

**ANNUAL REPORT
2013-14**



DFM Foods Ltd. is a pioneer in the Indian packaged snack foods business.

Our business was established in 1983, and CRAX was the first successful packaged snack food in India.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mohit Jain *Chairman & Managing Director*

Rohan Jain *Executive Director*

S. C. Nanda

Pradeep Dinodia

Mohit Satyanand

Sandeep Singhal

AUDITORS

Deloitte Haskins & Sells

Chartered Accountants

BANKER

Punjab & Sind Bank

YES Bank Limited

REGISTERED OFFICE

8377, Roshanara Road,

Delhi - 110 007

CIN: L15311DL1993PLC052624

Tel.: +91-11-23826445

Fax : + 91-11-23822409

website : www.dfmfoods.com

PLANT LOCATIONS

Ghaziabad

C-40, Meerut Road

Industrial Area,

Ghaziabad (U.P.) - 201 003

Greater Noida

Plot No. 49, 50, 53 & 54,

Ecotech-I, Extn.,

Greater Noida (U.P.) - 201 306

REGISTRAR & TRANSFER AGENT

MCS Ltd.

F-65, 1st Floor,

Okhla Industrial Area,

Phase-I, New Delhi - 110 020

CONTENTS

Pages

Financial Highlights	2
5 Years Trend	3
Management's Discussion & Analysis	4
Directors' Report	6
Report on Corporate Governance	11
Auditors' Report	24
Financial Statements	27

FINANCIAL HIGHLIGHTS

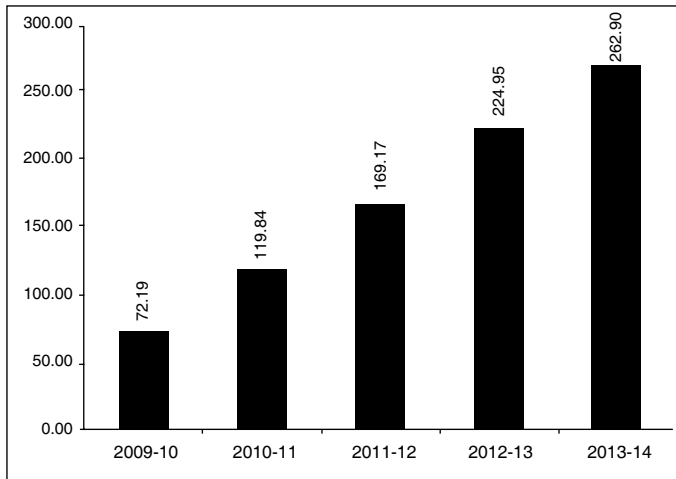
(Rs. in lacs)

	2009-10	2010-11	2011-12	2012-13	2013-14
INCOME					
Sales and Other Income	73,47	1,21,38	1,72,19	2,28,06	2,67,13
Earnings Before Depreciation, Finance Cost and Tax Expenses (EBDIT)	8,64	16,13	22,77	23,84	26,52
As % of Sales & Other Income	11.76	13.29	13.22	10.45	9.93
Depreciation & Amortization Expenses	97	1,41	2,38	4,38	8,22
Net Profit for the year (PAT)	4,21	8,32	10,36	6,31	7,10
ASSETS EMPLOYED					
Net Fixed Assets	22,54	32,11	88,45	97,36	91,12
Investments	2	50	2	2	2
Net Current Assets	12,11	8,47	9,44	9,96	3,84
Total	34,67	41,08	97,91	1,07,34	94,98
EQUITY FUNDS AND EARNINGS					
Shareholders Funds:					
Equity Share Capital	9,97	10,00	10,00	10,00	10,00
Reserves and Surplus	6,44	12,70	20,15	23,55	27,73
Total	16,41	22,70	30,15	33,55	37,73
Per Equity Share of Rs. 10/-					
Book Value (Rs.)	16.46	22.70	30.15	33.55	37.73
Earnings (Rs.)	4.22	8.34	10.36	6.31	7.10
Dividend (Rs.)	1.50	2.00	2.50	2.50	2.50
Closing Market Price as on 31 st March (Rs.)	48.05	108.50	217.00	160.14	308.24
Market Capitalization as on 31 st March	47,91	1,08,52	2,17,04	1,60,17	3,08,29

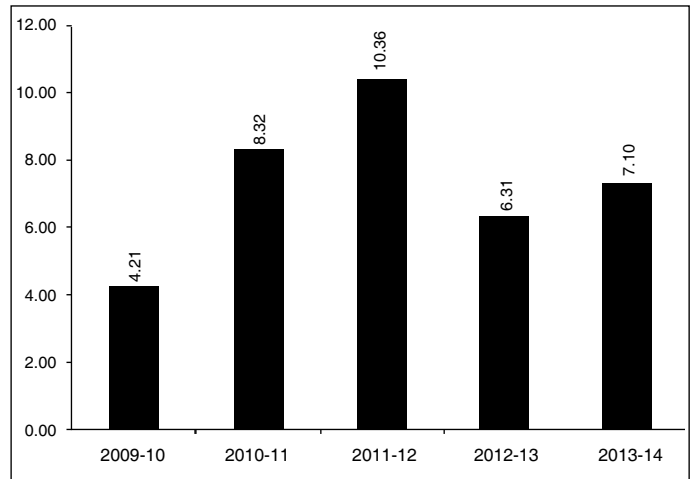
Note: Figures of the year 2013-14, 2012-13 & 2011-12 have been regrouped to make these comparable with the figures of the earlier years.

FIVE YEARS TREND

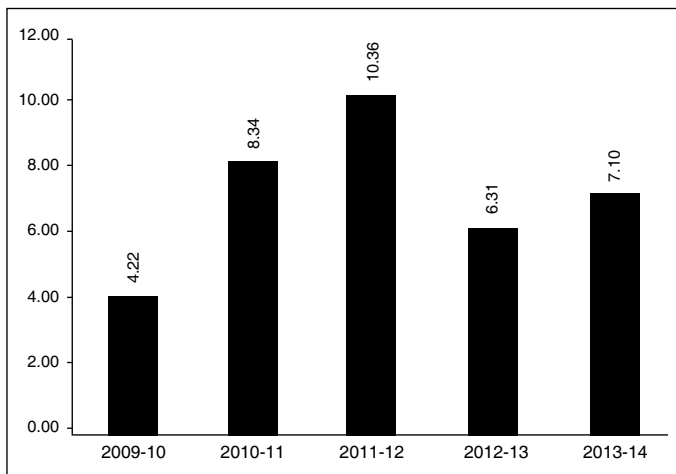
Turnover (Rs. Crore)



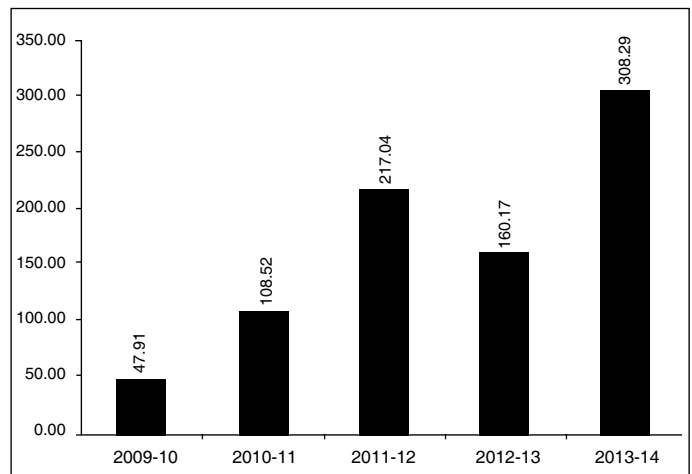
Profit After Tax (Rs. Crore)



Earnings Per Share (Rs.)



Market Capitalisation (Rs. Crore)



MANAGEMENT DISCUSSION & ANALYSIS

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

2. Economic Scenario

The ballooning current account deficit led to a sharp depreciation of the rupee, inflation remained high and economic growth did not seem to improve, resulting in another difficult year for the economy

3. Industry structure and its development

The industry consists of 2 principal segments:- the traditional ethnic snacks and the more recently introduced "modern" snacks

The traditional snacks segment has very few organized players and consists largely of small unorganized local manufacturers

The modern snacks segment consists basically of larger organized manufacturers, which employ automated machinery, mass marketing and have a presence across various geographical markets

In recent years, there has been a growing trend of a shift to branded and premium products in the traditional segment

The major developments are taking place in the modern snacks segment. Several organized players have made an entry in recent years and more continue to enter. However, barring a few, most players have only a regional presence and the more successful are continuously attempting to expand their national footprint

Your Company operates in both the segments. However the modern segment constitutes the bulk of the business

The continued growth of the economy and consequent rising income levels, increasing urbanization and rising aspiration offer immense potential for the healthy growth of the snack food industry

4. Financial Highlights

Revenue from operations increased from Rs. 225.24 crores to Rs. 263.25 crores and EBITDA

increased from Rs. 23.84 crores to Rs. 26.52 crores. Profit before tax and exceptional items increased from Rs. 10.04 crores to Rs. 12.24 crores and Profit after tax increased from Rs. 6.31 crores to Rs. 7.10 crores

Consequent to changes in the depreciation rates adopted, the depreciation and amortization expense increased by Rs. 141 lacs this year

Further an exceptional expense of Rs. 243 lacs was incurred to amortize the cost of trademarks

Despite higher raw material costs, manufacturing margins were maintained. However, higher marketing and overhead costs affected profitability adversely

The inter corporate deposits given to the promoter company were received back during the year and surplus funds to the tune of Rs. 14 crores have been invested in short term securities

5. Business Developments

During the year, work on intensifying coverage in the North zone, stabilizing the West zone and expanding distribution further in the East zone was undertaken. Some parts of the East zone still remain uncovered, and will be completed during the current year

The launch of the new product could not meet with the desired success and efforts are underway to determine the strategy going forward

Efforts to institutionalize and absorb management processes within the organization continued during the year. Plans have been drawn up to further strengthen the organizational structure and processes

Competition continued to remain intense though there were no new entries of organized players in the modern snack food segment

6. Opportunities & Threats

There are several opportunities available for the further development of the business. These are:-

- Developing new products to cater to different market segments
- Intensification of retail coverage in existing markets
- Expansion to new markets
- Innovation in marketing

Some of the threats faced by the business are:-

- Uncertainty in the price of raw materials and packaging materials
- Uncertain economic conditions within the country

7. Risks and Concern

A major concern is the development and stabilization of organizational capacity and management systems

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

8. Outlook

Organizational efforts to increase market penetration, expand to new markets and to innovate in marketing alongwith strengthening the organizational structure and processes should stand the business in good stead

9. 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

10. Human Resources

Our employees form the backbone of our organization. Your company takes pride in the commitment, competence and dedication shown by its employees in all areas of operation. Industrial relations have remained harmonious throughout the year

Your company endeavors to follow best HR practices across all areas. These cover recruitment, induction, development and training, and appraisal systems which are tied in with defined key result areas

The employee strength rose from 390 in the previous year to 434 as on 31st March, 2014

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their report along with the audited accounts of the Company for the year ended 31st March, 2014.

FINANCIAL RESULTS

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

	(Rs. in lacs)	
	Year ended 31st March, 2014	Year ended 31 st March, 2013
Revenue from operations	26325	22524
Profit before interest, financial expenses and depreciation	2652	2384
Interest & financial expenses	849	942
Depreciation and amortization	579	438
Profit before exceptional items and tax	1224	1004
Exceptional items	243	-
Profit before tax	981	1004
Provision for tax	271	373
Net profit for the year	710	631
Add Surplus brought forward	365	125
Available for appropriation	1075	756
Appropriations		
Dividend	250	250
Tax on proposed dividend	42	41
Transfer to General Reserve	500	100
Balance Carried forward	283	365

DIVIDEND

Your Directors recommend the payment of dividend of Rs. 2.50 per equity share of Rs.10/- each for the current year, to those shareholders, whose names would appear on the register of members as on 14th July, 2014.

OPERATIONAL REVIEW

The revenue from operations increased from Rs. 225.24 crores to Rs. 263.25 crores. Profit after tax increased from Rs. 6.31 crores to Rs. 7.10 crores.

The continued slowdown in the economy coupled with higher marketing and overhead costs affected profitability adversely.

Work on higher market penetration, stabilizing the newly entered markets and extension of operations to the East zone of the country continued during the year.

A detailed business review is included in the Management Discussion & Analysis which forms part of the Annual Report.

CORPORATE GOVERNANCE

The report of the Board of Directors of the Company on Corporate Governance is given as a separate section titled Corporate Governance Report, which forms part of the Annual Report. The Auditors Report on Corporate Governance compliance is also annexed therewith.

FIXED DEPOSITS

No deposit was unclaimed as on 31/03/2014.

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 1 to 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 Annexure 2 to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profits for the year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

DIRECTORS

It is with deep regret that we inform you of the sad demise of our Chairman Shri R. P. Jain on the 8th November, 2013. Your Board of Directors would like to place on record the invaluable leadership and guidance that he provided during his long association with the Company.

Consequent to the death of Shri R. P. Jain, Shri Mohit Jain was appointed as the Chairman of the Board in the meeting of the Board held on 27th January, 2014.

Shri Sandeep Singhal was co-opted as an Additional Director on 30th January, 2014. His appointment as Director is recommended by the Board.

Shri S. C. Nanda and Shri Pradeep Dinodia retire by rotation and being eligible offer themselves for reappointment.

AUDITORS

The auditors M/s. Deloitte Haskins & Sells, who retire, offer themselves for reappointment.

The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limit under Section 139(1) of the Companies Act, 2013 and that they are not disqualified for reappointment within the meaning of Section 141 of the said Act.

COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013, M/s. Mukesh Kumar, Cost Accountants have been appointed as Cost Auditors to audit the cost accounts of the Company for the financial year 2014-15 subject to the approval of the Central Government.

The cost audit report for the Financial Year 2012-13 was required to be filed within 30th Sept., 2013 and the same has been filed on 27th Sept., 2013.

CAUTIONARY STATEMENT

Statement made in this Directors' Report & Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

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
Date : 12th May, 2014

MOHIT JAIN
Chairman

ANNEXURE-1 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:-
The following measures are taken on a continuous basis:-
- Adjusting process flow for optimal loading of motors.
 - Changing motors as per loading requirements for improving efficiency.
 - Changing inefficient motors.
 - Energy audits.
- (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) Efforts made in technology absorption as per Form 'B' are furnished below:-

Research and Development (R & D)

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

- Developing new products and product improvements
- Optimizing process parameters to improve yield, quality and output
- Standardization of raw material, production methods and finished goods quality
- Mechanization of production systems
- Use of Information technology in operations

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

- A new laminate structure was developed
- Ability to reduce the consumption of laminate was developed

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 use of the new laminate structure was commenced

2. Benefits

Reduction in the cost of laminate consumption

3. Particulars of technology imported during the last 5 years

- NIL -

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

(Rs. in Lacs)

	2013-14	2012-13
(i) CIF value of import	60	121
(ii) Expenditure in foreign currency	76	119
(iii) Foreign exchange earned	NIL	NIL