

17th
Annual Report
2009-2010



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BOARD OF DIRECTORS

R.P. Jain, *Chairman*

Mohit Jain, *Vice Chairman & Managing Director*

Rohan Jain, *Executive Director*

S.C. Nanda

Pradeep Dinodia

Mohit Satyanand

AUDITORS

A.K. Gangaher & Co.

BANKER

Punjab & Sind Bank

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.

F-65, 1st Floor

Okhla Industrial Area, Phase-I,

New Delhi - 110 020

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of **DFM FOODS LIMITED** will be held on Friday, the 30th day of July, 2010 at 10.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110010 to transact the following business:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2010, 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. S.C. Nanda, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.P. Jain, 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.

By order of the Board
For DFM FOODS LIMITED

DELHI
DATED: 15th May, 2010

(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, 2010 to 30th July, 2010 both days inclusive.
3. Members/ Proxies should bring the Attendance slip duly filled in for attending the meeting.
4. Members are requested to intimate MCS Ltd., F-65, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi-110020, Registrar and Transfer Agent of the Company, change of address, if any, along with Pin Code Numbers for updating the records.
5. The dividend, when sanctioned, will be paid on or after 30th July, 2010 to those shareholders, whose names will appear in the Register of Members of the Company on that date.

6. Shareholders are advised that those who have not encashed their dividend warrant(s) so far for the financial year ended 31st March, 2005 or any subsequent dividend payment(s) may send their outdated dividend warrants for revalidation/ issue of demand draft in lieu thereof.
7. 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.
8. 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.
9. The securities of the Company are listed on Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and the annual listing fee has been paid to it for the financial year 2010-11.

Further, the Company's application for delisting is pending with Calcutta Stock Exchange Association Ltd., Kolkata since 19th August, 2004. As such, the Company has not paid the Annual listing fee from 2005-06.

10. **Reappointment of Directors**

At the ensuing Annual General Meeting, Mr. S.C. Nanda and Mr. R.P. Jain 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.

Disclosure of relationship between directors:

Mr. R.P. Jain, whose reappointment is being considered, is the father and grand father of Mr. Mohit Jain, Managing Director and Mr. Rohan Jain, Executive Director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. The core business of your Company is the manufacture and marketing of processed foods more particularly snack foods.

2.1 Industry structure and developments

The healthy growth of the economy is resulting in rising income levels of the population, increasing urbanization and a larger number of working couples. All these factors create the potential for the healthy growth and development of the processed food industry

The sales of our business have been increasing rapidly over the last few years and continued to grow strongly during 2009-10 as well.

The snack food sales increased from Rs. 53.33 crores in 2008-09 to Rs. 72.19 crores in 2009-10.

In order to sustain the growth and development of the business, substantial investments were made in organizational development.

Sales distribution systems, marketing inputs, product development initiatives, manufacturing capacity and organization structures were all strengthened and expanded during the year. The new extrusion plant was commissioned in August 2009 at a capital cost of Rs. 12.95 crores. Its production has since been stabilized and the plant is operating satisfactorily.

2.2 Opportunities & Threats

Opportunities for further developing and expanding the business exist in the areas of intensification of sales and distribution of the existing markets, expanding geographically to new markets, marketing innovation and new product developments.

Increasing competition will remain a constant threat.

2.3 Risks & Concerns

The rising cost of materials is creating pressure on the margins. The ability to maintain margins without sacrificing growth is a matter of concern.

2.4 Outlook

The organizational investments already made and ongoing efforts to capitalize on existing opportunities should result in positive developments for the business.

In light of encouraging growth trends a further expansion of capacity is under active consideration.

3. Internal controls and their adequacy

The Company has proper and adequate internal control systems to ensure that all the assets are safeguarded and that all transactions are authorized, recorded and reported correctly. Regular internal audits and checks are carried out to ensure that the responsibilities are executed effectively and that the systems are adequate. Management continuously reviews the internal control systems and procedures to ensure the efficient conduct of business. An Audit Committee of the Board oversees the internal controls within the organization

4. Company's financial performance

	(Rs. in lacs)	
	Year ended 31.03.2010	Year ended 31.03.2009
Total Turnover	7218.99	7650.98
Profit before depreciation, interest and financial charges	863.76	585.61
Interest & Financial expenses	132.32	227.01
Depreciation	96.66	49.89
Profit before tax	634.78	308.71
Provisions for tax	213.69	108.85
Net profit	421.09	199.86

The drop in turnover was primarily on account of the discontinuation of the wheat storage business which contributed Rs. 23.17 crores in turnover during 2008-09.

The turnover of the Snack Foods business grew 35% during the year. Further, costs incurred on business and organizational development and higher levels of interest and depreciation costs pursuant to capacity expansion were successfully absorbed.

Capital expenditure of Rs. 12.95 crores was incurred on commissioning the new plant and term loans of Rs. 9.00 crores were raised to finance it as at 31st March, 2010.

5. Human Resource Development / Industrial Relations

Our employees form the backbone of our organization. A remuneration policy, which rewards achievement and is in line with the best industry practices, is consistently followed. Training to improve on the job skills is an integral part of our human resource policy and is practiced across all functions within the organization. Industrial relations have remained harmonious throughout the year.

There has been a substantial addition to the employee strength pursuant to the expansion of the sales and distribution system and the manufacturing capacity. The employee strength rose to 183 as on 31st March, 2010.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report along with the audited accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

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

	(Rs. in lacs)	
	Year ended 31.03.2010	Year ended 31.03.2009
Total Turnover	7218.99	7650.98
Profit before interest, financial expenses and depreciation	863.76	585.61
Interest & financial expenses	132.32	227.01
Depreciation	96.66	49.89
Profit before tax	634.78	308.71
Provision for tax	213.69	108.85
Net profit for the year	421.09	199.86
Add Surplus brought forward	283.17	299.97
Available for appropriation	704.26	499.83
Appropriations		
Dividend	149.58	99.72
Tax on proposed dividend	24.84	16.94
Transfer to General Reserve	250.00	100.00
Balance Carried forward	279.84	283.17

DIVIDEND

Your Directors recommend the payment of dividend @ 15 % on fully paid equity shares to those shareholders, whose names would appear on the register of members as on 30th July, 2010.

OPERATIONAL REVIEW

The turnover for the year was lower as a result of the discontinuation of the wheat storage business.

The snack food business grew 35% during the year. The new extrusion plant was commissioned in August 2009 and pursuant to encouraging growth trends a further expansion of capacity is under active consideration.

The departmental appeal against the Company's reclassification of some products manufactured by it under nil rate of duty is still pending adjudication before the Tribunal.

A more detailed business review is included under the Management discussion and analysis which forms part of the Annual Report.

SUBSIDIARY

Achilles Retail Ventures Pvt. Ltd. became a 100% owned subsidiary of your Company for part of the year. The shareholding in the said Company was divested completely on 30th March, 2010.

SECURED LOAN

The repayments of the term loans are being made as per the terms of the loans.

FIXED DEPOSITS

The total amount of deposits remaining due not having been claimed for repayment as on 31/03/2010 was Rs.1.15 lacs in respect of 2 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

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is attached as an Annexure to this report.

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 along with 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.

DIRECTORS' 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 31/03/2010 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

Mr. S. C. Nanda and Mr. R. P. Jain 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 sincere gratitude for the assistance received from the banks during the year. They also wish to 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 : 15th May, 2010

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:-

Using an efficient electric heating system instead of LPG in the new plant.

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

These proposals are generated on an ongoing basis.

- (c) Impact of the above measures:-

Reduction in power / fuel consumption and a smoother operation.

- (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 the export of products. With the strengthening of the sales and marketing team, the investigation and development of the export markets is being undertaken.

- (g) Total foreign exchange used and earned :-

	(Rs. in Lacs)	
	<u>2009-10</u>	<u>2008-09</u>
(i) CIF value of import	589.01	35.53
(ii) Expenditure in foreign currency	42.49	18.25
(iii) Foreign exchange earned	NIL	NIL