

14th
Annual Report
2006-2007

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BOARD OF DIRECTORS

R.P. Jain, *Chairman*

Mohit Jain, *Vice Chairman & Managing Director*

S.C. Nanda

Pradeep Dinodia

Mohit Satyanand

AUDITORS

A.K. Gangaher & Co.

BANKERS

Punjab & Sind Bank

The Karnataka Bank Limited

HDFC Bank Limited

REGISTERED OFFICE

8377, Roshanara Road,
Delhi - 110 007

FACTORY

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 14th Annual General Meeting of the Members of **DFM FOODS LIMITED** will be held on Thursday, the 26th day of July, 2007 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, 2007, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend.
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 a Director in place of Mr. Mohit Satyanand, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. 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 198, 269, 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 payment of the existing remuneration to Mr. Mohit Jain, Managing Director of the Company w.e.f. 28th February, 2007 for the remaining tenure of his appointment i.e. till 27th February, 2009 as set out in the draft supplemental agreement placed before the meeting and for the purpose of identification initialled by the Chairman of the meeting, which is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said 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 existing remuneration and perquisites as set out in the draft supplemental agreement may be paid as the minimum remuneration to Mr. Mohit Jain, as the Managing Director in the absence or inadequacy of profits in any financial year.”

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

“RESOLVED that in supersession of the resolution passed by the Company at their Extra Ordinary General Meeting held on 25th September, 1993 the Board of Directors of the Company be and is hereby authorized U/s 293 (1) (d) of the Companies Act, 1956, to borrow money, from time to time, at its discretion either from the Company's bank or any other bank, financial institution or any other lending institutions or persons on such terms and conditions as may be considered suitable by the Board of Directors up to an amount not exceeding in the aggregate Rs.100 crores (Rupees One hundred crores only) notwithstanding that the money to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the



Company's bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes."

By order of the Board
For DFM FOODS LIMITED

DELHI

(N.K. ARORA)

DATED: 4th May , 2007

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 Businesses under Item No. 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 12th July, 2007 to 26th July, 2007 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. The dividend, when sanctioned, will be paid on or after 26th July, 2007 to those shareholders, whose names will appear in the Register of Members of the Company on that date.
7. Shareholders are advised that those who have not encashed their dividend warrant(s) so far for the financial year ended 31st March, 2005 and 31st March, 2006 may send their outdated dividend warrants for revalidation/ issue of demand draft in lieu thereof.
8. The ECS facility is available at specified locations. Members holding shares in dematerialized mode are requested to contact their respective Depository Participants (DPs) for availing ECS facility. Members holding shares in physical form and desirous of availing ECS facility are requested to write to the Company for details.
9. Members holding shares in the dematerialized mode are requested to intimate all changes with respect to their bank details, ECS, mandate, nomination, power of attorney, change of address, change in name etc. to their DPs. These changes will be automatically reflected in Company's record, which will help the Company to provide efficient and better service to the members.
10. The securities of the Company are listed on The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.

Further, the annual listing fee has been paid to the Mumbai Stock Exchange for the financial year 2007-08.

Based on the approval accorded by the shareholders, the Company has already applied for delisting from The Calcutta Stock Exchange Association Ltd., Kolkata since 19th August, 2004. The application of the Company is still pending for consideration with the said Stock Exchange. As such, the Company has not paid the Annual listing from 2005-06.

11. Reappointment of Directors

At the ensuing Annual General Meeting, Mr. F.adeep Dinodia and Mr. Mohit Satyanand 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 Exchange are furnished in the Report on Corporate Governance published in this Annual Report.

The Directors seeking reappointment have furnished the declaration under the Companies (Disqualification of Directors under Section 274(1) (g) of the Companies Act, 1956) Rules, 2003.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

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

ITEM NO. 6

Mr. Mohit Jain was last appointed as Managing Director for a period of 5 years w.e.f. 28th February, 2004 with the approval of the Shareholders of the Company. Further as required under Schedule XIII to the Companies Act, 1956, the shareholders had approved payment of remuneration for a period of 3 years from the date of his reappointment. The Remuneration Committee (i.e. Board of Directors) in their meeting held on 25th January, 2007 have unanimously decided to continue the payment of existing remuneration to Mr. Mohit Jain, Managing Director of the Company for the remaining tenure of his appointment i.e. till 27th February, 2009 which is reproduced hereunder:-

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) Encasement 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 as minimum remuneration even in the event of absence or inadequacy of profits in any year during his remaining 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 the existing remuneration to the Managing Director as set out above is now being placed before the members for their approval.

The draft supplemental agreement based on the terms with respect to the continuance of payment of existing remuneration as 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. 6 of the notice and the relevant Explanatory Statement may be treated as abstract of terms and the Memorandum of concern or interest under Section 302 of the Companies Act, 1956. Further a statement containing the information 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. 7

At the Extraordinary General meeting of the Company held on the 25th day of September, 1993 consent of the members had been obtained for the Directors to borrow up to a maximum amount of Rs. 15 crores, irrespective of the fact that such amount together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in ordinary course of business) exceeded the aggregate of the paid-up capital and the free reserves of the Company as on that date. To meet the fund requirement for running the businesses of the Company as well as carry out any expansion programme, it is expected that the existing ceiling fixed by the members will be exceeded. Therefore, your Directors place before you the proposal to increase the maximum borrowing limit to Rs. 100 crores.

Pursuant to the provisions of Sec. 293(1)(d) of the Companies Act, 1956, the Board of Directors can not borrow more than the aggregate amount of the paid up capital of the Company and its free reserves at any one time except with the consent of the shareholders of the Company. Hence, the consent of the shareholders is sought.

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

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

By order of the Board
For DFM FOODS LIMITED

DELHI

DATED: 4th May, 2007

Registered Office:

8377, Roshanara Road, Delhi-110 007

(N.K. ARORA)
SECRETARY

ANNEXURE TO THE EXPLANATORY STATEMENT

[Refer Item No. 6]

Statement required under Part II Section II paragraph 1(B) of Schedule XIII to the Companies Act, 1956 for Item No. 6 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 : N.A.
as per project approved by financial institutions appearing in the prospectus.
4. Financial performance

(Rs. in lacs)

	(Year ended)		
	31/3/04	31/03/05	31/03/06
Sales	7247.56	2576.80	2697.35
Profit before Interest & depreciation	129.97	145.33	156.83
Interest	66.11	62.41	65.91
Depreciation	49.85	49.06	36.98
Profit before Tax	14.01	33.86	53.94
Extraordinary income	—	185.95	—
Profit after Tax	10.16	214.41	29.65
Equity Capital	997.17	997.17	997.17
Reserve & Surplus	170.20	327.76	300.56

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. 6 of the Explanatory statement attached to the notice of A.G.M.

Remuneration proposed

Salary	: 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 manufacturing extruded snacks and namkeen 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

In the snack foods business, the process of establishing the brands of the Company has been a long process in an industry which consists mainly of unorganised players. Further several factors like higher incidence of tax, marketing expenditure to promote sales and substantial increase in the prices of raw materials have affected the business adversely.

As far as wheat storage business is concerned, it is in its nascent stage.

Steps taken / proposed to be taken for improvement

As far as the snack foods business is concerned, steps to segment the market, improve production processes, strengthen the distribution system and stepping up marketing activity are being taken.

Steps are also being taken to expand the wheat storage business.

Expected increase in productivity and profits in measurable terms

The market segmentation, reduction in manufacturing costs coupled with a strong distribution system and marketing is likely to lead to improved results.

Further substantial efficiencies in the buying of wheat alongwith expansion of volume is likely to yield better result for the wheat storage business.

IV) Disclosures

The details of the remuneration package for Mr. Mohit Jain is as mentioned in the Item no.6 of the Explanatory Statement annexed to the notice of A.G.M.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report along with the audited accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

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

	(Rs. in lacs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Total Turnover	4138.82	2697.35
Profit before interest and depreciation	248.07	156.83
Interest	93.97	65.91
Depreciation	34.92	36.98
Profit before tax	119.18	53.94
Provision for tax including earlier years	49.66	31.80
Provision for deferred tax	(5.07)	(19.20)
Fringe benefit tax	21.81	11.69
Net profit for the year	52.78	29.65
Surplus brought forward	286.10	313.30
Available for appropriation	338.88	342.95
Appropriations		
Dividend	49.86	49.86
Tax on proposed dividend	8.47	6.99
Balance Carried forward	280.55	286.10

DIVIDEND

Your Directors recommend the payment of dividend @ 5% on fully paid equity shares to those shareholders whose names would appear on the register of members as on 26th July, 2007.

REVIEW OF BUSINESS

Wheat trading

The business was expanded during the year and the results have shown a smart improvement over the previous year.

Snack Foods

Your Directors continued to follow a strategy of stepping up marketing efforts in order to expand the business volume. Capital investments in the factory were also carried out to further improve productivity.

As a result sales of virtually all product groups has increased. However the higher marketing expenditure coupled with the continued rise in the cost of raw materials eroded profitability during the year.

Efforts are being undertaken to further expand the volume by increasing the efficacy of the marketing spend and the introduction of new products.

Flour Milling

Radical changes in the Government policy has resulted in the development of a fluid situation in the wheat and wheat products market. Your Directors are waiting for the situation to stabilize before proceeding to resume the milling business.



FIXED DEPOSITS

The total amount of deposits remaining due not having been claimed for repayment as on 31/03/2007 was Rs. 1,27,000/- in respect of 3 deposits and the same still remains unclaimed.

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.

DE-LISTING OF SHARES

The Company's application for delisting from the Stock Exchange at Kolkata is still pending with them.

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 31/03/2007 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 Pradeep Dinodia and Shri Mohit Satyanand retire by rotation and being eligible offer themselves for reappointment. Further Shri B.D. Sharma resigned from the office of Director on 25th January, 2007. The Board wishes to place on record their appreciation of the valuable contributions made by him during his tenure as a member of the Board.

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 : 4th May, 2007

R.P. JAIN
CHAIRMAN