

# MILKFOOD LIMITED

**Annual Report**  
for the year ended 31st March, 2004

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**milkfood**

## BOARD OF DIRECTORS

L.P. JAISWAL  
KARAMJIT S. JAISWAL  
UMESH N. SAXENA  
DEEPANKAR BARAT  
ASHA GADI  
INDER SINGH BATRA

## AUDITORS

R.N. Bahl & Co.  
Chartered Accountants  
New Delhi

## BANKERS

State Bank of Patiala  
HDFC Bank

## 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 Thirty First Annual Report together with Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2004.

### FINANCIAL RESULTS

(Rs./Lacs)

Profit after charging all expenses	285.76
Deduct: Depreciation	84.36
Profit for the year	201.40
Provision for Current tax	15.48
Provision for Deferred tax	84.91
Transferred to General Reserve	101.01

### OPERATIONS

During the period under report, the Company's Sales were Rs. 18955.93 lacs and cash profit Rs. 285.76 lacs as compared to last year's figures of Rs. 16373.17 lacs and cash profit of Rs. 3.43 lacs respectively. After depreciation, the profit for the year is Rs. 201.40 lacs as compared to a loss of Rs. 127.06 lacs in the previous year.

### DIVIDEND

Directors are not recommending any dividend with the view to augment resources for proposed capital expenditure.

### FIXED DEPOSITS

On 31.3.2004, 7 persons whose Fixed Deposits with the Company amounting to Rs. 77,000/- had become due for payment during the year, did not claim or renew their Deposits. Since then 2 persons have claimed deposits aggregating to Rs. 20,000/-.

### PARTICULARS OF EMPLOYEES

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

### 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 31<sup>st</sup> March 2004 and of the profit 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 Mumbai, Delhi and Ludhiana Stock Exchanges.

Listing fees for the financial year 2004-2005 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**

Ms. Asha Gadi retires by rotation and, being eligible, offers herself for re-election, which the Board commends for your approval.

Brief resume of the above Director, nature of her expertise in specific functional areas and names of companies in which she holds 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. Karamjit S. Jaiswal, Executive Chairman, has ceased to be Whole Time Director w.e.f. 16<sup>th</sup> August, 2004. He is, however, continuing as non-retiring Director and Executive Chairman w.e.f. 16<sup>th</sup> August, 2004. He is not drawing any remuneration from the Company w.e.f. 29<sup>th</sup> November, 2003.

Mr. Deepankar Barat has ceased to be Whole Time Director and is continuing as Director w.e.f. 1<sup>st</sup> January, 2004.

Mr. A.P. Jaiswal has vacated the office under section 283(1)(g) of the Companies Act, 1956.

Mr. Suresh Alipuria, Mr. Ashok Bharti and Col. Sukh Dev Raj Makin have resigned the Directorship of the Company w.e.f. 31<sup>st</sup> January, 2004.

The Board expresses its sincere appreciation for the useful services rendered by all outgoing Directors during their tenure of office.

## **AUDITORS**

M/s R.N. Bahl & Co., Chartered Accountants, Auditors of the Company, retire and, being eligible, offer themselves for re-appointment.

## **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 31<sup>st</sup> March, 2004.

## **SUBSIDIARY**

Triplefast Investments Pvt. Ltd. has become the subsidiary company of the Company after the end of Financial Year.

## **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  
27<sup>th</sup> August, 2004

(KARAMJIT S. JAISWAL)  
Executive Chairman

# Corporate Governance Report

## COMPANY'S PHILOSOPHY ON CORPORATE 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 31<sup>st</sup> March, 2004 the Board of Directors of the Company has 6 Members comprising of 4 Non Executive Directors and 2 Executive Directors, and day to day affairs of the Company are managed by the Executive Chairman and the Managing 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.

Six Board meetings were held during the year on 30.04.2003, 31.07.2003, 14.08.2003, 27.09.2003, 31.10.2003, 31.01.2004 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 31<sup>st</sup> March,2004 are as under:

Name	Category	No. of Board Meeting attended	Whether previous AGM attended held on 30.09.2003	No. of Directorship held in other 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. L.P. Jaiswal	Non-Executive Non-Independent	Nil	No	10	Nil	Nil
Mr. Karamjit S. Jaiswal	Executive Non-Independent	5	No	7	Nil	Nil
Mr. Umesh N. Saxena	Executive Non-Independent	5	Yes	13	Nil	Nil
Mr. Deepankar Barat	Non-Executive Independent	5	Yes	7	Nil	Nil
Mr. Inder Singh Batra	Non-Executive Independent	6	No	Nil	Nil	Nil
Ms. Asha Gadi	Non-Executive Independent	6	No	1	Nil	Nil

\*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 three members all of whom are Non Executive Independent Directors.

## 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. recommends the appointment and removal of external auditor, fixation of audit fees and also approves the payment for any other services.
3. determines the adequacy of internal controls, internal audit and ensures its effectiveness.
4. identifies, defines and categorizes all the risks that the Company faces and evaluates the steps that the Company takes to mitigate such risks.
5. 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.
6. discusses 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 composition of the Audit Committee is as follows:**

Name	Designation	Date of Appointment	Date of ceasing
Mr. Deepankar Barat	Chairman	31.01.2004	—
Mr. Inder Singh Batra	Member	07.10.2002	—
Mr. Suresh Alipuria	Chairman	07.10.2002	31.01.2004
Mr. Ashok Bharti	Member	07.10.2002	31.01.2004
Ms. Asha Gadi	Member	31.01.2004	—

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

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

Date of Meetings	Mr. Deepankar Barat	Ms. Asha Gadi	Mr. Inder Singh Batra	Mr. Suresh Alipuria	Mr. Ashok Bharti
28 <sup>th</sup> April,03	No	No	Yes	Yes	Yes
29 <sup>th</sup> July,03	No	No	Yes	Yes	Yes
14 <sup>th</sup> August,03	No	No	Yes	Yes	Yes
15 <sup>th</sup> September, 03	No	No	Yes	Yes	Yes
27 <sup>th</sup> October,03	No	No	Yes	Yes	Yes
27 <sup>th</sup> January,04	No	No	Yes	Yes	Yes
26 <sup>th</sup> March,04	Yes	Yes	Yes	No	No

The Audit Committee Meetings are also attended by Mr. Sudhir Avasthi, Finance Director

**REMUNERATION COMMITTEE:**

The Remuneration Committee consists of three Non Executive Independent Directors. 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 31<sup>st</sup> March, 2004 comprises of the following three Directors of the Company:

*Mr. Deepankar Barat	Chairman	Independent Non Executive Director
Mr. Inder Singh Batra	Member	Independent Non Executive Director
Ms. Asha Gadi	Member	Independent Non Executive Director

\*Appointed as the member of the Committee w.e.f. 31<sup>st</sup> January, 2004.

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 31<sup>st</sup> March, 2004 to Whole Time Directors are as follows:

	Mr. Karamjit S. Jaiswal	Mr. Umesh N. Saxena	Mr. Deepankar Barat
Salary	Rs. 1,19,000	Rs. 9,79,500	Rs. 5,75,100
Contribution to PF & Superannuation Fund	Rs. 32,130	Rs. 2,64,465	Rs. 1,55,277
Other Benefits & Allowances	Rs. 30,624	Rs. 13,64,406	Rs. 9,19,033
Gratuity	—	Rs. 25,53,000	Rs. 12,14,100
Total	Rs. 1,81,754	Rs. 51,61,371	Rs. 28,63,510

Mr. Karamjit S. Jaiswal has ceased to draw the remuneration w.e.f. 29<sup>th</sup> November, 2003.

Mr. Deepankar Barat has ceased to draw the remuneration w.e.f. 1<sup>st</sup> January, 2004.

Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 500 for each Board meeting attended. The sitting fees paid to the Directors for the year ended on 31<sup>st</sup> March, 2004 are as follows:

Name of Director	Sitting fees
Mr. L.P. Jaiswal	Nil
**Mr. A.P. Jaiswal	Nil
Mr. Inder Singh Batra	3000
*Mr. Ashok Bharti	2500
*Mr. Suresh Alipuria	2500
Ms. Asha Gadi	3000
*Col. Sukh Dev Raj Makin	2500

\*resigned the Directorship of the Company w.e.f. 31<sup>st</sup> January, 2004.

\*\*vacated the office u/s 283(1)(g) of the Companies Act, 1956.

**INVESTOR GRIEVANCE COMMITTEE:**

The Company has an Investor Grievance Committee comprising of three members all of whom are Non Executive Independent Directors. 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 the Committee is as follows:**

Name	Designation	Date of Appointment	Date of ceasing
Mr. Deepankar Barat	Chairman	31.01.2004	—
Mr. Inder Singh Batra	Member	31.01.2004	—
Mr. Suresh Alipuria	Member	07.10.2002	31.01.2004
Mr. Ashok Bharti	Member	07.10.2002	31.01.2004
Ms. Asha Gadi	Member	07.10.2002	—

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

Date of Meetings	Mr. Deepankar Barat	Ms. Asha Gadi	Mr. Inder Singh Batra	Mr. Suresh Alipuria	Mr. Ashok Bharti
28 <sup>th</sup> April,03	No	Yes	No	Yes	Yes
29 <sup>th</sup> July,03	No	Yes	No	Yes	Yes
14 <sup>th</sup> August,03	No	Yes	No	Yes	Yes
15 <sup>th</sup> September,03	No	Yes	No	Yes	Yes
27 <sup>th</sup> October,03	No	Yes	No	Yes	Yes
27 <sup>th</sup> January,04	No	Yes	No	Yes	Yes
26 <sup>th</sup> March,04	Yes	Yes	Yes	No	No

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:

18

No. of unsolved complaints to the satisfaction of shareholders:

Nil

No. of transfers pending for registration for more than 30 days:

Nil

**ANNUAL GENERAL MEETINGS:**

Location and time for the last three AGMs:

Year	Date	Venue	Time	No of Special resolutions Passed
2001	30.06.2001	Registered Office	12.30 p.m.	Nil
2002	30.09.2002	Registered Office	12.30 p.m.	3
2003	30.09.2003	Registered Office	12.30 p.m.	Nil

No resolution has been passed through Postal Ballot.

**DISCLOSURE:**

During the financial year 2003-2004 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 and no penalties or strictures have been 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.

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

**GENERAL SHAREHOLDERS INFORMATION:****1. Annual General Meeting (AGM)**

Date & Time	: 29 <sup>th</sup> September, 2004, at 12.30 p.m.
Venue	: Registered Office
Book Closure Date	: 29 <sup>th</sup> September, 2004
Dividend	: Nil

**Financial Calender for 2004-2005**

Financial Results for

First Quarter	: in the last week of July, 2004
Second Quarter	: in the last week of October, 2004
Third Quarter	: in the last week of January, 2005
Fourth Quarter	: in the last week of April, 2005

**Listing on Stock Exchange:**

Your Company is listed at three 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  
 The Delhi Stock Exchange Assn. Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi-110002  
 The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001

MILKR  
 13143  
 507621

The Listing Fee for the Financial Year 2004-2005 has been paid to all the Stock Exchanges.

**Market Price Data:**

High and Low market price during each month in last financial year from April,2003 to March, 2004 at BSE is as follows:

Month	High	Low	Month	High	Low
April,03	9.30	9.30	October,03	No transaction	—
May,03	9.00	7.35	November,03	15.70	14.96
June,03	9.90	8.82	December,03	15.90	14.95
July,03	17.93	9.00	January,04	14.35	13.00
August,03	23.80	14.25	February,04	12.50	8.33
September,03	No transaction	—	March, 04	7.05	6.50

**Registrar and Share Transfer Agent**

The Company has appointed M/s Alankit Assignments Ltd. (Alankit), 205-206, Anarkali Market, Jhandewalan Extn., New Delhi-110055 as its Registrar and Share Transfer Agent.

However keeping in view the convenience of shareholders, documents relating to shares will continue to be received by the Company at Bhandari House, 91, Nehru Place, New Delhi-110019.

**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 31<sup>st</sup> March, 2004

No of Shares	No. of shareholders	No. of shares held	%age of total shareholding
1-2500	5,606	6,31,889	12.94
2501-5000	1,147	4,30,993	8.83
5001-10000	406	3,09,447	6.34
10001-20000	135	1,89,170	3.87
20001-30000	26	64,000	1.31
30001-40000	22	77,680	1.59
40001-50000	7	31,700	0.65
50001-100000	8	65,050	1.33
100001 and above	17	30,83,636	63.14
Total	7,374	48,83,565*	100.00

\*Partly paid up 2875 equity shares are not included.

Shareholding pattern as on 31<sup>st</sup> March, 2004

Particulars	No. of shares held	%age of shares held (Rounded off)
Promoters	25,01,540	51.22
Mutual Funds & UTI	7,600	0.16
Banks, Financial Institutions & Insurance Companies	53,730	1.10
Corporate Bodies	1,52,210	3.12
Indian Public	21,64,985*	44.33
NRIs/OCBs	3,500	0.07
Total	48,83,565	100.00

\*Partly paid up 2875 equity shares not included.

**Dematerialization of shares and liquidity:**

As the members are aware, your Company's shares are tradable compulsory in electronic form and your Company is in the process of establishing electronic connectivity with the National Securities Depository Limited (NSDL) and has established the electronic connectivity with Central Depository Services (India) Limited (CDSL).

**Unclaimed Dividends:**

As per the provisions of section 205A read with section 205C of the Act, dividends declared for the financial year ended 31<sup>st</sup> March, 1997 & 31<sup>st</sup> 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 31<sup>st</sup> March, 1997 & 31<sup>st</sup> 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.

Company has deposited a sum of Rs. 10462.20 with respect to the interest accrued on Fixed Deposits and Rs. 2,30,344.90 with respect to the interest accrued on the matured Debentures 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:**

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

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

Hamira Plant: Jagatjit Nagar – 144802, District Kapurthala, Punjab.

**Address for correspondence:**

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

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

**Management Discussions and Analysis:**

During the last year, it was reported that the main reason for the losses is recessionary conditions prevailing in the Dairy Industry. The Company has taken effective steps and has incurred substantial capital expenditure for reduction of cost and enhancement of quality of the products. During the year under reference the Company has earned cash profit of Rs. 285.76 lacs and achieved turnover of Rs. 18955.93 lacs against Rs. 3.43 lacs and Rs. 16373.17 lacs in the previous year. The Company is making all efforts to enhance the profitability during the current year.

**Information on Directors seeking re-appointment at this Annual General Meeting**

(Pursuant to Clause 49 of the Listing Agreement)

Name	Date of Birth & Age	Appointed on	Qualifications	Expertise in specific functional areas	Directorship held in other public companies	Membership/ chairmanship of committees across public companies
Ms. Asha Gadi	23.07.53 51 years	07.10.02	B.A.	Marketing	—	—

For and on behalf of the Board

New Delhi  
27<sup>th</sup> August, 2004

(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, 2004, 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 any expression of opinion on the financial statements 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 company is yet to implement few corporate procedures relating to role to be performed by Audit Committee with particular reference to Internal Audit System, related party transactions, Management Discussion & analysis, developing a corporate website. We have been informed that the company has during the year taken effective steps for effecting share transfer and resolving investor grievances etc.

For R.N. Bahl & Co.  
Chartered Accountants  
R.N. Bahl  
(Partner)

Place : New Delhi  
Date : 27<sup>th</sup> August, 2004