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Hindustan Foods Ltd.

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22nd

ANNUAL REPORT

2006-07

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***Board of Directors*:**

Mr. Shrinivas V. Dempo	*Chairman*
Mr. Soiru V. Dempo	*Executive Director*
Mr. N. C. Chaudhuri	
Dr. A. B. Prasad	
Adv. Sudin M. Usgaonkar	
Mr. Ashok N. Manjrekar	

***General Manager*:**

Mr. G. S. Talekar

***Registered Office*:**

Dempo House,
Campal, Panaji – Goa 403 001

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***Works*:**

Usgao, Ponda,
Goa – 403 407

***Bankers*:**

Bank of Maharashtra

***Auditors*:**

R. Sundararaman & Co.
Chartered Accountants
7, Anandan Street, T. Nagar
Chennai – 600 017.

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NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Members of Hindustan Foods Limited will be held at the Registered Office of the Company at **Dempo House, Campal, Panaji, Goa – 403 001** on **Saturday**, the **29th September, 2007** at **10.30 a.m.** to transact the following business.

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2007 and Profit and Loss Account for the year ended on that date as also the reports of the Directors' and Auditors thereon.
2. To appoint a Director in place of Dr. A. B. Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashok N. Manjrekar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

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/herself and such proxy need not be a member of the Company. Proxies in order to be effective must be received at the registered office by the Company not less than 48 hours before the time fixed for the meeting.
2. The Register of the Members and Share Transfer Books in respect of the Equity Shares of the Company will remain closed from **Tuesday**, the **25th September, 2007** to **Saturday**, the **29th September, 2007** (Both days inclusive).
3. Members are requested to bring their copies of the Annual Report and Accounts to the meeting.
4. **Re-appointment of Directors**

   Dr. A. B. Prasad and Mr. Ashok N. Manjrekar, Directors of the Company, are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The information/data for these Directors under the Corporate Governance Code of the Listing Agreement is given in the Corporate Governance section of the Annual Report.

For and on behalf of the Board

Shrinivas V. Dempo
Chairman

Registered Office:
Dempo House, Campal
Panaji, Goa – 403 001

Dated: 30th June, 2007

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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Twenty-Second Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March, 2007.

Operations:

During the year under review, there has been decline in production tonnage in respect of conversion jobs carried out by the Company for Dumex India Pvt. Ltd. Dumex India Pvt. Ltd. has terminated Contract of manufacturing 'Farex', since they have sold their brand 'Farex' to an Indian Pharmaceutical Company. Presently your Company is manufacturing intermediates for weaning foods on its own to other parties.

Financial Results:

	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. in Lacs)
Profit for the year before		
Finance charges – depreciation:	30.33	65.58
Finance charges	1.79	0.85
Profit before depreciation	28.54	64.73
Depreciation	28.33	26.26
Carried to Balance Sheet	(0.21)	38.47

Dividend:

In view of accumulated losses, your Directors do not recommend any dividend for the year under review.

Rehabilitation Scheme (BIFR):

The implementation of the Rehabilitation Scheme for the year as approved and prescribed by the Board for Industrial and Financial Reconstruction is as per schedule.

Directors:

Dr. A. B. Prasad and Mr. Ashok N. Manjrekar retire by rotation and are eligible for re-appointment.

Directors' Responsibility Statement:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures.

(ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review;

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(iii) that the directors had 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;

(iv) that the directors had prepared the accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

Particulars of Employees:

None of the employees of the Company were in receipt of remuneration exceeding the limit prescribed in the Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956.

Particulars of Conservation of Energy etc.:

In terms of Section 217(1)(e) of the Companies Act, 1956 (as amended) and the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, the additional information, as required, is furnished as Annexure forming part of this Report.

Auditors:

Auditors of the Company M/s. R. Sundararaman & Co., Chartered Accountants, Chennai, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Auditors Report:

In respect of the observations of the auditors in their report, the relevant financial notes are self-explanatory.

Corporate Governance:

Pursuant to Clause 49 of the Listing Agreement a Management Discussion and Analysis Report and a report on Corporate Governance are provided in separate sections as a part of this Annual Report. A Certificate from the Statutory Auditors of the Company certifying the Company's compliance with the requirement of corporate governance in terms of Clause 49 of the Listing Agreement with the Stock Exchange is also annexed to the section on Corporate Governance.

Acknowledgments:

Your Directors place on record their appreciation of the continuing support by M/s. Dumex India Private Limited for the operation of the Company during the year under review.

Your Directors also place on record their deep appreciation for the valuable support and guidance from M/s. V. S. Dempo & Co. Pvt. Ltd., the holding company from time to time as well as Bank of Maharashtra.

The Directors acknowledge the co-operation and contribution of the employees of the Company during the year.

For and on behalf of Board of Directors

Place : Panaji
Dated : 30th June, 2007

Shrinivas V. Dempo
Chairman

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ANNEXURE TO THE DIRECTORS' REPORT

Information under 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, and forming part of the Directors' Report for the year ended 31st March, 2007.

I. Conservation of Energy:

1. Energy consumption: Energy consumption have been higher per unit of production due to increase in fuel rates and lower tonnage.
2. Total energy consumption and energy consumption per unit of production are as under:

(A) POWER AND FUEL CONSUMPTION		*Current year*
1. Electricity		
a) Purchased Units	Kwh	163226
* Total amount	Rs.	1121951
* Rate/Unit	Rs./Kwh	3.00
* including Demand charges		
b) Own Generation		
Through Diesel Generator		
Units	Kwh	108817
Units per Ltr. of Diesel Oil	Kwh	34528
Cost/Unit	Rs./Kwh	33.96
2. Coal [Specify quality & where used]		
Quantity (Tonnes)		–
Total Cost		–
Average Rate		–
3. Furnace Oil (H.S.D. for Brand Drier)		
Quantity	L	5118
Total Amount	Rs.	173807
Average Rate	Rs.	33.96
4. Others / internal generation (Please give details)		
Quantity		–
Total Cost		–
Rate / Unit		–

(B) CONSUMPTION PER UNIT OF PRODUCTION

	Standards - if any	Current Year
(Products with details - Units)		
Cereal based food products (tonnes)	–	500
Electricity (Units)	–	326.45
H.S.D. Oil (Units)	–	217.63
Coal [Specify quality]	–	–
Others (Specify)	–	–

II. Research and Development and Technology Absorption:

The Company is keeping abreast the developments in the extruder technology and has assimilated the latest technologies in the related fields.

III. Foreign Exchange Earnings and Outgoings:

Earnings	–	Nil
Outgoings	–	Nil

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MANAGEMENT DISCUSSION AND ANALYSIS

The year 2006-07 was a challenging as well as difficult year, as the long term arrangement with M/s Dumex India Pvt. Ltd. for conversion work was terminated by the Principal as they sold the entire business including the brands to an Indian Pharmaceutical Company. As a result, there was a disruption in the planned production during the year culminating in declined volumes. However, your Company managed to retain the said business after protracted negotiations with the buyer of the business. Your Company has started manufacturing for the said business commencing from April, 2007 and is expected to stabilize the volumes in the F.Y. 2007-08.

The Company in the meanwhile had carried out review of its business prospects and have had negotiations with major Fast Moving Consumer Goods (FMCG) producers including multinational companies to manufacture new products as well as intermediaries for certain existing products. Trials conducted for such proposals are in an advanced stage and the Company is hopeful that the product developed would be to the expectations of the Principals resulting in the Company to have firm tie up of new business in the Financial Year 2007-08.

In the meanwhile the Company has taken necessary initiatives to enhance productivity and efficiency. Your Company has employed qualified and technically competent personnel and has introduced several training programmes to keep such personnel update on information and new technologies, to achieve cost effectiveness.

The Company enjoys cordial relations with its Employees.

Your Company has proper and adequate system of internal control to ensure that all assets are protected and safeguarded. Your Company has well documented operating procedures and authorizations which itself are adequate for internal controls. Adequate internal checks are built in to cover all financial transactions with systematic delegation of authority. The Company's ISO 9001:2000 & HACCP system also provides better level of system based on checks and controls.

Some of the statements given in the above management discussions and analysis about Company's projections, estimates or expectations may be 'forward looking statement'. Actual results may differ substantially from those expressed or implied statements.

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CORPORATE GOVERNANCE REPORT

CORPORATE PERCEPTION:

Transparency in all dealings, effective control and management of organization, investor friendly attitude towards shareholders have been the basic objective of the corporate governance of the Company.

BOARD OF DIRECTORS:

The Board of Directors has 6 members comprising of 5 Non-Executive Directors and 1 Executive Director. Out of six, four Directors are Independent Directors.

During the period under review, the Board of Directors met 5 times i.e. on 18th April, 2006, 28th June, 2006, 29th July, 2006, 30th October, 2006 and 25th January, 2007.

None of the Directors on the Board are members in more than ten statutory committees and they do not act as Chairman of more than five statutory committees across all companies in which they are directors.

The Composition of the Board of Directors and their attendance at the Board Meetings during the year under review and at the last Annual General Meeting (AGM) as also the number of other directorships and committee memberships are given below:

Name of Director	Category of Directorship	Number of Board Meetings attended	Attendance at last AGM	Number of Directorship in other companies	Number of Committees in which member
Mr. Shrinivas V. Dempo	Non-Executive	5	Yes	30[1]	2
Mr. Soiru V. Dempo	Executive	5	Yes	12[2]	–
Mr. N. C. Chaudhuri	Non-Executive	1	No	1	–
Dr. A. B. Prasad	Non-Executive	2	Yes	2	–
Mr. Sudin M. Usgaonkar	Non-Executive	5	No	4	–
Mr. Ashok N. Manjrekar	Non-Executive	5	No	–	–

[1] Includes directorship held in 28 Private Limited Companies

[2] Includes directorship held in 11 Private Limited Companies

AUDIT COMMITTEE:

(i) The Audit Committee comprises of Four Independent Directors. Four meetings were held during the year under review i.e. on 17th April, 2006, 28th June, 2006, 30th October, 2006 and 25th January, 2007. Other details are as under:

Name of the Member	Status	Number of Meetings Attended
Dr. A. B. Prasad	Chairman	2
Mr. N. C. Chaudhuri	Member	1
Mr. Sudin M. Usgaonkar	Member	4
Mr. Ashok N. Manjrekar	Member	3

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(ii) The terms of reference of the Audit Committee are as follows:

a) Overseeing the Company's reporting process and ensuring correct, adequate and credible disclosure of financial information.

b) Recommending appointment and removal of external auditors and fixing their fees.

c) Reviewing with management the annual financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements.

d) Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures, techniques and other regulatory requirements.

e) Reviewing the adequacy of internal control systems and significant audit findings.

DETAILS OF DIRECTORS BEING APPOINTED / RE-APPOINTED:

Dr. A. B. Prasad and Mr. Ashok N. Manjrekar retire by rotation and are eligible for re-appointment. The brief profile of the Directors proposed for appointment / re-appointment, is as follows:

Dr. A. B. Prasad:

Dr. A. B. Prasad has been on the Board of Company since 24th January, 2002, he is Director of Goa Carbon Ltd. and V. S. Dempo & Co. Pvt. Ltd. He is M.Tech. and Ph.D. in Chemical Engineering.

Mr. Ashok N. Manjrekar:

Mr. Ashok N. Manjrekar has been on the Board of Company since 20th January, 2006, he is M.Tech. in Food Technology from U.D.C.T., Mumbai and a Food and Nutrition Consultant. Mr. Manjrekar is not a Director in any Public Limited Company in India, other than Hindustan Foods Limited.

SHAREHOLDING OF DIRECTORS:

As on 31st March, 2007, Dr. A. B. Prasad holds 500 equity shares in the Company. None of the remaining directors hold any shares in the Company.

REMUNERATION COMMITTEE:

The Remuneration Committee comprises of the following members:

Name of the Member	Status
Mr. Shrinivas V. Dempo	Chairman
Mr. Soiru V. Dempo	Member
Dr. A. B. Prasad	Member

REMUNERATION OF DIRECTORS:

The Company doesn't pay any remuneration to its Directors, except sitting fees for attending the meetings of the Board and Committees thereof. The details of sitting fees paid during the financial year ended 31st March, 2007 are as follows:

Sr. No.	Name of the Director	Amount (Rs.)
1.	Mr. Shrinivas V. Dempo	10,000.00
2.	Mr. Soiru V. Dempo	10,000.00
3.	Mr. N. C. Chaudhuri	2,500.00
4.	Dr. A. B. Prasad	5,000.00
5.	Adv. Sudin M. Usgaonkar	12,000.00
6.	Mr. Ashok N. Manjrekar	11,500.00

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