

# **MILKFOOD LIMITED**

**Annual Report**  
for the year ended 31st March, 2010

**milkfood**

## **BOARD OF DIRECTORS**

DR. UMESH N. SAXENA (Managing Director)  
ASHA GADI  
AMARJEET KAPOOR  
SURESH ALIPURIA  
KEWAL KRISHAN KOHLI

## **AUDITORS**

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

## **BANKERS**

State Bank of Patiala  
Canara Bank  
HDFC Bank

## **REGISTERED OFFICE**

Bahadurgarh  
Distt. Patiala-147021  
(Punjab)

## **WORKS**

Bahadurgarh  
Distt. Patiala-147021  
(Punjab)

Village Agwanpur  
Kanth Road,  
Moradabad-244001  
(Uttar Pradesh)

## **HEAD OFFICE**

Bhandari House  
91, Nehru Place  
New Delhi-110019

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## NOTICE

**NOTICE** is hereby given that the Thirty Seventh Annual General Meeting of the members of the Company will be held at the Registered Office of the Company at Bahadurgarh, District Patiala – 147021, (Punjab) on Wednesday, the 29<sup>th</sup> September, 2010 at 9.30 a.m. to transact the following business:

### ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2010, Profit and Loss Account for the year ended on that date and the Report of Board of Directors and Auditors thereon.
- (2) To appoint a Director. Mrs. Asha Gadi retires by rotation at this Annual General Meeting and being eligible offers herself for re-appointment.
- (3) To appoint Auditors and fix their remuneration. M/s R.N. Bahl & Co., Chartered Accountants, the Auditors, retire and being eligible, offer themselves for re-appointment.

**Dated: 11<sup>th</sup> August, 2010**

**By Order of the Board**

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

(Dr. 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 ON A POLL TO 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 on 29<sup>th</sup> September, 2010 for the purpose of Annual General Meeting.
3. Members are requested to intimate changes, if any, in their addresses to their respective Depository Participants (DPs) in respect of their electronic share accounts and in respect of their physical share folios to the Registrar and Share Transfer Agent of the Company at Alankit Assignments Ltd., RTA Division, Alankit House, 2E/21, Jhandewalan Extension, New Delhi-110055, or to the Company at 5<sup>th</sup> Floor, Bhandari House, 91, Nehru Place, New Delhi-110019.



## MILKFOOD LIMITED

Registered Office : Bahadurgarh Distt. Patiala-147 021 (Punjab)

DP ID	
Client ID	

### ATTENDANCE SLIP

Folio No.	
No. of Shares held	

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL.  
Joint Shareholders may obtain additional attendance slip at the entrance.

I hereby record my presence at the 37th ANNUAL GENERAL MEETING at Bahadurgarh, Distt. Patiala on Wednesday, the 29th September, 2010.

SIGNATURE OF THE MEMBER OR PROXY \_\_\_\_\_

NAME OF MEMBER OR PROXY \_\_\_\_\_  
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## MILKFOOD LIMITED

Registered Office : Bahadurgarh Distt. Patiala-147 021 (Punjab)

DP ID	
Client ID	

### PROXY

Folio No.	
-----------	--

I/We \_\_\_\_\_  
of \_\_\_\_\_ being  
a Member/Members of MILKFOOD LIMITED hereby appoint Mr./Ms. \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
or failing him/her Mr./Ms. \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her Mr./Ms. \_\_\_\_\_  
of \_\_\_\_\_

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 37th Annual General Meeting of the Company to be held on 29th September, 2010 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signed by the said \_\_\_\_\_

NOTE (1) The Proxy must be deposited at the Registered Office of the Company at Bahadurgarh, Distt. Patiala, not less than 48 hours before the time for holding the meeting.

(2) Shareholders are requested to forward their queries on the accounts of the Company for the period ended 31st March, 2010 to the Registered Office of the Company at least 10 days in advance to enable us to keep the information ready at the Meeting.

Affix a  
Revenue  
Stamp

# Directors' Report

## TO THE MEMBERS

The Directors present their Thirty Seventh Report together with Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2010.

## FINANCIAL RESULTS

(Rs./Lacs)

Profit/(Loss) after charging all expenses before Depreciation	(0.32)
Deduct: Depreciation	488.56
Profit/(Loss) for the year	<u>(488.88)</u>
Wealth Tax	(1.59)
Deferred Tax (Asset)	<u>121.42</u>
Transferred to General Reserve	<u>(369.05)</u>

## OPERATIONS

During the period under Report, the Company's sales and other income were Rs.30,994 lacs and cash loss is Rs. 0.32 lacs as compared to last year's figures of Rs. 24,309 lacs and cash profit of Rs. 501 lacs respectively. After depreciation, the loss for the year is Rs. 488.88 lacs as compared to the profit of Rs. 128.45 lacs in the previous year.

## DIVIDEND

No dividend has been recommended by the Directors.

## FIXED DEPOSITS

As on 31.03.2010, there were only twelve unclaimed fixed deposits with Company amounting to Rs. 3,13,000/-, out of which nine fixed deposits amounting to Rs. 2,23,000/- have been renewed/refunded.

## CONSOLIDATED ACCOUNTS

The Consolidated Accounts of the Company and of its wholly owned subsidiary company is 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 for the financial year ended 31<sup>st</sup> March, 2010 the applicable accounting standards have been followed;
- (ii) 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 and of the losses of the Company for that year;
- (iii) the Directors have 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; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, 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 AGREEMENT WITH STOCK EXCHANGE**

The shares of your Company are listed at the Bombay Stock Exchange Ltd. (BSE) and the Stock Code at BSE is: 507621. Listing fees for the financial year 2010-11 has 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**

Mrs. Asha Gadi, Director, retires by rotation and, being eligible, offers herself for re-election. The Board recommends her re-appointment.

Brief resume of the above Director, nature of her expertise in specific functional areas and name 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 Exchange are annexed in the Corporate Governance Report.

**AUDITORS**

M/s R.N. Bahl & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting 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 and the bankers of the Company during the year.

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

For and on behalf of the Board

New Delhi  
11<sup>th</sup> August, 2010

(Dr. Umesh N. Saxena)  
Managing Director

(Suresh Alipuria)  
Director

# 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 31<sup>st</sup> March, 2010 the Board of Directors of the Company has five Members. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors of the Company is a member of more than ten Committees or Chairman of more than five Committees across all companies in which he is a Director.

During the financial year 2009-10, eight Board meetings were held on 30.04.2009, 30.05.2009, 17.06.2009, 31.07.2009, 20.10.2009, 31.10.2009, 31.01.2010 and 17.03.2010.

Composition of Board of Directors as on 31<sup>st</sup> March, 2010 and other details are as under:

Name	Category	No. of Board Meetings attended	Whether previous AGM attended held on 25 <sup>th</sup> August, 2009	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
Dr. Umesh N. Saxena	Executive	8	No	7	Nil	Nil
Mrs. Asha Gadi	Non – Executive Independent	8	No	1	Nil	Nil
Mr. Suresh Alipuria	Non – Executive Independent	8	Yes	5	Nil	Nil
Mr. Amarjeet Kapoor	Executive	8	No	11	Nil	Nil
Mr. Kewal Krishan Kohli	Non – Executive Independent	8	No	14	Nil	Nil

\*Directorship held in other companies by the Directors of the Company is on the basis of the information furnished by the Directors.

## MANAGEMENT TEAM:

Management Team consists of the following Executives of the Company:

Dr. Umesh N. Saxena, Managing Director

Mr. Sudhir Avasthi, Finance Director

Mr. Amarjeet Kapoor, Whole time Director

## AUDIT COMMITTEE:

The Audit Committee of the Company comprises of three Non Executive Independent Directors. The terms of reference, role and powers of the Audit Committee are as provided under Clause 49 of the Listing Agreement with the Stock Exchange.

The composition of the Audit Committee as on 31<sup>st</sup> March, 2010 is as follows:

Name	Designation
Mr. Suresh Alipuria	Chairman
Mr. Kewal Krishan Kohli	Member
Mrs. Asha Gadi	Member

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

Five meetings of the Audit Committee were held during the financial year. Attendance at meetings is as follows:

Date of Meetings	Mr. Suresh Alipuria	Mr. Kewal Krishan Kohli	Mrs. Asha Gadi
28.04.2009	Yes	Yes	Yes
17.06.2009	Yes	Yes	Yes
29.07.2009	Yes	Yes	Yes
29.10.2009	Yes	Yes	Yes
29.01.2010	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 Exchange.

As on 31st March, 2010, the Remuneration Committee comprises of the following three Directors of the Company:

Name	Designation
Mr. Suresh Alipuria	Chairman
Mr. Kewal Krishan Kohli	Member
Mrs. Asha Gadi	Member

During the year under review, one meeting of the Remuneration Committee was held on 17<sup>th</sup> March, 2010 which was attended by all the members of the Committee.

#### DETAILS OF REMUNERATION PAID TO DIRECTORS:

The aggregate value of remuneration and perquisites paid for the financial year ended 31<sup>st</sup> March, 2010 to Dr. Umesh N. Saxena, Managing Director and Mr. Amarjeet Kapoor, Whole time Director is as follows:

	Dr. Umesh N. Saxena (Rs.)	Mr. Amarjeet Kapoor (Rs.)
Basic Salary	48,00,000	1,80,000
Contribution to Provident Fund	5,76,000	—
Other Benefits & Allowances	14,08,213	—
Total	<u>67,84,213</u>	<u>1,80,000</u>

During the financial year 2009-10, Company has incurred losses u/s 198 read with section 349 of the Companies Act, 1956 due to lower milk processing, increase in interest cost and increase in depreciation. Thus, the remuneration has been paid to its managerial personnel in accordance with the Section II of part II of Schedule XIII of Companies Act, 1956.

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 financial year ended on 31<sup>st</sup> March, 2010 is as follows:

Name of Director	Sitting fees
Mrs. Asha Gadi	Rs. 3,500
Mr. Suresh Alipuria	Rs. 3,500
Mr. Kewal Krishan Kohli	Rs. 3,500

#### Details of shareholding of Non-Executive Directors as on 31st March, 2010:

Name of The Director	No. of shares held
Mr. Suresh Alipuria	Nil
Mr. Kewal Krishan Kohli	Nil
Mrs. Asha Gadi	Nil

#### INVESTOR GRIEVANCE COMMITTEE:

The Investor Grievance Committee comprises of three 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 Exchange with particular reference to transfer of shares, complaints of shareholders etc.

The composition of the Committee as on 31st March, 2010 is as follows:

Name	Designation
Mr. Suresh Alipuria	Chairman
Mr. Kewal Krishan Kohli	Member
Mrs. Asha Gadi	Member

The Committee held four meetings during the financial year. Attendance at meetings is as follows:

Date of Meetings	Mr. Suresh Alipuria	Mr. Kewal Krishan Kohli	Mrs. Asha Gadi
28.04.2009	Yes	Yes	Yes
29.07.2009	Yes	Yes	Yes
29.10.2009	Yes	Yes	Yes
29.01.2010	Yes	Yes	Yes

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

During the year under review no complaint has been received from the members of the Company.

#### ANNUAL GENERAL MEETINGS:

Location and time for the last three AGMs:

Year	Date	Venue	Time	No of Special resolutions Passed
2007	25.07.2007	Registered Office	12.30 p.m.	4
2008	29.08.2008	Registered Office	10.30 a.m.	2
2009	25.08.2009	Registered Office	10.30 a.m.	1

No resolution has been passed through Postal Ballot.



## DISCLOSURE:

During the financial year 2009-10, the Company has entered upon related party transactions envisaged under the Corporate Governance Code which have been disclosed in Note 18 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 financial year.

## Code of Conduct:

The Company has adopted a Code of Conduct for Board Members and Senior Management Team of the Company. All Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. A declaration to this effect duly signed by the Managing Director is annexed. The Code of Conduct has been hosted on the website of the Company.

## MEANS OF COMMUNICATION:

The quarterly and yearly financial results of the Company are forwarded to the Stock Exchange where the Company is listed immediately upon the approval by the Board of Directors and quarterly results are published in a widely circulated English daily and a Punjabi daily as are required under the Listing Agreement with the Stock Exchange.

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

## GENERAL SHAREHOLDERS' INFORMATION:

### Annual General Meeting (AGM):

Date & Time	: 29 <sup>th</sup> September, 2010, 9.30 a.m.
Venue	: Registered Office
Book Closure Date	: 29 <sup>th</sup> September, 2010
Dividend	: Nil

### Financial Calendar for 2010-2011: (Tentative)

Financial Results for	
First Quarter	: before mid August, 2010
Second Quarter	: before mid November, 2010
Third Quarter	: before mid February, 2011
Fourth Quarter	: before mid May, 2011

### Market Price Data:

High and Low market price during each month in last financial year from April, 2009 to March, 2010 at Bombay Stock Exchange Limited (BSE) is as follows:

Month	High	Low	Month	High	Low
April,09	287.95	261.30	October,09	263.90	194.10
May,09	287.95	247.05	November,09	347.95	215.00
June,09	269.95	193.05	December,09	343.00	241.00
July,09	210.00	178.00	January,10	310.95	235.00
August,09	219.00	185.60	February,10	259.00	206.00
September,09	215.00	195.00	March, 10	243.95	188.15

### Registrar and Share Transfer Agent:

M/s Alankit Assignments Ltd., 205-206, Anarkali Market, Jhandewalan Extn., New Delhi-110055 acts as 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 the Head Office at 5<sup>th</sup> Floor, Bhandari House, 91, Nehru Place, New Delhi-110019.

### Share transfer system:

The Company's Registrar M/s Alankit Assignments Ltd. have adequate infrastructure to process the share transfers. The requests received for the transfer of shares are processed within 15 days from the date of receipt, subject to the transfer instrument being valid and complete in all respects. Demat requests are processed within 21 days from the date of receipt to give credit of the shares through the Depository.

### Distribution of shareholding as on 31<sup>st</sup> March, 2010

Shareholding of nominal value of Rs.	No. of shareholders	No. of shares held	%age of total shareholding (Rounded off)
1-5000	4165	566915	11.60
5001-10000	196	144422	2.96
10001-20000	81	112947	2.31
20001-30000	10	24995	0.51
30001-40000	11	38735	0.79
40001-50000	2	8616	0.18
50001-100000	2	14200	0.29
100001 and above	13	3975610	81.36
Total	4480	*4886440	100.00

**Shareholding pattern as on 31<sup>st</sup> March, 2010:**

Particulars	No. of shares held	%age of shares held (Rounded off)
Promoters	2452560	50.19
Mutual Funds	2600	00.05
Banks, Financial Institutions & Insurance Companies	500	00.01
FII's	202000	04.14
Corporate Bodies	1367849	27.99
Indian Public	857802	17.56
NRI's/OCBs	3129	00.06
<b>Total</b>	<b>*4886440</b>	<b>100.00</b>

\*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 31<sup>st</sup> March, 2010, 44.55% of the capital was held in dematerialized form and the rest in physical form.

**Plant Locations:**

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

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

Moradabad Plant: Village Mugampur, Urf Agwanpur, 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.

Investors' e-mail ID: investor\_grievances\_redressal@milkofoodltd.com

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

(Pursuant to Clause 49 of the Listing Agreement)

Mrs. Asha Gadi, Director, retires by rotation at this Annual General Meeting and being eligible offers herself for re-appointment. She was appointed as the Director of the Company w.e.f. 7<sup>th</sup> October, 2002. She is 57 years old. She is graduate and has vast experience in the field of marketing.

She is not holding the Chairmanship/Membership of any of the Committees in any other public limited company.

She is holding the Directorship in Trikuta Enterprises Private Limited.

**Declaration as required under Clause 49 of the Listing Agreement**

I, Umesh N. Saxena, Managing Director, hereby declare that the Code of Conduct adopted by the Company for its Board and Senior Management Personnel has been duly complied by all Board Members and Senior Management personnel of the Company.

(Dr. Umesh N. Saxena)  
Managing Director

Place: New Delhi

Date : 11<sup>th</sup> August, 2010

**MANAGEMENT DISCUSSION AND ANALYSIS****Industry Structure and Development**

The Indian Dairy Industry is rapidly growing, trying to keep pace with the galloping progress around the world. India is the leading producer of milk in the world. The Dairy Industry is recognized as one of the largest and most important of food industry. A boom is forecast in the market of dairy products because of their uses as raw material in pharmaceutical and allied industries.

**Opportunities and Threats**

Although milk production has grown at a fast pace during the last three decades, milk yield per animal is very low due to lack of use of scientific practices in milking, inadequate availability of fodder in all seasons and unavailability of veterinary health services. However, increased productivity of animals, better health care and breeding facilities and management of dairy animals can reduce the cost of milk production. The Government and Dairy Industry can play a vital role in this direction.

To make the significant entrance in the global market significant investment has to be made in milk procurement, equipments, chilling and refrigeration facilities.

**Internal Control System**

Management is taking the effective steps to reduce the cost of production. Establishment of milk collection centers and chilling centers has enhanced the life of raw milk and has enabled the minimization of wastage due to spoiled milk. Company has developed a strong market and