

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 17th Annual General Meeting of Herman Milkfoods Limited will be held on Tuesday, 30th September, 2008 at 11.00 A.M. at its Registered Office of the Company to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at 31st March, 2008 and profit and loss account as on that date together with the Directors report and Auditors report thereon.
2. To appoint a Director in place of Mr. Ravinder Garg, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gurmeet Singh, who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint M/s Taranjeet & Associates, Chartered Accountants, Chandigarh, the retiring Auditors of the Company, as Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company at a remuneration to be determined by Board of Directors."

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification following resolution as Special Resolution:-

"RESOLVED THAT pursuant to Section 94 and all other applicable provisions, if any, of the Companies Act, 1956, and other applicable provisions, if any, and subject to the confirmation of Hon'ble BIFR and the consent of any other appropriate authorities if any, the Authorized Share Capital of the Company be increased from Rs. 10,00,00,000/- (Rupees ten crore Only) 1,00,00,000 Equity shares of Rs. 10/- each to Rs. 25,50,00,000/- (Rupees twenty five crore and fifty lacs only) divided into 2,55,00,000 Equity Shares of Rs. 10/- each .

"RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company be substituted by the following clause.

Clause V

The Share capital of the Company is Rs.25,50,00,000/- (Rupees Twenty five crore fifty lacs only) divided into 2,55,00,000 shares of Rs. 10/- each.

Article 4

The Share Capital of the Company is Rs.25,50,00,000/- (Rupees Twenty five crore fifty lacs only) divided into 2,55,00,000 shares of Rs. 10/- each.

“RESOLVED FURTHER THAT Mr. Ravinder Garg, Jt. Managing Director of the Company, be and is hereby authorized to complete the formalities in order to give effect to the said resolution.

**By Order of Board
FOR HERMAN MILKFOODS LIMITED**

Date: 02.09.2008

Place: Chandigarh

Sd/-

**(RACHANA GARG)
CHAIR PERSON**

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and proxy need not be a member of the Company.
2. The instrument appointing proxy must be received at the Company's Registered Office not less than 48 hours before the meeting.
3. The members register will remain closed from 25.09.2008 to 30.09.2008 (both days inclusive).

ANNEXURE TO NOTICE**EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4**

As per the Draft Modification in the Sanctioned Scheme submitted by the Company to the operating Agency, IFCI Ltd. for consideration and approval of the Hon'ble BIFR, the co-promoters/investors would induct additional funds to the tune of Rs. of Rs.1520.00 lac for the purpose of need based working capital. At present, the authorized capital of the company is Rs.10.00 crore, which needs to be increased from Rs.10.00 crore to Rs.25.50 crore, subject to the confirmation of Hon'ble BIFR and the consent of any other appropriate authorities if any, so that additional equity can be brought in by the co-promoter.

Since, preferential allotment is pursuant to the Draft Modification in Sanctioned Scheme, if approved by the Hon'ble BIFR, the guidelines framed by SEBI for Preferential allotment shall not be applicable. In pursuant to the provisions of section 94 and 81(A) of the Companies Act, 1956, an increase in the Authorized capital and any further issue and allotment of shares on preferential basis shall require approval of share holders by way of special resolution.

Approval of the members is therefore requested to be given to the proposed proposal.

DIRECTOR'S REPORT

Dear Members,

Your Directors have great pleasure in presenting the 17th Annual Report together with Audited Accounts of the company for the financial year ended on 31st March 2008.

FINANCIAL RESULTS

	<u>2007-08</u>	Rs. In lacs <u>2006-07</u>
Sales Turnover & Other Income	4873.60	2633.10
Operating Profit	175.21	156.27
Interest	15.36	2.45
Depreciation	72.16	64.68
Profit before tax	103.04	91.58
Provision for tax including for :		
- Current year	NIL	NIL
- Earlier years	NIL	NIL
- Deferred tax	NIL	NIL
Net profit after tax	103.04	91.58
Appropriations :		
Proposed Dividend	NIL	NIL
Transfer to General Reserves	NIL	NIL

In view of the inadequate profits, your Directors are not in a position to recommend any dividend for the year.

BUSINESS OPERATIONS

The sales turnover and other income during the financial year was Rs.4873.60 lacs resulting in net profit of Rs 103.04 lacs.

During the year 2007-08, the company has entered into an agreement with The KKR-KNL Coop. Milk Producer's Union Ltd., Karnal at Kurukshetra, Haryana The Bihar State Coop. Milk Producers' Federation Ltd., The H.P. State Coop. Milk Producers Federation Ltd., Totu, Shimla for processing of milk into various milk products.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT**1. Outlook for the Industry**

The Dairy Industry in India has the cooperative sector on the one hand which have an excellent milk procurement network. These companies are now becoming more market savvy and are launching new products and expanding their market. On the other hand the role of the private sector is also important and MNCs and large Indian companies co-exist side by side. With the government placing more emphasis on the agriculture sector the domestic dairy industry is keenly waiting for the government policy on this front.

2. Future Prospects

The company has been able to develop a strong marketing and distribution network for selling its products to Mother Dairy Food Processing Ltd., The Pradeshik Coop. Dairy Federation Ltd. and under the Herman brand name consisting of 200 distributors and 1000 retailers in various states. However the profit margin have continued to be squeezed due to competitive market conditions in the domestic dairy industry.

3. Operational vis-à-vis Financial Performance

The company manufacturers quality dairy products and certified as ISO-9001:2000 Company. The intense price competition had a bad effect on Dairy Industries performance in the last few years. The financial performance / results are not commensurate with the quality standards of the company's products.

4. Material Development in Human Resources / Industrial Relations Front

The team of people in the organization has been working with dedication, diligence, devotion, determination, dynamism, discipline and direction. The company believes that motivated employees are its most important resource and asset. Industrial relations during the year were cordial, cooperative, concerted and peaceful.

DIRECTORS

Mr. Ravinder Garg and Mr. Gurmeet Singh, Directors of the company are retiring by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

AUDITORS

M/s Taranjeet & Associates, Chartered Accountants, Chandigarh, the retiring auditor's of the Company to hold office until the conclusion of the next Annual General Meeting and are recommended for reappointment. The Company has received certificate from Auditors for their reappointment.

DEPOSITS

The company has not accepted any deposit within the meaning of section 58 A of the Companies Act, 1956 and rules made there under for the period under review.

PARTICULARS OF EMPLOYEES

None of the employee was in receipt of the remuneration over and above the limits prescribed u/s 217(2A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rules, 1975 as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information required 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 with respect to the conservation of energy, technology absorption and foreign exchange earning and outgo is attached.

BIFR STATUS

As the members are aware that the Company has successfully implemented the Scheme sanctioned by Hon'ble BIFR which interalia includes reduction of 90% of equity share capital, induction of Rs. 900 lacs by co-promoters, renovation of the plant, repayment of loan to financial institutions. During the year, IFCI converted its term loan of Rs. 150.00 lacs into 15 lac equity shares of Rs. 10/- each. The Secured Creditors viz. PNB and IFCI had been paid-off and their dues have been fully amortized as per the sanctioned scheme. Accumulated losses which had to be wiped out by 31st March, 2008, have not been wiped out till date because of insufficient profits due to the shortage of need based working capital. Therefore, the Company has requested for modifications/amendments in the Sanctioned Scheme approved by Hon'ble BIFR.

AUDITORS REPORT

The observations in the Auditors report have been dealt with in notes to accounts and same being self explanatory, do not requires further clarification.

LISTING AGREEMENT

The company has paid the Listing fees to Bombay Stock Exchange and Ludhiana Stock Exchange till the FY 2008-09. Further, the Company is regularly filing all the quarterly/annual reports required to be submitted under Listing Agreement to these Stock Exchanges. Further, the management is making all efforts to revoke the suspension of trading of shares of the company which is in process.

DIRECTORS RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Companies Act, 1956 the Directors state that:

- i) In preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) The Directors had 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 the financial year and of the profit or loss of the company for that period.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

The Directors have prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT

The Directors, place on record their appreciation for the support and assistance received from financial institutions, banks and government authorities for their valuable support. Your directors also wish to place on record their gratitude to the valued shareholders of the company. The Board also records their appreciation to the contribution of their dedicated employees and dealers, milk suppliers and all concerned during the period under review.

Date: 02.09.2008
Place: Chandigarh

For and on behalf of the Board
HERMAN MILKFOODS LIMITED.

Sd/-
(RACHANA GARG)
CHAIRPERSON

AUDITOR'S REPORT

To the members of HERMAN MILKFOODS LTD.

We have audited the attached Balance Sheet of M/s HERMAN MILKFOODS LTD. as at 31st March, 2008 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Ministry of Finance and Company Affairs (Deptt. of Company affairs) of Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
- 2 Further to our comments in the Annexure referred to the above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of those books;
 - c) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in the sub-section (3C) of the section 211 of the Companies Act, 1956.
 - e) On the basis of representations from the directors, as at 31-03-2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31-03-2008 from being appointed as director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) i The Modified Scheme has been submitted by the operating Agency, IFCI Ltd for consideration and approval of the Hon'ble BIFR. Accumulated losses which had to be wiped out by 31st March, 2008, have not been wiped out till date because of insufficient profits due to the shortage of need based working capital. According to the Modified Scheme, the co-promoters would induct additional funds to the tune of Rs. of Rs.1520.00 lac for the purpose of need based working capital. At present, the authorized capital of the company is Rs.10.00 crore, which needs to be increased from Rs.10.00 crore to Rs.25.50 crore, so that additional equity can be brought in by the co-promoter.

- ii. All parties account including sundry debtors, sundry creditors, loans & advances and others etc. are subject to verification & confirmation.

In our opinion, subject to the information dealt with in the proceeding paragraph f(i) and other qualification as f(ii) in Annexure to this report, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 (as amended), in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India.

- i. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008 and
- ii. In the case of the Profit and Loss Account of the profit for the year ended on the date.

Date: 02.09.2008
Place: Chandigarh

For TARANJEET & ASSOCIATES,
CHARTERED ACCOUNTANTS,

Sd/-

(TARANJEET SINGH)
PROPRIETOR
M.no.86328

ANNEXURE TO AUDITOR'S REPORT

Annexure referred to in paragraph 1 of the Auditor's Report to the members of HERMAN MILKFOODS LTD. on the Accounts for the period ended 31st March, 2008.

- 1. a. The company has maintained reasonable records showing details of fixed assets;
- b. Most of the fixed assets have been physically verified by the management. We have been informed that no material discrepancies were noticed on such verification.
- c. No substantial part of fixed assets has been disposed off during the year.
- 2.a. The inventory has been physically verified by the management during the year.
- b. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.