

MILKFOOD LIMITED

Annual Report
for the year ended 31st March. 2003



BOARD OF DIRECTORS

L.P. JAISWAL
KARAMJIT S. JAISWAL
A.P. JAISWAL
UMESH N. SAXENA
DEEPANKAR BARAT
SURESH ALIPURIA
ASHA GADI
ASHOK BHARTI
COL. SUKH DEV RAJ MAKIN
INDER SINGH BATRA

AUDITORS

Price Waterhouse
Chartered Accountants
New Delhi

BANKERS

State Bank of Patiala
Canara Bank
HDFC 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 Thirtieth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

(Rs./Lacs)

Profit after charging all expenses	3.43
Deduct: Depreciation	130.49
	<hr/>
Loss for the year	(127.06)
Provision for tax (Deferred Tax Asset)	39.27
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Transferred to General Reserve	(87.79)
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OPERATIONS

During the period under report, the Company's Sales were Rs. 16357.19 lacs and cash profit Rs. 3.43 lacs as compared to last year's figures of Rs. 16256.14 lacs and cash profit of Rs. 6.96 lacs respectively. After depreciation, the loss for the year was Rs. 127.06 lacs as compared to loss of Rs. 157.06 lacs in the previous year.

DIVIDEND

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

FIXED DEPOSITS

Company has discontinued the Fixed Deposit Scheme w.e.f. 30th September, 2002 and no fresh deposit has been accepted and no existing deposit has been renewed after this date.

On 31.3.2003, 17 persons whose Fixed Deposits with the Company amounting to Rs. 3.23 lacs had become due for payment during the year, did not claim or renew their Deposits. Since then 10 persons have claimed deposits aggregating to Rs. 2.24 lacs.

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 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 ended 31st March 2003 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

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance and a Certificate from the Auditors of the Company regarding the Compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

INFORMATION UNDER THE LISTING AGREEMENTS WITH STOCK EXCHANGES

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

Listing fees for the year 2003-2004 to all the above mentioned stock exchanges 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. Deepankar Barat retires by rotation and, being eligible, offers himself for re-election.

Mr. Suresh Alipuria, Mr. Ashok Bharti, Mr. Inder Singh Batra, Ms. Asha Gadi, Col Sukh Dev Raj Makin have been appointed as the Additional Independent Directors of the Company by the Board in their meeting held on 7th October, 2002. Company has received the requisites notices from the members under section 257 of the Companies Act, 1956 proposing their candidature for the offices of the Directors of the Company.

Brief resume of the above Directors, nature of their expertise in specific functional areas and names of companies in which they hold the Directorship and the membership/chairmanship of the committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is annexed in the Corporate Governance Report.

Mr. Suresh Alipuria, Mr. Inder Singh Batra, Mr. Ashok Bharti, Mr. Anil Girotra who were appointed as Additional Directors by the Board of Directors have resigned w.e.f. 31st July, 2002.

Mr. Vijay Kapoor has resigned the Directorship of the Company w.e.f. 7th October, 2002

Board express its sincere appreciation for the useful services rendered by all outgoing Directors.

AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, the retiring auditors of the Company have expressed their unwillingness to be re-appointed as the statutory auditors of the Company at the ensuing Annual General Meeting. Your Directors place on record their sincere appreciation of the useful cooperation rendered by them.

M/s R.N. Bahl & Co., Chartered Accountants, New Delhi have offered themselves to be appointed as the statutory auditors of the Company at the ensuing Annual General Meeting. The Company has received a confirmation from them that their appointment, if made, will be within the limits as specified under section 224(1B) of the Companies Act, 1956. Your Directors recommend their appointment as statutory auditors of the Company.

COST AUDITORS

The Central Government had directed an audit of the cost accounts maintained by the Company in respect of milk products. The Central Government has approved the appointment of M/s. R.J. Goel & Co., Cost Accountants, for conducting the cost audit of the above products for the financial year ended on 31st March, 2003.

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

Delhi
14th August, 2003

(KARAMJIT S. JAISWAL)
Executive Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with 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, 2003.

1. CONSERVATION OF ENERGY

- I. Your Company has been making efforts to reduce energy consumption by focusing on improving the steam efficiency and capacity utilisation, upgradation of technology, modernization of plants, training and motivation of employees towards energy conservation.
- II. The company has installed steam turbine for generation of electricity. Installation of fuel efficient boiler is under implementation. With implementation of above measures, energy consumption will reduce resulting in reduction of cost of production.

Details pertaining to energy consumption as prescribed are given hereunder:

FORM A

Form for disclosure of particulars with respect to conservation of energy for the year ended 31st March, 2003.

		Year ended 31.03.2003	Year ended 31.03.2002
A) Power and Fuel consumption			
1) Electricity			
a) Purchased			
Units		84,71,217	94,32,493
Total Value	(Rs.)	3,32,75,308	3,41,71,144
Rate/Unit	(Rs.)	3.93	3.62
b) Own Generation			
Through Diesel Generator			
Units		4,32,295	9,14,448
Total Value	(Rs.)	28,09,151	49,23,306
Unit per litre of:			
Diesel Oil		2.68	2.97
Cost/Unit	(Rs.)	6.50	5.38
2) Others/Internal Generation			
Husk/Bagasse/Torria Husk/ Rice Bran/Sun Flower Husk/Fire Wood			
Quantity(Tonnes)		18,455	22,201
Total Amount	(Rs.)	2,79,61,390	3,21,69,487
Avg. Rate	(Rs.)	1,515	1,449

- III. The Company has two manufacturing plants at different locations and produces various products and uses different sources of energy in different combinations for the different products. It is, therefore, not feasible to arrive at the energy consumption per unit for each source of energy as prescribed.

2. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

The Company has not imported any technology for the various products being produced/marketed by it. There is ongoing work for the quality improvement, finding alternative packing materials, improvement in the various processes. These measures taken/being taken will reduce the cost of production.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Complete information required under this head is shown in note no. 17 B (22) and 17 B(23) in Schedule No. 17 - Significant Accounting Policies and Notes to Accounts. Members are requested to please refer to these notes for the relevant information.

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company firmly believes that the implementation of Code on Corporate Governance would go a long way in attainment of the highest levels of transparency, accountability and equity in all facets of operations and interactions with all its stakeholders including shareholders, employees, the government and lenders as well as of enhancement of the value of stakeholders.

BOARD OF DIRECTORS:

As on 31st March, 2003 the Board of Directors of the Company has 10 Members comprising of 7 Non Executive Directors and 3 Executive Directors, and day to day affairs of the Company are managed by Executive Chairman and Managing Director and a Whole Time Director.

No Director of the Company is a member of more than 10 Committees or Chairman of more than 5 Committees across all Companies in which he is a Director.

Eight Board meetings were held during the year on 30.04.2002, 31.07.2002, 14.08.2002, 06.09.2002, 1.10.2002, 7.10.2002, 31.10.2002, 31.01.2003 and the time gap between two meetings did not exceed maximum time gap of four months.

Composition of Board of Directors and other details as on 31st March, 2003 are as under:

Name	Category	No. of Board Meeting attended	Whether previous AGM attended held on 30.09.2002	No. of Directorship held in other limited companies **	No. of Committee position held in other public limited companies as a Chairman	No. of Committee position held in other public limited companies as a Member
Mr. Karamjit S. Jaiswal	Executive Non-Independent	8	No	1	Nil	Nil
Mr. L.P. Jaiswal	Non-Executive Non-Independent	Nil	No	3	Nil	Nil
Mr. A.P. Jaiswal	Non-Executive Non-Independent	Nil	No	2	Nil	Nil
Mr. Umesh N. Saxena	Executive Non-Independent	8	Yes	1	Nil	Nil
Mr. Deepankar Barat	Executive Non-Independent	8	Yes	1	Nil	Nil
Mr. Ashok Bharti	Non-Executive Independent	3	*	1	Nil	Nil
Mr. Suresh Alipuria	Non-Executive Independent	3	*	2	Nil	Nil
Mr. Inder Singh Batra	Non-Executive Independent	3	*	Nil	Nil	Nil
Col. Sukh Dev Raj Makin	Non-Executive Independent	2	*	Nil	Nil	Nil
Ms. Asha Gadi	Non-Executive Independent	2	*	Nil	Nil	Nil

*Appointed as Director on 7th October, 2002

**Directorship held in other companies by the directors of the company is on the basis of the information furnished.

AUDIT COMMITTEE:

The Company has an Audit Committee comprising of 3 members.

Terms of reference:

The functioning and terms of reference of the Audit Committee are as prescribed in the Listing Agreement with Stock Exchanges.

The Audit Committee:

1. is responsible for effective supervision of the financial reporting process, ensuring financial, accounting and operating controls and ensuring compliance with established policies and procedures.
2. determines the adequacy of internal controls, internal audit and ensures its effectiveness.
3. identifies, defines and categorizes all the risks that the Company faces and evaluates the steps that the Company takes to mitigate such risks.

4. comprehensively reviews, evaluates and updates the internal control system on an ongoing basis. It facilitates imbedding of the self-audit process in the work flow alongwith supporting the business objectives.
5. discussion with external auditors before the audit commences the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

The Audit Committee of the Company as on 31st March, 2003 comprises of the following three Directors of the Company:

Mr. Suresh Alipuria	Chairman	Independent Non Executive Director
Mr. Ashok Bharti	Member	Independent Non Executive Director
Mr. Inder Singh Batra.	Member	Independent Non Executive Director

Ms. Kamlesh Gupta, Company Secretary, acts as Secretary of the Committee.

Three meeting of the Audit Committee were held during the year. Attendance at meeting during the year:

Director	No. of meetings attended
Mr. Suresh Alipuria	3
Mr. Ashok Bharti	3
Mr. Inder Singh Batra	3

The Audit Committee Meetings are also attended by Mr. Sudhir Avasthi, Joint President (Finance).

REMUNERATION COMMITTEE:

The Company has constituted a Remuneration Committee during the year. The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchanges. It determines the Company's policy on all elements of remuneration packages of all the Executive Directors including salary, benefits, pension rights and compensation payment, service contracts, notice period, severance fees, etc.

The Remuneration Committee of the Company as on 31st March, 2003 comprises of the following three Directors of the Company:

Ms. Asha Gadi	Chairperson	Independent Non Executive Director
Col. Sukh Dev Raj Makin	Member	Independent Non Executive Director
Mr. Inder Singh Batra.	Member	Independent Non Executive Director

One meeting was held during the year and all the members of the Committee attended the same.

DETAILS OF REMUNERATION PAID TO DIRECTORS:

The aggregate value of salary and perquisites paid for the year ended 31st March, 2003 to Whole Time Directors are as follows:

	Mr. Karamjit S. Jaiswal	Mr. Umesh N. Saxena	Mr. Deepankar Barat
Salary	Rs. 1,80,000	Rs. 7,95,600	Rs. 7,66,800
Contribution to PF & Super-Annuation Fund	Rs. 48,600	Rs. 2,14,812	Rs. 2,07,036
Other Benefits & Allowances	Rs. 37,186	Rs. 12,87,811	Rs. 11,97,489
Total	Rs. 2,65,786	Rs. 22,98,223	Rs. 21,71,325

Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 500 for each meeting attended. The sitting fees paid to the Directors for the year ended on 31st March, 2003 are as follows:

Sitting fees

Mr. L.P. Jaiswal	Nil
Mr. A.P. Jaiswal	Nil
Mr. Anil Girotra	500
Mr. Vijay Kapoor	1500
Mr. Inder Singh Batra	1500
Mr. Ashok Bharti	1500
Mr. Suresh Alipuria	1500
Ms. Asha Gadi	1000
Col. Sukh Dev Raj Makin	1000

INVESTOR GRIEVANCE COMMITTEE:

The Company has constituted a Investor Grievance Committee during the year. The functioning and terms of reference of the Committee are as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, complaints of shareholders etc.

The composition of Investor Grievances Committee of the Company as on 31st March, 2003 are as follows:

Ms. Asha Gadi	Chairperson	Independent Non Executive Director
Mr. Suresh Alipuria	Member	Independent Non Executive Director
Mr. Ashok Bharti	Member	Independent Non Executive Director

Ms. Kamlesh Gupta, Company Secretary, acts as Secretary to the Committee and also as the Compliance Officer.

Total number of complaints received during the year:	44
No. of unsolved complaints to the satisfaction of shareholders:	nil
No. of transfers pending for registration for more than 30 days:	nil

Three meeting of the Committee were held during the year. Attendance at meeting during the year:

Director	No. of meetings attended
Ms. Asha Gadi	2
Mr. Suresh Alipuria	3
Mr. Ashok Bharti	3

ANNUAL GENERAL MEETINGS:

Location and time for the last three AGMs:

Year	Date	Venue	Time	No of Special resolutions Passed
2000	11.09.2000	Registered Office	12.30 p.m.	3
2001	30.06.2001	Registered Office	12.30 p.m.	Nil
2002	30.09.2002	Registered Office	12.30 p.m.	3

DISCLOSURE:

During the year 2002-2003 the Company has related party transactions as is envisaged under the Corporate Governance Code which have been mentioned in Note 16 under Schedule 17(B) to the Accounts.

There has not been any non compliance, penalties or strictures imposed on the Company by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the last year.

MEANS OF COMMUNICATION:

Half yearly Report to each household of shareholders:

Half-yearly Report is provided to shareholder on a request made to the Company.

Quarterly Results:

The Quarterly, Half-yearly and yearly financial results of the Company are forwarded to the Stock Exchanges where the Company is listed immediately upon the approval by the Board of Directors and quarterly results are widely published in a widely circulated English daily and a Punjabi daily as is required under the Listing Agreement with the Stock Exchanges. We are developing a Corporate website for posting financial results of the Company.

Management Discussion and Analysis Report shall form part of the Annual Report.

GENERAL SHAREHOLDERS INFORMATION:

1. Annual General Meeting (AGM)

Date & Time	: 30 th September, 2003, at 12.30 p.m.
Venue	: Registered Office
Book Closure Date	: 25 th September, 2003 to 30 th September, 2003
Dividend	: Nil

Financial Calender for 2003-2004

Financial Results for	
First Quarter	: in the last week of July, 2003
Second Quarter	: in the last week of October, 2003
Third Quarter	: in the last week of January, 2004
Fourth Quarter	: in the last week of April, 2004

Listing on Stock Exchange:

Your Company is listed at 3 Stock Exchanges in India, the addresses of which are listed below:

Stock Exchange

Stock Code

The Ludhiana Stock Exchange Assn. Ltd., Feroz Gandhi Market, Ludhiana – 141001	MILKR
The Delhi Stock Exchange Assn. Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi-110002	13143
The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001	507621

The Listing Fee for the year 2003-2004 has been paid to all the Stock Exchanges.

Market Price Data:

High and Low during each month in last financial year from April, 2002 to March, 2003 The Stock Exchange, Mumbai

Month	High	Low	Month	High	Low
April, 2002	10.20	7.85	October, 02	6.90	6.80
May, 2002	10.40	8.50	November, 02	7.00	7.00
June, 2002	10.80	9.00	December, 02	6.50	6.10
July, 2002	9.90	7.10	January, 03	7.25	6.00
August, 2002	7.75	7.50	February, 03	7.25	6.50
September, 2002	8.40	6.25	March, 03	9.00	6.50

Registrar and Transfer Agents

We have no Registrar and Transfer Agent as we have an inhouse share transfer system.

Share Transfer System

We work on the share package "COSAC" developed by Dolphin Infotek (P) Ltd and is adequately fulfilling our needs.

Distribution of shareholding as on 31st March, 2003

No of Shares	No. of shareholders	No. of shares held	%age of total shareholding
1-2500	5,632	6,34,209	12.99
2501-5000	1,151	4,32,473	8.85
5001-10000	398	3,03,697	6.22
10001-20000	139	1,96,670	4.03
20001-30000	27	66,900	1.37
30001-40000	18	63,580	1.30
40001-50000	4	18,350	0.37
50001-100000	12	89,250	1.83
100001 and above	19	30,78,436	63.04
Total	7,400	48,83,565*	100.00

Shareholding pattern as on 31st March, 2003

Particulars	No. of shares held	%age of shares held (Rounded off)
Promoters	25,01,540	51.22
Mutual Funds & UTI	9,650	0.20
Banks, Financial Institutions & Insurance Companies	53,730	1.10
Private Corporate Bodies	1,52,260	3.12
Indian Public	21,62,885	44.29
NRIs/OCBs	3,500	0.07
Total	48,83,565*	100.00

2875* partly paid equity shares not included.

Dematerialization of shares and liquidity:

Company is in the process of demating of its equity shares.

Unclaimed Dividends:

As per the provisions of section 205A read with section 205C of the Act, dividends declared for the financial year ended 31st March, 1997 & 31st March, 1998 and which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Shareholders who have not encashed the dividend warrants so far for the financial year ended 31st March, 1997 & 31st March, 1998 are requested to make their claim to Company.

It may be noted that no claims will lie against the Company or the IEPF in respect of the said unclaimed amounts transferred to the Fund.

During the year under review the Company has credited a sum of Rs. 1,20,209.90 with respect to the interest accrued on Debentures and Fixed Deposits to the Investor Education and Protection Fund pursuant to section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

Plant Locations:

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

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

Address for correspondence:

Registered Office: P.O. Bahadurgarh, Distt. Patiala-147021, Punjab

Head Office & Share Department: 5th Floor, Bhandari House, 91, Nehru Place, New Delhi-100019