



Directors' Report

TO THE MEMBERS

The Directors present their Thirty First Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 2004.

FINANCIAL RESULTS

(Rs./Lacs)

| | |
|------------------------------------|--------|
| Profit after charging all expenses | 285.76 |
| Deduct: Depreciation | 84.36 |
| Profit for the year | 201.40 |
| Provision for Current tax | 15.48 |
| Provision for Deferred tax | 84.91 |
| Transferred to General Reserve | 101.01 |

OPERATIONS

During the period under report, the Company's Sales were Rs. 18955.93 lacs and cash profit Rs. 285.76 lacs as compared to last year's figures of Rs. 16373.17 lacs and cash profit of Rs. 3.43 lacs respectively. After depreciation, the profit for the year is Rs. 201.40 lacs as compared to a loss of Rs. 127.06 lacs in the previous year.

DIVIDEND

Directors are not recommending any dividend with the view to augment resources for proposed capital expenditure.

FIXED DEPOSITS

On 31.3.2004, 7 persons whose Fixed Deposits with the Company amounting to Rs. 77,000/- had become due for payment during the year, did not claim or renew their Deposits. Since then 2 persons have claimed deposits aggregating to Rs. 20,000/-.

PARTICULARS OF EMPLOYEES

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, form part of this Report. However, as per the provisions of section 219(1)(b)(iv), Report and Accounts are being sent to all the members of the Company excluding the statement of particulars of employees. Any member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions contained in sub section (2AA) of Section 217 of the Companies Act, 1956 your Directors confirm that:-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 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 adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance and a Certificate from the Auditors of the Company regarding the Compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

INFORMATION UNDER THE LISTING AGREEMENTS WITH STOCK EXCHANGES

The shares of your Company are listed at the Mumbai, Delhi and Ludhiana Stock Exchanges.

Listing fees for the financial year 2004-2005 to all the above mentioned stock exchanges have 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

Ms. Asha Gadi retires by rotation and, being eligible, offers herself for re-election, which the Board commends for your approval.

Brief resume of the above Director, nature of her expertise in specific functional areas and names 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 Exchanges, is annexed in the Corporate Governance Report.

Mr. Karamjit S. Jaiswal, Executive Chairman, has ceased to be Whole Time Director w.e.f. 16th August, 2004. He is, however, continuing as non-retiring Director and Executive Chairman w.e.f. 16th August, 2004. He is not drawing any remuneration from the Company w.e.f. 29th November, 2003.

Mr. Deepankar Barat has ceased to be Whole Time Director and is continuing as Director w.e.f. 1st January, 2004.

Mr. A.P. Jaiswal has vacated the office under section 283(1)(g) of the Companies Act, 1956.

Mr. Suresh Alipuria, Mr. Ashok Bharti and Col. Sukh Dev Raj Makin have resigned the Directorship of the Company w.e.f. 31st January, 2004.

The Board expresses its sincere appreciation for the useful services rendered by all outgoing Directors during their tenure of office.

AUDITORS

M/s R.N. Bahl & Co., Chartered Accountants, Auditors of the Company, retire and, being eligible, offer themselves for re-appointment.

COST AUDITORS

The Central Government had directed an audit of the cost accounts maintained by the Company in respect of milk products. The Central Government has approved the appointment of M/s. R.J. Goel & Co., Cost Accountants, for conducting the cost audit of the above products for the financial year ended on 31st March, 2004.

SUBSIDIARY

Triplefast Investments Pvt. Ltd. has become the subsidiary company of the Company after the end of Financial Year.

GENERAL

Your Directors wish to express their appreciation of the co-operation and support given by all employees of the Company during the year.

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

For and on behalf of the Board

New Delhi
27th August, 2004

(KARAMJIT S. JAISWAL)
Executive Chairman



Corporate Governance Report

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company firmly believes that the implementation of Code on Corporate Governance would go a long way in attainment of the highest levels of transparency, accountability and equity in all facets of operations and interactions with all its stakeholders including shareholders, employees, the government and lenders as well as of enhancement of the value of stakeholders.

BOARD OF DIRECTORS:

As on 31st March, 2004 the Board of Directors of the Company has 6 Members comprising of 4 Non Executive Directors and 2 Executive Directors, and day to day affairs of the Company are managed by the Executive Chairman and the Managing Director.

No Director of the Company is a member of more than 10 Committees or Chairman of more than 5 Committees across all Companies in which he is a Director.

Six Board meetings were held during the year on 30.04.2003, 31.07.2003, 14.08.2003, 27.09.2003, 31.10.2003, 31.01.2004 and the time gap between two meetings did not exceed maximum time gap of four months.

Composition of Board of Directors and other details as on 31st March,2004 are as under:

| Name | Category | No. of Board Meeting attended | Whether previous AGM attended held on 30.09.2003 | No. of Directorship held in other companies* | No. of Committee position held in other public limited companies as a Chairman | No. of Committee position held in other public limited companies as a Member |
|-------------------------|-------------------------------|-------------------------------|--|--|--|--|
| Mr. L.P. Jaiswal | Non-Executive Non-Independent | Nil | No | 10 | Nil | Nil |
| Mr. Karamjit S. Jaiswal | Executive Non-Independent | 5 | No | 7 | Nil | Nil |
| Mr. Umesh N. Saxena | Executive Non-Independent | 5 | Yes | 13 | Nil | Nil |
| Mr. Deepankar Barat | Non-Executive Independent | 5 | Yes | 7 | Nil | Nil |
| Mr. Inder Singh Batra | Non-Executive Independent | 6 | No | Nil | Nil | Nil |
| Ms. Asha Gadi | Non-Executive Independent | 6 | No | 1 | Nil | Nil |

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

AUDIT COMMITTEE:

The Company has an Audit Committee comprising of three members all of whom are Non Executive Independent Directors.

Terms of reference:

The functioning and terms of reference of the Audit Committee are as prescribed in the Listing Agreement with Stock Exchanges.

The Audit Committee:

1. is responsible for effective supervision of the financial reporting process, ensuring financial, accounting and operating controls and ensuring compliance with established policies and procedures.
2. recommends the appointment and removal of external auditor, fixation of audit fees and also approves the payment for any other services.
3. determines the adequacy of internal controls, internal audit and ensures its effectiveness.
4. identifies, defines and categorizes all the risks that the Company faces and evaluates the steps that the Company takes to mitigate such risks.
5. comprehensively reviews, evaluates and updates the internal control system on an ongoing basis. It facilitates imbedding of the self-audit process in the work flow alongwith supporting the business objectives.
6. discusses with external auditors before the audit commences the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

The composition of the Audit Committee is as follows:

| Name | Designation | Date of Appointment | Date of ceasing |
|-----------------------|-------------|---------------------|-----------------|
| Mr. Deepankar Barat | Chairman | 31.01.2004 | — |
| Mr. Inder Singh Batra | Member | 07.10.2002 | — |
| Mr. Suresh Alipuria | Chairman | 07.10.2002 | 31.01.2004 |
| Mr. Ashok Bharti | Member | 07.10.2002 | 31.01.2004 |
| Ms. Asha Gadi | Member | 31.01.2004 | — |

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

Seven meetings of the Audit Committee were held during the year. Attendance at meeting during the year:

| Date of Meetings | Mr. Deepankar Barat | Ms. Asha Gadi | Mr. Inder Singh Batra | Mr. Suresh Alipuria | Mr. Ashok Bharti |
|--------------------------------|---------------------|---------------|-----------------------|---------------------|------------------|
| 28 th April,03 | No | No | Yes | Yes | Yes |
| 29 th July,03 | No | No | Yes | Yes | Yes |
| 14 th August,03 | No | No | Yes | Yes | Yes |
| 15 th September, 03 | No | No | Yes | Yes | Yes |
| 27 th October,03 | No | No | Yes | Yes | Yes |
| 27 th January,04 | No | No | Yes | Yes | Yes |
| 26 th March,04 | Yes | Yes | Yes | No | No |

The Audit Committee Meetings are also attended by Mr. Sudhir Avasthi, Finance Director

REMUNERATION COMMITTEE:

The Remuneration Committee consists of three Non Executive Independent Directors. The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchanges. It determines the Company's policy on all elements of remuneration packages of all the Executive Directors including salary, benefits, pension rights and compensation payment, service contracts, notice period, severance fees, etc.

The Remuneration Committee of the Company as on 31st March, 2004 comprises of the following three Directors of the Company:

| | | |
|-----------------------|----------|------------------------------------|
| *Mr. Deepankar Barat | Chairman | Independent Non Executive Director |
| Mr. Inder Singh Batra | Member | Independent Non Executive Director |
| Ms. Asha Gadi | Member | Independent Non Executive Director |

*Appointed as the member of the Committee w.e.f. 31st January, 2004.

One meeting was held during the year and all the members of the Committee attended the same.

DETAILS OF REMUNERATION PAID TO DIRECTORS:

The aggregate value of salary and perquisites paid for the year ended 31st March, 2004 to Whole Time Directors are as follows:

| | Mr. Karamjit S. Jaiswal | Mr. Umesh N. Saxena | Mr. Deepankar Barat |
|--|-------------------------|---------------------|---------------------|
| Salary | Rs. 1,19,000 | Rs. 9,79,500 | Rs. 5,75,100 |
| Contribution to PF & Superannuation Fund | Rs. 32,130 | Rs. 2,64,465 | Rs. 1,55,277 |
| Other Benefits & Allowances | Rs. 30,624 | Rs. 13,64,406 | Rs. 9,19,033 |
| Gratuity | — | Rs. 25,53,000 | Rs. 12,14,100 |
| Total | Rs. 1,81,754 | Rs. 51,61,371 | Rs. 28,63,510 |

Mr. Karamjit S. Jaiswal has ceased to draw the remuneration w.e.f. 29th November, 2003.

Mr. Deepankar Barat has ceased to draw the remuneration w.e.f. 1st January, 2004.

Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 500 for each Board meeting attended. The sitting fees paid to the Directors for the year ended on 31st March, 2004 are as follows:

| Name of Director | Sitting fees |
|--------------------------|--------------|
| Mr. L.P. Jaiswal | Nil |
| **Mr. A.P. Jaiswal | Nil |
| Mr. Inder Singh Batra | 3000 |
| *Mr. Ashok Bharti | 2500 |
| *Mr. Suresh Alipuria | 2500 |
| Ms. Asha Gadi | 3000 |
| *Col. Sukh Dev Raj Makin | 2500 |

*resigned the Directorship of the Company w.e.f. 31st January, 2004.

**vacated the office u/s 283(1)(g) of the Companies Act,1956.

**INVESTOR GRIEVANCE COMMITTEE:**

The Company has an Investor Grievance Committee comprising of three members all of whom are Non Executive Independent Directors. The functioning and terms of reference of the Committee are as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, complaints of shareholders etc.

The composition of the Committee is as follows:

| Name | Designation | Date of Appointment | Date of ceasing |
|-----------------------|-------------|---------------------|-----------------|
| Mr. Deepankar Barat | Chairman | 31.01.2004 | — |
| Mr. Inder Singh Batra | Member | 31.01.2004 | — |
| Mr. Suresh Alipuria | Member | 07.10.2002 | 31.01.2004 |
| Mr. Ashok Bharti | Member | 07.10.2002 | 31.01.2004 |
| Ms. Asha Gadi | Member | 07.10.2002 | — |

Seven meetings of the Committee were held during the year. Attendance at meeting during the year:

| Date of Meetings | Mr. Deepankar Barat | Ms. Asha Gadi | Mr. Inder Singh Batra | Mr. Suresh Alipuria | Mr. Ashok Bharti |
|-------------------------------|---------------------|---------------|-----------------------|---------------------|------------------|
| 28 th April,03 | No | Yes | No | Yes | Yes |
| 29 th July,03 | No | Yes | No | Yes | Yes |
| 14 th August,03 | No | Yes | No | Yes | Yes |
| 15 th September,03 | No | Yes | No | Yes | Yes |
| 27 th October,03 | No | Yes | No | Yes | Yes |
| 27 th January,04 | No | Yes | No | Yes | Yes |
| 26 th March,04 | Yes | Yes | Yes | No | No |

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

| | |
|--|-----|
| Total number of complaints received during the year: | 18 |
| No. of unsolved complaints to the satisfaction of shareholders: | Nil |
| No. of transfers pending for registration for more than 30 days: | Nil |

ANNUAL GENERAL MEETINGS:

Location and time for the last three AGMs:

| Year | Date | Venue | Time | No of Special resolutions Passed |
|------|------------|-------------------|------------|----------------------------------|
| 2001 | 30.06.2001 | Registered Office | 12.30 p.m. | Nil |
| 2002 | 30.09.2002 | Registered Office | 12.30 p.m. | 3 |
| 2003 | 30.09.2003 | Registered Office | 12.30 p.m. | Nil |

No resolution has been passed through Postal Ballot.

DISCLOSURE:

During the financial year 2003-2004 the Company has related party transactions as is envisaged under the Corporate Governance Code which have been mentioned in Note 16 under Schedule 17(B) to the Accounts.

There has not been any non compliance and no penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the last year.

MEANS OF COMMUNICATION:**Half yearly Report to each household of shareholders:**

Half-yearly Report is provided to shareholder on a request made to the Company.

Quarterly Results:

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

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

GENERAL SHAREHOLDERS INFORMATION:**1. Annual General Meeting (AGM)**

| | |
|-------------------|---|
| Date & Time | : 29 th September, 2004, at 12.30 p.m. |
| Venue | : Registered Office |
| Book Closure Date | : 29 th September, 2004 |
| Dividend | : Nil |

Financial Calender for 2004-2005

Financial Results for

| | |
|----------------|-------------------------------------|
| First Quarter | : in the last week of July, 2004 |
| Second Quarter | : in the last week of October, 2004 |
| Third Quarter | : in the last week of January, 2005 |
| Fourth Quarter | : in the last week of April, 2005 |

Listing on Stock Exchange:

Your Company is listed at three Stock Exchanges in India, the addresses of which are listed below:

Stock Exchange**Stock Code**

| | |
|---|--------|
| The Ludhiana Stock Exchange Assn. Ltd., Feroz Gandhi Market, Ludhiana – 141001 | MILKR |
| The Delhi Stock Exchange Assn. Ltd., DSE House, 3/1 Asaf Ali Road, New Delhi-110002 | 13143 |
| The Stock Exchange Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001 | 507621 |

The Listing Fee for the Financial Year 2004-2005 has been paid to all the Stock Exchanges.

Market Price Data:

High and Low market price during each month in last financial year from April,2003 to March, 2004 at BSE is as follows:

| Month | High | Low | Month | High | Low |
|--------------|----------------|-------|-------------|----------------|-------|
| April,03 | 9.30 | 9.30 | October,03 | No transaction | — |
| May,03 | 9.00 | 7.35 | November,03 | 15.70 | 14.96 |
| June,03 | 9.90 | 8.82 | December,03 | 15.90 | 14.95 |
| July,03 | 17.93 | 9.00 | January,04 | 14.35 | 13.00 |
| August,03 | 23.80 | 14.25 | February,04 | 12.50 | 8.33 |
| September,03 | No transaction | — | March, 04 | 7.05 | 6.50 |

Registrar and Share Transfer Agent

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

However keeping in view the convenience of shareholders, documents relating to shares will continue to be received by the Company at Bhandari House, 91, Nehru Place, New Delhi-110019.

Share Transfer System

We work on the share package "COSAC" developed by Dolphin Infotek (P) Ltd and is adequately fulfilling our needs.

Distribution of shareholding as on 31st March, 2004

| No of Shares | No. of shareholders | No. of shares held | %age of total shareholding |
|------------------|---------------------|--------------------|----------------------------|
| 1-2500 | 5,606 | 6,31,889 | 12.94 |
| 2501-5000 | 1,147 | 4,30,993 | 8.83 |
| 5001-10000 | 406 | 3,09,447 | 6.34 |
| 10001-20000 | 135 | 1,89,170 | 3.87 |
| 20001-30000 | 26 | 64,000 | 1.31 |
| 30001-40000 | 22 | 77,680 | 1.59 |
| 40001-50000 | 7 | 31,700 | 0.65 |
| 50001-100000 | 8 | 65,050 | 1.33 |
| 100001 and above | 17 | 30,83,636 | 63.14 |
| Total | 7,374 | 48,83,565* | 100.00 |

*Partly paid up 2875 equity shares are not included.

Shareholding pattern as on 31st March, 2004

| Particulars | No. of shares held | %age of shares held (Rounded off) |
|---|--------------------|-----------------------------------|
| Promoters | 25,01,540 | 51.22 |
| Mutual Funds & UTI | 7,600 | 0.16 |
| Banks, Financial Institutions & Insurance Companies | 53,730 | 1.10 |
| Corporate Bodies | 1,52,210 | 3.12 |
| Indian Public | 21,64,985* | 44.33 |
| NRIs/OCBs | 3,500 | 0.07 |
| Total | 48,83,565 | 100.00 |

*Partly paid up 2875 equity shares not included.

Dematerialization of shares and liquidity:

As the members are aware, your Company's shares are tradable compulsory in electronic form and your Company is in the process of establishing electronic connectivity with the National Securities Depository Limited (NSDL) and has established the electronic connectivity with Central Depository Services (India) Limited (CDSL).



Unclaimed Dividends:

As per the provisions of section 205A read with section 205C of the Act, dividends declared for the financial year ended 31st March, 1997 & 31st March, 1998 and which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government.

Shareholders who have not encashed the dividend warrants so far for the financial year ended 31st March, 1997 & 31st March, 1998 are requested to make their claim to Company.

It may be noted that no claims will lie against the Company or the IEPF in respect of the said unclaimed amounts transferred to the Fund.

Company has deposited a sum of Rs. 10462.20 with respect to the interest accrued on Fixed Deposits and Rs. 2,30,344.90 with respect to the interest accrued on the matured Debentures to the Investor Education and Protection Fund pursuant to section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

Plant Locations:

Patiala Plant: P.O. Bahadurgarh, Distt. Patiala -147021, Punjab
Gurgaon Plant: Plot No. 5, Maruti Industrial Complex, Sector 18, Gurgaon (Haryana)
Hamira Plant: Jagatjit Nagar – 144802, District Kapurthala, Punjab.

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-100019

Management Discussions and Analysis:

During the last year, it was reported that the main reason for the losses is recessionary conditions prevailing in the Dairy Industry. The Company has taken effective steps and has incurred substantial capital expenditure for reduction of cost and enhancement of quality of the products. During the year under reference the Company has earned cash profit of Rs. 285.76 lacs and achieved turnover of Rs. 18955.93 lacs against Rs. 3.43 lacs and Rs. 16373.17 lacs in the previous year. The Company is making all efforts to enhance the profitability during the current year.

Information on Directors seeking re-appointment at this Annual General Meeting

(Pursuant to Clause 49 of the Listing Agreement)

| Name | Date of Birth & Age | Appointed on | Qualifications | Expertise in specific functional areas | Directorship held in other public companies | Membership/ chairmanship of committees across public companies |
|---------------|----------------------|--------------|----------------|--|---|--|
| Ms. Asha Gadi | 23.07.53 51 years | 07.10.02 | B.A. | Marketing | — | — |

For and on behalf of the Board

New Delhi
27th August, 2004

(KARAMJIT S. JAISWAL)
Executive Chairman

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of
Milkfood Limited

We have reviewed the implementation of Corporate Governance procedures by Milkfood Limited during the year ended March 31, 2004, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor any expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the company is yet to implement few corporate procedures relating to role to be performed by Audit Committee with particular reference to Internal Audit System, related party transactions, Management Discussion & analysis, developing a corporate website. We have been informed that the company has during the year taken effective steps for effecting share transfer and resolving investor grievances etc.

Place : New Delhi
Date : 27th August, 2004

For R.N. Bahl & Co.
Chartered Accountants
R.N. Bahl
(Partner)

Financial Highlights

(Rs. in lacs or as indicated)

| PARTICULARS | 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 | 1996-97 | 1995-96 | 1994-95 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | | | | | | |
| Fixed Assets (Net Block) | 1,386 | 1,118 | 1,231 | 1,090 | 1,199 | 1,314 | 1,726 | 1,895 | 2,080 | 2,265 |
| Investments | 453 | 434 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Current Assets | 4,276 | 2,353 | 3,221 | 2,960 | 3,732 | 3,098 | 3,756 | 3,711 | 3,773 | 2,936 |
| TOTAL | 6,115 | 3,905 | 4,461 | 4,059 | 4,940 | 4,421 | 5,491 | 5,615 | 5,862 | 5,210 |
| LIABILITIES | | | | | | | | | | |
| Loans, Current Liabilities and Provisions | 3,436 | 1,327 | 1,796 | 1,145 | 1,998 | 1,434 | 2,225 | 2,227 | 2,246 | 2,721 |
| NET WORTH | 2,679 | 2,578 | 2,665 | 2,914 | 2,942 | 2,987 | 3,266 | 3,388 | 3,616 | 2,489 |
| REPRESENTED BY | | | | | | | | | | |
| Share Capital | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 | 489 |
| Reserves and Surplus | 2,190 | 2,089 | 2,176 | 2,425 | 2,453 | 2,498 | 2,777 | 2,899 | 3,127 | 2,000 |
| TOTAL | 2,679 | 2,578 | 2,665 | 2,914 | 2,942 | 2,987 | 3,266 | 3,388 | 3,616 | 2,489 |
| OPERATING PERFORMANCE | | | | | | | | | | |
| Revenue | 19,027 | 16,435 | 16,279 | 20,113 | 18,674 | 16,193 | 15,473 | 14,072 | 15,367 | 12,270 |
| Gross Profit Earnings | 286 | 3 | 7 | 117 | 161 | (109)**** | 223*** | 98** | 1,337* | 52 |
| Profit/(Loss) before Tax | 201 | (127) | (157) | (28) | (44) | (274)**** | 13*** | (120)** | 1,128* | (156) |
| Profit/(Loss) after Tax | 101 | (88) | (107) | (29) | (44) | (279)**** | 13*** | (120)** | 1,128* | (157) |
| Earnings per Share (Rs.) | 2.07 | — | — | — | — | — | 0.27 | — | 23.08 | — |
| Dividend — Amount per Share (Rs.) | — | — | — | — | — | — | 2.50 | 2.00 | — | — |
| — Rate (%) | — | — | — | — | — | — | 25.00 | 20.00 | — | — |
| Book value of Shares (Rs.) | 54.83 | 52.76 | 54.54 | 59.63 | 60.21 | 61.13 | 66.84 | 69.33 | 74.00 | 50.94 |
| GROSS EARNINGS | | | | | | | | | | |
| As a percentage of Revenue | 1.50 | 0.02 | 0.04 | 0.58 | 0.86 | — | 1.44 | 0.70 | 8.70 | 0.42 |
| As a percentage of Fixed Assets | 20.63 | 0.27 | 0.57 | 10.73 | 13.43 | — | 12.92 | 5.17 | 64.28 | 2.30 |
| As a percentage of Capital Employed | 10.68 | 0.12 | 0.26 | 4.02 | 5.47 | — | 6.83 | 2.89 | 36.97 | 2.09 |

* Includes Rs. 1298 lacs Extra Ordinary Items.

** Includes Rs. 69 lacs Extra Ordinary Items.

*** Includes Rs. 36 lacs Extra Ordinary Items.

**** Includes Rs. (29) lacs Extra Ordinary Items.



Auditors' Report

TO THE MEMBERS OF MILKFOOD LIMITED

1. We have audited the attached Balance Sheet of Milkfood Limited as at 31st March, 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit; read with para (5) and (6) of the Annexure to the report regarding non-receipt of notice u/s 299 of Companies Act, 1956 from one director of Company;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of these books **except that gratuity is accounted for on payment basis.**
 - (iii) The Balance sheet, Profit and loss account and Cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet, Profit and loss account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3 C) of section 211 of the Companies Act, 1956 **except that gratuity is accounted for on payment basis, related parties disclosures as identified and certified by the management as detailed in Note No.17B, 16.**
 - (v) On the basis of written representations received from the directors as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to **note No. 8 of schedule 17 B regarding non provision of gratuity amounting to Rs. 156.40 lacs of which Rs. 21.69 lacs relate to current year, note No. 12 (a) of schedule 17 B regarding Gurgaon plant. Note No. 13 of Schedule 17 B regarding non-provision for diminution in the value of investments,** give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance sheet, of the state of affairs of the company as at 31st March 2004;
 - (b) in the case of the Profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash flow statement, of the cash flows for the year ended on that date.
 - (d) **We further report that had the remarks given by us in para (vi) above been considered, profit for the year would have been Rs. 45.00 lacs as against the reported figure of Rs. 201.40 lacs the reserve surplus would have been Rs. 2033.63 lacs (against the reported figure of Rs. 2190.03 lacs) and Net Current Assets would have been Rs. 2318.67 lacs (as against reported figure of Rs. 2475.07 lacs).**

Place : New Delhi
Dated : August 27, 2004

R.N. BAHL
Partner
For and on behalf of
R.N. BAHL & CO
Chartered Accountants
Membership No. FCA 2277

Annexure

Referred to in paragraph 3 of our report of even date to the members of Milkfood Limited on the accounts as at and for the year ended March 31, 2004.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets **except for records relating to furniture & fixtures and equipments and vehicles as these records upto 31st March, 1992** are in custody of Income Tax Authorities. Company has maintained details of additions made in every year in respect of these assets after 31.3.92.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets **except furniture and office equipment has been physically verified by the management during the year.** Reconciliation of the same is in process and material discrepancy if any, will be adjusted on completion.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The company has not granted loans to companies covered in the register maintained under section 301 of the Companies Act, 1956.
The Company has taken loans from companies, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and, year end balance of such loans aggregate to Rs.70000 thousands and Rs.70000 thousands respectively.
(b) In our opinion the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
(c) In respect of the aforesaid loans Company is regular in the payment of interest. As at the date of Balance sheet, no amount of principal is due for repayment.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and sale of goods. Further, on the basis of our examination of the books and records of the company and according to the information and explanations given to us, we have neither come across, nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. In our opinion and according to explanations given to us subject to non-receipt of notice pursuant to Section 299 of the Act from one Director, the transactions that need to be entered into the register maintained under section 301 have been so entered.
6. In our opinion and according to the information and explanations given to us and subject to non-receipt of notice pursuant to Section 299 of the Act from one Director the transactions of purchases/sales made in pursuance of contracts or arrangements entered in the registers maintained under section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time. With regard to financial arrangements we are informed that these all represent specific and specialized services for which market prices are not available. However considering the cost and benefits available payments made/received are reasonable.
7. In our opinion and according to the information and explanations given to us the company has complied with the provisions of sections 58 A and 58 AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to information and explanations given to us no order has been passed by the National Company Law Tribunal.
8. In our opinion, **the company's Internal Audit system needs to be formalized and substantially strengthened.**
9. We have broadly reviewed the books of account maintained by the company in respect of products where pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and on the basis of review of cost Auditor Report for the Financial year 2002-03are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.



10. (a) According to the records of the company, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise-duty, cess and other statutory dues applicable to it except investor education fund of Rs. 230 thousand which has since been deposited.
- (b) According to the information and explanations given to us and the records of the company examined by us the particulars of dues of sales-tax, income-tax, customs duty, wealth tax, excise duty and cess as at March 31, 2004 which have not been deposited on account of a dispute, are as follows:-

| Sl. No. | Name of Statute | Nature of Dues | Amount Rs./Lacs | Forum where dispute is pending |
|---------|---|--|-----------------|--|
| 1. | West Bengal Finance & Sales Tax Act, 1941 | Sales Tax and Turnover tax on Milk Powder 1978-79 to 1985-86 | 117.06 | West Bengal Sales Tax Tribunal |
| 2. | West Bengal Finance & sales Tax Act, 1941 | Additional Demand for 1995-96 | 0.17 | Appeal before Additional Commissioner of Commercial Taxes, Kolkata |
| 3. | West Bengal Sales Tax (Settlement of Dispute) Act, 1999 | Additional Demand for 1996-97 | 3.16 | Appeal before Additional Commissioner of Commercial Taxes, Kolkata |
| 4. | West Bengal Finance & Sales Tax Act, 1941 | Additional Demand for 1997-98 | 0.79 | Appeal before Additional Commissioner of Commercial Taxes, Kolkata |
| 5. | West Bengal Finance & Sales Tax Act, 1941 | Additional Demand for 1998-99 (CST) | 0.73 | Appeal before Addition Commissioner of Commercial Taxes, Kolkata |
| 6. | Delhi Sales Tax Act, 1975 | Disallowance of ST Forms 1982-83 | 37.97 | Appeal before Sales Tax Appellate Tribunal, Delhi |
| 7. | Delhi Sales Tax Act, 1975 | Disallowance of ST-1 Forms 1983-84 | 9.00 | Appeal before Sales Tax Appellate Tribunal, Delhi |
| | | Stock Transfer not allowed | 3.17 | Appeal before Sales Tax Appellate Tribunal, Delhi |
| | | Credit Not given for ST Challan 1983-84 | 0.31 | Appeal before Sales Tax Appellate Tribunal, Delhi |
| 8. | Delhi Sales Tax Act, 1975 | F-Form disallowed 1984-85 | 1.86 | Before Assessing Authority |
| 9. | Delhi Sales Tax Act, 1975 | Additional demand 2001-02 | 0.11 | Before Assessing Authority |
| | | Additional demand 2002-03 | 0.14 | Before Assessing Authority |
| 10. | Punjab General Sales Tax Act, 1948 | Transfer disallowed 1999-2000 | 13.07 | Before Commissioner (Appeal), Patiala |
| 11. | Rajasthan Sales Tax Act, 1994 | Stock Transfer | 2.07 | Before Commissioner (Appeal) Sri-Ganganagar |
| 12. | Punjab Dairy Development Board | Cess on Milk | 81.43 | Divisional Bench, Supreme Court |

11. The company has no accumulated losses as at March 31, 2004 and it has not incurred any cash losses during the financial year ended in that date and in the immediately preceding financial year.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, the company has not availed any term loan during the year.
17. On the basis of review of utilization of funds on overall basis, related information as made available to us and as represented to us by the management, funds raised on long term basis to the extent of Rs. 50659 thousand, have been used to finance short term assets (i.e. net current assets).
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debenture during the year accordingly, no securities has been created.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

R.N. BAHL
Partner

For and on behalf of
R.N. BAHL & CO

Chartered Accountants
Membership No. FCA 2277

Place : New Delhi
Dated : August 27, 2004

Balance Sheet

as at 31st March, 2004

| | Schedule | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|---|----------|----------------------|----------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | 1 | 4,88,53 | 4,88,53 |
| Reserves and Surplus | 2 | 21,90,03 | 20,89,02 |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 7,86,70 | — |
| Unsecured Loans | | 7,11,51 | 68,65 |
| Deferred Tax Liability (Net) (Note 14) | 17B | 1,36,94 | 52,03 |
| TOTAL | | 43,13,71 | 26,98,23 |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 4 | 40,55,20 | 37,98,62 |
| Less: Depreciation | | 27,34,12 | 27,60,05 |
| Net Block | | 13,21,08 | 10,38,57 |
| Capital Work-in-progress | | 64,97 | 79,79 |
| | | 13,86,05 | 11,18,36 |
| INVESTMENTS | 5 | 4,52,59 | 4,34,54 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | 6 | 26,82,33 | 4,30,10 |
| Sundry Debtors | 7 | 9,56,37 | 8,38,87 |
| Cash and Bank Balances | 8 | 2,56,25 | 6,87,92 |
| Loans and Advances | 9 | 3,80,91 | 3,95,62 |
| | | 42,75,86 | 23,52,51 |
| Less: Current Liabilities & Provisions | 10 | | |
| Liabilities | | 17,99,25 | 12,05,87 |
| Provisions | | 1,54 | 1,31 |
| | | 18,00,79 | 12,07,18 |
| Net Current Assets | | 24,75,07 | 11,45,33 |
| TOTAL | | 43,13,71 | 26,98,23 |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

This is the Balance Sheet referred to in our report of even date

17

The Schedules referred to above form an integral part of the Balance Sheet

R.N. Bahl

Partner

For and on behalf of

R.N. Bahl & Co.

Chartered Accountants

Place : New Delhi

Date : August 27, 2004

Kamlesh Gupta

Company Secretary

Sudhir Avasthi

Finance Director

Karamjit S. Jaiswal

Umesh N. Saxena

Deepankar Barat

Directors



Profit and Loss Account

for the year ended 31st March, 2004

| | Schedule | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|--|----------|----------------------|----------------------|
| INCOME | | | |
| Sales [notes (9 & 10)] | 17A,B | 1,89,55,93 | 1,63,73,17 |
| Other Income | 11 | 70,96 | 42,41 |
| | | <u>1,90,26,89</u> | <u>1,64,15,58</u> |
| EXPENDITURE | | | |
| Raw materials consumed | | 1,81,48,84 | 1,32,87,36 |
| Packing material consumed | | 6,05,45 | 5,54,04 |
| Manufacturing | 12 | 8,81,66 | 7,72,70 |
| Personnel | 13 | 5,51,40 | 5,49,53 |
| Administration | 14 | 2,95,79 | 2,85,76 |
| Selling and Distribution (Note 10) | 17 B | 4,15,15 | 3,69,93 |
| Finance charges | 15 | 26,78 | (10,04) |
| Depreciation | | 84,36 | 1,30,49 |
| | | <u>2,10,09,43</u> | <u>1,59,39,77</u> |
| (Increase)/Decrease in work-in-progress and finished goods | 16 | (21,83,94) | 6,02,87 |
| Total | | <u>1,88,25,49</u> | <u>1,65,42,64</u> |
| Profit (Loss) before Tax | | 2,01,40 | (1,27,06) |
| Less : Provision for Tax | | | |
| a) Current Tax | | 15,48 | — |
| b) Deferred Tax (Note 14) | 17B | 84,91 | (39,27) |
| Profit (Loss) after Provision for Income tax | | <u>1,01,01</u> | <u>(87,79)</u> |
| Balance transferred to General Reserve | | <u>1,01,01</u> | <u>(87,79)</u> |
| Basic/Diluted Earnings Per Share of Nominal Value of Rs. 10 each (Rs.) (Note 17) | 17B | 2.07 | (1.80) |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS | 17 | | |

This is the Profit and Loss Account referred to in our report of even date

The Schedules referred to above form an integral part of the Profit and Loss Account

R.N. Bahl

Partner

For and on behalf of

R.N. Bahl & Co.

Chartered Accountants

Place : New Delhi

Date : August 27, 2004

Kamlesh Gupta

Company Secretary

Sudhir Avasthi

Finance Director

Karamjit S. Jaiswal

Umesh N. Saxena

Deepankar Barat

Directors

Cash Flow Statement

for the year ended 31st March, 2004

| Particulars | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|---|----------------------|----------------------|
| A. Cash flow from operating activities: | | |
| Net (loss)/profit before tax | 201.40 | (127.06) |
| Adjustments for: | | |
| Depreciation | 84.36 | 130.49 |
| Interest Expense | 49.85 | 37.78 |
| Income from Investment - Dividends | (0.98) | (0.27) |
| (Profit)/Loss on Fixed Assets sold | (12.02) | (18.14) |
| Provision for Wealth tax/Income Tax | (15.25) | (0.24) |
| Miscellaneous Balances Written Back | (9.25) | (9.92) |
| Operating profit before working capital changes | 298.11 | 12.64 |
| Adjustments for changes in working capital : | | |
| - (INCREASE)/DECREASE in Sundry Debtors | (117.50) | (119.44) |
| - (INCREASE)/DECREASE in Other Receivables | (9.67) | 160.56 |
| - (INCREASE)/DECREASE in Inventories | (2,252.23) | 652.43 |
| - INCREASE/(DECREASE) in Trade and Other Payables | 602.68 | (273.15) |
| Cash generated from operations | (1,478.61) | 433.04 |
| - Taxes Refunded (Net of TDS) | 24.38 | 19.84 |
| Net cash from operating activities | (1,454.23) | 452.88 |
| B. Cash flow from Investing activities: | | |
| Adjustments for changes in : | | |
| Additions during the period | (392.16) | (167.99) |
| Capital Work in Progress | 14.82 | (76.89) |
| Proceeds from Sale of fixed assets | 37.31 | 245.10 |
| Purchase of investments | (18.05) | (425.00) |
| Dividend Received | 0.98 | 0.27 |
| Net cash used in investing activities | (357.10) | (424.51) |
| C. Cash flow from financing activities: | | |
| Proceeds from fixed deposits (Net) | (58.81) | (26.09) |
| Proceeds from Cash Credits (Net) | 763.84 | (118.32) |
| Proceeds from Demand Loan | 22.86 | — |
| Proceeds from Inter Corporate Deposits | 700.00 | — |
| Interest Paid | (48.18) | (38.57) |
| Dividend Paid | (0.05) | (0.06) |
| Net cash used in financing activities | 1,379.66 | (183.04) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (431.67) | (154.67) |
| Cash and cash equivalents as at 31.03.2003 | 687.92 | 842.59 |
| Cash and cash equivalents as at 31.03.2004 | 256.25 | 687.92 |
| Cash and cash equivalents comprise | | |
| Cash, Cheques & Drafts (in hand) and Remittances in transit | 11.38 | 22.05 |
| Balance with Scheduled Banks | 244.87 | 665.87 |
| Total | 256.25 | 687.92 |

Notes:

- The above Cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outflows.
- Cash and cash equivalents includes Rs. 5.20 lacs (Previous Year - Rs. 5.20 lacs) which are not available for use by the Company.
- Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

This is the Cash flow Statement referred to in our report of even date

Significant Accounting Policies and Notes to Account (Schedule 17) forms an integral part of the Cash Flow Statement

R.N. Bahl

Partner

For and on behalf of

R.N. Bahl & Co.

Chartered Accountants

Place : New Delhi

Date : August 27, 2004

Kamlesh Gupta
Company Secretary

Sudhir Avasthi
Finance Director

Karamjit S. Jaiswal
Umesh N. Saxena
Deepankar Barat
Directors



Schedules

Forming part of the Accounts

| 1. SHARE CAPITAL [Schedule 17B(3)] | 2003-2004 | 2002-2003 |
|---|------------------------|------------------|
| | Rs.'000 | Rs.'000 |
| Authorised | | |
| 75,00,000 Equity Shares of Rs. 10 each (Previous year-75,00,000 Equity Shares of Rs. 10 each) | 7,50,00 | 7,50,00 |
| 50,000 Redeemable Cumulative Preference Shares of Rs. 100 each (Previous year-50,000 Preference Shares of Rs. 100 each) | 50,00 | 50,00 |
| | <u>8,00,00</u> | <u>8,00,00</u> |
| Issued | | |
| 48,87,890 Equity Shares of Rs. 10 each (Previous year-48,87,890 Equity Shares of Rs. 10 each) | 4,88,79 | 4,88,79 |
| Subscribed and Paid up | | |
| 48,86,440 Equity Shares of Rs. 10 each (Previous year-48,86,440 Equity Shares of Rs. 10 each) | 4,88,65 | 4,88,65 |
| Less : Calls in arrears | 19 | 19 |
| | <u>4,88,46</u> | <u>4,88,46</u> |
| Amount paid on 1,450 Forfeited Shares | 7 | 7 |
| | <u>4,88,53</u> | <u>4,88,53</u> |
| 2. RESERVES AND SURPLUS | | |
| Capital Redemption Reserve As per last Balance Sheet | 1 | 1 |
| Share Premium Account As per last Balance Sheet | 6,69,88 | 6,69,88 |
| General Reserve As per last Balance Sheet | 14,19,13 | 15,06,92 |
| Less : Transferred from Profit and Loss Account | 1,01,01 | (87,79) |
| | <u>15,20,14</u> | <u>14,19,13</u> |
| | <u>21,90,03</u> | <u>20,89,02</u> |
| 3. LOAN FUNDS [Schedule 17B(4,5)] | | |
| SECURED | | |
| Cash Credit | 7,63,84 | — |
| Demand Loan Against Fixed Deposit | 22,86 | — |
| | <u>7,86,70</u> | <u>—</u> |
| UNSECURED | | |
| Fixed Deposits | 9,16 | 67,97 |
| Inter Corporate Deposits | 7,00,00 | — |
| Interest accrued and due | 2,35 | 68 |
| | <u>7,11,51</u> | <u>68,65</u> |

4. FIXED ASSETS [Schedule 17A(2,3) 17B(12)]

| Particulars | Cost as on 01.04.2003 | Additions in 2003-2004 | Disposals/ Adjustments | Cost as on 31.03.2004 | Depreciation As on 01.04.2003 | Depreciation For 2003-2004 | Depreciation On Deductions | Depreciation up to 31.03.2004 | Net Block As on 31.03.2004 | Net Block As on 31.03.2003 |
|---|--------------------------|---------------------------|---------------------------|--------------------------|-------------------------------------|-------------------------------|-------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Freehold Land | 19,37 | | | 19,37 | | | | | 19,37 | 19,37 |
| Buildings | 2,60,54 | 28,48 | | 2,89,02 | 1,34,09 | 8,69 | | 1,42,78 | 1,46,24 | 1,26,44 |
| Plant & Machinery | 19,66,31 | 2,90,76 | 1,17,31 | 21,39,76 | 16,65,37 | 43,39 | 1,00,00 | 16,08,76 | 5,31,00 | 3,00,93 |
| Furniture, Fixtures and Equipments | 91,38 | 4,51 | | 95,89 | 61,80 | 2,82 | | 64,62 | 31,27 | 29,59 |
| Vehicles | 2,94,44 | 68,41 | 18,27 | 3,44,58 | 76,06 | 29,46 | 10,29 | 95,23 | 2,49,35 | 2,18,39 |
| Assets held for Disposal | 11,66,58 | | | 11,66,58 | 8,22,73 | | | 8,22,73 | 3,43,85 | 3,43,85 |
| Total | 37,98,62 | 3,92,16 | 1,35,58 | 40,55,20 | 27,60,05 | 84,36 | 1,10,29 | 27,34,12 | 13,21,08 | 10,38,57 |
| Previous year | 41,60,03 | 1,67,99 | 5,29,40 | 37,98,62 | 29,32,00 | 1,30,49 | 3,02,44 | 27,60,05 | | |
| Capital Work in Progress (including Capital advances Rs. 51,60,000 (Previous year Rs. 13,94,842)) | | | | | | | | | 64,97 | 79,79 |
| Grand Total | | | | | | | | | 13,86,05 | 11,18,36 |

5. INVESTMENTS [Schedule 17A(4) 17B(13)]

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|--|----------------------|----------------------|
| OTHER INVESTMENTS (Long Term) | | |
| IN EQUITY SHARES, (NON TRADE, QUOTED) | | |
| Mohan Meakin Limited | | |
| 60,026 shares of Rs. 5 each fully paid | 9,54 | 9,54 |
| Jagatjit Industries Limited | | |
| 67,620 shares of Rs. 10 each fully paid | 18,05 | — |
| IN PREFERENCE SHARES, (TRADE, UNQUOTED) | | |
| Grand Regency & Hospitalities Pvt. Ltd. | | |
| 425,000 shares of Rs. 100 each fully paid | 4,25,00 | 4,25,00 |
| | 4,52,59 | 4,34,54 |
| Aggregate market value of Quoted Investments | 33,31 | 18,01 |

6. INVENTORIES [Schedule 17A(5)]

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|--------------------------|----------------------|----------------------|
| Stores and Spare Parts | 1,90,88 | 1,48,13 |
| Raw and Packing Material | 89,63 | 64,09 |
| Finished Goods | 23,06,82 | 1,43,48 |
| Work-in-Progress | 95,00 | 74,40 |
| | 26,82,33 | 4,30,10 |

7. SUNDRY DEBTORS

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|---|----------------------|----------------------|
| Debts outstanding for a period exceeding 6 months | | |
| - Unsecured | 72,53 | 1,09,53 |
| Other debts | | |
| - Secured | 2,32,54 | 2,43,18 |
| - Unsecured | 6,51,30 | 4,86,16 |
| | 9,56,37 | 8,38,87 |



8. CASH AND BANK BALANCES

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|-------------------------------|----------------------|----------------------|
| Cash and Cheques on hand | 11,38 | 22,05 |
| Balances with Scheduled Banks | | |
| On Current Accounts | 2,14,67 | 2,60,67 |
| On Deposit accounts | 30,20 | 4,05,20 |

Notes

1) Includes Rs. 5,20,000 as Margin Money for Bank Guarantee
(Previous year Rs. 5,20,000)

2) Includes Rs. 25,00,000 pledged with a bank as security,
(Previous year Rs. Nil)

| | |
|----------------|----------------|
| <u>2,56,25</u> | <u>6,87,92</u> |
|----------------|----------------|

9. LOANS AND ADVANCES [Schedule 17B(6)]

| | | |
|--|----------------|----------------|
| Unsecured, considered good- Advances recoverable in cash or kind or for value to be received | 2,01,98 | 1,90,09 |
| Security Deposits | 73,03 | 67,39 |
| Interest accrued on deposits | 2,95 | 10,81 |
| Advance Tax (Net of Provision) | 1,02,95 | 1,27,33 |
| | <u>3,80,91</u> | <u>3,95,62</u> |

10. CURRENT LIABILITIES AND PROVISIONS [Schedule 17B(7)]

Current Liabilities

| | | |
|---|-----------------|-----------------|
| Sundry Creditors - Total Outstanding dues to Small Scale Industrial Undertaking(s); | — | — |
| - Total Outstanding dues of Creditors other than Small Scale Industrial Undertakings | 8,99,52 | 7,95,96 |
| Advances/Deposits from Customers | 8,08,16 | 3,30,44 |
| Unclaimed Dividend | 13,16 | 13,21 |
| Other liabilities | 76,63 | 58,64 |
| Interest accrued but not due | 1,78 | 7,62 |
| | <u>17,99,25</u> | <u>12,05,87</u> |

Provisions

| | | |
|------------|-------------|-------------|
| Wealth Tax | 1,54 | 1,31 |
| | <u>1,54</u> | <u>1,31</u> |

11. OTHER INCOME

| | | |
|-------------------------------|--------------|--------------|
| Dividend on trade Investments | 98 | 27 |
| Gain on sale of Assets | 12,02 | 18,14 |
| Miscellaneous | 57,96 | 24,00 |
| | <u>70,96</u> | <u>42,41</u> |

12. MANUFACTURING

| | | |
|---|----------------|----------------|
| Consumption of Stores and Spare parts (Excluding Rs. 16,08,178 charged to other revenue heads of accounts, Previous year Rs. 42,24,830) | 60,56 | 57,42 |
| Power and Fuel | 5,94,67 | 6,46,84 |
| Conversion Charges | 1,84,43 | — |
| Repairs - Building | 1,70 | 3,12 |
| - Machinery | 15,60 | 41,93 |
| ISI & Agmark Charges | 24,70 | 23,39 |
| | <u>8,81,66</u> | <u>7,72,70</u> |

17

13. PERSONNEL

| | 2003-2004 | 2002-2003 |
|---|------------------|-----------|
| | Rs.'000 | Rs.'000 |
| Salaries, Wages, Bonus, Gratuity and Hired Services | 4,75,32 | 4,75,76 |
| Contribution to Provident and Superannuation Funds | 43,34 | 41,56 |
| Workmen and staff welfare | 32,74 | 32,21 |
| | 5,51,40 | 5,49,53 |

14. ADMINISTRATION

| | | |
|------------------------|----------------|---------|
| Rent | 44,38 | 42,04 |
| Rates and taxes | 5,34 | 7,48 |
| Insurance | 24,50 | 24,09 |
| Directors' fees | 14 | 12 |
| Miscellaneous expenses | 2,21,43 | 2,12,03 |
| | 2,95,79 | 2,85,76 |

15. FINANCE CHARGES**Interest Paid**

| | | |
|----------------|--------------|-------|
| On Fixed Loans | 3,99 | 12,59 |
| Others | 45,86 | 25,19 |
| | 49,85 | 37,78 |

Interest Received (Tax deducted at source Rs. 3,16,800 Previous Year Rs. 8,77,080)

| | | |
|--------------------------------|----------------|---------|
| Interest on Income tax refunds | (8,41) | (4,87) |
| Interest on Bank deposits | (14,66) | (42,94) |
| Interest others | — | (1) |
| | (23,07) | (47,82) |
| | 26,78 | (10,04) |

16. (INCREASE)/DECREASE IN WORK-IN-PROGRESS AND FINISHED GOODS**Opening Stocks**

| | | |
|------------------|----------------|---------|
| Work-in-progress | 74,40 | 82,41 |
| Finished Goods | 1,43,48 | 7,38,34 |
| | 2,17,88 | 8,20,75 |

Closing Stocks

| | | |
|---------------------|-------------------|---------|
| Work-in-Progress | 95,00 | 74,40 |
| Finished Goods | 23,06,82 | 1,43,48 |
| | 24,01,82 | 2,17,88 |
| (Increase)/Decrease | (21,83,94) | 6,02,87 |



17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Accounts

The accounts have been prepared in accordance with historical cost convention, applicable accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 following accrual method of accounting except for gratuity which is being accounted for on payment basis.

2 Fixed Assets

Fixed assets are stated at cost. The expenditure incurred during the period of construction are charged to the capital work in progress and on completion the costs are allocated to the respective fixed assets.

3 Depreciation on Fixed Assets

Depreciation on fixed assets is provided on the straight line method at the rates and manner as specified in schedule XIV of the Companies Act, 1956.

4 Investments

Long Term Investments are stated at cost, less provision if any for diminution in the value of such investments, other than temporary.

5 Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis. In case of finished goods, appropriate overheads are loaded on absorption costing basis. Work in progress is valued at Direct Costs. Net realizable value is determined by taking average of market prices of goods sold subsequent to the date of balance sheet.

6 Retirement Benefits

Contribution towards superannuation liability is made on the basis of amount specified by the Life Insurance Corporation of India (LIC). Gratuity is accounted for on payment basis.

7 Revenue Recognition

Sales are recognised at the point of despatch to customers and are net of sales return.

8 Deferred Tax

The tax expense consists of current tax and deferred tax. Provision for the current tax is based on tax liability computed in accordance with relevant Income Tax Act and rates. Provisions for deferred tax are made for all timing differences arising between taxable income and accounting income at Income Tax rates that have been enacted or substantially enacted as of the balance sheet date. Deferred Tax Assets are recognised and carried forward only if there is convincing evidence that they will be realised in future against future taxable income. The carrying amount of Deferred Tax Asset are reviewed for the appropriateness of their respective carrying values at each balance sheet date (also refer Note 14 of Schedule 17 B).

B) NOTES TO ACCOUNTS

1. Contingent liabilities:
 - a) Claims not acknowledged as debts Rs. 3,74,44,950 net of tax Rs. 2,40,11,574 (Previous year - Rs. 3,34,93,136 net of tax Rs. 2,14,77,473).
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) Rs. 2,65,75,500 (Previous year Rs. 41,55,641)
3. Equity shares include 30,10,225 Equity Shares (Previous year 30,10,225) allotted by way of Bonus Shares by capitalisation of General Reserve/Share Premium Account.
4. (i) Cash Credit from a Bank is secured by hypothecation of company's entire stocks comprising of raw material, packing material, work in process, finished goods and stores & spares, and book debts, present and future situated at Bahadurgarh (Patiala) and at depots and in transit and as collateral security of equitable mortgage by way of title deed for land of company's plant situated at Bahadurgarh (Patiala).
(ii) Demand loan from Bank is secured against pledge of Fixed Deposit of Rs. 25,00,000.
5. (i) Unsecured Loans (Schedule 3) include deposits of Rs. 77,000 (Previous year- Rs. 3,23,000) matured but not claimed.
(ii) Fixed deposits includes amount payable within one year Rs. 4,04,000.
6. Loans and advances (Schedule 9) includes amount due from Directors of the Company as at 31st March, 2004 Rs. 1,051 (Previous Year Rs. 2,500). Maximum amount due at any time during the year Rs. 5,68,398 (Previous year Rs. 3,40,978).
7. (i) Current Liabilities (Schedule 10) includes unclaimed dividends of Rs. 13,15,922 (Previous year Rs. 13,21,322). At the year end the aforesaid balances need not be transferred to Investors Education and Protection Fund in terms of provisions of section 205 C of the Companies Act, 1956.
(ii) Current Liabilities (Schedule 10) includes Rs. 85,291 due to directors of the company (Previous Year Rs. 81,971). Maximum amount due during the year Rs. 123,330 (Previous year Rs. 1,13,930).
8. No provision for gratuity as on 31st March, 2004 amounting to Rs. 1,56,39,861 (Previous year Rs. 1,45,61,383)

calculated in accordance with payment of Gratuity Act, 1972, not actuarially determined, for employees and of which Rs. 21,69,273/- (Previous year Rs. 7,27,497) relates to current year has been made in these accounts.

9. Sales are net of rebate and discounts amounting to Rs. 14,73,289 (Previous year Rs. 13,38,893).
10. Selling and distribution expenses in the Profit and Loss Account are inclusive of commission to selling agents amounting to Rs. 53,29,577 (Previous year – Rs. 71,20,778).
11. As per information available with the company there is no amount due to any small scale and ancillary undertaking.
12. (a) The company has shut down the operations of its Gurgaon plant and have received an offer for sale of assets. The process for due diligence and completion of legal formalities is going on. The expenditure incurred for maintenance of its plant amounting to Rs. 39,70,200 has been accounted for as amounts recoverable to be adjusted against sale proceeds. No depreciation has been charged on fixed assets during the year under audit. In the opinion of the management, the realisable value of net assets is expected to be much higher than their book value and hence no provision is considered necessary.

Details of net assets is given below:

| Fixed Assets | | Amount (Rs. '000) |
|------------------------------------|---------------|-------------------|
| Land (at cost) | 2,898 | |
| Building (at Book Value) | 12,428 | |
| Plant and machinery | 18,294 | |
| Furniture, Fixtures and equipments | 765 | |
| Total Fixed Asset | <u>34,385</u> | 34,385 |
| Inventories (at cost) | | |
| Stores & Packing materials | 4,979 | |
| Packing material | 3,535 | |
| Total Inventories | <u>8,514</u> | 8,514 |
| Loans and Advances | | 5,986 |
| Total Asset (A) | | <u>48,885</u> |
| Current Liabilities (B) | | 74 |
| Net Assets (C)=(A)-(B) | | <u>48,811</u> |

(b) Additions in Building include Rs. 4.80 lacs incurred during the year as Capital expenditure in respect of premises taken on rent.

13. In the opinion of the management, the fall in the book value of preference shares in Grand Regency Hospitalities Pvt Ltd is temporary in nature and hence no provision for diminution in the value of investment is required thereon (Schedule 5).
14. **Deferred Tax**
As per Accounting Standard (AS-22), "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, Deferred Tax Asset (Net) for the year has been accounted for at Rs. 84,91,300/- (Previous Year Rs. 39,26,829) in the Profit & Loss Account.

Deferred Tax Liability (Net) as at 31st March 2004 is net of deferred tax asset in respect of unabsorbed depreciation and carried forward losses of Rs. 3,04,45,991/- (Previous Year Rs. 4,69,93,324) which have been recognised based on management's projections of future profits.

The details regarding components of deferred tax are given below :

| Particulars | Opening as on 01/04/2003 | Charge/(Credit) during the year | Closing as on 31/03/2004 |
|-------------------------------|-----------------------------|------------------------------------|-----------------------------|
| Deferred Tax Liability | | | |
| -Depreciation | 22,063 | 2,554 | 24,617 |
| Deferred Tax Asset | | | |
| Carried Forward Losses | (357) | 357 | — |
| Unabsorbed Depreciation | (16,503) | 5,580 | (10,923) |
| Total | <u>5,203</u> | <u>8,491</u> | <u>13,694</u> |

15. **Segmental Reporting**
During the financial year 2003-2004 the company was operating under a single segment i.e Dairy Products : comprising of Ghee and Milk Powder, and therefore there are no reportable segments as per Accounting Standard 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India.



16. Related Party Disclosures

In accordance with the requirements of Accounting Standard 18 on the Related Party Disclosures, the transactions and Related Parties with whom transactions have taken place during the year are as follows:

(A) Related parties and transactions with them as identified by the management are given below.

(a) Enterprises over which Major shareholders, Key Management Personnel and their relatives have significant influence -

- Jagatjit Industries Ltd.
- Pashupati Properties and Estates Pvt. Ltd.
- S.A. Hitech

(b) Key Management Personnel (Directors) and their relatives

- Mr. L.P. Jaiswal
- Mr. K.S. Jaiswal
- Mr. A.P. Jaiswal
- Mr. Umesh Saxena
- Mr. Deepankar Barat
- Mr. Suresh Alipuria
- Mr. Ashok Bharti
- Mr. Inder Singh Batra
- Ms. Asha Gadi
- Col. Sukh Dev Raj Makin
- Mrs. Asha Saxena (wife of Mr. Umesh Saxena)
- Mr. Udit Saxena (son of Mr. Umesh Saxena)
- Mr. Nitin Saxena (son of Mr. Umesh Saxena)

(B) Details of Transactions carried out with related party in the ordinary course of business :

(Rs. in '000)

| | For the Year Ended 31st March 2004 | | | For the Year Ended 31st March 2003 | | |
|--|---|---|--------|---|---|-------|
| | With Persons Mentioned in Clause 22 | With Persons Mentioned in Clause 22 | Total | With Persons Mentioned in Clause 22 | With Persons Mentioned in Clause 22 | Total |
| | (A) (a) | (A) (b) | | (A) (a) | (A) (b) | |
| Electricity expenses paid | 865 | – | 865 | 792 | – | 792 |
| Telephone expenses paid | 77 | – | 77 | – | – | – |
| Rent paid | 360 | 520 | 880 | 360 | 398 | 758 |
| Salary and Allowances | 217 | – | 217 | – | 234 | 234 |
| Travelling expenses paid | 41 | – | 41 | – | – | – |
| Interest paid | 921 | 91 | 1,012 | – | 101 | 101 |
| Sale of Assets | – | – | – | 1,018 | – | 1,018 |
| Amount received for Services Rendered | 3,483 | – | 3,483 | 1,890 | – | 1,890 |
| Reimbursement of Expenses | 4,055 | – | 4,055 | 4,941 | – | 4,941 |
| Managerial Remuneration | – | 8,220 | 8,220 | – | 4,747 | 4,747 |
| Fixed Processing Charges | 10,000 | – | 10,000 | – | – | – |
| Variable Processing Charges | 13,700 | – | 13,700 | – | – | – |
| Purchases | 8,967 | – | 8,967 | – | – | – |
| Sales | 6,764 | – | 6,764 | – | – | – |
| Outstanding payables, net of receivable | 74,500 | (42) | 74,458 | (989) | 79 | (910) |

Notes:

The above information has been compiled on the basis of disclosures received from all directors of the Company other than one director.

17. Earnings Per Share (EPS) - The numerators and denominators used to calculate Basic/Diluted Earnings Per Share :

| | Year ended March 31st, 2004 | Year ended March 31st, 2003 |
|---|--------------------------------|--------------------------------|
| Profit (Loss) attributable to the Equity Shareholders (Rs.'000) (A) | 10,101 | (8,779) |
| Basic/Diluted Average Number of Equity Shares outstanding during the year (B) | 4,886,440 | 4,886,440 |
| Nominal Value of Equity Shares (Rs.) | 10 | 10 |
| Basic/Diluted Earnings Per Share (Rs.) (A)/(B) | (2.07) | (1.80) |

18. Amount paid/payable to Auditors:

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|---|----------------------|----------------------|
| Audit Fees (including Service Tax) | 243 | 840 |
| In Other Capacity (Including Service Tax) | 270 | 471 |
| Out of Pocket Expenses | 8 | 59 |
| Total | 521 | 1,370 |

19. (a) Managerial remuneration:

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|--|----------------------|----------------------|
| Salary | 1,099 | 976 |
| Contribution to Provident and Superannuation Funds | 296 | 263 |
| Perquisites | 1,395 | 1,325 |
| Gratuity (Paid during tenure of service) | 2,553 | — |
| Sitting Fees | 14 | 12 |
| Total | 5,357 | 2,576 |

(b) During the year the remuneration of Managing Director were amended subject to approval by Shareholders in the General Meeting. Existing limit of remuneration as prescribed under Schedule XIII of the Companies Act, 1956 on the basis of effective capital is Rs. 36.00 lacs per annum. Management is of the view that gratuity paid during the tenure in service is not to be added for the purpose of calculation of ceiling of limit of remuneration.

(c) In view of Company Law Board's letter No.16/39-CL-I-111/85 dated 26th June,1987 Managerial Remuneration does not include Rs. 28,63,510/- (Previous Year Rs. 21,71,325) in respect of President who was appointed as an ordinary Director.

20. Capacities, production, sales, opening and closing stocks

(a) Particulars of goods manufactured:

| Class of product | Unit | 2003-2004 | | | 2002-2003 | | | |
|--|-------|----------------------|-----------------------|-------------------|----------------------|-----------------------|-------------------|-------|
| | | Licensed Capacity *A | Installed Capacity *B | Actual Production | Licensed Capacity *A | Installed Capacity *B | Actual Production | |
| 1. Milk Products*C | Tonne | Not applicable *A | } *D | 11,575*F | Not applicable *A | } *D | 9,963*F | |
| 2. Ghee | Tonne | } Not applicable | | 8,164 | } Not applicable | | 7,795 | |
| 3. Desserts | Tonne | | | — | | | 7 | |
| 4. Fruit Juice and Fruit Juice Beverages | K.L. | | | — | | | — | |
| 5. Other Milk Products | Tonne | | | 1,500 | | | 1,500 | 765 |
| 6. Ice | Tonne | | | 3,650 | | | —*E | 3,650 |

*A As per Notification No. 477(E) dated 25-07-91 issued under the Industries (Development and Regulation) Act,1951.

*B Installed capacity, being a technical matter, is as certified by Management on which Auditors have relied upon.

*C This comprises Weaning Food, Milk Powder, Infant Milkfood, Condensed Milk and Cheese.

*D The products are manufactured in integrated plant, hence, installed capacity cannot be given.

*E For internal consumption only.

*F Captive consumption is not included.



b) Stocks and sales of goods manufactured:

| Class of product | Unit | 2003-2004 | | | 2002-2003 | | |
|---------------------|----------|----------------|-----------|----------------|----------------|---------|----------------|
| | | Opening Stocks | Sales | Closing Stocks | Opening Stocks | Sales | Closing Stocks |
| Milk Products | Tonne | 93 | 10,319 | 1,349 | 482 | 10,352 | 93 |
| | Rs. '000 | 5,045 | 871,367 | 94,906 | 24,529 | 629,029 | 5,045 |
| Ghee | Tonne | 77 | 7,240 | 1,000 | 455 | 8,173 | 77 |
| | Rs. '000 | 9,303 | 1,021,540 | 135,776 | 49,028 | 996,504 | 9,303 |
| Desserts | Tonne | — | — | — | 2 | 9 | — |
| | Rs. '000 | — | — | — | 238 | 841 | — |
| Other Milk Products | Tonne | — | — | — | 2 | 767 | — |
| | Rs. '000 | — | — | — | 38 | 9,345 | — |
| Others | Rs. '000 | — | 2,686 | — | — | 1,598 | — |

(c) Raw material consumed:

| | Unit | % | 2003-2004 | | % | 2002-2003 | |
|-------------------|-------|--------|-----------|---------------|--------|-----------|---------------|
| | | | Quantity | Value Rs.'000 | | Quantity | Value Rs.'000 |
| Indigenous | | | | | | | |
| Milk and Separata | Tonne | 92.47 | 159,062 | 1,678,164 | 82.13 | 127,079 | 1,092,039 |
| Others | | 7.11 | — | 129,043 | 17.28 | — | 228,842 |
| Imported-Others | | 0.42 | — | 7,677 | 0.59 | — | 7,855 |
| | | 100.00 | — | 1,814,884 | 100.00 | — | 1,328,736 |

(d) Consumption of stores and spare parts:

| | 2003-2004 | | 2002-2003 | |
|------------|---------------|--------|---------------|--------|
| | Value Rs.'000 | % | Value Rs.'000 | % |
| Indigenous | 7,664 | 100.00 | 9,779 | 98.11 |
| Imported | — | — | 188 | 1.89 |
| | 7,664 | 100.00 | 9,967 | 100.00 |

21. Value of imports calculated on CIF basis:

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|------------------------|----------------------|----------------------|
| Raw Material | 5,113 | 7,855 |
| Stores and spare parts | — | 188 |
| | 5,113 | 8,043 |

22. Expenditure in foreign currency:

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|--|----------------------|----------------------|
| Books, Periodicals, Subscription and Travelling | 1,242 | 16 |

23. Earnings in Foreign currency:

| | 2003-2004 Rs.'000 | 2002-2003 Rs.'000 |
|--|----------------------|----------------------|
| Export of goods on FOB basis (Including Nepal Sales Rs. Nil Previous Year Rs. 29,45,000) | 7,897 | 7,913 |

24. Previous Years figures have been recast/regrouped where ever necessary in order to conform to the current years' presentation.

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, 2004.

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. Installation of fuel efficient boiler has also been completed during the year. After implementation of above measures, energy consumption has resulted in reduction of cost of production.

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, 2004.

| | | Year ended 31.03.2004 | Year ended 31.03.2003 |
|-----------------------------------|-------|----------------------------------|--------------------------|
| A) Power and Fuel consumption | | | |
| 1) Electricity | | | |
| a) Purchased | | | |
| Units | | 71,92,880 | 84,71,217 |
| Total Value | (Rs.) | 3,02,78,457 | 3,32,75,308 |
| Rate/Unit | (Rs.) | 4.21 | 3.93 |
| b) Own Generation | | | |
| (i) Through Diesel Generator | | | |
| Units | | 1,61,776 | 4,32,295 |
| Total Value | (Rs.) | 11,10,493 | 28,09,151 |
| Unit per litre of: | | | |
| Diesel Oil | | 2.86 | 2.68 |
| Cost/Unit | (Rs.) | 6.86 | 6.50 |
| (ii) Through Steam Turbine | | | |
| Units | | 4,42,094 | - |
| Total Value | (Rs.) | - | - |
| Unit per Kgs of: | | | |
| Steam | | 0.03 | - |
| Cost/Unit | (Rs.) | - | - |
| 2) Others/Internal Generation | | | |
| Rice Husk/Petroleum Coke/Charcoal | | | |
| Buggase/Fire Wood | | | |
| Quantity(Tonnes) | | 18,969 | 18,455 |
| Total Amount | (Rs.) | 2,75,55,082 | 2,79,61,390 |
| Avg. Rate | (Rs.) | 1,453 | 1,515 |

- III. 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. 17 B (22) and 17 B(23) in Schedule No. 17 - Significant Accounting Policies and Notes to Accounts. Members are requested to please refer to these notes for the relevant information.



MILKFOOD LIMITED

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

ATTENDANCE SLIP

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 31st ANNUAL GENERAL MEETING at Bahadurgarh, Distt. Patiala on
Wednesday, the 29th September, 2004.

SIGNATURE OF THE SHAREHOLDER OR PROXY _____



MILKFOOD LIMITED

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

PROXY

I/We _____

of _____ being

a Member/Members of MILKFOOD LIMITED hereby appoint Mr. _____

_____ of _____

or failing him _____

of _____

or failing him _____

of _____

as my/our Proxy to attend and vote for me/us and on my/our behalf at the 31st Annual General Meeting
of the Company to be held on 29th September, 2004 and at any adjournment thereof.

Signed this _____ day of _____ 2004

Reg. Folio

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 account
of the Company for the period ended 31st March, 2004 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