

BOARD OF DIRECTORS

L.P. JAISWAL, Chairman Emeritus
KARAMJIT S. JAISWAL, Executive Chairman
A.P. JAISWAL, Director
VIJAY KAPOOR, Director
DEEPANKAR BARAT, 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-ninth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

(Rs./Lacs)

Profit after charging all expenses	6.96
Deduct: Depreciation	(164.02)
Loss for the year	(157.06)
Provision for tax (Deferred Tax Asset)	49.61
Transferred to General Reserve	(107.45)

OPERATIONS

During the period under report, the Company's Sales were Rs. 16256.14 lacs and cash profit Rs. 6.96 lacs compared to last year's figures of Rs. 20082.41 lacs and cash profit of Rs. 117.10 lacs respectively. After depreciation, the loss for the year was Rs. 157.06 lacs as compared to loss of Rs. 27.80 lacs in the previous year.

DIVIDEND

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

FIXED DEPOSITS

On 31.3.2002, 10 persons whose Fixed Deposits with the Company amounting to Rs. 2.38 lacs had become due for payment during the year, did not claim or renew their Deposits. Since then 6 persons have renewed/claimed deposits aggregating to Rs. 1.96 lacs.

Your Directors have decided to discontinue Fixed Deposit Scheme in the Company with a view to reduce the cost. The deposits received and outstanding as on date will be paid on their respective due dates.

PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits specified in section 217(2A) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in sub section (2AA) of section 217 of the Companies Act, 1956 your Directors confirm that:-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 ended 31st March, 2002 and of the loss of the Company for that year;
- (iii) that the Directors had 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 annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Necessary steps are being taken by the Company during the year for compliance of Corporate Governance Clause of the Listing Agreement.

INFORMATION UNDER THE LISTING AGREEMENTS WITH STOCK EXCHANGES

The shares of your Company are listed at Ludhiana, Delhi and Mumbai Stock Exchanges.

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. (Appearing on Page No. 20)

DIRECTORS

Mr. Vijay Kapoor, Director and Mr. A.P. Jaiswal, Director retire by rotation and, being eligible, offer themselves for re-election. Mr. S.P. Khurana, Director has resigned from the Board w.e.f. 30th July, 2001.

Mr. Deepankar Barat was appointed as Additional Director during the year.

Mr. Anil Girotra, Mr. Suresh Alipuria, Mr. Ashok Bharti, Mr. Indar Singh Batra who were co-opted as Additional Directors of the Company has also resigned.

Board express its sincere appreciation for useful services rendered by all these outgoing directors.

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
6th September, 2002

(KARAMJIT S. JAISWAL)
Executive Chairman

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of
Milkfood Limited

We have reviewed the implementation of Corporate Governance procedures by Milkfood Limited during the year ended March 31, 2002, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The Compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreements with the stock exchanges have not been complied by the Company till date and as taken on record by the Board of Directors, the Company is in the process of implementation of the same.

H. Singh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : New Delhi
Date : September 6, 2002

NOTICE

NOTICE is hereby given that the Twenty-ninth Annual General Meeting will be held at the Registered Office of the Company at Bahadurgarh, District Patiala-147021, (Punjab) on Monday, the 30th September, 2002 at 12.30 p.m. to transact the following business:

ORDINARY BUSINESS

- (1) To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2002 and Balance Sheet as at that date and the report of Auditors and Directors' Report thereon.
- (2) To appoint a Director. Mr. Vijay Kapoor retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
- (3) To appoint a Director. Mr. A.P. Jaiswal retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
- (4) To appoint Auditors and fix their remuneration. M/s Price Waterhouse, Chartered Accountants, the Auditors, retire and being eligible, offer themselves for re-appointment.

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 Mr. Deepankar Barat who was appointed as an Additional Director of the Company by the Board of Directors on 30.7.2001 and who ceases to hold office from the date of this meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose Mr. Deepankar Barat's name as a candidate for the office of director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- (6) **To consider and, if thought fit, to pass with or without modification(s), the following resolutions, as Special Resolutions:**

"RESOLVED that subject to the provisions of Sections 198, 269, 309, 310, 314 and Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 and other laws prevailing for the time being in force, approval of the shareholders be and is hereby accorded for the appointment of Mr. Deepankar Barat as a Whole Time Director of the Company for a period of five years with effect from 30th July, 2001, on the following terms and conditions:

1. Basic Salary: Rs. 30,000/- p.m. w.e.f. 30.07.2001 to 31.08.2001 and Rs. 43,900/- p.m. w.e.f. 01.09.2001 to 31.03.2002 and Rs. 63,900/- p.m. w.e.f. 01.04.2002.
2. Commission on Net Profits: 1% of the Net Profits of the Company, computed in the manner laid down u/s 309(5) of the Companies Act, 1956, subject to the maximum of 50% of the Salary w.e.f. 01.09.2001.
3. House Rent Allowance : Rs. 30,000/- p.m. w.e.f. 30.07.2001 to 31.08.2001 and Rs. 43,900/- p.m. w.e.f. 01.09.2001 to 31.03.2002 and Rs. 63,900/- p.m. w.e.f. 01.04.2002.
4. Special Allowance: Rs. 13,900/- p.m. w.e.f. 30.07.2001 to 31.08.2001.
5. Re-imbursement of House Repair & Maintenance Expenses up to Rs. 6,000/- p.m. subject to the production of vouchers w.e.f. 01.04.2002.
- 6.1 Perquisites: In addition to salary and allowances as above, Mr. Deepankar Barat shall also be entitled to perquisites like reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and house repairs, medical re-imbursement, medical insurance and leave travel concession for himself and his family, personal accident insurance, club fees, etc. in accordance with the Rules of the Company or as may be agreed by the Board and Mr. Deepankar Barat.
- 6.2 Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual costs.
- 6.3 Provision of a car with driver for use of Company's business and telephone facility at his residence will not be considered as perquisites.
7. Tax on the following perquisites shall be borne by the Company w.e.f. 01.04.2002 vide section 10(10CC) of the Income Tax Act, 1962.
 - a. House Lease/House Rent Allowance
 - b. Electricity & Water
 - c. Medical

- d. Car
 - e. Club Membership Fees
 - f. House Maintenance
8. The following shall not be included for the purposes of computation of remuneration or perquisites as aforesaid:
- (i) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act;
 - (ii) Gratuity payable as per Rules of the Company;
 - (iii) Mr. Deepankar Barat shall be entitled to fully paid leave of Thirty days for every eleven months completed service. Leave not availed of shall not be encashed.

RESOLVED FURTHER THAT notwithstanding anything hereinabove stated, in the event of loss or inadequacy of profits in any financial year, during the tenure of Mr. Deepankar Barat as a Whole time Director, the Company may pay him remuneration by way of salary, allowances- perquisites and any other allowances not exceeding the maximum limits as prescribed under Section II of the Part II of the Schedule XIII to the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII from time to time or the Companies Act, 1956 as may be amended from time to time."

(7) **To consider and, if thought fit, to pass with or without modification(s), the following Resolutions, as Special Resolutions:**

"RESOLVED THAT subject to the provisions of Sections of 198, 269, 309, 310 and all other applicable provisions of the Companies Act, 1956 and subject to Schedule XIII of the Companies Act, 1956 and other laws prevailing for the time being in force, approval of the shareholders be and is hereby accorded for the revision of remuneration payable to Mr. Umesh N. Saxena, the Managing Director, for his residuary term of office i.e. up to 28th April, 2005 as follows:

1. Basic Salary: Rs. 46,300/- p.m. w.e.f. 01.09.2001 to 31.03.2002 and Rs. 66,300/- p.m. w.e.f. 01.04.2002.
2. Commission on Net Profits: 1% of the Net Profits of the Company, computed in the manner laid down u/s 309(5) of the Companies Act, 1956, subject to the maximum of 50% of the Salary.
3. Special Allowance: Rs. 13,900/- p.m. w.e.f. 29.04.2000 to 31.08.2001.
4. Re-imbursement of Guest House Repair & Maintenance Expenses up to Rs. 6,000/- p.m. subject to the production of vouchers w.e.f. 01.04.2002.
- 5.1 Perquisites: In addition to salary and commission, the Managing Director shall also be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof i.e. 100% of basic salary, reimbursement of expenditure or allowances in respect of maintenance, utilities such as gas, electricity, water, furnishing and house repairs, medical re-imbursement, medical insurance and leave travel concession for himself and his family, personal accident insurance, club fees, etc. in accordance with the Rules of the company or as may be agreed by the Board and the Managing Director.
- 5.2 Perquisites shall be evaluated as per the Income Tax Rules, 1962 wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual costs.
- 5.3 Provision of a car with driver for use of Company's business and telephone facility at the Managing Director's residence will not be considered as perquisites.
6. Tax on the following perquisites shall be borne by the Company w.e.f. 01.04.2002 vide section 10(10CC) of the Income Tax Act, 1962.
 - a. House Lease/House Rent Allowance
 - b. Electricity & Water
 - c. Medical
 - d. Car
 - e. Club Membership Fees
 - f. House Maintenance
7. The following shall not be included for the purposes of computation of the Managing Director's remuneration or perquisites as aforesaid:
 - (i) The Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act;
 - (ii) Gratuity payable to the Managing Director as per rules of the Company;

- (iii) The Managing Director shall be entitled to fully paid leave of Thirty days for every eleven months completed service. Leave not availed of shall not be encashed.

RESOLVED FURTHER THAT notwithstanding anything hereinabove stated, in the event of loss or inadequacy of profits in any financial year, during the tenure of Mr. Umesh N. Saxena as a Managing Director, the Company may pay him remuneration by way of salary, allowances- perquisites and any other allowances not exceeding the maximum limits as prescribed under Section II of the Part II of the Schedule XIII to the Companies Act, 1956 or within such ceilings as may be prescribed under Schedule XIII from time to time or the Companies Act, 1956 as may be amended from time to time."

- (8) **To consider and, if thought fit, to pass with or without modification(s), the following Resolution, as a Special Resolution:**

The following new Article 22A with marginal notes as 'Buy-Back of Shares' be inserted after the existing Article 22:-

22A Buy-back of shares

Subject to the provisions contained in Sections 77A, 77AA, 77B and all other applicable provisions of the Act and subject to such approvals, permissions, consents and sanctions from the concerned authorities and departments, including Securities and Exchange Board of India and the Reserve Bank of India, if any, and/or regulations framed by Securities and Exchange Board of India and/or rules framed by the Central Government as may be applicable, the Company may, by passing a Special or Ordinary Resolution of shareholders or the resolution of Board of Directors, as may be applicable, purchase its own shares or other specified securities (hereinafter referred to as buy-back) directly from its existing security holders and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots), and/or the securities issued to the employees of the Company pursuant to a scheme of stock options or sweat equity from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any issue of shares or other specified securities, on such terms, conditions and in such manner as may be prescribed by any law from time to time; provided that the aggregate of the securities so bought back shall not exceed such number as may be prescribed under the Act or Rules or Regulations made from time to time; provided further that, nothing herein contained shall be deemed to affect or contravene the provisions of Sections 100 to 104 of the Act, (or as may be amended) in so far as and to the extent they are applicable.

- (9) **To consider and, if thought fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution:**

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 and all other applicable laws if any for the time being in force and subject to the such approvals, consents from the appropriate authorities as may be applicable, to the Board of Directors to sell, lease or otherwise dispose of the whole or substantially the whole of any undertaking of the Company on such terms and conditions as the Board may deem fit and proper in the best interest of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and execute all such acts, deeds and things as may be required for giving effect to the above resolution."

Dated: 6th September, 2002

By Order of the Board

Registered Office:

P.O. Bahadurgarh,
Distt. Patiala
Punjab - 147021

(Umesh N. Saxena)
Managing Director

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. The Register of Members and the Transfer Books of the Company will remain closed from 27.09.2002 to 30.09.2002 (both days inclusive).
3. Members are requested to intimate to the Company changes, if any, in their registered addresses alongwith Pin Code numbers.
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5&6

Mr. Deepankar Barat was appointed as an Additional Director with effect from 30.07.2001 by the Board of Directors according to section 260 of the Companies Act, 1956 and article 108(a) of the Articles of Association of the Company. Accordingly, his term expires at this Annual General Meeting.

Notice from a member under section 257 expressing his intention to propose Mr. Deepankar Barat for the office of Director, liable to retire by rotation, along with a deposit of Rs. 500/- as required under the section has been received by the Company.

Mr. Deepankar Barat has signified his intention for his appointment as Director of the Company. The Board considers that Mr. Deepankar Barat's appointment as a Director would be in the interest of the company and therefore recommends his appointment.

Considering the Company's expansion plan and long association of Mr. Deepankar Barat with the company the Board of Directors of the Company felt that he should be appointed as Whole Time Director of the Company with effect from 30.07.2001 for a period of five years. The terms and conditions of appointment of Mr. Deepankar Barat have been negotiated and approved by the Board of Directors. Your Directors recommend that keeping in view his vast experience and expertise in the field of management his remuneration/enhanced remuneration is reasonable and justified and the same should be approved. The Board of Directors considers that Mr. Deepankar Barat's appointment as a Whole Time Director would be in the interest of the Company and therefore recommend his appointment, as such.

The Notice and the Explanatory Statement in respect of the aforesaid resolutions may be treated as an abstract under section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. Deepankar Barat, who may be deemed to be concerned or interested in the resolution, is in any manner concerned or interested in the said resolutions.

Item No. 7

Mr. Umesh N. Saxena was appointed as Managing Director of the Company w.e.f. 29.04.2000. The remuneration payable to him is being revised w.e.f. 01.09.2001 and further revised w.e.f. 01.04.2002. This is to keep the remuneration in line with the current situation in the industry and to adequately compensate for the job responsibility in view of the fast expanding business activities of the Company. Mr. Umesh N. Saxena has a wide range of experience and long association with the Company. The revised remuneration payable to him is being subject to the approval of the members is placed for approval.

The Notice and the Explanatory Statement in respect of the aforesaid resolutions may be treated as an abstract under section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. Umesh N. Saxena, who may be deemed to be concerned or interested in the resolution, is in any manner concerned or interested in the said resolutions.

Item No. 8

Pursuant to Sections 77A, 77AA, 77B introduced vide the Companies (Amendment) Act, 1999, the companies have been allowed to buy-back its own shares or other specified securities subject to compliance of the provisions contained therein. Addition of Article 22A is being recommended for the purpose of having an enabling provision, so that if and when, the Company takes a decision in future to buy-back its shares, the absence of such an enabling provision in the Articles of Association does not become an impediment to such a decision.

The Board recommends the Resolution for your approval.

Item No. 9

As per section 293(1)(a) Board requires the approval of the Company to sell, lease or otherwise dispose of any undertaking of the Company. This resolution enables the Board of Directors of your Company to sell, lease or otherwise dispose of any undertaking of the Company at any time it thinks fit in the best interest of the Company so that the Company can focus its attention on its core activities

The Board recommends the above Resolution for your approval.

Dated: 6th September, 2002

By Order of the Board

Registered Office:

P.O. Bahadurgarh,
Distt. Patiala
Punjab - 147021

(Umesh N. Saxena)
Managing Director