

Hindustan Foods Ltd.

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23rd

ANNUAL REPORT

2007-08



Hindustan Foods Limited

Board of Directors:

Mr. Shrinivas V. Dempo	<i>Chairman</i>
Mr. Soiru V. Dempo	<i>Executive Director</i>
Mr. N. C. Chaudhuri	<i>Director</i>
Dr. A. B. Prasad	<i>Director</i>
Adv. Sudin M. Usgaonkar	<i>Director</i>

Chief Executive – Operations:

Mr. G. S. Talekar

Registered Office:

Dempo House,
Campal, Panaji, Goa – 403 001

Works:

Usgao, Ponda,
Goa – 403 407

Auditors:

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

Bankers:

Bank of Maharashtra

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NOTICE

Notice is hereby given that the 23rd 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 **Monday, the 29th September, 2008** 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, 2008 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 Mr. N. C. Chaudhuri, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Adv. Sudin M. Usgaonkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting and to fix their remuneration.

AS SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of and consents to the re-appointment of Mr. Soiru V. Dempo as a whole-time Director of the Company (designated as "Executive Director") for a period of three years with effect from 1st April, 2008."

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 Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. The Register of the Members and Share Transfer Books in respect of the Equity Shares of the Company will remain closed from Tuesday, the 23rd September, 2008, to Monday, the 29th September, 2008 [Both days inclusive].
4. Members are requested to notify immediately any change of address to the Company at Dempo House, Campal, Panaji, Goa – 403 001.

DIRECTORS

Mr. N. C. Chaudhuri and Adv. Sudin M. Usgaonkar, are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The Board has re-appointed Mr. Soiru V. Dempo as a Whole-time Director with the designation of Executive Director for a period of three years w.e.f. 1st April, 2008. The information/ data for these directors under the Corporate Governance Code of the Listing Agreement are given in the Corporate Governance section of the Annual Report.

For and on behalf of the Board of Directors

Registered Office:

Dempo House, Campal
Panaji, Goa – 403 001

Dated: 25th July, 2008

Soiru V. Dempo
Executive Director



ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173 of the Companies Act, 1956, in respect of Special Business mentioned in the accompanying notice, dated 25th July, 2008.

ITEM 5

Mr. Soiru V. Dempo's term as a Whole-time Director expired on 31st March, 2008 and as such the Board of Directors in its meeting held on 12th April, 2008 re-appointed him as a Whole-time Director with designation as Executive Director for a period of three years w.e.f. 1st April, 2008, subject to the approval of the Members of the Company at the ensuing Annual General Meeting and subject to Section 269 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956.

Mr. Soiru V. Dempo is deemed to be concerned and interested in this resolution as it relates to him. No other Director is concerned and interested in the said resolution.

This may be treated as an abstract under Section 302 of the Companies Act, 1956.

For and on behalf of the Board of Directors

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

Soiru V. Dempo
Executive Director

Dated: 25th July, 2008



DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty-Third Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st March, 2008.

Operations :

During the year under review, the Company has manufactured intermediates for weaning foods for other parties. The orders received during the year were less and hence there has been decline in production.

Financial Results :

	2007-2008 (Rs. in Lacs)	2006-2007 (Rs. in Lacs)
Profit/(Loss) for the year before		
Finance charges and depreciation:	(46.20)	29.91
Finance charges	4.09	1.79
Profit/(Loss) before depreciation	(50.29)	28.12
Depreciation	30.52	28.33
Loss Carried to Balance Sheet	(80.81)	(0.21)

Dividend :

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

Rehabilitation Scheme (BIFR):

The period prescribed by BIFR for implementation of the Rehabilitation Scheme ended on 31st March, 2008. The Company has requested the BIFR to further extend the time for rehabilitation of the Company.

Directors :

Mr. N. C. Chaudhuri and Adv. Sudin M. Usgaonkar retire by rotation and are eligible for re-appointment, which the Board recommends. The Board has re-appointed Mr. Soiru V. Dempo as a Whole-time Director (designated as "Executive Director") for a period of three years w.e.f. 1st April, 2008. Your approval to the said re-appointment is sought vide resolution set out in Item No. 5 of the accompanying Notice.

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:

- that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- that the directors have selected such accounting policies and applied them consistently and made judgements 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;



- (iii) that 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;
- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2008 on a 'going concern' basis.

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 :

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 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 place on record their appreciation of the continuing business relationship by M/s. Wockhardt Limited.

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 bankers.

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

For and on behalf of Board of Directors

Place : Panaji
Dated : 25th July, 2008

Soiru V. Dempo
Executive Director



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, 2008.

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		121030
* Total amount	Rs.		997580
* Rate/Unit	Rs./Kwh		8.24
* including Demand charges			
b) Own Generation			
Through Diesel Generator			
Units	Kwh		152569
Units per Ltr. of Diesel Oil	Kwh		2.57
Cost/Unit	Rs./Kwh		13.13
2. Coal [Specify quality & where used]			
Quantity (Tonnes)			Nil
Total Cost			-
Average Rate			-
3. Furnace Oil (H.S.D. for Band Drier)			
Quantity	L		24595
Total Amount	Rs.		829097
Average Rate	Rs.		33.71
4. Others / internal generation (Please give details)			
Quantity			Nil
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)	-	506
Electricity (Units)	-	239
H.S.D. Oil (Units)	-	166
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 year 2007-2008 was a difficult year, as your Company did not have any long term arrangement either for supply of material or for conversion work. However, your Company managed to get orders to supply weaning food intermediates. But the Company could not receive much orders. The year 2008-2009 is expected to stabilize.

During the year, the company has entered into an agreement with a multi-national company, to develop some of their products for manufacturing at your factory, and the result was quite encouraging. Your company may start commercial production on conversion charges basis during the year 2008-2009.

Your company has employed competent and qualified Food Technologists and Engineers, and has introduced several training programmes to keep them 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 is going for ISO 22000 system for better level of system and controls.

Some of the statements given in the above Management discussions & 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

A) MANDATORY REQUIREMENTS:

1) Company's Philosophy in Corporate Governance:

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.

2) Board of Directors:

- a) Composition and Category of Directors & number of Board meetings held and the dates on which held.

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 year under review, the Board of Directors met 5 times i.e. on 23rd April, 2007, 30th June, 2007, 30th July, 2007, 27th October, 2007 and 22nd January, 2008.

None of the Directors on the Board is a member 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.

- b) Attendance of each director at the Board Meetings held during the year under review and at the last Annual General Meeting (AGM) as also the number of other directorships and committee memberships is as follows :

Name of Director	Category of Directorship	Number of Board Meetings attended	Last AGM Attended	Number of Directorship in other companies	Number of Committees in which member
Shrinivas V. Dempo	Non-Executive	4	Yes	30 ¹	—
Soiru V. Dempo	Executive	5	Yes	12	—
N. C. Chaudhuri	Non-Executive	1	No	1	—
A. B. Prasad	Non-Executive	5	Yes	2	—
Sudin M. Usgaonkar	Non-Executive	3	No	5	—
Ashok N. Manjrekar	Non-Executive	4	No	1	—

¹Includes directorship held in 28 Private Limited Companies.

- c) Details of remuneration to the directors for the year under review:

The details of Sitting fees paid during the financial year ended 31st March, 2008 are as follows :

Sr. No.	Name of the Director	Sitting Fees Rs.
1.	Mr. Shrinivas V. Dempo	8,000
2.	Mr. Soiru V. Dempo	10,000
3.	Mr. N. C. Chaudhuri	2,500
4.	Dr. A. B. Prasad	12,000
5.	Adv. Sudin M. Usgaonkar	8,000
6.	Mr. Ashok N. Manjrekar	9,500



d) Details of Directors being Appointed/Re-appointed:

Mr. N. C. Chaudhuri and Adv. Sudin M. Usgaonkar retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment, Mr. Soiru V. Dempo has been re-appointed as Whole-time Director (designated as "Executive Director") w.e.f. 1st April, 2008. The brief profile of the Directors proposed for appointment / re-appointment, is as follows:

Mr. N. C. Chaudhuri:

Mr. N. C. Chaudhuri has been on the Board of Company since 10th June, 1987. He is a Chartered Accountant from U.K.

Adv. Sudin M. Usgaonkar:

Adv. Sudin M. Usgaonkar has been on Board of the Company since 31st October, 2002. He is B.A., LL.B. and Senior Advocate, Bombay High Court. He is on the Board of Marmagao Shipping & Stevedoring Co. Pvt. Ltd., Dempo Marketing Co. Pvt. Ltd., Devashri Investments Pvt. Ltd., Sindhudurg Mining Corporation Pvt. Ltd. and Dempo Industries Pvt. Ltd.

Mr. Soiru V. Dempo:

Mr. Soiru V. Dempo has been on the Board of Company since 22nd January, 2000. He is B.A. (Economics). Mr. Dempo is also the Whole-time Director of V. S. Dempo & Co. Pvt. Ltd., Managing Director of Dempo Mining Corp. Pvt. Ltd., Director of Dempo Shipyard Pvt. Ltd., Goa Carbon Ltd., Sindhudurg Mining Corporation Pvt. Ltd., Dempo Travels Pvt. Ltd., Celtic Investments Pvt. Ltd., Ameya Investments Pvt. Ltd., Jaiprabha Investments Pvt. Ltd., Suhas Investments Pvt. Ltd., Jaico Investments Pvt. Ltd., Troy Investments Pvt. Ltd.

e) Shareholding of Directors:

As on 31st March, 2008 Dr. A.B. Prasad holds 500 equity shares in the Company. None of the remaining directors hold any shares in the Company.

3) Audit Committee :

- (i) The terms of reference and power of the Audit Committee are as per Clause 49 of the Listing Agreement and Section 292 (A) of the Companies Act, 1956. The function of the Audit Committee is as per Listing Agreement with Stock Exchange. These include review of accounting and financial policies and procedures, review of financial reporting system, adequacy of internal control systems/internal audit function and risk management policies.
- (ii) The Audit Committee comprises of four Independent Directors. Four meetings were held during the year under review i.e. on 30th June, 2007, 30th July, 2007, 27th October, 2007 and 22nd January, 2008. Other details are as under :

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