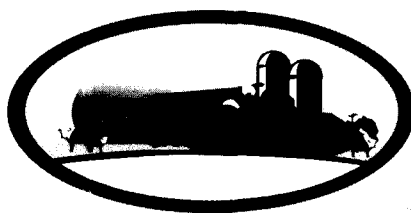




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Buttery
NUTRALITE™



CARNATION NUTRA-ANALOGUE FOODS LTD.

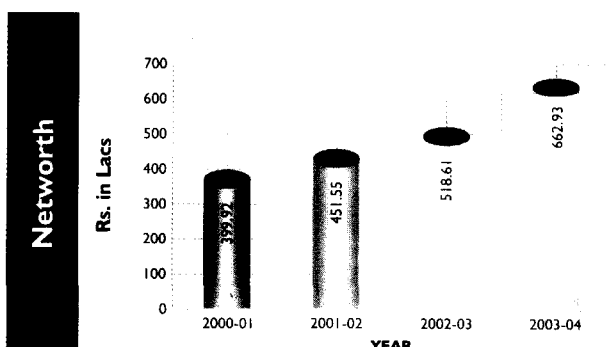
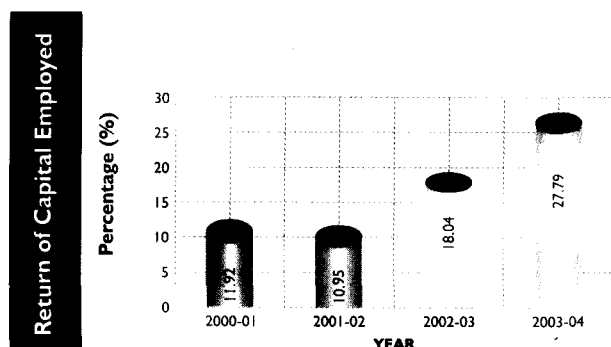
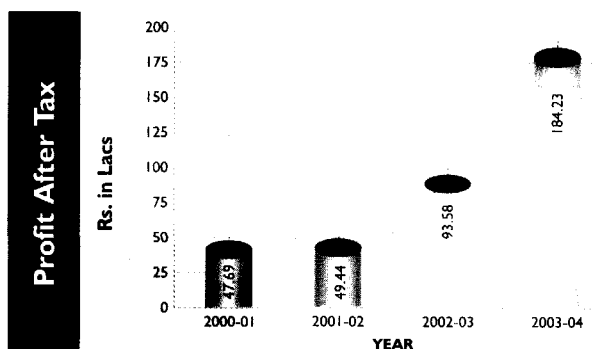
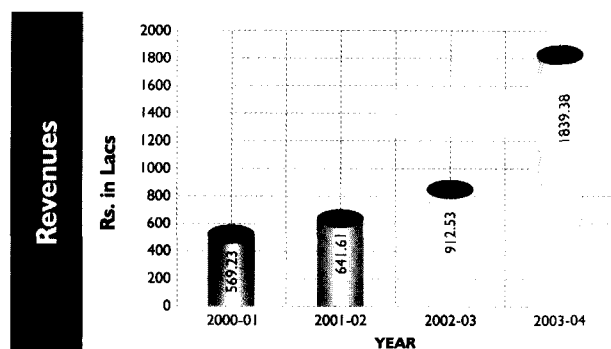
ANNUAL REPORT 2003-2004



CARNATION NUTRA-ANALOGUE FOODS LTD.

Four years at a Glance

	2003-04	2002-03	2001-02	2000-2001
Sales & Other Income	1839.38	912.53	641.61	569.23
Cost of Materials	995.18	488.66	321.99	245.10
Operating Expenses	553.35	270.48	220.04	232.87
Interest	0.81	2.30	6.13	1.75
Depreciation	32.53	34.52	38.91	40.31
Profit Before Tax	257.51	116.57	54.54	49.20
Tax	73.28	23.00	7.94	1.50
Profit After Tax	184.23	93.57	46.60	47.70
Dividend	37.29	27.96	0.00	0.00
Net Fixed Assets	217.53	244.25	260.69	297.03
Net Current Assets	462.82	312.59	210.57	150.15
Misc. Exp.	10.05	15.08	20.11	25.13
Profit & Loss Account	-	-	40.14	86.74
Net Assets	690.40	571.92	531.51	559.05
Share Capital	511.80	511.80	511.80	511.80
Reserves & Surplus	161.19	21.89	0.00	0.00
Loan Funds	0.00	18.10	16.87	47.25
Deferred Tax Liability	17.41	20.13	2.84	0.00
Total Liability	690.40	571.92	531.51	559.05
Net Worth	662.93	518.61	451.55	399.92
Earning Per Share	3.95	2.01	1.00	1.06
Dividend Per Share	0.80	0.60	-	-
Book Value Per Share	14.22	11.13	9.69	8.58
Debt - Equity Ratio	0:00	1:28	1:30	1:11



Carnation Nutra-Analogue Foods Ltd.

CARNATION NUTRA-ANALOGUE FOODS LIMITED

TENTH ANNUAL GENERAL MEETING

Date : 30th September, 2004
Day : Thursday
Time : 11.00 a.m.
Place : A-204, Samudra, S. P. Nagar,
C. G. Road, Ahmedabad - 380 006.

BOARD OF DIRECTORS

Chairman

Shri Jayantibhai Amin

Managing Director

Shri Ashish Amin

Directors

Shri Manubhai Patel

Shri Kamal Patel

Shri Shekhar Patel

Shri Bharat Patel

AUDITORS

M/s. Rajendra N. Shah & Co.
Chartered Accountants
Ahmedabad.

Company Secretary

Mr. Chintal Sakaria

BANKERS


Central Bank Of India
S. M. Road Branch,
Ahmedabad.

REGISTERED OFFICE

A-204, Samudra, Sardar Patel Nagar,
C. G. Road, Ahmedabad - 380 006.

WORKS

7A, 7B & 8, Saket Industrial Estate,
Sarkhej Bawala Road,
Gam-Moraiya, Sanand,
Dist. Ahmedabad.

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NOTICE

NOTICE IS HEREBY given that the **TENTH** Annual General Meeting of **Carnation Nutra-Analogue Foods Limited** will be held at A-204, Samudra, Sardar Patel Nagar, Navrangpura, Ahmedabad-380 009 on 30th September, 2004 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend of Rs. 0.80 per equity share of Rs. 10 each for the year ended 31st March, 2004.
3. To appoint a Director in place of Shri Manubhai Patel, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Kamal Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Rajendra N. Shah, Chartered Accountants, the retiring Auditors of the Company, as auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

1. To consider and if deemed fit, to pass, with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the resolution fixing remuneration payable to Mr. Ashish Amin, Managing Director passed by the members at the 9th Annual General Meeting held on 27th September, 2003 and pursuant to the provisions of section 198, 268, 269, 309, 310, 311 and 316 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the following changes in the terms and conditions of remuneration of Mr. Ashish J Amin, Managing Director of the Company w.e.f from 1st April, 2004 for the remainder of the tenure of his agreement and as set out in the draft supplemental agreement to be entered into between Mr. Ashish J. Amin and the Company, a copy whereof is submitted to this meeting and for identification signed by the Chairman thereof.

- a) Salary : Rs. 80,500/- per month
- b) House Rent Allowance : Rs. 34,500/- per month
- c) Provident Fund, Superannuation benefits and Gratuity as per the rules of the Company

RESOLVED FURTHER THAT Mr. Ashish Amin, Managing Director, shall perform such duties as entrusted to him from time to time by the Board of Directors and shall perform such other duties from time to time, subject to supervision and control of Board of Directors."

7. To consider and if deemed fit, to pass, with or without modification the following resolution as an Special Resolution:

"RESOLVED THAT pursuant to sub-section (1) of Section 163 of the Companies Act, 1956, the Company hereby approves that the Register of Members, the Index of Members, and Copies of all Annual Returns prepared under Section 159 and 160 of the Act, together with the copies of certificates and documents required to be annexed thereto under section 160 and 161 of the Act shall be kept at the office of the Registrar & Share Transfer Agent of the Company viz. Pinnacle Shares Registry Private Limited, Nr. Asoka Mills Compound, Naroda Road, Ahmedabad 380 025 w.e.f. 1st October, 2004 instead of being kept at the Registered Office of the Company."

Registered Office :

A-204, Samudra,
Sardar Patel Nagar,
Navrangpura, Ahmedabad - 380009.

Dated : 20th August, 2004

For and on behalf of the Board

Jayantibhai Amin
Chairman

Carnation Nutra-Analogue Foods Ltd.**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 OF THE COMPANY.

THE INSTRUMENT APPOINTING A PROXY, SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the Special business to be transacted at the meeting is annexed hereto.
3. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 23rd September, 2004 to 29th September, 2004, both days inclusive.
5. The payment of Dividend as recommended by the Directors if approved at the meeting, will be made:
 - i) to those members whose names are on the Register of Members or to their mandates, after giving effect to all valid transfers in physical form lodged with the Company on or before 23rd September, 2004. The dividend warrants will be posted to them by 30th October, 2004.
 - ii) in respect of shares held in electronic form, to those "deemed members" whose names appear of the statements of beneficial ownership furnished by National Securities Depository Services Limited (NSDL) and Central Depository Services Limited (CDSL) at the end of business hours on 23rd September, 2004.
6. The annual listing fees of all the Stock Exchanges where Company's Shares are listed for the year 2004-2005 have been paid.
7. All documents referred to in the accompanying Notice are open for inspection at the registered office of the Company on all working days, except Saturdays between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
8. If any shareholder has any query with regard to accounts the same may be sent to the Company's Registered Office at least 10 days before the meeting.
9. Members are requested to notify change in address, if any, to the Company's Share Transfer Agent at the address mentioned elsewhere in the Annual Report quoting their Folio number.
10. Members are requested to bring their copy of Annual Report at the meeting. Spare Copies will not be available.

**Explanatory Statement as required under Section 173(2) of the Companies Act, 1956
Item No. 6**

The remuneration payable to Mr. Ashish Amin, Managing Director, was approved by shareholders at the 9th Annual General Meeting held on 27th September, 2003. At its meeting held on 30th April, 2004 the Board of Directors decided to recommend to the Company in the General Meeting that the terms and conditions of service of Mr. Ashish J. Amin as to his remuneration be varied in terms of the draft supplemental agreement to provide for the payment of the following:

- a) Salary : Rs. 80,500/- per month
- b) House Rent Allowance : Rs. 34,500/- per month
- c) Provident Fund, Superannuation benefits and Gratuity as per the rules of the Company.

The above proposal will not require the approval of the Central Government under section 268 and section 310 of the Act as the increase in remuneration by way of incremental salary proposed to be paid is within the limits laid down in Part II of Section II of Schedule XIII to the Act.

Copies of the draft supplemental agreement are open for inspection at the registered office of the Company during business hours on any working day.

Annual Report 2003-2004**Abstract under Section 302:**

The above terms and conditions may be treated as an abstract of the draft supplemental agreement proposed to be entered into between the Company and Shri Ashish Amin pursuant to Section 302 of the Companies Act, 1956.

The Board recommends this resolution to the members as Ordinary Resolution for their approval.

Mr. Ashish Amin is interested in the resolution to the extent of additional remuneration proposed to be paid to him. Shri Jayantibhai Amin being related to the Mr. Ashish Amin may be deemed to be interested in the resolution. No other director is concerned or interested in this resolution.

Item No. 7

Under the provisions of the Companies Act, 1956, certain documents such as the Register & Indexes of Members and Annual Returns have to be kept at the Registered office of the Company. However, these documents can be kept at any other place within the city, town or village in which the Registered office is situated with the approval of the Shareholders. These records are presently kept at the Registered office of the Company.

Members are informed that, the Company had dual arrangement in regard to transfer of shares as follows:

- a) The Company's share department was handling the physical transfers, transmissions, transpositions, change of address, etc. at the registered office of the Company upto 1st February, 2004
- b) Entrusted the work of Dematerialisation / rematerialisation of shares to an outside Registrar, viz. M/s. Sharepro Services, Mumbai.

However, in terms of SEBI Circular No. D&CC/FITTC/CIR-15/2002 dated 27th December, 2002 and Stock Exchange letter dated 3rd January, 2003, all listed Companies having dual arrangement, as stated above, are required to make necessary arrangement to have either complete in-house share registry both for physical transfer of securities as well as Dematerialisation / rematerialisation or securities or assign the entire function to SEBI registered R & T Agent, so that the process of transfer, dematerialisation and reconciliation of shareholding is smooth and efficient without any delay and inconvenience to the Shareholders.

In compliance with SEBI Circular referred to above, the Company has assigned all the work related to share registry in terms of both physical and electronic to M/s. Pinnacle Shares Registry Private Limited, Nr. Asoka Mills Compound, Naroda Road, Ahmedabad 380 025 w.e.f. February 1, 2004 by entering into an agreement with the said R & T Agent. As such the statutory records as mentioned above would have to be kept at the address of Pinnacle Shares Registry Pvt. Ltd. w.e.f. 1st October, 2004. As this change can be made only with the approval of the Shareholders under Section 163 of the Companies Act, 1956 the same is sought by way of Special Resolution.

The advance copy of the Special Resolution set out in the accompanying notice which is proposed to be passed at the Annual General Meeting is being delivered to the office of the Registrar of Companies, Gujarat as required under Section 163 of the Companies Act, 1956.

The time for inspection of documents by the Shareholders or such persons as are entitled to inspection will be between 11.00 a.m. to 1.00 p.m. on any working day of the Company.

The Board recommends this resolution to the members as Special Resolution for their approval.

None of the Directors are in any way concerned or interested in the resolution.

Registered Office :

A-204, Samudra,
Sardar Patel Nagar,
Navrangpura,
Ahmedabad - 380009.

Dated : 20th August, 2004

For and on behalf of the Board

Jayantibhai Amin
Chairman

Carnation Nutra-Analogue Foods Ltd.**DIRECTORS' REPORT**

To,
The Members,

Your Directors present the **TENTH** Annual Report and Audited Statements of Accounts of the Company for the Financial year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

Particulars	(Rs. in Lacs)	
	Current year	Previous Year
Sales and Other Income	1839.38	912.53
Profit before Interest, Depreciation & Tax	290.85	153.40
Less : Interest	0.81	2.30
Depreciation	32.53	34.52
Provision for Tax	76.00	5.70
Profit after Interest, Depreciation & Tax	181.51	110.87
B/F Surplus/(Deficit) in Profit & Loss A/c	21.89	(40.14)
Deferred Tax (Liability)/Assets	2.72	(17.29)
Profit available for Distribution	206.12	53.44
Proposed Dividend	37.29	27.97
Dividend Tax	7.64	3.58
Balance carried to Balance Sheet	161.19	21.89

- **Revenues** : Sales and other Income of the Company is 1839.38 Lacs as compared to 912.53 Lacs during previous year, which shows a rise of nearly 101.56%.
- **Expenditure** : The expenditure of the Company this year is 1581.87 Lacs as compared to 795.95 Lacs of last year, which shows an increase of 98.74%.
- **Net Profit** : The Net Profit of the Company is Rs. 184.23 Lacs as compared to Rs.93.58 Lacs during the previous year, which shows an increase of 96.87%.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposits from the public.

DIVIDEND

The Directors recommend a dividend of Rs. 0.80 Per Equity Share of Rs. 10/- for the year 2003-2004, if approved by the Shareholders at the ensuing Annual General Meeting. The Dividend will absorb Rs. 44.93 lacs including dividend tax.

DIRECTORS

Shri Manubhai Patel and Shri Kamal Patel, Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

Brief resume of the Directors retiring by rotation at the ensuing Annual General Meeting, nature of their experience in specific functional areas and names of Companies in which they hold the directorship and the membership/chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, are given in the section on Corporate Governance elsewhere in the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your director's confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the appropriate accounting policies have been selected and applied consistently and the directors have 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 2004 and of the profit of the Company for that year;
- (iii) that the directors had taken proper and sufficient care for the maintenance of a dequate 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 annual accounts have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchange is given as Annexure - III

CORPORATE GOVERNANCE

A separate report on Corporate Governance has been provided as a part of this Report.

AUDITORS

Shareholders are requested to re-appoint M/s. Rajendra N. Shah & Co., Chartered Accountants as the Auditors of the Company and authorize the Audit Committee to fix their remuneration. The Company has received a letter from the said auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

Notes forming part of Accounts are self-explanatory and therefore, do not call for any further comments.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

Information in accordance with the provisions of section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988 regarding the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed.

PARTICULARS OF EMPLOYEES

As required by Section 217(2A) of the Companies Act, 1956, and Companies (Particulars of Employees) Rules, 1975, none of the Directors or Employees is drawing a gross remuneration of more than Rs. 2,00,000 per month or Rs. 24,00,000 per annum.

ACKNOWLEDGEMENTS

Your directors would like to place on record their grateful appreciation for the assistance and co-operation received from the Banks, Government Authorities and Shareholders during the year under review. Your directors also express their deep sense of appreciation for the devoted services of the executives, staff and workers of the company for its success.

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, and forming part of the Directors' Report for the calendar year ended 31st March 2004:

CONSERVATION OF ENERGY

1. Energy Conservation measures taken:

Several energy conservation projects were initiated at the manufacturing site such as Reduction in lighting load, Rationalization in running hours of non-critical equipments, Improvement of power factor, etc.

The site continued their commitment to safety and environmental preservation as an on-going process by conducting regular safety audits, carrying out hazard operability studies, risk assessment of routine operations, assessment and control of substances which are hazardous to health.

Noise level at various work places is routinely measured. Necessary noise reduction measures are initiated to keep the noise levels within acceptable limits.

2. Impact of measures taken:

The adoption of energy conservation measures indicated above has resulted in considerable savings and its awareness among employees.

3. Total energy consumption and energy consumption per unit of production:

		(Amount in Rupees)	
Particulars		Current Year	Previous Year
1.	Purchased Units	4,02,558	2,80,258
	Rate per Unit	4.87	5.33
	Total Amount	19,59,703	14,93,554
2.	LDO: Litres Purchased	32,000	16,220
	Rate per Unit	19.19	16.71
	Total Amount	6,14,200	2,71,030

Carnation Nutra-Analogue Foods Ltd.**B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION**

The required technology is being developed indigenously and being absorbed effectively. Benefits derived as a result of the above efforts include product improvement, cost reduction, product development, import substitution, etc.

The benefits to the company of these efforts have been cost containment in an inflationary environment, substitution of imported raw materials to some extent, product quality improvement and better stability.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	Current Year	Previous Year
Earnings	Nil	Nil
Outgo	2,26,773	1,08,120

For and on behalf of the Board

Place : Ahmedabad
Dated : 20th August, 2004

Jayantibhai Amin
Chairman

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

Though the global economy has slowed down considerably, India continues to enjoy good economic growth. The robust agricultural growth and good growth in the service sector has made it possible for the economy to grow at about 8.2 % during 2003-04.

During the fiscal 2003-04 the performance of the food processing industry was commendable. Demand for dairy products grew by about 15 % in 2003-04. Due to the increased focus on the health consciousness among the populace the demand for healthy substitutes or analogues have increased manifold.

A Review of our Commodity wise performance

Margarine

Margarine is similar to butter in appearance & taste and used as a healthy alternative. Manufactured with state-of-the-art technology on imported European machinery, the Company has created a niche market for **NUTRALITE – TABLE MARGARINE**, first successfully introduced margarine in India, covering a major chunk of the market in the country.

Butter

The Company also manufactures regular butter in the brand name of “**DAIRY-LICIOUS Pasteurised Butter**”. The quality of business in this particular item has improved significantly with the addition of new markets.

Cheese

With a strong distribution network spanning the entire country, the Company also started manufacturing Cheese in the brand name of “**DAIRY-LICIOUS Processed Cheese**”.

Competition / Outlook on Opportunities

Margarine is an analogue (similar/substitute) product to Butter. The product is widely known & used in the western countries as a healthier butter substitute. In fact, a study by Nicholas Piramal India's nutritional scientists in 2000 observed that the problem of Vitamin A deficiency exists in alarming proportions in India & the answer could be the analogue products like Margarine & edible oils, which, if fortified with the necessary vitamins could be a cost effective solution.

Our main product “Table Margarine” incorporates all these qualities along with satisfying the Indian taste. Moreover, it is virtually free from Trans Fatty Acids (TFA) as well as the medically dreaded Low Density Lipo-protein (LDL) Cholesterol. In most western countries, Nestle is manufacturing & marketing Margarine as a niche product.

In India, the competition for Carnation Nutra comes from other Dairy Majors, which offer closely similar products. Our market for margarine extends to the length and breadth of the India. During the current year, the Company is planning to reach out to unexplored areas such as Madhya Pradesh, West Bengal and the North-East. The Company also intends to start manufacturing and marketing of non dairy whipping cream widely used by bakeries, hotels, restaurants, etc. The market for non dairy whipping cream is a niche market which grows at about 30% per annum. Our Company will continue to focus on its core strength of manufacturing analogues or healthier food alternatives at a time when health consciousness was spreading in a big way.

Risk and Concern

The Company uses imported raw material in the manufacturing of Margarine and other products, therefore, it is exposed to risk of price fluctuations on raw materials as well as finished products. These risks are not significant considering the efficient inventory management and strategic procurement of raw materials. It is also exposed to foreign exchange risk as selling price of its products are linked to the cost of imported raw material. Any bottlenecks in road transport system will adversely affect the availability of inputs as well as the delivery of goods to the consumption centers.

Internal Control Systems and their Adequacy

The Company has an adequate and effective internal control system to commensurate with its size and complexity. These internal control systems safeguards against misuse of assets of the Company. They provide reasonable assurance that deviations from the norms are promptly reported and corrective actions are taken. An independent internal audit function is an important element of Company's internal control system. The Company has instituted a system of internal controls and checks which are