expenditure on R & D

As R & D is a part of the ongoing activity of quality control and manufacturing operations, the expenditure is not separately allocated and identified.

Technology absorption, adaptations and innovations

1. Efforts made:-

The progress made by the information technology cell was as under:-

- Substantial progress in the computerization of various operations.

2. Benefits:-

- (a) Better control over the operations.
- (b) Better customer service.
- (c) Improved control over the production operations.

3. Particulars of technology imported during the last 5 years:-

— NIL —

REPORT ON CORPORATE GOVERNANCE

MANDATORY REQUIREMENTS

1. Company's philosophy on Code of Governance

The Company believes that corporate goals and sustained enhancement of shareholder value can be achieved through good corporate governance.

The Company's philosophy on corporate governance is aimed at enabling the top management of the company in conducting its business efficiently.

2. Board of Directors

Composition

The present strength of the Board is six Directors. Except for one wholtime director (WTD) i.e. the Managing Director, all other Directors are non-executive Directors (NED)

The current composition of the Board is as follows:-

Name of Director	Category of Directorship
Mr. R.P. Jain	Chairman (NED)
Mr. Mohit Jain	Managing Director (WTD)
Mr. Pradeep Dinodia	NED
Mr. S.C. Nanda	NED
Mr. Mohit Satyanand	NED
Mr. B.D. Sharma	NED

Number of other Companies or Committees of which the Director is a Director/ Chairman

Name of Director	Directorship in Companies	Membership in specified Committees
Mr. R.P. Jain	5	-
Mr. Mohit Jain	5	-
Mr. Pradeep Dinodia	8	6
Mr. S.C. Nanda	4	-
Mr. Mohit Satyanand	4	-
Mr. B.D. Sharma	-	-

Number and dates of Board meetings held

4 Board meetings were held during the year 2002-03 on 21st June, 2002, 26th July, 2002, 25th October, 2002 and 30th January, 2003.

Attendance details of each Director at the Board meetings and the last A.G.M.

Name of Director	No. of Board meetings attended	Attendance at the last A.G.M.
Mr. R.P. Jain	4	Yes
Mr. Mohit Jain	4	Yes
Mr. Pradeep Dinodia	3	Yes
Mr. S.C. Nanda	4	Yes
Mr. Mohit Satyanand	4	Yes
Mr. B.D. Sharma	4	Yes

Reappointment of Directors:-

In the forthcoming AGM on 24th July, 2003, Mr. S.C. Nanda and Mr. B.D. Sharma are due to retire by rotation and offer themselves for reappointment.

Their brief resume and the details of the directorship and membership of Committees held by them are given below:-

Mr. S.C. Nanda

Mr. S.C. Nanda is a renowned Advocate with specialization in real estate matters amongst others. He has been on the Board of DFM Foods Ltd. since 8th March, 1994.

His other Directorship and membership of the Committees are as under:-

DIRECTORSHIP

Sl. No.	Name of the Company	Designation
1.	KAN Associates (P) Ltd.	Director
2.	KAN Firms (P) Ltd.	Director
3.	Samniti Corporate Consultants Pvt. Ltd.	Director
4.	vCustomer Services India Pvt. Ltd.	Director

MEMBERSHIP OF THE COMMITTEES

- NIL -