

11th
Annual Report
2003-2004





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.

BANKERS

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 & TRANSFER AGENT

MCS Ltd.

Shri Venkatesh Bhawan,

W-40, Okhla Industrial Area, Phase-II,
New Delhi - 110 020.



NOTICE

Notice is hereby given that the 11th Annual General Meeting of the Members of **DFM FOODS LIMITED** will be held on Thursday, the 29th day of July, 2004 at 10.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110010 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 31st March, 2004, 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. R. P. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Pradeep Dinodia, 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, offers themselves for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**:-

“RESOLVED that pursuant to Section 269, 198, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the reappointment of Mr. Mohit Jain as Managing Director of the Company, who has been reappointed by the Board of Directors for a further period of five years w.e.f. 28th February, 2004 upon the terms and conditions as set out in the draft agreement placed before the meeting and for the purpose of identification initialled by the Chairman of the meeting, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said reappointment and/ or agreement in such manner as may be agreed to between Mr. Mohit Jain and the Board of Directors of the Company.

RESOLVED FURTHER that in accordance with the provisions of Section 198 (4) read with Schedule XIII and the notifications issued under that Schedule of the Companies Act, 1956, the remuneration and perquisites as set out in the draft agreement may be paid as the minimum remuneration to Mr. Mohit Jain, Managing Director for a period of 3 years from the date of his reappointment in the absence or inadequacy of profits in any financial year.”

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:-

“RESOLVED pursuant to Section 163(1) and other applicable provisions, if any, of the Companies Act, 1956 and applicable Articles of the Articles of Association of the Company and in supersession of the earlier Special resolution passed in the 9th Annual General Meeting of the members held on 25th July, 2002 that consent of the members of the Company be and is hereby accorded for keeping the Electronic & Physical Registers and the Indexes of members. Debenture holders, if any, and copies of Annual Returns prepared under Section 159 of the



Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act or any one or more of them at the office of the Registrar and Share Transfer Agent of the Company M/s MCS Ltd., presently situated at Shri Venkatesh Bhawan, W – 40, Okhla Industrial Area, Phase - II, New Delhi-110020 or at such other place wheresoever its office will be situated within the National Capital Territory of Delhi.

RESOLVED FURTHER that the Registers, Indexes, returns, books, certificates, documents of the Company required to be maintained and kept open for inspection under the provisions of the Companies Act, 1956, be kept open for such inspection, at the place where they are kept, by the persons entitled thereto, to the extent, in the manner and on payment of fees, if any, specified in the aforesaid Act during working hours on any working day except when the Registers and books are closed under the provisions of the Act or Articles of Association of the Company.”

7. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**:-

“RESOLVED that pursuant to the guidelines prescribed under the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the consent of the shareholders be and is hereby accorded to the Board of Directors to delist the Company’s equity shares from the following stock exchanges with effect from such date as it may decide in consultation with the concerned stock exchanges:

1. The Delhi Stock Exchange Association Ltd.
2. The Stock Exchange, Ahmedabad
3. The Calcutta Stock Exchange Association Ltd.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may in its absolute discretion, deem fit, necessary and expedient to have the securities duly delisted from the aforesaid stock exchanges.

RESOLVED FURTHER that the Board of Directors be and is hereby also authorized to sub delegate the authorities conferred as above to any Director/ Officer/ Authorised Representative of the Company to give effect to this resolution.

By order of the Board
For DFM FOODS LIMITED

DELHI
DATED: 29th June , 2004

(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 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business under Item No. 5, 6 and 7 set out above are annexed hereto.
3. The Register of Members and Share Transfer books of the Company will remain closed from 16th July, 2004 to 29th July, 2004 both days inclusive.
4. Members/ Proxies should bring the Attendance slip duly filled in for attending the meeting.
5. Members are requested to intimate MCS Ltd., Shri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase – II, New Delhi-110020, Registrar and Transfer Agent of the Company, change of address, if any, alongwith Pin Code Numbers for updating the records.
6. All amounts of unclaimed dividend for the financial year ended 31st March, 1996 have been transferred to the Investor Education and Protection Fund as required by the Companies Act, 1956.
7. Pursuant to Section 205A of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remain unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account are required to be transferred to the Investor Education and Protection Fund.

Section 205C of the Act declares that no claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for seven years as aforesaid and transferred to the Fund.

Shareholders are, therefore, advised that those who have not encashed their dividend warrant(s) so far for the financial year ended 31st March, 1997 may send their outdated dividend warrants before the expiry of 7 years to the Company at its registered office for revalidation/ issue of demand drafts in lieu thereof.

8. The details of the Stock Exchanges, on which the securities of the Company are listed, are given elsewhere in this annual report.
9. **Reappointment of Directors**

At the ensuing Annual General Meeting, Mr. R. P. Jain and Mr. Pradeep Dinodia retire by rotation and being eligible offer themselves for reappointment. The information or details pertaining to these Directors to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges are furnished in the Report on Corporate Governance published in this Annual Report.



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

ITEM NO. 5

Mr. Mohit Jain was last appointed as the Managing Director for a period of 5 years with the approval of the Shareholders of the Company which term expired on 27th February, 2004.

The Board of Directors have reappointed Mr. Mohit Jain, who is also the Jt. Managing Director of The Delhi Flour Mills Co. Ltd., as the Managing Director of the Company for a further period of 5 years w.e.f. 28th February, 2004 on the terms and conditions set out below:-

I. REMUNERATION

1. Salary : Rs. 50,000 per month
2. Commission : 3% (Three percent) of the net profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956, after the profits of the Company are ascertained in each year.
3. Perquisites :

Category A

- a) Payment of expenditure incurred on gas, electricity, water, furnishing and servants at residence and office of the Managing Director.
- b) Reimbursement of medical expenses actually incurred in India or abroad (inclusive of air fare, boarding/ lodging for the patient and the attendant) for self and family.
- c) Furniture allowance as per rules of the Company.
- d) Leave travel allowance for self and family as per rules of the Company.
- e) Subscription fees of clubs subject to a maximum of two clubs excluding admission and life membership fees.
- f) Personal Accident Insurance as per rules of the Company.
- g) Helper allowance as per rules of the Company.

Category B

- a) Company's contribution towards Provident Fund as per rules of the Company.
- b) Gratuity as per rules of the Company.
- c) Company's contribution towards superannuation fund or annuity fund as per rules of the Company.

Category C

- a) Free use of car and driver, both for official and personal purposes.
- b) Free telephone facility at residence. However long distance personal calls to be billed by the Company.
- c) Encashment of earned/ privilege leave on full pay and allowance as per rules of the Company at the end of tenure.
- d) Reimbursement of entertainment and all other expenses incurred for the purpose of the Company's business.
- e) The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.



Minimum remuneration

The Managing Director shall be paid the aforesaid remuneration and perquisites for a period of 3 years from the date of his reappointment as minimum remuneration even in the event of absence or inadequacy of profits in any year during his tenure, subject however to the compliance of Schedule XIII of the Companies Act, 1956 in this regard.

The total remuneration drawn from the Company including perquisites shall not exceed in aggregate 5% of the net profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956. For the purposes of this computation, the perquisites shall be valued on the basis laid down under the rules framed under the Income Tax Act.

Further, the remuneration drawn by Mr. Mohit Jain from the Company and from The Delhi Flour Mills Co. Ltd., of which he is the Jt. Managing Director, put together shall not exceed the higher of the maximum limit admissible from any one of the Companies.

II. In the event of termination of the appointment of the Managing Director by the Company he shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

In compliance with the provisions of Section 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the payment of remuneration to the Managing Director as set out above is now being placed before the members for their approval.

The draft agreement based on the terms approved by the Board, between the Company and Mr. Mohit Jain is available for inspection by the members of the Company at its Registered office between 11.00 A.M. to 1.00 P.M. on any working day of the Company.

Besides Mr. Mohit Jain, Mr. R. P. Jain, Chairman being father of Mr. Mohit Jain is concerned or interested in this resolution.

The contents of Item no. 5 of the notice and the relevant Explanatory Statement may be treated as abstract of terms and conditions of the reappointment of the Managing Director and the Memorandum of concern or interest under Section 302 of the Companies Act, 1956. Further a statement containing the informations required to be given to the shareholders of the Company in this regard under Part II Section II paragraph 1(B) of Schedule XIII to the Companies Act, 1956 is annexed hereto.

ITEM NO. 6

M/s Computech International Ltd. had been our Registrar & Transfer Agent for physical as well as demat transactions. Its Delhi division was taken over by M/s MCS Ltd.. Therefore in our endeavour to continue to provide better service to our shareholders, we have changed our Registrar & Transfer Agent from M/s Computech International Ltd. to M/s MCS Ltd., Shri Venkatesh Bhawan, W - 40, Okhla Industrial Area, Phase-II, New Delhi - 110020 w.e.f. 1st October, 2003. M/s MCS Ltd. provides all the services from its Delhi office.

So, it would be desirable that the Register of members and its Index, copies of annual returns, certificates and documents to be annexed thereto are kept with the new Registrar.

According to the provisions of Section 163 of the Companies Act, 1956, consent of the shareholders is required by way of Special Resolution for keeping the same at any other place other than the Registered office, but within the city in which the registered office is situated.

Accordingly, the consent of the members is sought by way of a Special Resolution.

The Board of Directors recommends the resolution for approval of members.

None of the Directors is concerned or interested in the resolution.

**ITEM NO. 7**

At present the Company's securities are listed on the following Stock Exchanges:

1. The Delhi Stock Exchange Association Ltd.
2. The Stock Exchange, Ahmedabad
3. The Calcutta Stock Exchange Association Ltd.
4. The Stock Exchange, Mumbai

Securities & Exchange Board of India (SEBI) has issued delisting guidelines SEBI (Delisting of Securities) Guidelines, 2003 under which the Company can voluntarily delist from the stock exchanges where its securities are listed provided that (i) the securities of the Company have been listed for a minimum period of 3 years on the stock exchange and (ii) the exit option is given to the investors. However, the exit option is not necessary in cases where Company's securities continue to be listed in a stock exchange having nation wide trading terminals (i.e. The Stock Exchange, Mumbai or National Stock Exchange). Further, for the purpose of delisting the securities from one or more stock exchanges including the Regional Stock Exchange, the company is required to obtain prior approval of the shareholders by way of special resolution.

The Company's securities have been listed on the aforesaid stock exchanges since 1995. There has been no trading of the Company's shares in all the stock exchanges except in The Stock Exchange, Mumbai.

In view of the above, the consent of the members is sought by way of a Special Resolution to have the securities of the Company voluntarily delisted from the three stock exchanges mentioned above under Sl. No. 1 to 3. However, the equity shares of the Company will continue to be listed in The Stock Exchange, Mumbai.

The Board of Directors recommends the resolution for approval of members.

None of the Directors is concerned or interested in the resolution.

By order of the Board
For DFM FOODS LIMITED

DELHI
DATED: 29th June , 2004

(N.K. ARORA)
SECRETARY

Registered Office:

8377, Roshanara Road, Delhi-110 007



ANNEXURE TO THE EXPLANATORY STATEMENT

[Refer Item No 5]

Statement required under Part II Section II paragraph 1(B) of Schedule XIII to the Companies Act, 1956 for Item No. 5 of the Notice of A.G.M.

I. General Information

1. Nature of industry : Manufacturing
2. Date or expected date of commencement of commercial production : Since 1994
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. : N.A.
4. Financial performance

(Rs. in lacs)

	(Year ended)		
	31.3.2001	31.03.2002	31.03.2003
Sales	7438.30	7953.39	8249.26
Profit before Interest & depreciation	131.14	159.61	158.36
Interest	61.95	66.69	65.08
Depreciation	43.71	48.03	50.55
Profit before Tax	25.48	44.89	42.73
Profit after Tax	23.19	14.57	22.02
Equity Capital	997.17	997.17	997.17
Reserve & Surplus	238.98	138.02	160.04

5. Export performance and net foreign exchange collaborations : NIL
6. Foreign investments or collaborations, if any : NIL

II. Information about the appointee

Mr. Mohit Jain

Background details, job profile and his suitability

Mr. Mohit Jain has been the Managing Director of the Company since 28th February, 1994.

Mr. Mohit Jain joined our promoter company The Delhi Flour Mills Co. Ltd. after completing his B.A. in Economics Honours from St. Stephens College, Delhi University. He has been involved in the flour milling business since then. He was instrumental in establishing our present snack food business for the promoter company in 1984. He has acquired intimate knowledge of the industry and currently manages the day to day operations of the Company. He is also a member of the Managing Committee of the Roller Flour Millers Federation of India.

Past remuneration

- Salary : Rs.50,000/- per month
 Perquisites : Same as mentioned in the Item no. 5 of the Explanatory statement attached to the notice of A.G.M.

Remuneration proposed

- Salary : Same as previous (i.e. Rs.50,000/- per month)
 Perquisites : Same as previous



Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person

There is no other Company in the flour milling industry which corresponds with the size of your Company. As such no comparison is possible.

Pecuniary relationship with the Company and relationship with the managerial personnel

- Shareholding in the Company is 39,500 shares i.e. 0.40% of the paid up capital.
- He is son of Mr. R. P. Jain, Chairman of the Company.

III. Other information

Reason of loss / inadequate profits

Decontrol of the milling industry in the late 1980's resulted in huge capacity addition within the industry. This created a glut within the already highly fragmented industry. Further, all throughout the Government followed a food policy which created distortions in the market and squeezed the operations of the Industry.

As far as the snack foods business is concerned, the process of establishing the brands of the Company has been a long process in an industry which consists mainly of unorganised players.

Steps taken / proposed to be taken for improvement

Efforts have been continuously made to move from being a commodity manufacturer of wheat products to one of dealing in branded products. Substantial progress has been made in this direction. Further the changes in Government policy requires the operations to be shifted to the wheat belt. Efforts are now being made in this direction.

As far as the snack foods business is concerned, steps to segment the market and improve production processes are being taken.

Expected increase in productivity and profits in measurable terms

With the relocation of the milling operations, substantial efficiencies in the buying of wheat are likely to be realised. Further, opportunities to develop the entire wheat chain i.e. cultivation, buying, storage and processing are likely to emerge.

The market segmentation and reduction in manufacturing costs is likely to lead to improved results.

IV. Disclosures

The details of the remuneration package for Mr. Mohit Jain is as mentioned in the Item no. 5 of the Explanatory Statement annexed to the notice of A.G.M.