

MILKFOOD LIMITED

Annual Report

for the year ended 31st March, 2014

The Milkfood logo consists of a dark blue oval with the word "milkfood" written in white, lowercase, sans-serif font.

milkfood

BOARD OF DIRECTORS

ASHA GADI

AMARJEET KAPOOR

ANIL GIROTRA

KEWAL KRISHAN KOHLI

AUDITORS

Madan & Associates

Chartered Accountants

New Delhi

BANKERS

State Bank of Patiala

Canara 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-110 019

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Directors' Report

TO THE MEMBERS

The Directors present their 41st Report together with Audited Accounts of the Company for the financial year ended 31st March, 2014.

FINANCIAL RESULTS

	(Rs./Lacs) 2013-14	(Rs./Lacs) 2012-13
Profit/(Loss) after charging all expenses before Depreciation	896	533
Deduct: Depreciation	584	427
Profit/(Loss) for the year	312	106
Current Tax	55	20
Wealth Tax	0	2
Deferred Tax	102	10
Adj for earlier year	0	0
Profit/(Loss) after Tax before discontinuing operation	155	74
Profit/(Loss) from discontinuing operation	(37)	(7)
Transferred to General Reserve	118	67

OPERATIONS

During the period under Report, the Company's sales and other income are Rs. 43325 lacs and cash profit is Rs.896 lacs as compared to last year's figures of Rs. 33579 lacs and cash profit of Rs. 533 lacs respectively. After depreciation, the profit for the year is Rs.312 lacs as compared to the profit of Rs. 106 lacs in the previous year.

DIVIDEND

The Board of Directors of your Company proposes to retain the profits for use in the business expansion programs. Accordingly, no dividend is recommended by the directors.

FIXED DEPOSITS

As on 31.03.2014, there were 30 unclaimed fixed deposits with Company amounting to Rs. 8.55 lacs, out of which 4 fixed deposits amounting to Rs. 0.90 lacs have been refunded.

GREEN INITIATIVES

During fiscal year 2013, we started a sustainability initiative with the aim of going green and minimizing our impact on the environment.

Electronic copies of the Annual Report 2014 and Notice of the 41st AGM are being sent to all members whose email addresses are registered with the Company /RTA/ Depository Participant(s). For members who have not registered their email addresses, physical copies of the Annual Report 2014 and the Notice of the AGM are being sent in the permitted mode. Members requiring physical copies can send a request to the Company Secretary.

The Annual Report 2014 is also available on our website, www.milkfoodltd.com.

The Company is providing e-voting facility to all members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and SEBI circular CIR/CFD/POLICY CELL/2/2014. The instructions for e-voting is provided in the Notice.

BRAND 'MILKFOOD'

In order to augment funds for paying off the loans/ use in general business of the Company and to reduce the burden of interests being paid on Working Capital limits procured from the Bankers, the brand 'Milkfood' was sold to one of the promoter controlled companies during the financial year 2013-14 subject to obtaining clearance and a 'No Objection Certificate' from the bankers of the Company. It was further agreed between both the parties that the brand name 'Milkfood' would continue to be exclusively used by Milkfood Limited for its normal working operations.

The subject sale was done in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder.

CONSOLIDATED ACCOUNTS

In accordance with the general circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Annual Accounts of the subsidiary company viz. MFL Trading Private Limited are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company to any member of the company who may be interested in obtaining the same. The annual accounts of the subsidiary company will also be kept open for inspection at the Registered Office of the Company and that of the subsidiary company. The Consolidated Financial Statements presented by the Company in this report include the financial results of its subsidiary company.

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 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 and relevant provisions of the Companies Act, 2013 (to the extent applicable), your Directors confirm that:-

- (i) in the preparation of the annual accounts for the financial year ended 31st March, 2014 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 profits 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 and Companies Act, 2013 (to the extent applicable) 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. During the year, the Company has made provisions for gratuity and leave encashment in compliance with Section 211(3A) read with 211(3B) and 211(3C) of the Companies Act, 1956 read with Accounting Standard-15 issued by the ICAI.

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 BSE Ltd. vide Stock Code: 507621.

The Listing fee for the financial year 2014-15 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange in India, is presented in a separate section forming part of the Annual Report.

DIRECTORS

Mr. Amarjeet Kapoor, Director retires by rotation and, being eligible, offers himself for re-appointment as the Director of the Company. The Board recommends his re-appointment.

Brief resume of the above Director, nature of his expertise in specific functional areas and name of companies in which he 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.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and relevant rules framed there under, Mr. Anil Girotra was appointed as an Additional Director designated as an Independent Director w.e.f. 28th June, 2014 and he shall

hold office up to the date of the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing Mr. Anil Girotra for appointment as an Independent Director.

Pursuant to the provisions of Section 149, 152 of the Companies Act, 2013 and relevant rules framed there under, Mrs. Asha Gadi, an Independent Director will hold office up to the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing Mrs. Asha Gadi for appointment as an Independent Director.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Suresh Alipuria, Director ceased to be the director of the Company w.e.f. 28th June, 2014. Management places its appreciation for the services rendered by him as a Director of the Company.

KEY MANAGERIAL PERSONNEL

The Companies Act, 2013 provides for the appointment of key managerial personnel. Mr. Sudhir Avasthi will continue to remain as the Chief Executive Officer of the Company.

In accordance with Section 203 of the Companies Act, 2013, the Company has appointed Mr. Sanjeev Kothiala as the Chief Financial Officer of the Company who shall inter-alia, oversee the finance, banking, accounting functions of the Company.

The Company is in the process of filing the requisite returns and eforms with the appropriate authorities in this regard.

AUDITORS

M/s. Madan & Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and being eligible offer themselves for re-appointment.

In order to strengthen the internal control systems, minimize losses and considering the size and nature of business, the Company had appointed an independent firm of Chartered Accountants M/s Lalit Kumar & Co. to perform the functions of an internal auditor of the Company with effect from April, 2013.

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.

There being no qualification/ adverse remarks/reservation contained in the Auditors Report, no explanation is required to be given by the Board of directors. The Notes to Accounts are self explanatory and forms an integral part of the financial statements.

For and on behalf of the Board

Place : New Delhi
Date : 28th June, 2014

Amarjeet Kapoor
Director

K.K Kohli
Director

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, 2014

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 and a fuel efficient boiler. Implementation of Refrigeration systems consuming low power has been completed during the year. After implementation of the above measures , lower energy consumption has resulted in reduction of cost of processing.

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, 2014

		Year ended 31.03.2014	Year ended 31.03.2013
A) Power and Fuel consumption			
1) Electricity			
a) Purchased			
Units		5,199,875	4,758,383
Total Value	(Rs.)	40,565,835	33,422,927
Rate/Unit	(Rs.)	7.80	7.02
b) Own Generation			
(i) Through Diesel Generator			
Units		81,525	354,993
Total Value	(Rs.)	1,796,157	5,852,640
Unit per litre of:			
Diesel Oil		2.40	2.89
Cost/Unit	(Rs.)	22.03	16.49
(ii) Through Steam Turbine			
Units		980,246	1,316,378
Total Value	(Rs.)	—	—
Unit per Kgs of:			
Steam		0.03	0.03
Cost/Unit	(Rs.)	—	—
2) Others/Internal Generation			
Rice Husk/Petroleum Coke/ Buggase/Fire Wood			
Quantity(Tonnes)		19,893	16,415
Total Amount	(Rs.)	71,712,230	68,739,314
Avg. Rate	(Rs.)	3,605	4,187

*(Including abnormal wastage of Rs.162 lacs)

- II. 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.1 B (IV) & (VI) in Schedule No. 1

-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 CORPORATE GOVERNANCE:

The Company firmly believes that Corporate Governance is 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, 2014, the Board of Directors of the Company has four Members. None of the Directors are related to each other. The composition of the Board is in conformity with Clause 49 of the Listing Agreement and relevant provisions of the Companies Act, 2013.

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 2013-14, thirteen Board meetings were held on 10.04.2013, 20.05.2013, 30.05.2013, 25.06.2013, 13.08.2013, 03.10.2013, 05.11.2013, 14.11.2013, 06.12.2013, 03.01.2014, 13.01.2014, 14.02.2014, 08.03.2014

Composition of Board of Directors as on 31st March, 2014 and other details are as under:

Name	Category	No. of Board Meetings attended	Whether previous AGM held on 27th Sept., 2013 attended	No. of Directorships held in other companies *	No. of Committee positions held in other public limited companies as a Chairman	No. of Committee positions held in other public limited companies as a Member
Mrs. Asha Gadi	Non Executive Independent	13	No	1	Nil	Nil
Mr. Suresh Alipuria	Non Executive Independent***	13	Yes	6	Nil	Nil
Mr. Amarjeet Kapoor	Non-Executive	13	No	13	Nil	4
Mr. K.K. Kohli	Non-Executive**	13	No	14	Nil	4

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

** Mr. K.K. Kohli and Mr. Amarjeet Kapoor will be the Non Executive Directors of the Company liable to retire by rotation.

*** Mr. Suresh Alipuria has resigned from directorship of the Company w.e.f. 28th June, 2014

Mr. Anil Girotra has been appointed as an additional director designated as an Independent Director on 28th June, 2014 and hence has not attended any meetings during the financial year 2013-14.

MANAGEMENT TEAM:

Management Team consists of the following Executives of the Company:

Mr. Sudhir Avasthi, Chief Executive Officer
 Mr. Peri Kameswara Sharma, Director (Marketing)
 Mr. Sanjeev Kothiala, Chief Financial Officer
 Mr. Amar Baljeet Singh, Director (Technical)
 Mr. H.M. Sood, Head, Moradabad Plant

AUDIT COMMITTEE:

The Audit Committee of the Company comprises of two Non Executive Independent Directors and one Non Executive Non Independent Director. The terms of reference, role and powers of the Audit Committee have been revised in accordance with the provisions of section 177 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchange.

The composition of the Audit Committee is as follows:

Name	Designation
Mr. Anil Girotra**	Chairman
Mrs. Asha Gadi	Member
Mr. K.K. Kohli	Member

During the financial year 2013-14 the Audit Committee held five meetings i.e. on 29th May, 2013, 12th August, 2013, 13th November, 2013, 13th February, 2014 and 8th March, 2014.

Name of Members	No. of Meetings held during the tenure	Meetings attended
Mr. Suresh Alipuria ¹	5	5
Mr. K.K. Kohli	5	5
Mrs. Asha Gadi	5	5
Mr. Anil Girotra ^{**}	N/A	N/A

^{**} Mr. Anil Girotra has been appointed as an additional director designated as an Independent Director on 28th June, 2014 and hence has not attended any meetings during the financial year 2013-14.

¹ Mr. Suresh Alipuria ceased to be the Chairman of the Audit Committee w.e.f. 28th June, 2014. Mr. Anil Girotra has been appointed as the Chairman of the Committee in place of Mr. Suresh Alipuria w.e.f. 28th June, 2014.

The Audit Committee Meetings were also attended by Mr. Sudhir Avasthi, Chief Executive Officer, Mr. Lalit Kumar, Chartered Accountant in practice in the capacity of an internal auditor, Mr. Amar Baljeet Singh as Special Invitees & Mrs. Rishbha Ahluwalia, Company Secretary of the Company.

Mr. Suresh Alipuria, erstwhile Chairman of the Audit Committee was present at the last AGM of the Company.

NOMINATION AND REMUNERATION COMMITTEE:

In view of the requirements of the Companies Act, 2013, the Company has renamed the remuneration committee as the Nomination and Remuneration Committee with two Independent Directors and a Non Executive Non Independent director.

The Nomination and Remuneration Committee comprises of the following three Directors of the Company:

Name	Designation
Mr. Anil Girotra ^{**}	Chairman
Mr. K. K. Kohli	Member
Mrs. Asha Gadi	Member

During the financial year 2013-14, no meeting of the Remuneration Committee was held.

^{**}Mr. Suresh Alipuria has ceased to be the Chairman of Nomination and Remuneration Committee w.e.f. 28th June, 2014. Mr. Anil Girotra, appointed as an additional director designated as an Independent Director on 28th June, 2014 will chair the committee.

DETAILS OF REMUNERATION PAID TO DIRECTORS:

The sitting fees paid to the Non Executive Directors of the Company for the financial year ended on 31st March, 2014 is as follows:

Name of Director	Sitting fees
Mrs. Asha Gadi	Rs. 5,000
Mr. Suresh Alipuria	Rs. 5,000
Mr. K. K. Kohli	Rs. 5,000
Mr. Amarjeet Kapoor	Rs. 5,000

Details of shareholding of Non-Executive Directors as on 31st March, 2014:

Name of the Director	No. of shares held
Mr. Suresh Alipuria	Nil
Mr. K K. Kohli	Nil
Mrs. Asha Gadi	Nil
Mr. Amarjeet Kapoor	Nil

STAKEHOLDERS RELATIONSHIP COMMITTEE:

In view of the requirements of the Companies Act, 2013, the Company has renamed the Investor Grievance committee as Stakeholders Relationship Committee with Non Executive Director as Chairperson, one Independent director and one Non Executive Non Independent Director as members. 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, Companies Act, 2013 with particular reference to transfer of shares, grievances of shareholders etc.

The composition of the Stakeholders Relationship Committee is as follows:

Name	Designation
Mr. K. K. Kohli*	Chairman
Mrs. Asha Gadi	Member
Mr. Amarjeet Kapoor	Member

*Mr. Suresh Alipuria ceased to be the Chairman of the Committee w.e.f. 28th June, 2014. Mr. K.K. Kohli, Director has been appointed as the Chairman of the Stakeholders Relationship Committee in place of Mr. Suresh Alipuria w.e.f 28th June, 2014.

The Committee held two meetings during the financial year 2013-14. Attendance at meetings is as follows:

Date of Meeting	Mr. Suresh Alipuria	Mr. K. K. Kohli	Mrs. Asha Gadi
13.08.2013	Yes	Yes	Yes
02.01.2014	Yes	Yes	Yes

Mrs. Rishbha Ahluwalia, Company Secretary, acts as Secretary to the Committee and also as the Compliance Officer of the Company.

During the year under review complaints/requests received from the members of the Company were resolved within the time prescribed and no complaint was pending for more than a month with the Company.

SHARE TRANSFER COMMITTEE:

In view of maintaining complete transparency and to monitor the share registry related work, the Company has a share transfer committee with two Non Executive Directors and CEO as member.

The composition of the Committee is as follows:

Name	Designation
Mr. K. K. Kohli	Chairman
Mrs. Asha Gadi	Member
Mr. Sudhir Avasthi	Member

The share transfer committee held eleven meetings during the financial year 2013-14 with all members including Chairman present in the meetings. The meetings were held on 30.04.2013, 31.05.2013, 29.06.2013, 31.07.2013, 31.08.2013, 30.09.2013, 31.10.2013, 30.11.2013, 31.12.2013, 31.01.2014, 28.02.2014.

ANNUAL GENERAL MEETINGS:

Location and time for the last three AGMs:

Year	Date	Venue	Time	No. of Special Resolutions passed
2011	30.09.2011	Registered Office	9.30 A.M.	Nil
2012	26.09.2012	Registered Office	9.30 A.M.	Nil
2013	27.09.2013	Registered Office	9.30 A.M.	Nil

The Company did not pass any special resolution in the previous three Annual General Meetings. No resolution has been passed through Postal Ballot.

DISCLOSURE:

During the financial year 2013-14, the Company has entered upon related party transactions which have been disclosed in Note 1B (vii) 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 Mr. Sudhir Avasthi, Chief Executive Officer of the Company is annexed. The Code of Conduct has been posted on the website of the Company.

MEANS OF COMMUNICATION:

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

Management Discussion and Analysis Report is annexed and forms part of the Annual Report.

GENERAL SHAREHOLDERS' INFORMATION:

Annual General Meeting (AGM):

Date & Time	: 27th September, 2014, 9.00 A.M.
Venue	: Registered Office
Book Closure Date	: 24th September, 2014 to 27th September, 2014 (both days inclusive)
Dividend	: Nil

Financial Calendar for 2014-15: (Tentative)

Financial Results for	
First Quarter	: up to mid August, 2014
Second Quarter	: up to mid November, 2014
Third Quarter	: up to mid February, 2015
Fourth Quarter	: up to end May, 2015

Market Price Data:

High and Low market price during each month in last financial year from April, 2013 to March, 2014 at Bombay Stock Exchange Limited (BSE) is as follows:

(In Rs.)

Month	High	Low	Sensex High	Sensex Low
April, 13	73.90	57.00	19,622.68	18,144.22
May, 13	63.00	51.50	20,443.62	19,451.26
June, 13	62.00	48.00	19,860.19	18,467.16
July, 13	60.50	50.55	20,351.06	19,126.82
August, 13	53.05	43.75	19,569.20	17,448.71
September, 13	56.20	44.70	20,739.69	18,166.17
October, 13	55.00	48.65	21,205.44	19,264.72
November, 13	53.00	45.75	21,321.53	20,137.67
December, 13	89.55	43.65	21,483.74	20,568.70
January, 14	115.45	89.00	21,409.66	20,343.78
February, 14	108.10	104.45	21,140.51	19,963.12
March, 14	108.65	82.10	22,467.21	20,920.98

Registrar and Share Transfer Agent:

M/s Alankit Assignments Ltd., Alankit Heights, 1E/13, 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 5th Floor, Bhandari House, 91, Nehru Place, New Delhi-110019.