

MILKFOOD LIMITED

Annual Report

for the year ended 31st March,2000

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milkfood

BOARD OF DIRECTORS

KARAMJIT S. JAISWAL, Executive Chairman
J.JAISWAL, Executive Vice-Chairman
L.P.JAISWAL, Chairman Emeritus
A.P. JAISWAL, Director
S.P. KHURANA, Director
VIJAY KAPOOR, Director
S.S. MAJITHIA, Director
UMESH N. SAXENA, Managing Director

AUDITORS

Price Waterhouse
Chartered Accountants
New Delhi

BANKERS

State Bank of Patiala
Canara Bank
Citibank N.A.

REGISTERED OFFICE

Bahadurgarh
Distt. Patiala-147021
(Punjab)

WORKS

Bahadurgarh
Distt. Patiala-147021
(Punjab)

Plot No. 5, Maruti Industrial
Complex, Sector 18
Gurgaon (Haryana)

HEAD OFFICE

Bhandari House
91, Nehru Place
New Delhi-110019

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Directors' Report

TO THE MEMBERS

The Directors present their twenty-seventh Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

(Rs./Lacs)

Profit after charging all expenses	160.83
Deduct: Depreciation	(205.11)
Loss for the year	(44.28)
Add: Profit brought forward from previous year	355.56
Transferred to General Reserve	311.28

OPERATIONS

During the period under report, the Company's sales were Rs.18646.94 lacs and cash profit Rs.160.83 lacs compared to last year's figures of Rs. 16162.78 lacs and cash loss of Rs. 76.16 lacs respectively. After depreciation, the loss for the year was Rs. 44.28 lacs compared to loss of Rs. 246.01 lacs in the earlier year.

DIVIDEND

In view of losses incurred by the company, Directors are not recommending any dividend.

DEBENTURES

During the year under report an amount of Rs. 328.21 lacs was paid towards final instalment of redemption of Debentures.

FIXED DEPOSITS

On 31.3.2000, 17 persons whose Fixed Deposits with the Company amounting to Rs. 2.54 lacs had become due for payment during the year, did not claim or renew their Deposits. Out of these, Fixed Deposits of 11 persons amounting to Rs. 1.82 lacs have since been renewed/ paid.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 (1) (b) (iv), the Report and Accounts is being sent to all shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy of the said statement may write to the Company at the Registered Office of the Company.

INFORMATION UNDER THE LISTING AGREEMENTS WITH STOCK EXCHANGES

- As envisaged, company's transition for Year 2000 was smooth. Directors see no additional financial impact arising from Year 2000 related issues.
- The shares of your Company are listed at Ludhiana, Delhi and Mumbai Stock Exchanges and the listing fees for the financial year 2000-2001 have been paid.

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is annexed.

DIRECTORS

Mr. Karamjit S. Jaiswal was re-appointed by the members at the Extraordinary General Meeting held on 3rd May, 1999 as Managing Director of the Company with effect from 16th August, 1999 for a period of five years. He was redesignated as Executive Chairman of the Company with effect from 29th April, 2000. Mr. J. Jaiswal was appointed as Executive Vice Chairman of the Company with effect from 29th April, 2000.

Mr. Umesh N. Saxena President of the company was appointed Additional Director on 31st January, 2000. He was appointed as Managing Director effective from 29th April, 2000 by the Board of Directors of the Company. He holds office up to the ensuing Annual General Meeting and is eligible for election.

Mr. S.P. Khurana resigned from the Board with effect from 4th October, 1998 and was re-appointed as Director against the casual vacancy on 30th July, 1999.

Mr. Narender Sapra resigned from the Board with effect from 29th April, 2000. The Directors place on record their appreciation of the services rendered by him to the Company. Mr. S.S. Majithia was appointed a director with effect from 29th April 2000, to fill the casual vacancy.

Mr. S.P. Khurana and Mr. S.S. Majithia who were appointed Directors against casual vacancies retire by rotation and, being eligible, offer themselves for re-election.

Mr. Vijay Kapoor, Director, retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, Auditors of the Company, retire and being eligible, offer themselves for re-appointment.

GENERAL

Your Directors wish to express their appreciation of the co-operation and support given by all employees of the Company during the year.

The notes forming part of the Accounts being self-explanatory, the comments made by the auditors in their report are not being dealt with separately.

For and on behalf of the Board

New Delhi
28th July, 2000

(KARAMJIT S. JAISWAL)
Executive Chairman



Financial Highlights ,

(Rs. in lacs or as indicated)

PARTICULARS	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
ASSETS										
Fixed Assets (Net Block)	1,199	1,314	1,726	1,895	2,080	2,265	2,384	2,549	2,346	2,332
Investments	9	9	9	9	9	9	9	9	9	9
Current Assets	3,732	3,098	3,756	3,711	3,773	2,936	2,630	2,899	3,969	2,313
Deferred Revenue Expenditure	—	—	—	—	—	—	—	—	—	49
TOTAL	4,940	4,421	5,491	5,615	5,862	5,210	5,023	5,457	6,324	4,703
LIABILITIES										
Loans, Current Liabilities and Provisions	1,998	1,434	2,225	2,227	2,246	2,721	2,377	2,630	3,686	3,330
NET WORTH	2,942	2,987	3,266	3,388	3,616	2,489	2,646	2,827	2,638	1,373
REPRESENTED BY										
Share Capital	489	489	489	489	489	489	489	489	244	114
Reserves and Surplus	2,453	2,498	2,777	2,899	3,127	2,000	2,157	2,338	2,394	1,259
TOTAL	2,942	2,987	3,266	3,388	3,616	2,489	2,646	2,827	2,638	1,373
OPERATING PERFORMANCE										
Revenue	18,674	16,193	15,473	14,072	15,367	12,270	9,666	14,890	14,001	7,782
Gross Profit Earnings	161	(109)****	223***	98**	1,337*	52	74	337	572	290
Profit/(Loss) before Tax	(44)	(274)****	13***	(120)**	1,128*	(156)	(180)	133	365	98
Profit/(Loss) after Tax	(44)	(279)****	13***	(120)**	1,128*	(157)	(181)	132	330	98
Earnings per Share (Rs.)	—	—	0.27	—	23.08	—	—	2.70	13.50	8.62
Dividend — Amount per Share (Rs.)	—	—	2.50	2.00	—	—	—	2.00	3.00	3.00
— Rate (%)	—	—	25	20	—	—	—	20	30	30
Book value of Shares (Rs.)	60.21	61.13	66.84	69.33	74.00	50.94	54.15	57.85	107.90	120.75
GROSS EARNINGS										
As a percentage of Revenue	0.86	—	1.44	0.70	8.70	0.42	0.77	2.26	4.09	3.73
As a percentage of Fixed Assets	13.43	—	12.92	5.17	64.28	2.30	3.10	13.22	24.38	12.44
As a percentage of Capital Employed	5.47	—	6.83	2.89	36.97	2.09	2.80	11.92	21.68	21.12

* Includes Rs. 1298 lacs Extra Ordinary Items.

** Includes Rs. 69 lacs Extra Ordinary Items.

*** Includes Rs. 36 lacs Extra Ordinary Items.

**** Includes Rs. (29 lacs) Extra Ordinary Items.

Auditors' Report

TO THE MEMBERS OF MILKFOOD LIMITED

1. We report that we have audited the Balance Sheet of MILKFOOD LIMITED as at 31st March, 2000 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report and the above said accounts are in agreement with the books of account.
2. In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account read with the Significant Accounting Policies and notes thereon and attached thereto, give in the prescribed manner the information required by 'The Companies Act, 1956' of India (The Act) and also give respectively, subject to note 7 on schedule 17B regarding non provision of gratuity amounting to Rs. 112.51 lacs with consequential effects on the loss and net assets of the Company, a true and fair view of the state of the Company's affairs as at 31st March, 2000 and its loss for the year ended on that date.
3. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books.
4. In our opinion, subject to note 7 on schedule 17B regarding non provision of gratuity, these accounts have been prepared in compliance with the applicable Accounting Standards referred to in Section 211 (3C) of the Act.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September, 1988 issued by the Central Government of India and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i)
 - a) The Company has maintained proper records to show full particulars including quantitative details and locations of its fixed assets except for records relating to furniture, fixtures and equipments and vehicles upto the period 31st March, 1992 which are in custody of the Income Tax Authorities.
 - b) The fixed assets of the Company at all its locations have been physically verified during the year by the management and no material discrepancies between the book records and physical inventory were noticed.
 - ii) The fixed assets of the Company have not been revalued during the year.
 - iii) The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management during the year.
 - iv) In our opinion, the procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - v) The discrepancies between the physical stock and the book stocks which have been properly dealt with in the books of account were not material.
 - vi) In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with the normally accepted accounting principles followed in India, subject to Note 14 on Schedule 17B regarding change in accounting of Machinery spares resulting into a charge to the profit and loss account amounting to Rs. 60.30 lacs with the corresponding increase in the fixed assets, to conform to the Accounting Standard 2, issued by the Institute of Chartered Accountants of India, is on the same basis as in the preceeding year.
 - vii) The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of section 370 of the Act, provisions of the section are not applicable to a company on or after the commencement of the Indian Companies (Amendment) Act, 1999.



- viii) The Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of section 370 of the Act, provisions of the section are not applicable to a company on or after the commencement of the Indian Companies (Amendment) Act, 1999.
- ix) Interest free loans or advances in the nature of loans given to parties and its employees are generally being repaid as stipulated or restipulated from time to time.
- x) In our opinion, there is an adequate internal control procedures commensurate with the size of the Company and the nature of its business, for purchase of finished goods and spares, plant and machinery, equipment and similar assets and for the sale of goods.
- xi) In our opinion, the prices charged for the sale made for goods and materials aggregating to Rs. 50,000 or more in value from any of the parties listed under Section 301 of the Companies Act, 1956 are reasonable as compared to the Similar items supplied to other parties. The Company has not purchased any goods and materials from any party listed under Section 301 of the Companies Act, 1956.
- xii) The Company has a system of determining unserviceable or damaged stores and raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off on such stocks in the accounts.
- xiii) In the case of public deposits received by the Company, the directives issued by the Reserve Bank of India and provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder where applicable, have been complied with.
- xiv) As the value of the realisable by-products and scraps generated during the year is not considered to be significant, no detail quantitative records have been maintained therefor. Proper records have, however, been maintained in respect of sale and disposal of such stocks.
- xv) In our opinion, the Company's present internal audit system needs to be strengthened.
- xvi) As informed to us, the Central Government has not prescribed the maintenance of cost records by the Company under Section 209 (1) (d) of the Act for any of its current products.
- xvii) The Company has been regular during the year in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
- xviii) At the last day of the financial year there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- xix) During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such cases by the management other than those payable under contractual obligation or accepted business practices.
- xx) The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xxi) In respect of trading activities, damaged goods have been determined at the time of physical verification and consequential adjustments, which have not been significant, have been made in accounts.

H Singh
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Dated : 28th July, 2000