

MILKFOOD LIMITED

Annual Report
for the year ended 31st March, 2005

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milkfood

BOARD OF DIRECTORS

KARAMJIT 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 Second Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 2005.

FINANCIAL RESULTS

(Rs./Lacs)

Profit after charging all expenses	91.01
Deduct: Depreciation	83.29
Profit for the year	7.72
Provision for Current Tax	0.55
Provision for Deferred Tax (Asset)	(20.26)
Transferred to General Reserve	27.43

OPERATIONS

During the period under report, the Company's Sales were Rs. 19122.91lacs and cash profit Rs. 91.01 lacs as compared to last year's figures of Rs. 18955.93 lacs and cash profit of Rs. 285.76 lacs respectively. After depreciation, the profit for the year is Rs. 7.72 lacs as compared to the profit of Rs. 201.40 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 31.3.2005, 4 persons whose Fixed Deposits with the Company amounting to Rs. 42,000/- had become due for payment during the year, did not claim their Deposits.

CONSOLIDATED ACCOUNTS

The Consolidated Accounts of the Company and its subsidiary are annexed to this Report.

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 31st March 2005 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 2005-2006 has been paid to all the above mentioned 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.

DIRECTORS

The Directors regret to inform the sad demise of Mr. L. P. Jaiswal, Chairman, on 11th August, 2005 at New Delhi. Mr. L. P. Jaiswal was the founder and promoter of the Company.

Board expresses its grief sorrow and sincere appreciation for the useful services and the valuable contribution made by Mr. L. P. Jaiswal in the growth of the Company.

Mr. Inder Singh Batra, Director, retires by rotation and, being eligible, offers himself for re-election, the Board commends his re-appointment.

Subject to the approval of the members of the Company, Mr. Umesh N. Saxena, Managing Director, has been re-appointed as the Managing Director of the Company by the Board of Directors w.e.f. 29th April, 2005. The Board recommends his re-appointment.

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.

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 31st March, 2005.

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
5th September, 2005

(KARAMJIT JAISWAL)
Executive Chairman

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company firmly believes that Corporate Governance is very much crucial to the very existence of a Company, as the implementation of Code on Corporate Governance goes a long way in attainment of the highest levels of transparency, accountability and equity in all facets of operations. Your Company is committed to the adoption of best Corporate Governance Practices.

BOARD OF DIRECTORS:

As on 31st March, 2005 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.

Eleven Board meetings were held during the year on 12.04.2004, 14.04.2004, 30.04.2004, 24.05.2004, 04.06.2004, 31.07.2004, 27.08.2004, 30.10.2004, 31.01.2005, 03.03.2005, 15.03.2005.

Composition of Board of Directors and other details as on 31st March, 2005 are as under:

Name	Category	No. of Board Meeting attended	Whether previous AGM attended held on 29.09.2004	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 Jaiswal	Executive Non-Independent	11	No	7	Nil	Nil
Mr. Umesh N. Saxena	Executive Non-Independent	11	Yes	7	Nil	Nil
Mr. Deepankar Barat	Non-Executive Independent	11	Yes	2	Nil	Nil
Mr. Inder Singh Batra	Non-Executive Independent	11	No	Nil	Nil	Nil
Ms. Asha Gadi	Non-Executive Independent	11	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. The terms of reference of the Audit Committee are as provided under Clause 49 of the Listing Agreement with the Stock Exchanges.

The composition of the Audit Committee is as follows:

Name	Designation
Mr. Deepankar Barat	Chairman
Mr. Inder Singh Batra	Member
Ms. Asha Gadi	Member

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

Five 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
27 th April, 04	Yes	Yes	Yes
30 th July, 04	Yes	Yes	Yes
12 th August, 04	Yes	Yes	Yes
29 th October, 04	Yes	Yes	Yes
29 th January, 05	Yes	Yes	Yes

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 and recommends the suitable revision to the Board.

The Remuneration Committee of the Company as on 31st March, 2005 comprises of the following three Directors of the Company:

Name	Designation
Mr. Deepankar Barat	Chairman
Mr. Inder Singh Batra	Member
Ms. Asha Gadi	Member

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, 2005 to Whole Time Directors are as follows:

Mr. Umesh N. Saxena

Basic Salary	Rs. 15,31,200
Contribution to PF & Superannuation Fund	Rs. 4,13,424
Other Benefits & Allowances	Rs. 13,74,321
Gratuity	—
Total	Rs. 33,18,945

Company pays sitting fees to all the Non-Executive Directors @ Rs. 500 for each Board Meeting attended. The sitting fees paid to the Directors for the year ended on 31st March, 2005 is as follows:

Name of Director	Sitting fees
Mr. L.P. Jaiswal	Nil
Mr. Deepankar Barat	Rs. 5,500
Mr. Inder Singh Batra	Rs. 5,500
Ms. Asha Gadi	Rs. 5,500

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
Mr. Deepankar Barat	Chairman
Mr. Inder Singh Batra	Member
Ms. Asha Gadi	Member

Five 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
27 th April, 04	Yes	Yes	Yes
30 th July, 04	Yes	Yes	Yes
12 th August, 04	Yes	Yes	Yes
29 th October, 04	Yes	Yes	Yes
29 th January, 05	Yes	Yes	Yes

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:	20
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
2002	30.09.2002	Registered Office	12.30 p.m.	3
2003	30.09.2003	Registered Office	12.30 p.m.	Nil
2004	29.09.2004	Registered Office	12.30 p.m.	1

No resolution has been passed through Postal Ballot.

DISCLOSURE:

During the financial year 2004-2005 the Company has related party transactions as is envisaged under the Corporate Governance Code which have been mentioned in Note 17 under Schedule 18(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 are required under the Listing Agreement with the Stock Exchanges.

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

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

Date & Time	: 30 th September, 2005, at 12.30 p.m.
Venue	: Registered Office
Book Closure Date	: 30 th September, 2005
Dividend	: Nil

Financial Calender for 2005-2006

Financial Results for

First Quarter	: in the last week of July, 2005
Second Quarter	: in the last week of October, 2005
Third Quarter	: in the last week of January, 2006
Fourth Quarter	: in the last week of April, 2006

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	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 Financial Year 2005-2006 has been paid to all the above mentioned Stock Exchanges.

Market Price Data:

High and Low market price during each month in last financial year from April, 2004 to March, 2005 at BSE is as follows:

Month	High	Low	Month	High	Low
April, 04	No transaction	No transaction	October, 04	25.20	17.60
May, 04	7.05	7.05	November, 04	22.50	18.70
June, 04	No transaction	No transaction	December, 04	33.00	17.30
July, 04	No Transaction	No Transaction	January, 05	38.20	18.50
August, 04	15.00	8.46	February, 05	26.90	20.10
September, 04	18.00	12.50	March, 05	25.50	18.55

Registrar and Share Transfer Agent

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

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.

Distribution of shareholding as on 31st March, 2005

No of Shares	No. of shareholders	No. of shares held	%age of total shareholding
1-5000	6,707	10,52,507	21.539
5001-10000	413	3,15,747	6.462
10001-20000	139	1,97,295	4.038
20001-30000	26	65,925	1.349
30001-40000	21	74,830	1.531
40001-50000	5	22,200	0.454
50001-100000	8	64,950	1.329
100001 and above	17	30,92,986	63.298
Total	7,336	*48,86,440	100.00

*includes 2875 partly paid up equity shares.

Shareholding pattern as on 31st March, 2005

Particulars	No. of shares held	%age of shares held (Rounded off)
Promoters	25,01,540	51.194
Mutual Funds & UTI	4,050	0.082
Banks, Financial Institutions & Insurance Companies	27,880	0.571
Corporate Bodies	1,82,070	3.726
Indian Public	21,67,400	44.355
NRIs/OCBs	3,500	0.072
Total	**48,86,440	100.00

**includes 2875 partly paid up equity shares.

Dematerialization of shares and liquidity:

As the members are aware, your Company's shares are tradable compulsory in electronic form and your Company has established the electronic connectivity with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

As on 31st March, 2005, 7% of the issued capital were held in dematerialized form and the rest in physical form.

Unclaimed Dividends:

As per the provisions of section 205A read with section 205C of the Act, dividend declared for the financial year ended 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 en-cashed the dividend warrants so far for the financial year ended 31st March, 1998 are requested to make their claim to Company immediately.

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. 26,683.80 with respect to the matured deposits with the Company & interest accrued on deposits and Rs. 1,25,577.50 with respect to the interest accrued on the matured Debentures and Rs. 1,66,442.00 with respect to the unclaimed dividend with the Company 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.

Moradabad Plant (under implementation): Village Mugalpur, Urf Agwanpur Mustakam, Kanth Road, Distt Moradabad (U.P.)

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-110019

Management Discussion and Analysis:**Industry Outlook, Opportunities and Threats**

With the commencement of the new plant at Moradabad during the current financial year, the Company has added 500 MT of milk processing capacity. The new facility will open up large opportunities of growth in the Dairy Industry. The Company believes that the technological up-gradation, scale, improving quality standards, reducing lead-time in supplying orders, will play a crucial role in establishing a strong position in the Dairy Industry.

Sharp erosion in the product prices and limited supply of milk has put pressure on the overall profitability of the Company. Despite the tough competition in the market, the Company has managed to maintain its share in the market. The Company is exporting a large volume of Skimmed Milk Powder, Whole Milk Powder to its neighbouring countries. The Board considers the all round progress of the Company during the year under review is satisfactory.

Segment wise review

The Company is operating in a single segment.

Financial Performance

Financial Performance of the Company has been given separately in the Directors' Report.

Information on Director 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 limited	Membership/ chairmanship of committees across public companies
Mr. Umesh N. Saxena	14.07.1941 64 years	29.04.2000	M.A. (Eco), L.L.B., M.B.A., Ph.D.	Marketing Corporate Management, General Administration	—	—
Mr. Inder Singh Batra	24.03.1929 76 years	07.10.2002	Inter	Marketing, Corporate Management, General Administration	—	—

New Delhi
5th September, 2005

For and on behalf of the Board
(KARAMJIT 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, 2005, 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, Management Discussion & analysis, developing a corporate website.

Place : New Delhi
Date : 5th September, 2005

For R.N. Bahl & Co.
Chartered Accountants
R.N. Bahl
(Partner)
Membership No. FCA 2277

Financial Highlights

(Rs. in lacs or as indicated)

PARTICULARS	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
ASSETS										
Fixed Assets (Net Block)	3,434	1,386	1,118	1,231	1,090	1,199	1,314	1,726	1,895	2,080
Investments	450	453	434	9	9	9	9	9	9	9
Current Assets	3,193	4,276	2,353	3,221	2,960	3,732	3,098	3,756	3,711	3,773
TOTAL	7,077	6,115	3,905	4,461	4,059	4,940	4,421	5,491	5,615	5,862

LIABILITIES

Loans, Current Liabilities and Provisions	4,371	3,436	1,327	1,796	1,145	1,998	1,434	2,225	2,227	2,246
NET WORTH	2,706	2,679	2,578	2,665	2,914	2,942	2,987	3,266	3,388	3,616

REPRESENTED BY

Share Capital	489	489	489	489	489	489	489	489	489	489
Reserves and Surplus	2,217	2,190	2,089	2,176	2,425	2,453	2,498	2,777	2,899	3,127
TOTAL	2,706	2,679	2,578	2,665	2,914	2,942	2,987	3,266	3,388	3,616

OPERATING PERFORMANCE

Revenue	19,152	19,027	16,435	16,279	20,113	18,674	16,193	15,473	14,072	15,367
Gross Profit Earnings	91	286	3	7	117	161	(109)****	223***	98**	1,337
Profit/(Loss) before Tax	8	201	(127)	(157)	(28)	(44)	(274)****	13***	(120)**	1,128
Profit/(Loss) after Tax	27	101	(88)	(107)	(29)	(44)	(279)****	13***	(120)**	1,128
Earnings per Share (Rs.)	0.56	2.07	—	—	—	—	—	0.27	—	23.08
Dividend — Amount per Share (Rs.)	—	—	—	—	—	—	—	2.50	2.00	—
— Rate (%)	—	—	—	—	—	—	—	25.00	20.00	—
Book Value of Shares (Rs.)	55.38	54.83	52.76	54.54	59.63	60.21	61.13	66.84	69.33	74.00

GROSS EARNINGS

As a percentage of Revenue	0.48	1.50	0.02	0.04	0.58	0.86	—	1.44	0.70	8.70
As a percentage of Fixed Assets	2.65	20.63	0.27	0.57	10.73	13.43	—	12.92	5.17	64.28
As a percentage of Capital Employed	3.36	10.68	0.12	0.26	4.02	5.47	—	6.83	2.89	36.97

* 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.