

TARAI FOODS LIMITED



Tarai

21ST ANNUAL REPORT 2010-2011

Tarai Foods Limited

TARAI FOODS LIMITED

Board of Directors

Mr. Gurprit Singh Sandhu
Mrs. Kiran Sandhu
Mr. N.K. Bharti
Mr. Vijay Jolly

(Managing Director)
(Director)
(Director)
(Director)

Audit Committee, Investors Grievances Committee & Remuneration & Recruitment Committee

Mr. N.K. Bharti
Mrs. Kiran Sandhu
Mr. Vijay Jolly

Auditors

Rattan Anil & Co.
A-90, Gali No.6, 1st Floor,
Madhu Vihar Market,
Patparganj Bus Depot,
Delhi

Bankers

Axis Bank Ltd.
B-6, Lajpat Nagar-II,
New Delhi-110024

Regd. Office

13, Hanuman Road,
Connaught Place
New Delhi-110001

Head Office : (Plant)

Village Fazilpur Meharola
Tehsil Kiccha
Rudrapur
Distt. Udham Singh Nagar,
Uttarakhand

Share Transfer Agent

Beetal Financial & Computer Services (P) Ltd.
99, Madangir, Beetal House
Behind Local Shopping Centre
Near Dada Harsukhdas Mandir
New Delhi-110062
Tel.: 29961281/2

ISIN No.

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Tarai Foods Limited

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the members of Tarai Foods Limited will be held on Wednesday, the 20th day of July, 2011 at 9.30 p.m. at Elcina House, 422, Okhla Industrial Estate, Phase-III, New Delhi- 110020 to transact the following businesses:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Kiran Sandhu, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Statutory Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. RATTAN ANIL & CO, Chartered Accountants, A-90, Gali No. 6, 1st Floor, Madhu Vihar Market, Patpar Ganj Bus Depot., New Delhi, Chartered Accountants, the retiring Statutory Auditors of the Company be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company."

By order of the Board
for Tarai Foods Limited

Place: Rudrapur
Date: 30/05/2011

Sd/-
G. S. Sandhu
Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 18/07/2011 to 20/07/2011. (both days inclusive).
3. Members seeking further information about the accounts are requested to write atleast 10 days before the date of meeting so that it may be convenient to get the information ready at the meeting.
4. Members/ Proxies should bring the attendance slips duly filled in for attending the meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. As per amended provisions of the Companies Act, 1956, facility for making nominations is now available for shareholders in respect of shares held by them. Nomination forms can be obtained from registrar of the Company.
6. Members are requested to bring their copies of Annual Report to the meeting. No copies will be made available at the meeting venue.
7. The Shareholders are requested to furnish or update their e-mail IDs with the Registrar for sending the soft copies of the Annual Accounts of the Company as required vide circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by Ministry of Corporate Affairs.
8. No gifts shall be distributed at the annual General Meeting of the Company.
9. Additional information as per Clause 49 of the listing Agreement:

Brief profile of Mrs. Kiran Sandhu, Director, recommended for reappointment:

Mrs. Kiran Sandhu, aged 62 years has vast experience in the food business of the company and she has been associated with the company for more than a decade. She by qualification is graduate in Textiles and Designing from Delhi Polytechnic.

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Mrs. Kiran Sandhu is on the Board of Tarai Farmlands Pvt. Ltd. and Suraiya Exports Pvt. Ltd. She is the member of Committee, Remuneration & recruitment Committee and Investors'/ Shareholders' Grievance Committee Company.

None of the directors except Mrs. Kiran Sandhu is interested in proposed resolutions. However, Mr. G. S. Sandhu, Director of the Company being related to her may also be deemed to be interested in the proposed reappointment.

By order of the
for Tarai Foods Limited

Place: Rudrapur
Date: 30/05/2011

Sd/-
G. S. Sandhu
Managing Director

DIRECTORS' REPORT

Dear Members,

Your Directors present the 21st Annual Report together with the Audited Financial Accounts for the year ended 31st March, 2011

Financial Results

Particulars	For the period ended 31-03-2011	For the period ended 31-03-2010
Gross Revenue	169	330
Operating Profit before Interest, Financial Charges and Depreciation	(46)	19
Less: Interest and Finance Charges	0.07	0.35
Profit/(Loss) before Depreciation	(46)	18
Less: Depreciation	55	55
Profit/(Loss) for the year	(101)	(37)
Extra Ordinary Items (PROVISIONS REVERSED)	6	--
Net Profit/(Loss) for the year	(95)	(37)
Less: Provision for Tax	--	--
Net Profit/(Loss) after Taxation	(95)	(37)

The company had suffered a loss of Rs. 101 Lacs as compared to a loss of Rs. 37 Lacs during the previous year. Also, the revenue of the Company has reduced to Rs. 169 Lacs as compared to Rs. 330 Lacs in the previous year. Your Directors are hopeful of better performance in the coming year.

MANAGEMENT DISCUSSION & ANALYSIS REPORT, REVIEW OF OPERATIONS DURING THE YEAR & FUTURE PLANS

i. Industry structure and developments.

Indian food processing industry is widely recognized as a sunrise industry, having huge potential for uplifting agricultural economy, creating of large scale processed food manufacturing and food chain facilities and resultant generation of employment and export earnings. Indian food industry is expected to grow to US\$ 95.6 billion by 2015 and generate an additional employment for approximately 8.2 million people. Also, food consumption in India is estimated to grow at a CAGR of 5.32% by 2013. Further, it is expected that processed food output will grow at a strong 7% CAGR in terms of value from US\$ 55.6 billion in 2005 to US\$ 95.6 billion in 2013.

ii. Opportunities and Threats.

Opportunities

Foods and vegetables - fast growing sector

Fruits and vegetables are one of the most important and fast growing sub-sectors of the food processing industry. Over the last few years, there has been a positive growth in ready-to-serve beverages, fruit juices and

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dehydrated and frozen fruits and vegetable products, tomato products, pickles, convenience vegspice pastes, processed mushrooms and curried vegetables. The demand has increased because of the factors like consumption by nuclear families, working women, students and single employees staying alone. There are abundant opportunities in expanding the export market because of good international demand for certain fruits and vegetable products. The Indian food processing Industry is primarily export oriented. India's geographical situation gives it the unique advantage of connectivity to Europe, the Middle East, Japan, Singapore, Thailand, Malaysia and Korea.

Macro-economic as well as industry specific (FMCG and Packaged Food) indications point to enduring buoyancy in the domestic market, while the international geographies are likely to be stable as well. Changing demographics (young, higher disposable income, experimental, urbanization, willingness to spend) further fuelled by trends like a greater awareness of health and nutrition on one hand and more hedonism (especially the new 'affluent' generation) is rapidly enlarging the opportunity.

Threats

- **Uncontrolled price structure:**

When there is a glut in the market, the price of certain food items like frozen peas and other vegetables fall down considerably but as the demand increases or there is shortage of those food items in the market the price rises up with a vast variation. Thus there is always an uncertainty in market prices of most of the food items in which your company works which reduces the amount of net profit and this discourages the manufacturers/ producers of these food items. This problem gets aggravated during peak production months, also because there is no minimum support price from the Govt.

- **High transportation charges:**

Since the demand for the frozen foods and vegetables are generally in metro cities or big towns, there is a high transportation cost incurred on refrigerated vehicles to transport the same to these townships or cities. The hike in diesel/petrol prices from time to time aggravates this problem.

- **Commercial rate of electricity tariff:**

Similarly, both small and big production/ manufacture have to pay electricity charges at commercial rate, although mushroom farming is an agricultural activity. It has been highlighted by the concerned scientific community during scientific gatherings, seminars, meetings etc. many times, but no relief has been given. This has led to high cost of production due to increased capital as well as recurring expenditure on production/ manufacturing affecting its competitiveness in world markets.

- **Competition:**

There is high competitive intensity from national as well as local players in many categories. Though the competition is fierce, the goodwill and the quality of the products offered by the Company are great plus factors and the Company expects to overcome the competition.

iv. Outlook

Food Processing Industry is of enormous significance for India's development because of the vital linkages and synergies that it promotes between the two pillars of the economy, namely Industry and Agriculture. The growth potential of this sector is enormous and it is expected that the food production will double in the next 5 years and the consumption of value added food products will also grow at a fast pace. This growth of the Food Processing Industry will be of immense benefits to the economy, raising agricultural yields, meeting productivity, creating employment and raising the standard of very large number of people throughout the Country, specially, in the rural areas. Economic liberalization and rising consumer prosperity is opening up new opportunities for diversification in food processing sector.

The nature of the Indian food processing market and the experiences of successful Indian and MNC players indicate that this sector will grow substantially in future because of the following reasons:

1. Effective distribution network and supply chain
2. Product range that is customized to suit local market requirements.
3. Superior processing technology
4. Brand building and marketing

Tarai Foods Limited

Further, the global economy seems to be recovering after the economic shocks in the past. Management is consistently keeping close watch on the changing market scenario and the business strategy is reviewed regularly for achieving a consistent growth by meeting the tough competition successfully.

v. Risks and concerns.

Every business has inherent risks involved in its operations, which may be either external or internal. The external factors are market competition, availability of cheaper substitute products, Government policies regarding power tariffs etc. The Company may not have much control over such factors; however it is important to address these risks & concerns to mitigate their overall impact on the business. Formal risk assessment and Management approach along with the regular monitoring mechanism in the Company ensures that these risks are duly addressed and well managed. High focus on safety of plant, its premises and people continuity and proactive Management of related business environment are essential for the risk management in the overall supply chain and business in general.

vi. Internal control systems and their adequacy.

The Company has an adequate system of internal controls to ensure that all activities are monitored and controlled as well as transactions are authorized, recorded and reported correctly. The Company has effective budgetary control system and the actual performance is reviewed with reference to the budget periodically by the management. The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines, which are supplemented by internal audit regularly.

The Audit Committee of the Board meets on quarterly basis and reviews the internal control systems as well as financial statements.

vii. Discussion on financial performance with respect to operational performance.

The Company is diversifying into Mushroom production and offers a wide range of IQF (Individually Quick Frozen) product range of peas, sweet corns and other vegetables, meeting strict quality & hygiene standards. Canned mushrooms are also available as per the customer requirement.

viii. Material developments in Human Resources / Industrial Relations front, including number of people employed.

The Company lays due emphasis on sound Human Resource Management practices and appraisal systems with focus on cordial employee relations to ensure higher level of productivity and operational efficiency. Adequate efforts have been made to strengthen and develop its human resources as a key strength through continuous training inputs and focused development plan. As on 31st March 2011, the total numbers of permanent employees in the Company were 22.

The belief that 'great people create great organizations' has been at the core of the Company's approach to its people. We continued to make significant investments for training in the areas of marketing excellence, customer service and building capabilities for organized retail trade.

DIVIDEND

Due to the losses incurred by your Company, no dividend is recommended on the equity shares of the Company.

AUDITORS

M/s. Rattan Anil & Co, Chartered Accountants, A-90, Gali No. 6, 1st Floor, Madhu Vihar Market, Patpar Ganj Bus Depot., New Delhi, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment. The Company has received a Certificate from the Auditors to the effect that their reappointment, if made, would be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956.

Comments on Auditors' Remarks:

Point 3 (1) read with Note 6 (b) to Schedule 19: The financial position of the company is not well and hence the company is not in a position to spend on actuarial valuation of gratuity as on the Balance Sheet date.

Point 3 (2) read with Note 5 on Schedule 20: The company has written to the Banker to the Issue to transfer the unclaimed application money to the Investor Education and Protection Fund as per the procedure.

Point 3 (3) read with Note 13 on Schedule 20: The company has been repairing the plant on regular basis depending on the liquidity position as per the need of the hour. Extensive repairs are made to the plant and plant & machineries every year before the main pea season. The company has also filed a case with the High Court on Insurance Company towards this claim.

Point 3 (4) read with Note 10 on Schedule 20: The company had entered into settlement with secured lenders and part payments have already been made to these lenders as per the terms of the settlement. Although IFCL Ltd. and Standard

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Chartered Bank have already revoked the sanctioned Settlement. But the company is hopeful to clear the default as per the negotiated settlement and reinstate the settlement terms again. As per the terms of the settlements, the interest are not payable to them on the original liability and hence the interest has not been provide for. Point 4 read with note 11 on schedule 20: The company has entered into the negotiated settlement with the lenders and has already made a payment of around Rs. 2 crores to them. On fully settling the dues of the secured lenders as per the settlement, the company will be able to come out of the negative networth and also revive its operations fully.

DIRECTORS

Pursuant to Section 256 of the Companies Act 1956, Mrs. Kiran Sandhu, Director of the Company retires by rotation and being eligible, offers herself for re-appointment.

FIXED DEPOSITS

The Company has not accepted any fixed deposits in terms of Section 58A of the Companies Act, 1956.

BUY BACK OF SHARES:

The Company has not made any offer of Buy Back of its shares.

EMPLOYEES

There are no employees whose particulars have to be submitted in accordance with provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

STOCK EXCHANGE LISTING

The shares of your Company are presently listed at The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001. The Company has paid the up-to-date listing fee to the Mumbai Stock Exchange.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO:

The details of conservation of energy, technology absorption & foreign exchange earning & outgo of the Company are given as per Annexure 1 to this report:

CORPORATE GOVERNANCE

A Comprehensive report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

Your Company has obtained a certificate from the Statutory Auditor regarding the compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SEC. 217(2AA)

Your Directors hereby state that:

1. In the preparation of the annual accounts, except wherever mentioned in the notes to the accounts or elsewhere, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. Such accounting policies had been selected and applied consistently and judgments and estimates are reasonable and prudent so as to give a true and fair view of the profit or loss of the Company at the end of the financial year and of the profit or loss of the company for the that period;
3. Proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The annual accounts had been prepared on a going concern basis..

APPRECIATION

We wish to convey our sincere thanks to the Shareholders and various agencies of the Central Government, State Governments, Financial Institutions, Company's Banker and Business Associates for their continued cooperation extended to the Company. We also wish to record our deep appreciation of the contribution made by the employees at all levels.

For and on behalf of the Board of Directors

Place: Rudrapur
Date : 30/05/2011

Sd/-
G.S. Sandhu
Managing Director

Tarai Foods Limited

Annexure-1 Conservation of Energy:

FORM A

A. Power and Fuel Consumption:

1. Electricity	Year ended 31 st March, 2011	Year ended 31 st March, 2010
(a) Purchased		
Units	16,83,950	21,12,760
Total Amount	68,98,366	77,27,883
Rate/unit	4.10	3.66
Own Generation		
(i) Through diesel generator		
Units generated	1,99,950	5,25,000
Units per ltr. of Diesel Oil	3	3
Cost/units	13.26	11.44

B. Consumption per unit of Production:

	Standards (if any)	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Electricity (Units) per Kg.		1.97	1.34

FORM B

Research and Development (R & D)

In the absence of working capital facility from Banks, the company does not have adequate funds to engage itself in Research and Development in the technology.

Technology absorption, adaptation and innovation

The company has not imported any technology in the last few years and hence matters pertaining to the technology absorption, adaptation and innovation are not applicable to the company.

The imported technology currently used is quite old, around 15-18 years old for which the company has retained key technical staff who have been trained by earlier technical collaborator and have adapted the technology well.

Foreign Exchange Earnings & Outgo During the year under review, the Company has neither earned any foreign exchange nor used any foreign exchange.

For and on behalf of the Board of Directors

Place: Rudrapur
Date: 30/05/2011

Sd/-
G. S. Sandhu
Managing Director

REPORT ON CORPORATE GOVERNANCE

1. BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company strives to imbibe fairness, transparency, accountability and responsibility through the adoption of the practice of Corporate Governance. The Company has taken adequate steps to ensure that the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges are complied with.

The Company has the following committees viz. Audit Committee, Remuneration and Recruitment Committee and Investors'/Shareholders' Grievances Committee to ensure the effective implementation of Clause 49 of the Listing agreement.

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2. BOARD OF DIRECTORS:

a) Composition and Category of Directors:

The Board of directors of the Company consists of 4 directors whose category, attendance in Board meetings and in last AGM is as follows:

S. No.	Name of Directors	PD/ND*	ED/NED/ID*	Attendance in last AGM	Attendance in Board Meetings		Other Board	
					Held	Attended	Directorship	Committee Chairmanship
1.	Mr. Gurprit Singh Sandhu	PD & Managing Director	ED	Present	5	5	Director in Tarai Farmlands Pvt. Ltd., *Tarai Agro Inds. Ltd., Suraiya Exports Pvt. Ltd.	NIL
2.	Mrs. Kiran Sandhu	PD	NED	Absent	5	5	Director in Tarai Farmlands Pvt. Ltd., *Tarai Agro Inds. Ltd., Suraiya Exports Pvt. Ltd.	NIL
3.	Mr. Vijay Jolly	NPD	NED/ID	Present	5	5	NIL	NIL
4.	Mr. N. K. Bharti	NPD	NED/ID	Present	5	5	NIL	NIL

* Pursuant to sub section (5) of Section 560 of the Companies Act, 1956, that the name of Company has been struck off the Register and the Company is dissolved.

- PD – Promoter Director; NPD – Non Promoter Director; ED – Executive Director;
- NED – Non-Executive Director; ID – Independent Director

a) Details of Board Meetings held during the year:

During the year under review, 5 (Five) Board meetings were held and the dates of the board meetings and attendance at the board meetings were as follows:

Date of Board Meeting	Board Strength	No. of Directors Present
30/04/2010	4	4
28/05/2010	4	4
13/08/2010	4	4
15/11/2010	4	4
15/02/2011	4	4

3. AUDIT COMMITTEE:

During the financial year 2010-2011, the Members of the Audit Committee met 5 (Five) times. The dates of the meetings were 30/04/2010, 28/05/2010, 13/08/2010, 15/11/2010, and 15/02/2011.

a) Composition of Committee and attendance of members: