



**HINDUSTAN
FOODS
LIMITED**

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28th Annual Report 2012-13

HINDUSTAN FOODS LIMITED

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(Financial Year is from 1st October, 2012 to 30th September, 2013)

DIRECTORS

Mr. Shrinivas V. Dempo	<i>(Chairman)</i>
Mr. Soiru V. Dempo	<i>(Executive Director)</i>
Dr. A. B. Prasad	<i>Director</i>
Adv. Sudin M. Usgaonkar	<i>Director</i>
Mr. Ashok N. Manjrekar	<i>Director</i>

General Manager (Corporate Affairs)

Mr. G. K. S. Kerkar

Registered Office

Dempo House,
Campal, Panaji,
Goa. 403001.

Website

hflgoa@dempos.com

Investor Email Id

hflinvestorrelations@dempos.com

Works

Usgao, Ponda,
Goa. 403407.

Auditors

R. Sundararaman & Co.
Chartered Accountants,
30/2, Indira Colony,
Ashok Nagar,
Chennai - 600 083

Registrars & Transfer Agents

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400078.

Bankers

Bank of Maharashtra

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NOTICE

Notice is hereby given that the Twenty-Eighth Annual General Meeting of the Members of **Hindustan Foods Limited** ('the Company') will be held at the Registered Office of the Company at **Dempo House, Campal, Panaji, Goa 403001, on Saturday, the 14th December, 2013 at 10.30 a.m.** to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 30th September, 2013 and Profit and Loss Account and Cash Flow Statement for the financial year comprising 12 months period ended on that date as also the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ashok N. Manjrekar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to 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 of 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 10th of December, 2013, to Saturday, the 14th of December, 2013 (both days inclusive).
3. All matters in connection with the Shares of the Company may be addressed to the Company's Registrar and Share Transfer Agents viz. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400 078. Members are requested to quote their respective folio numbers and also notify the change of address, if any, to the Company's Transfer Agents.
4. In terms of the Articles of Association of the Company, Mr. Ashok N. Manjrekar is retiring by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The information / data for the Director under Clause 49 of the Listing Agreement, is given in the Corporate Governance Report of this Annual Report.

For and on behalf of the Board of Directors

Soiru V. Dempo
Executive Director

Panaji-Goa
15th November, 2013

Registered Office:
Dempo House,
Campal,
Panaji-Goa 403 001.

DIRECTORS' REPORT

Your Directors present the Twenty-Eighth Annual Report and the Audited Accounts of the Company for the twelve months period ended 30th September, 2013.

Financial Results:

The Financial Results of the Company for the period under review are as follows:

(Rs. in Lacs)

	For the Twelve months ended 30 th September, 2013	For the Eighteen months ended 30 th September, 2012
Profit /(Loss) for the year before		
Finance charges and depreciation	(5.23)	(60.00)
Finance charges	<u>92.56</u>	<u>71.58</u>
Profit /(Loss) before depreciation	(97.79)	(131.58)
Depreciation	<u>22.43</u>	<u>31.96</u>
Profit /(Loss) carried to Balance Sheet	(120.22)	(163.54)

Consolidation of Promoter Group holding in one Company :

During the year, the Promoter Group holding in the Company consisting of 37,22,294 equity shares held by M/s. V. S. Dempo Holdings Pvt. Ltd., M/s. Marmagoa Shipping & Stevedoring Co. Pvt. Ltd., M/s. Dempo Industries Pvt. Ltd., and M/s. Motown Investments Pvt. Ltd., were consolidated and transferred to M/s. Dempo Foods Pvt. Ltd. as inter se transfer amongst qualifying parties. The Promoter Group holding in the Company remains intact to 74.45% of paid-up equity capital.

Company's Activities:

During the period under report, the Company has continued to manufacture intermediate foods for third parties. Your Company recorded a net turnover of Rs.603 lacs and loss after tax of Rs.120 lacs.

The Company has entered into :

- i) Manufacturing and Supply Agreement with Pepsico India Holdings Private Ltd. to manufacture on monthly basis, mainly Kurkure Extruded Products and any other products as may be mutually agreed in future, under the trademark of "Pepsico" for a period up to 30/06/2014.
- ii) Manufacturing & Supply Agreement with M/s. Mankind Pharma Ltd. to manufacture its product under the brand name "Tomilac Powder" for a period upto 16/09/2015.
- iii) Manufacturing & Supply Agreement with M/s. Himalaya Drug Company to manufacture its product under the brand name "Hiowna" for a period upto 01/09/2018.

Dividend :

In view of loss for the period under report and accumulated losses of previous years, the Directors regret their inability to recommend dividend.

Accreditation:

The Company continues to enjoy ISO 22000:2006 accreditation made by Bureau Veritas.

Public Deposits:

Your Company has not accepted or renewed any fixed deposits from the public during the period under report.

Directors :

In terms of the Articles of Association of the Company, Mr. Ashok N. Manjrekar, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Directors' Responsibility Statement:

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors hereby state and confirm that:

- a) In the preparation of accounts for the twelve months period ended 30th September, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) The Directors 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 at the end of twelve months period and of the loss of the Company for the period under review;
- c) The Directors 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; and
- d) The Directors have prepared the accounts for the twelve months period ended 30th September, 2013 on a going concern basis.

Auditors :

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

Particulars of Employees:

None of the employees of the Company was 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 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 with the Stock Exchange, 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 also place on record their deep appreciation for the valuable support and guidance from M/s. Dempo Foods Pvt. Ltd., the holding company from time to time as well as Bank of Maharashtra, the bankers.

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

For and on behalf of Board of Directors

Soiru V. Dempo
Executive Director

Panaji

Dated : 15th November, 2013

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 twelve months period ended 30th September, 2013.

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 260131
		* Total amount	Rs. 18,80,879
		* Rate/Unit	Rs./Kwh 7.09
		* including Demand charges	
	b)	Own Generation	
		Through Diesel Generator	
		Units	Kwh 87601
		Units per Ltr.of Diesel Oil	Kwh 2.94
		Cost/Unit	Rs./Kwh 18.58
2.	Coal [Specify quality & where used]		
		Quantity (Tonnes)	--
		Total Cost	--
		Average Rate	--
3.	Furnace Oil (H.S.D. for Brand Drier)		
		Quantity	L 27220
		Total Amount	Rs. 14,87,300
		Average Rate	Rs. 54.64
4.	Others / internal generation (Please give details)		
		Quantity	--
		Total Cost	--
		Rate / Unit	--

(B) CONSUMPTION PER UNIT OF PRODUCTION

	<u>Standards - if any</u>	<u>Current Year</u>
(Products with details - Units)		
Cereal based food products (tonnes)	---	742.88
Electricity (Units)	---	350.16
H.S.D. Oil (Units)	---	117.92
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

MANAGEMENT DISCUSSION AND ANALYSIS :

The Financial Year 2012-13 was for Twelve months period, which ended on 30th September, 2013. This year was also a very difficult and challenging year for the Company. During the period under consideration, the Company continued to manufacture intermediate foods for third parties. However, there were major milestones in the business prospects. The Company has also signed agreement with M/s. Pepsico Holdings Pvt. Ltd. for manufacture of Snack Foods brand – Kurkure, for which the trials were conducted successfully. Currently, the samples of the products produced are under evaluation. The Commercial production is likely to start in the subsequent quarter. Your Company has also been able to sign agreements with some other major Nutraceutical product Companies like M/s Himalaya Drug Company for its brand Hiowna in full product packing form and M/s Mankind Pharma Limited for its brand Tomilac in full product pack form. Both these products are established in the market. During the year, Trials for these activities were conducted and confirm orders are expected in the forthcoming quarters. The Company is looking at becoming a major supplier for the above mentioned business. Also the company is catering to its earlier customer base for various intermediate products which it has been doing for a long time. With these long term agreements in place, your company expects to utilise the production capacities to maximum. The profitability is expected to improve with the higher volume of business in future.

Your Company is having competent and qualified Food Technologists and Engineers, and takes various initiatives to keep them updated on new technologies and knowledge, to achieve cost effectiveness wherever possible.

The Company enjoys cordial relations with the 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 is also adopting to manufacture internal controls to all the individual customers whenever they have asked for.

Some of the statements given in the above Management discussions and analysis about the Company's projections, estimates or expectations may be 'forward looking statements'. Actual results may differ substantially from those expressed or implied statements. Your company undertakes no obligations to publicly revise any forward looking statement to reflect future events or circumstances.

CORPORATE GOVERNANCE REPORT

Company's Philosophy in Corporate Governance:

As part of the Dempo Group, the Company's philosophy on Corporate Governance is founded upon a rich legacy of fair and transparent governance practices. Transparency in all dealings, effective control and management of organization, investor friendly attitude towards shareholders has been the basic objective of the corporate governance of the Company.

This Report is for a period of twelve months (from 1st October, 2012 to 30th September, 2013).

I. Board of Directors:

a) Composition of Board

The present Board consists of one Executive Director and four Non-Executive Directors. Out of the Non-Executive Directors, three are Independent Directors and the other Director represents the Promoters.

The Non-Executive Directors with their diverse knowledge, experience and expertise bring in their independent judgment to the deliberations and decisions of the Board. Apart from the sitting fees paid for attending Board/Committee Meetings, the Non-Executive Directors did not have any material pecuniary relationship or transactions with the Company during the period under report.

The Company has a Non Executive Chairman. The number of Independent Directors is more than one third of the total number of Directors. The Company meets the requirements relating to the composition of Board of Directors.

b) Other provisions as to Board and Committees

During the period under report, the Board of Directors met 4 times i.e. on 5th November, 2012, 28th January, 2013, 26th April, 2013 and 7th August, 2013.

None of the Directors of the Board serve as Members of more than 10 committees nor do they chair more than 5 committees, as per the requirements of the Listing Agreement.

Detailed information is given in the table:

Sr. No.	Name of Director	Category	No. of Board Meetings attended	Last AGM Attended	No. of Directorship in other companies	No. of Membership of Board Committees of other companies	No. of Board Committees of which the Director is a Chairperson in other companies
1.	Shrinivas V. Dempo	Chairman (Non-Executive)	4	No	19*	-	-
2.	Soiru V. Dempo	Executive Director	4	Yes	9	1	-
3.	A. B. Prasad	Non-Executive	1	Yes	2	1	-
4.	Sudin M. Usgaonkar	Non-Executive	4	No	6	-	-
5.	Ashok N. Manjrekar	Non-Executive	3	No	-	-	-

* Includes directorship held in 15 Private Limited Companies

c) Details of remuneration to the directors for the period under report:

The details of sitting fees paid during the financial period ended 30th September, 2013 are as follows:

Sr. No.	Name of the Director	Sitting Fees (Rs.)
1	Mr. Shrinivas V. Dempo	9,000
2	Mr. Soiru V. Dempo	9,000
3	Dr. A. B. Prasad	2,750
4	Adv. Sudin M. Usgaonkar	11,000
5	Mr. Ashok N. Manjrekar	8,250

d) Details of Director being appointed / re-appointed:

Mr. Ashok N. Manjrekar retires by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The brief profile of the Director proposed for appointment / re-appointment, is as follows:

Mr. Ashok N. Manjrekar :

Mr. Ashok N. Manjrekar has been on the Board of the Company since 20th January, 2006. He is M. Tech. in Food Technology from U.D.C.T., Mumbai and is a Food and Nutrition Consultant.