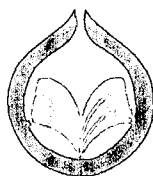




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ANNUAL REPORT 1997-98



MILKMAID

MILKMAID

MILKFOODS LTD

HERMAN MILKFOODS LTD.**BOARD OF DIRECTORS**

- | | |
|-------------------------------|-------------------------------|
| 1. Mrs. Kalpana Mittal Baruah | - Chairperson (Nominee PSIDC) |
| 2. Mr. Virsa Singh Sidhu | - Managing Director |
| 3. Mr. Sukhjeet Singh | - Director |
| 4. Mr. Rajesh Kumar | - Director |
| 5. Mr. S.S. Virdi | - Director |
| 6. Dr. B.S. Bhatia | - Director |
| 7. Dr. R. Balachandran | - Director |
| 8. Mr. A.K. Sud | - Director (Nominee PSIDC) |
| 9. Mr. A.K. Mahajan | - Director (Nominee PSIDC) |

FINANCIAL CONTROLLER & COMPANY SECRETARY

Mr. Amreek Singh Sandhu

AUDITORS

M/s Taranjeet & Associates,
Chartered Accountants,
Quiet Office No. 6 (1st Fl.)
Sector 35 - A,
Chandigarh.

BANKERS

Punjab National Bank,
Malkana Branch,
Tehsil Samana,
Distt. Patiala (Pb.)

REGISTERED OFFICE

S.C.O. 96-97 (IInd Fl.)
Sector 34-A,
Chandigarh - 160 022.

FACTORY

Village Retgarh,
Tehsil Samana
Distt. Patiala (Pb.)

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the 7th Annual General Meeting of the Shareholders of Herman Milkfoods Ltd., will be held on Thursday, the 31st, day of December, 1998 at Guru Gobind Singh Bhawan, Sector 15, Chandigarh, at 3.00 p.m. to transact the following business :—

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Sh. A.K. Mahajan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Sukhjeet Singh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. R. Balachandran, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

5. To appoint Auditors of the Company U/s 224 A of the Companies Act, 1956 and to pass the following resolution as SPECIAL RESOLUTION:-

"RESOLVED that pursuant to Section 224 A of the Companies Act, 1956, M/s Taranjeet & Associates, Chartered Accountants, Chandigarh, the retiring Statutory Auditors, be and are, hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, at such remuneration as may be decided by the Managing Director of the Company."

6. To consider and if thought fit, to pass the following resolution with or without modification, as an ORDINARY RESOLUTION :

"RESOLVED that Sh. Virsa Singh Sidhu, Managing Director of the Company, be and is, hereby reappointed as Managing Director of the Company for a period of five years w.e.f. 5.5.1998 to 4.5.2003, pursuant to the provisions of Section 310 read with Section 198 and 309 alongwith Schedule XIII of the Companies Act., 1956 and subject to approval of the participating Financial Institutions and Members of the Company, on the terms and conditions including remuneration set out in Explanatory Statement annexed hereto with the liberty to the Board of Directors of the Company to alter or vary the terms in such manner as may be agreed between them and Mr. Virsa Singh Sidhu."

By Order of the Board,
for HERMAN MILKFOODS LIMITED,
sd/-

(Amreek Singh Sandhu)
Fin. Controller & Co. Secretary

Place : Chandigarh
Date : 7.12.1998

HERMAN MILKFOODS LTD.**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting. A Proxy so appointed shall not have any right to speak at this meeting. The Proxy form is enclosed.
2. Members are requested to bring their copies of Annual Reports to the meeting.
3. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed.
4. Members are requested to notify any change in their address immediately at Registered Office of the Company at SCO 96-97, Sector 34-A, Chandigarh 160022.
5. The Register of members of the Company shall remain closed from Wednesday the 16th of December, 1998 to Wednesday, the 30th of December, 1998 (both days inclusive).

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956,****ITEM NO. 6**

The Board of Directors of the Company, at its Meeting held on 28/5/1998 has reappointed Sh. Virsa Singh Sidhu as Managing Director of the Company, for a period of five years w.e.f. 5.5.1998 to 4.5.2003. In accordance with the terms of appointment, Mr. Virsa Singh Sidhu was entitled to the following remuneration :—

1. Salary : Rs. 50,000/- per month in the Scale of 50000-2500-62500/-
2. Commission : In addition to salary, perquisites and other allowances, commission based on the net profit of the Company computed in the manner laid down in section 309 (5) of the Companies Act, 1956 subject to the provisions of Section 198 and Section 309 and other applicable provisions, if any, of the Companies Act, 1956, such commission shall be of such percentage and of such amount as the Board of Directors of the Company may determine keeping in view the performance of the company in respect of each financial year with a maximum of 1% of the net profits of the Company subject to ceiling of 100% salary in each year, whichever is lower excluding perquisites.
3. Perquisites : Perquisites are classified into three categories A, B & C as follows :
Category 'A'
(i) Housing I - The expenditure by the Company on hiring/leasing furnished accommodation will be subject to 50% of the salary, over and above 10% payable by Shri Virsa Singh Sidhu.

Housing II - In case the accomodation is owned by the Company, 10% of Shri Virsa Singh Sidhu's salary shall be deducted by the Company.

Housing III - In case on accomodation is provided by the Company, Shri Virsa Singh Sidhu shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.

The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income-tax Rules, 1962. This will however, be subject to ceiling of 10% of the salary of Shri Virsa Singh Sidhu.

- (ii) Medical reimbursement Expenses incurred for self and family subject to a ceiling of one month's salary per year or three months salary over a period of three years.
- (iii) Leave Travel Concession : For self and family once in a year incurred in accordance with the Rules of the Company.
- (iv) Club Fees : Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
- (v) Personal Accident Insurance : Premium not to exceed Rs. 4,000 per annum.

Category 'B'

Gratuity payable shall not exceed half a month's salary for each completed year of service. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category 'C'

The Company shall provide car with driver, and telephone at Shri Virsa Singh Sidhu's residence. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Shri Virsa Singh Sidhu.

Notwithstanding where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration.

The proposed resolution is recommended for passing

None of the Directors except Sh. Virsa Singh Sidhu is interested or concerned in the Resolution.

By Order of the Board,
for HERMAN MILKFOODS LIMITED,
sd/-

(Amreek Singh Sandhu)
Fin. Controller & Co. Secretary

Place : Chandigarh
Date : 7.12.1998

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the SEVENTH ANNUAL REPORT and the Audited Statement of Accounts for the Financial Year ended 31st March, 1998.

FINANCIAL RESULTS :-

(Rs. in lacs)

Sales & Other Income	4726.11
Financial Charges	268.19
Gross Profit / (Loss)	
before Depreciation	(74.71)
Depreciation	74.36
Net Profit / (Loss)	(149.07)

REVIEW OF OPERATIONS

During the year under review the Company has achieved a sales turn-over of Rs. 4726.11 lacs with Cash loss of Rs. 74.71 lacs and Net Loss of Rs. 149.07 lacs at capacity utilisation of 64% against sales turn over of Rs. 3652.75 lacs and net profit of Rs. 11.17 lacs at capacity utilisation of 59% during the last year.

The prices of finished goods has not increased in proportion to increase in raw milk prices during the year under review which resulted in Losses to the company.

FUTURE PROSPECTS

During the current financial year the production and procurement of milk is lower as compared to corresponding period April to October last year. The Company has proposed to process more than 550 lacs kgs. of milk at capacity utilisation of 70% and hope to achieve sales turn over of more than Rs. 5200 lacs.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year.

PARTICULARS REGARDING ENERGY CONSERVATION ETC.

Your Company is making all possible efforts to reduce energy consumption and achieve high plant operating efficiencies. The requisite information with regard to energy conservation, Research & Development activities undertaken by the Company alongwith the information in accordance with the provision of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in the Annexure-I to the Directors Report.

PARTICULARS OF EMPLOYEES

Information in accordance with Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended on 31st March, 1998 is set out in the Annexure-II.

DIRECTORS

The following changes have taken place in the Board of Directors :

- PSIDC has nominated Mrs. Kalpana Mittal Baruah as Chairperson of the Company in place of Sh. S. K. Sharma, who vacated his office w.e.f. 24.12.1997.
The Board places, on record, the valuable contribution made by Sh. S. K. Sharma and Sh. D. Rama Rao, during their tenure on the Board of the Company.
- Sh. A. K. Mahajan, Sh. Sukhjeet Singh and Dr. R. Balachandran, Directors, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.
- IFCI has withdrawn the name of Sh. D. Rama Rao, as Director of the Company w.e.f. 28.7.1998.

AUDITORS

M/s Taranjeet & Associates, Chartered Accountants, the Company's Auditors, will hold office till the conclusion of this Annual General Meeting. They have communicated their willingness to accept reappointment and have further confirmed their eligibility under Section 214 (1-B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the assistance and co-operation extended to the Company by the Punjab State Industrial Development Corporation Ltd., Industrial Finance Corporation of India Ltd., Punjab National Bank, other Statutory Govt. Bodies' and the Shareholders, whose continued support has been a source of strength to the Company. Your Directors also wish to place on record their sincere appreciation of the devotion and dedicated efforts put in by the employees at all levels.

For and on behalf of the Board

Sd/-

Place : Chandigarh

(Mrs. Kalpana Mittal Baruah)

Date : 7.12.1998

Chairperson

ANNEXURE - I**ANNEXURE TO THE DIRECTORS' REPORT****A. Environment, Safety and Conservation of Energy**

- a. The Company is taking care to keep energy conservation at its optimum. The treatment of effluents are also given top priority. Regular supervision and controls are being maintained in areas where steps had already been taken for conservation of energy to avoid idle/unproductive running of any energy consuming equipment.
- b. Total energy consumption and energy consumption per unit is given here below in Form 'A'.

B. Technology Absorption, Research & Development

Research and Development efforts have been continued for improving the existing products and finding out the new formulations. Since the Company has not bought any technology in the recent past, statement in Form 'B' under Section 217 (1) (e) of the Companies Act, 1956 (Disclosure of Particulars of the Board of Directors) Rules, 1988, is not applicable.

C. Foreign Exchange Earnings and Outgo

The Company proposes to export a major portion of its products and introduce new value added products for long term benefits of the Company. The Company has exported Ghce and SMP worth Rs. 108.05 lacs. During the year under review, the Company has earned and spent foreign exchange as per details given below :—

1. Earnings in foreign exchange : Rs. 108.05 lacs
2. Expenditure in foreign currency : Rs. 5.09 lacs