



Directors' Report

TO THE MEMBERS

The Directors present their Thirtieth Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs./Lacs)
Profit after charging all expenses	3.43
Deduct: Depreciation	130.49
Loss for the year	(127.06)
Provision for tax (Deferred Tax Asset)	39.27
Transferred to General Reserve	(87.79)

OPERATIONS

During the period under report, the Company's Sales were Rs. 16357.19 lacs and cash profit Rs. 3.43 lacs as compared to last year's figures of Rs. 16256.14 lacs and cash profit of Rs. 6.96 lacs respectively. After depreciation, the loss for the year was Rs. 127.06 lacs as compared to loss of Rs. 157.06 lacs in the previous year.

DIVIDEND

In view of losses incurred by the Company, Directors are not recommending any dividend.

FIXED DEPOSITS

Company has discontinued the Fixed Deposit Scheme w.e.f. 30th September, 2002 and no fresh deposit has been accepted and no existing deposit has been renewed after this date.

On 31.3.2003, 17 persons whose Fixed Deposits with the Company amounting to Rs. 3.23 lacs had become due for payment during the year, did not claim or renew their Deposits. Since then 10 persons have claimed deposits aggregating to Rs. 2.24 lacs.

PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the limits specified in section 217(2A) of the Companies Act, 1956.

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 2003 and of the loss 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 Ludhiana, Delhi and Mumbai Stock Exchanges.

Listing fees for the year 2003-2004 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

Mr. Deepankar Barat retires by rotation and, being eligible, offers himself for re-election.

Mr. Suresh Alipuria, Mr. Ashok Bharti, Mr. Inder Singh Batra, Ms. Asha Gadi, Col Sukh Dev Raj Makin have been appointed as the Additional Independent Directors of the Company by the Board in their meeting held on 7th October, 2002. Company has received the requisites notices from the members under section 257 of the Companies Act, 1956 proposing their candidature for the offices of the Directors of the Company.

Brief resume of the above Directors, nature of their expertise in specific functional areas and names of companies in which they hold 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. Suresh Alipuria, Mr. Inder Singh Batra, Mr. Ashok Bharti, Mr. Anil Girotra who were appointed as Additional Directors by the Board of Directors have resigned w.e.f. 31st July, 2002.

Mr. Vijay Kapoor has resigned the Directorship of the Company w.e.f. 7th October, 2002

Board express its sincere appreciation for the useful services rendered by all outgoing Directors.

AUDITORS

Messrs. Price Waterhouse, Chartered Accountants, the retiring auditors of the Company have expressed their unwillingness to be re-appointed as the statutory auditors of the Company at the ensuing Annual General Meeting. Your Directors place on record their sincere appreciation of the useful cooperation rendered by them.

M/s R.N. Bahl & Co., Chartered Accountants, New Delhi have offered themselves to be appointed as the statutory auditors of the Company at the ensuing Annual General Meeting. The Company has received a confirmation from them that their appointment, if made, will be within the limits as specified under section 224(1B) of the Companies Act, 1956. Your Directors recommend their appointment as statutory auditors of the Company.

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, 2003.

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

Delhi
14th August, 2003

(KARAMJIT S. JAISWAL)
Executive Chairman



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, 2003.

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 is under implementation. With implementation of above measures, energy consumption will reduce resulting 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, 2003.

		Year ended 31.03.2003	Year ended 31.03.2002
A) Power and Fuel consumption			
1) Electricity			
a) Purchased			
Units		84,71,217	94,32,493
Total Value	(Rs.)	3,32,75,308	3,41,71,144
Rate/Unit	(Rs.)	3.93	3.62
b) Own Generation			
Through Diesel Generator			
Units		4,32,295	9,14,448
Total Value	(Rs.)	28,09,151	49,23,306
Unit per litre of:			
Diesel Oil		2.68	2.97
Cost/Unit	(Rs.)	6.50	5.38
2) Others/Internal Generation			
Husk/Bagasse/Torria Husk/ Rice Bran/Sun Flower Husk/Fire Wood			
Quantity(Tonnes)		18,455	22,201
Total Amount	(Rs.)	2,79,61,390	3,21,69,487
Avg. Rate	(Rs.)	1,515	1,449

- 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.

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CODE OF 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, 2003 the Board of Directors of the Company has 10 Members comprising of 7 Non Executive Directors and 3 Executive Directors, and day to day affairs of the Company are managed by Executive Chairman and Managing Director and a Whole Time 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.

Eight Board meetings were held during the year on 30.04.2002, 31.07.2002, 14.08.2002, 06.09.2002, 1.10.2002, 7.10.2002, 31.10.2002, 31.01.2003 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, 2003 are as under:

Name	Category	No. of Board Meeting attended	Whether previous AGM attended held on 30.09.2002	No. of Directorship held in other limited 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. Karamjit S. Jaiswal	Executive Non-Independent	8	No	1	Nil	Nil
Mr. L.P. Jaiswal	Non-Executive Non-Independent	Nil	No	3	Nil	Nil
Mr. A.P. Jaiswal	Non-Executive Non-Independent	Nil	No	2	Nil	Nil
Mr. Umesh N. Saxena	Executive Non-Independent	8	Yes	1	Nil	Nil
Mr. Deepankar Barat	Executive Non-Independent	8	Yes	1	Nil	Nil
Mr. Ashok Bharti	Non-Executive Independent	3	*	1	Nil	Nil
Mr. Suresh Alipuria	Non-Executive Independent	3	*	2	Nil	Nil
Mr. Inder Singh Batra	Non-Executive Independent	3	*	Nil	Nil	Nil
Col. Sukh Dev Raj Makin	Non-Executive Independent	2	*	Nil	Nil	Nil
Ms. Asha Gadi	Non-Executive Independent	2	*	Nil	Nil	Nil

*Appointed as Director on 7th October, 2002

**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 3 members.

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. determines the adequacy of internal controls, internal audit and ensures its effectiveness.
3. identifies, defines and categorizes all the risks that the Company faces and evaluates the steps that the Company takes to mitigate such risks.



- 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.
- discussion 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 Audit Committee of the Company as on 31st March,2003 comprises of the following three Directors of the Company:

Mr. Suresh Alipuria	Chairman	Independent Non Executive Director
Mr. Ashok Bharti	Member	Independent Non Executive Director
Mr. Inder Singh Batra.	Member	Independent Non Executive Director

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

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

Director	No. of meetings attended
Mr. Suresh Alipuria	3
Mr. Ashok Bharti	3
Mr. Inder Singh Batra	3

The Audit Committee Meetings are also attended by Mr. Sudhir Avasthi, Joint President (Finance).

REMUNERATION COMMITTEE:

The Company has constituted a Remuneration Committee during the year. 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, 2003 comprises of the following three Directors of the Company:

Ms. Asha Gadi	Chairperson	Independent Non Executive Director
Col. Sukh Dev Raj Makin	Member	Independent Non Executive Director
Mr. Inder Singh Batra.	Member	Independent Non Executive Director

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, 2003 to Whole Time Directors are as follows:

	Mr. Karamjit S. Jaiswal	Mr. Umesh N. Saxena	Mr. Deepankar Barat
Salary	Rs. 1,80,000	Rs. 7,95,600	Rs. 7,66,800
Contribution to PF & Super-Annuation Fund	Rs. 48,600	Rs. 2,14,812	Rs. 2,07,036
Other Benefits & Allowances	Rs. 37,186	Rs. 12,87,811	Rs. 11,97,489
Total	Rs. 2,65,786	Rs. 22,98,223	Rs. 21,71,325

Company pays sitting fees to all the Non-Executive Directors at the rate of Rs. 500 for each meeting attended. The sitting fees paid to the Directors for the year ended on 31st March, 2003 are as follows:

	Sitting fees
Mr. L.P. Jaiswal	Nil
Mr. A.P. Jaiswal	Nil
Mr. Anil Girotra	500
Mr. Vijay Kapoor	1500
Mr. Inder Singh Batra	1500
Mr. Ashok Bharti	1500
Mr. Suresh Alipuria	1500
Ms. Asha Gadi	1000
Col. Sukh Dev Raj Makin	1000

INVESTOR GRIEVANCE COMMITTEE:

The Company has constituted a Investor Grievance Committee during the year. 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 Investor Grievances Committee of the Company as on 31st March, 2003 are as follows:

Ms. Asha Gadi	Chairperson	Independent Non Executive Director
Mr. Suresh Alipuria	Member	Independent Non Executive Director
Mr. Ashok Bharti	Member	Independent Non Executive Director

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: 44
No. of unsolved complaints to the satisfaction of shareholders: nil
No. of transfers pending for registration for more than 30 days: nil

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

Director	No. of meetings attended
Ms. Asha Gadi	2
Mr. Suresh Alipuria	3
Mr. Ashok Bharti	3

ANNUAL GENERAL MEETINGS:

Location and time for the last three AGMs:

Year	Date	Venue	Time	No of Special resolutions Passed
2000	11.09.2000	Registered Office	12.30 p.m.	3
2001	30.06.2001	Registered Office	12.30 p.m.	Nil
2002	30.09.2002	Registered Office	12.30 p.m.	3

DISCLOSURE:

During the year 2002-2003 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, penalties or strictures 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. We are developing a Corporate website for posting financial results of the Company.

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

GENERAL SHAREHOLDERS INFORMATION:

1. Annual General Meeting (AGM)

Date & Time : 30th September, 2003, at 12.30 p.m.
Venue : Registered Office
Book Closure Date : 25th September, 2003 to 30th September, 2003
Dividend : Nil

Financial Calender for 2003-2004

Financial Results for

First Quarter : in the last week of July, 2003
Second Quarter : in the last week of October, 2003
Third Quarter : in the last week of January, 2004
Fourth Quarter : in the last week of April, 2004

Listing on Stock Exchange:

Your Company is listed at 3 Stock Exchanges in India, the addresses of which are listed below:

Stock Exchange

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

Stock Code

MILKR
13143
507621

The Listing Fee for the year 2003-2004 has been paid to all the Stock Exchanges.



Market Price Data:

High and Low during each month in last financial year from April, 2002 to March, 2003 The Stock Exchange, Mumbai

Month	High	Low	Month	High	Low
April, 2002	10.20	7.85	October, 02	6.90	6.80
May, 2002	10.40	8.50	November, 02	7.00	7.00
June, 2002	10.80	9.00	December, 02	6.50	6.10
July, 2002	9.90	7.10	January, 03	7.25	6.00
August, 2002	7.75	7.50	February, 03	7.25	6.50
September, 2002	8.40	6.25	March, 03	9.00	6.50

Registrar and Transfer Agents

We have no Registrar and Transfer Agent as we have an inhouse share transfer system.

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, 2003

No of Shares	No. of shareholders	No. of shares held	%age of total shareholding
1-2500	5,632	6,34,209	12.99
2501-5000	1,151	4,32,473	8.85
5001-10000	398	3,03,697	6.22
10001-20000	139	1,96,670	4.03
20001-30000	27	66,900	1.37
30001-40000	18	63,580	1.30
40001-50000	4	18,350	0.37
50001-100000	12	89,250	1.83
100001 and above	19	30,78,436	63.04
Total	7,400	48,83,565*	100.00

Shareholding pattern as on 31st March, 2003

Particulars	No. of shares held	%age of shares held (Rounded off)
Promoters	25,01,540	51.22
Mutual Funds & UTI	9,650	0.20
Banks, Financial Institutions & Insurance Companies	53,730	1.10
Private Corporate Bodies	1,52,260	3.12
Indian Public	21,62,885	44.29
NRIs/OCBs	3,500	0.07
Total	48,83,565*	100.00

2875* partly paid equity shares not included.

Dematerialization of shares and liquidity:

Company is in the process of demating of its equity shares.

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.

During the year under review the Company has credited a sum of Rs. 1,20,209.90 with respect to the interest accrued on Debentures and Fixed Deposits 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:

Gurgaon Plant: Plot No. 5, Maruti Industrial Complex, Sector 18, Gurgaon (Haryana)

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

Recessionary situation continues to have a grip over the dairy industry. Milk production has not increased corresponding to the demand. This has compelled the companies to purchase milk at higher and uneconomical prices. Corresponding to this the product prices have not absorbed the inflation on purchases. The industry is not insulated by the way of adequate fiscal policy by the Government and import of dairy products continues to be permitted without relevant fiscal laws.

The company is making all efforts to enhance the product quality and for tapping new areas.

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
Mr. Deepankar Barat	07.10.51 51years	30.07.01	M.A. (Economics)	Corporate Management, Marketing, General Administration	Jagatjit Industries Ltd.	—
Mr. Suresh Alipuria	3.11.58 44 years	7.10.02	B.Com, F.C.A.	Accounts, Finance, Banking Development, Corporate Management, General Administration	1. Jagatjit Spirits & Wine Ltd. 2. Industrial Containers & Closures Ltd.	—
Mr. Ashok Bharti	05.03.47 56 years	07.10.02	B.A. L.L.B, MSW	Legal, Personnel, Corporate Management, General Administration	Industrial Containers & Closures Ltd.	—
Mr. Inder Singh Batra	24.03.29 74 years	07.10.02	Inter	Marketing, Corporate Management, General Administration	—	—
Ms. Asha Gadi	23.07.53 50 years	07.10.02	B.A.	Marketing	—	—
Col. Sukh Dev Raj Makin	21.12.35 67 years	07.10.02	MIA	Administration	—	—

For and on behalf of the Board

New Delhi
14th August, 2003

(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, 2003, 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 an 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 governance procedures relating to role performed by audit committee, management discussion & analysis, system relating to investors grievances etc, to comply with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the stock exchange(s).

Place : New Delhi
Date : August 14, 2003

H. Singh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants



Financial Highlights

(Rs. in lacs or as indicated)

PARTICULARS	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
ASSETS										
Fixed Assets (Net Block)	1,118	1,231	1,090	1,199	1,314	1,726	1,895	2,080	2,265	2,384
Investments	434	9	9	9	9	9	9	9	9	9
Current Assets	2,353	3,221	2,960	3,732	3,098	3,756	3,711	3,773	2,936	2,630
TOTAL	3,905	4,461	4,059	4,940	4,421	5,491	5,615	5,862	5,210	5,023
LIABILITIES										
Loans, Current Liabilities and Provisions	1,327	1,796	1,145	1,998	1,434	2,225	2,227	2,246	2,721	2,377
NET WORTH	2,578	2,665	2,914	2,942	2,987	3,266	3,388	3,616	2,489	2,646
REPRESENTED BY										
Share Capital	489	489	489	489	489	489	489	489	489	489
Reserves and Surplus	2,089	2,176	2,425	2,453	2,498	2,777	2,899	3,127	2,000	2,157
TOTAL	2,578	2,665	2,914	2,942	2,987	3,266	3,388	3,616	2,489	2,646
OPERATING PERFORMANCE										
Revenue	16,435	16,279	20,113	18,674	16,193	15,473	14,072	15,367	12,270	9,666
Gross Profit Earnings	3	7	117	161	(109)****	223***	98**	1,337*	52	74
Profit/(Loss) before Tax	(127)	(157)	(28)	(44)	(274)****	13***	(120)**	1,128*	(156)	(180)
Profit/(Loss) after Tax	(88)	(107)	(29)	(44)	(279)****	13***	(120)**	1,128*	(157)	(181)
Earnings per Share (Rs.)	—	—	—	—	—	0.27	—	23.08	—	—
Dividend — Amount per Share (Rs.)	—	—	—	—	—	2.50	2.00	—	—	—
— Rate (%)	—	—	—	—	—	25	20	—	—	—
Book value of Shares (Rs.)	52.76	54.54	59.63	60.21	61.13	66.84	69.33	74.00	50.94	54.15
GROSS EARNINGS										
As a percentage of Revenue	0.02	0.04	0.58	0.86	—	1.44	0.70	8.70	0.42	0.77
As a percentage of Fixed Assets	0.27	0.57	10.73	13.43	—	12.92	5.17	64.28	2.30	3.10
As a percentage of Capital Employed	0.12	0.26	4.02	5.47	—	6.83	2.89	36.97	2.09	2.80

* 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, 2003, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. 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 the 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 misstatement. 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - i. a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets except for records relating to furniture, fixture and equipments and vehicles upto the period 31st March 1992, which are in the custody of Income Tax Authorities.
b) The fixed assets of the company have been physically verified during the year.
 - ii. The fixed assets of the company have not been revalued during the year.
 - iii. The stock of the finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management at the year end.
 - iv. In our opinion, the procedures of physical verification of stocks followed by the management are considered to be reasonable and adequate in relation to the size of the Company and the nature of its business.
 - v. The discrepancies between the physical stocks and the book stocks which have been properly dealt with in the books of account were not material.
 - vi. In our opinion, the valuation of stock of finished goods, stores, spares and raw materials has been fair and proper in accordance with normally accepted accounting principles in India and is on the same basis as in the preceding year
 - vii. As per the information and explanations given and subject to non receipt of Notice pursuant to Section 299 of the Act from two directors, the Company has not taken any loans secured or unsecured from the companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of Section 370 of the Act, provisions of this section are not applicable to a company on or after 31 October, 1998.
 - viii. As per the information and explanations given and subject to non-receipt of Notice pursuant to Section 299 of the Act from two directors, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub section (6) of Section 370 of the Act, provisions of this section are not applicable to a company on or after 31 October, 1998.
 - ix. The employees to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable. Also, the advance for expenses given to employees are returned and/or accounted for.
 - x. In our opinion in general there is, an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.
 - xi. As per the information and explanations given and subject to non receipt of Notice pursuant to Section 299 of the Act from two directors, the Company has not purchased goods and materials and sold goods and materials aggregating Rs. 50,000/- or more in value from/to any of the parties listed in the register maintained under Section 301 of the Act.
The prices received for the sale of services in pursuance of contract or agreement entered in the register maintained under section 301 of the Act and aggregating during the year in value Rs. 50,000 or more in respect of a party are not comparable as similar services, being special in nature, have not been provided to other parties.
 - xii. The Company has a system of determining unserviceable or damaged stores, raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
 - xiii. In the cases of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provisions of section 58A of the Act and the rules framed thereunder where applicable have been complied with.



- xiv. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap, where applicable and significant.
- xv. **In our opinion, the Company's present internal audit system needs to be strengthened.**
- xvi. On the basis of records produced, we are of the opinion that, prima facie, the cost records and accounts prescribed by the Central Government of India under section 209(1)(d) of the Act have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- xvii. The Company has generally been regular during the year in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
- xviii. At the last day of the financial year there was no amount outstanding in respect of undisputed Income tax, Wealth tax, Sales tax, Customs duty and Excise duty which were due for more than six months from the date they became payable.
- xix. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices followed in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor we have been informed of such case by the management, other than those payable under contractual obligations and/or accepted business practices.
- xx. The Company is not a sick industrial company within the meaning of Clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- xxi. In respect of services rendered:
- The nature of services rendered is such that it does not involve consumption of materials and stores.
 - Considering the nature of services rendered, it is not necessary to have a system of allocation of man hours utilized to the relative jobs.
 - In our opinion, there is a reasonable system of authorization at proper levels with necessary controls on issue of labour to various jobs and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.
4. Further to our comment in paragraph 3 above, we report that:
- Read with paragraphs 3(vii) and 3(viii) above, 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;
 - In our opinion subject to paragraph 5 below, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion, subject to note 8 on schedule 17B regarding non provision of gratuity and note 16 on schedule 17B regarding disclosures for related party transactions, as identified and certified by the management, in our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in section 211 (3C) of the Act;**
 - Mr. L.P.Jaiswal and Mr. A.P.Jaiswal, have not produced written representations as to whether the companies in which they are directors as on 31st March, 2003, had not defaulted in terms of Section 274(1)(g) of the Act. In the absence of this representation, we are unable to comment whether Mr. L.P.Jaiswal and Mr. A.P.Jaiswal are disqualified from being appointed as directors under clause (g) of sub section (1) of section 274 of the Act. As far as other directors are concerned, on the basis of the written representation received from such directors, and taken on record by the Board of Directors of the Company, we report that none of the remaining directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and also give **subject to note 5 below**, a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
 - in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - in the case of the Cash Flow statement, of the cash flows for the year ended on that date.
5. **Note 8 on schedule 17B regarding non provision for gratuity amounting to Rs. 145.61 lacs, of which Rs. 7.27 lacs relates to current year.**
We further report that had the remark made by us in paragraph 5 above been considered, the Loss after tax for the year would have been Rs. 233.40 lacs (as against the reported figure of Rs. 87.79 lacs), the Reserve and Surplus would have been Rs. 1943.41 lacs (as against the reported figure of Rs. 2089.02 lacs) and Net Current Asset would have been Rs. 999.72 lacs (as against the reported figure of Rs. 1145.33 lacs).

Place : New Delhi
Dated : August 14, 2003

H Singh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Balance Sheet

as at 31st March, 2003

	Schedule	2002-2003 Rs.'000	2001-2002 Rs.'000
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	4,88,53	4,88,53
Reserves and Surplus	2	20,89,02	21,76,81
LOAN FUNDS			
Secured Loans	3	—	1,18,32
Unsecured Loans		68,65	95,50
Deferred Tax Liability (Net) (Note 14)	17B	52,03	91,30
TOTAL		26,98,23	29,70,46
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	37,98,62	41,60,03
Less: Depreciation		27,60,05	29,32,00
Net Block		10,38,57	12,28,03
Capital Work-in-progress		79,79	2,90
		11,18,36	12,30,93
INVESTMENTS			
	5	4,34,54	9,54
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	4,30,10	10,82,53
Sundry Debtors	7	8,38,87	7,19,43
Cash and Bank Balances	8	6,87,92	8,42,59
Loans and Advances	9	3,95,62	5,76,02
		23,52,51	32,20,57
Less: Current Liabilities & Provisions	10		
Liabilities		12,05,87	14,89,03
Provisions		1,31	1,55
		12,07,18	14,90,58
Net Current Assets		11,45,33	17,29,99
TOTAL		26,98,23	29,70,46

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

17

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

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

H.Singh

Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Place : New Delhi
Date : August 14, 2003

Kamlesh Gupta
Company Secretary

Karamjit S. Jaiswal
Umesh N.Saxena
Suresh Alipuria
Ashok Bharti
Inder Singh Batra
Directors



Profit and Loss Account

for the year ended 31st March, 2003

	Schedule	2002-2003 Rs.'000	2001-2002 Rs.'000
INCOME			
Sales [notes (7&9)]	17A,B	1,63,57,19	1,62,56,14
Other Income	11	77,69	23,11
		1,64,34,88	1,62,79,25
EXPENDITURE			
Raw material consumed		1,32,87,36	1,36,49,49
Purchases for re-sale		—	2,00
Packing material consumed		5,54,04	6,36,07
Manufacturing	12	7,72,70	9,20,80
Personnel	13	5,67,53	5,98,92
Administration	14	2,87,06	3,48,16
Selling and Distribution (Note 11)	17 B	3,69,93	4,84,23
Finance charges	15	(10,04)	(54,76)
Depreciation		1,30,49	1,64,02
		1,59,59,07	1,67,48,93
(Increase)/Decrease in work-in-progress and finished goods	16	6,02,87	(3,12,62)
		1,65,61,94	1,64,36,31
Loss before Tax		(1,27,06)	(1,57,06)
Less : Tax Expense			
a) Deferred Tax (Note 14)	17B	(39,27)	(49,61)
b) Current Tax		—	—
Loss after Provision for Income tax		(87,79)	(1,07,45)
Add : Transferred from General Reserve		—	1,40,91
		(87,79)	33,46
Less: Deferred Tax Liability as on 1/4/2002		—	1,40,91
Balance transferred to General Reserve		(87,79)	(1,07,45)
Basic/Diluted Earnings Per Share of Nominal Value of Rs. 10 each (Rs.) (Note 17)	17B	(1.80)	(2.20)
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

H.Singh

Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : New Delhi

Date : August 14, 2003

Kamlesh Gupta

Company Secretary

Karamjit S. Jaiswal

Umesh N.Saxena

Suresh Alipuria

Ashok Bharti

Inder Singh Batra

Directors

Cash Flow Statement

for the year ended 31st March, 2003

Particulars	2002-2003 Rs.'000	2001-2002 Rs.'000
A. Cash flow from operating activities:		
Net (loss)/profit before tax	(127.06)	(157.06)
Adjustments for:		
Depreciation	130.49	164.02
Interest Expense	37.78	36.61
Income from Investment - Dividends	(0.27)	(0.30)
(Profit)/Loss on Fixed Assets sold	(18.14)	(5.15)
Provision for wealth tax	(0.24)	1.16
Miscellaneous Balances Written Back	(9.92)	
Operating profit before working capital changes	12.64	39.28
Adjustments for changes in working capital :		
- (INCREASE)/DECREASE in Sundry Debtors	(119.44)	53.37
- (INCREASE)/DECREASE in Other Receivables	160.56	486.34
- (INCREASE)/DECREASE in Inventories	652.43	(346.65)
- INCREASE/(DECREASE) in Trade and Other Payables	(273.15)	450.23
Cash generated from operations	433.04	682.57
- Taxes Refunded (Net of TDS)	19.84	26.08
Net cash from operating activities	452.88	708.65
B. Cash flow from Investing activities:		
Adjustments for changes in :		
Additions during the period	(167.99)	(330.67)
Capital Work in Progress	(76.89)	(0.90)
Proceeds from Sale of fixed assets	245.10	31.19
Purchase of investments	(425.00)	-
Dividend Received	0.27	0.30
Net cash used in investing activities	(424.51)	(300.08)
C. Cash flow from financing activities:		
Proceeds from fixed deposits (Net)	(26.09)	(9.05)
Proceeds from Cash Credits (Net)	(118.32)	118.32
Interest Paid	(38.57)	(37.34)
Dividend Paid	(0.06)	(0.55)
Net cash used in financing activities	(183.04)	71.38
Net Increase/(Decrease) in Cash & Cash Equivalents	(154.67)	479.95
Cash and cash equivalents as at 31.03.2002	842.59	362.64
Cash and cash equivalents as at 31.03.2003	687.92	842.59
Cash and cash equivalents comprise		
Cash, Cheques & Drafts (in hand) and Remittances in transit	22.05	31.77
Balance with Scheduled Banks	665.87	810.82
Total	687.92	842.59

Notes:

- The above Cash flow statement has been prepared under the indirect method setout 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.10.96 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

H.Singh

Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Place : New Delhi
Date : August 14, 2003

Kamlesh Gupta
Company Secretary

Karamjit S. Jaiswal
Umesh N.Saxena
Suresh Alipuria
Ashok Bharti
Inder Singh Batra
Directors



Schedules

Forming part of the Accounts

1. SHARE CAPITAL [Schedule 17B(3)]		2002-2003	2001-2002
		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	9.5% 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		15,06,92	17,55,28
Less : Transferred from Profit and Loss Account		(87,79)	(1,07,45)
Less : Transferred to Provision for Deferred Tax		<u>—</u>	<u>(1,40,91)</u>
		14,19,13	15,06,92
		<u>20,89,02</u>	<u>21,76,81</u>
3. LOAN FUNDS [Schedule 17B(4)]			
SECURED			
Cash Credit		<u>—</u>	1,18,32
		<u>—</u>	1,18,32
UNSECURED			
Fixed Deposits		67,97	94,91
Interest accrued and due		68	59
		<u>68,65</u>	<u>95,50</u>

4. FIXED ASSETS [Schedule 17A(2,3) 17B(13b)]

Particulars	Cost as on 01.04.2002 Rs.'000	Additions in 2002-2003 Rs.'000	Disposals/ Adjustments Rs.'000	Cost as on 31.03.2003 Rs.'000	Depreciation As on 01.04.2002 Rs.'000	Depreciation For 2002-2003 Rs.'000	Depreciation On Deductions Rs.'000	Depreciation up to 31.03.2003 Rs.'000	Net Block As on 31.03.2003 Rs.'000	Net Block As on 31.03.2002 Rs.'000
Freehold Land	19,37	—	—	19,37	—	—	—	—	19,37	19,37
Buildings	2,51,66	8,88	—	2,60,54	1,25,81	8,28	—	1,34,09	1,26,45	1,25,85
Plant & Machinery	21,23,72	99,75	2,57,16	19,66,31	17,76,37	40,93	1,51,93	16,65,37	3,00,94	3,47,35
Furniture, Fixtures and Equipments	3,00,62	12,42	2,21,66	91,38	1,88,95	2,62	1,29,77	61,80	29,58	1,11,67
Vehicles	2,96,84	45,64	49,65	2,92,83	67,18	27,55	19,99	74,74	2,18,09	2,29,66
Assets held for Disposal	11,67,82	1,30	93	11,68,19	7,73,69	51,11	75	8,24,05	3,44,14	3,94,13
Total	41,60,03	1,67,99	5,29,40	37,98,62	29,32,00	1,30,49	3,02,44	27,60,05	10,38,57	12,28,03
Previous year	38,92,09	3,30,67	62,73	41,60,03	28,04,68	1,64,02	36,70	29,32,00	—	—
Capital Work in Progress (including Capital advances Rs. 13,94,842 (Previous year Rs. 2,90,327))									79,79	2,90
GRAND TOTAL									11,18,36	12,30,93

5. INVESTMENTS [Schedule 17A(4)]

OTHER INVESTMENTS (Long Term)
IN EQUITY SHARES, (NON TRADE, QUOTED)
Mohan Meakin Limited
60,026 shares of Rs. 5 each fully paid
IN PREFERENCE SHARES, (TRADE, UNQUOTED)
Grand Regency & Hospitalities Pvt. Ltd.
425,000 shares of Rs. 100 each fully paid

	2002-2003 Rs.'000	2001-2002 Rs.'000
Mohan Meakin Limited	9,54	9,54
Grand Regency & Hospitalities Pvt. Ltd.	4,25,00	—
	4,34,54	9,54
Aggregate market value of Quoted Investments	18,01	16,03

6. INVENTORIES [Schedule 17A(5)]

Stores and Spare Parts
Raw and Packing Material
Finished Goods
Work-in-Progress

Stores and Spare Parts	1,48,13	1,86,82
Raw and Packing Material	64,09	74,97
Finished Goods	1,43,48	7,38,33
Work-in-Progress	74,40	82,41
	4,30,10	10,82,53

7. SUNDRY DEBTORS

Debts outstanding for a period exceeding 6 months
- Unsecured
Other debts
- Secured
- Unsecured

Debts outstanding for a period exceeding 6 months - Unsecured	1,09,53	1,30,85
Other debts - Secured	2,43,18	2,00,54
- Unsecured	4,86,16	3,88,04
	8,38,87	7,19,43



8. CASH AND BANK BALANCES

2002-2003
Rs.'000

2001-2002
Rs.'000

Cash and Cheques on hand	22,05	31,77
Balances with Scheduled Banks		
On Current Accounts	2,60,67	62,86
On Deposit accounts	4,05,20	7,47,96

Notes

- 1) Includes Rs. 25,00,000 held against public deposits
(Previous year Rs. 50,00,000)
- 2) Includes Rs. 5,20,000 as Margin Money for Bank Guarantee
(Previous year Rs. 4,70,000)
- 3) Includes Rs. NIL pledged with a bank as security,
(Previous year Rs. 10,96,050)

6,87,92

8,42,59

9. LOANS AND ADVANCES [Schedule 17B(5)]

Unsecured, considered good- Advances recoverable in cash or kind or for value to be received	1,90,09	3,38,66
Deposits with Excise and other authorities	67,39	66,54
Interest accrued on deposits	10,81	23,65
Advance Tax (Net of Provision)	1,27,33	1,47,17
	<u>3,95,62</u>	<u>5,76,02</u>

10. CURRENT LIABILITIES AND PROVISIONS [Schedule 17B(6,7,8,12)]

Current Liabilities

Sundry Creditors - Total Outstanding dues to Small Scale Industrial Undertaking(s); and - Total Outstanding dues of Creditors other than Small Scale Industrial Undertakings	—	—
Advances/Deposits from Customers	8,09,17	11,45,64
Other liabilities	3,30,44	2,93,97
Interest accrued but not due	58,64	40,92
	7,62	8,50
	<u>12,05,87</u>	<u>14,89,03</u>

Provisions

Wealth Tax	1,31	1,55
	<u>1,31</u>	<u>1,55</u>

11. OTHER INCOME

Dividend on other Investment	27	30
Gain on sale of Assets	18,14	5,15
Income from services rendered	18,00	—
Miscellaneous	41,28	17,66
	<u>77,69</u>	<u>23,11</u>

12. MANUFACTURING

Consumption of Stores and Spare parts (Excluding Rs. 42,24,830 charged to other revenue heads of accounts, Previous year Rs. 53,00,950)	57,42	81,47
Power and Fuel	6,46,84	7,30,90
Repairs - Building	3,12	9,36
- Machinery	41,93	70,30
ISI & Agmark Charges	23,39	28,77
	<u>7,72,70</u>	<u>9,20,80</u>

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13. PERSONNEL

	2002-2003 Rs.'000	2001-2002 Rs.'000
Salaries, Wages, Bonus, Gratuity and Hired Services	4,93,76	5,12,45
Contribution to Provident and Superannuation Funds	41,56	41,25
Workmen and staff welfare	32,21	45,22
	<u>5,67,53</u>	<u>5,98,92</u>

14. ADMINISTRATION

Rent	43,34	53,48
Rates and taxes	7,48	3,25
Insurance	24,09	29,25
Directors' fees	12	2
Miscellaneous expenses	2,12,03	2,62,16
	<u>2,87,06</u>	<u>3,48,16</u>

15. FINANCE CHARGES**Interest Paid**

On Fixed Loans	12,59	14,03
Others	25,19	22,58
	<u>37,78</u>	<u>36,61</u>

Interest Received (Tax deducted at source Rs. 877,080 Previous Year Rs. 16,95,137)

On Inter Corporate Deposit	—	(43,63)
Interest on Income tax refunds	(4,87)	(8,61)
Interest on Bank deposits	(42,94)	(39,00)
Interest others	(1)	(13)
	<u>(47,82)</u>	<u>(91,37)</u>
	<u>(10,04)</u>	<u>(54,76)</u>

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

Work-in-progress	82,41	59,67
Finished Goods	7,38,34	4,48,46
	<u>8,20,75</u>	<u>5,08,13</u>

Closing Stocks

Work-in-Progress	74,40	82,41
Finished Goods	1,43,48	7,38,34
	<u>2,17,88</u>	<u>8,20,75</u>
(Increase)/Decrease	<u>6,02,87</u>	<u>(3,12,62)</u>



17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Accounts
These 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 Indian Companies Act, 1956 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 and work in progress, appropriate overheads are loaded on absorption costing basis.
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 only if there is convincing evidence that they will be realised in future. Also these 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. 3,34,93,136, net of tax Rs. 2,14,77,473 (Previous year-Rs. 2,73,86,980, net of tax Rs. 1,63,63,721).
 - b) Bills Discounted and outstanding Rs. NIL (Previous year Rs. 22,69,800)
2. Estimated amount of contracts remaining to be executed on capital account and not provided for(Net of Advances) Rs. 41,55,641 (Previous year Rs. 486,673)
3. Equity shares include 30,10,225 Equity Shares (Previous year 30,10,225)were allotted by way of Bonus Shares by capitalisation of General Reserve/Share Premium Account.
4. 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 Gurgaon, depots and in transit and as collateral security equitable mortgage of title deed for land and building of company's plants situated at Bahadurgarh (Patiala) and Gurgaon.
5. Loans and advances (Schedule 9) includes amount due from Directors of the Company as at 31st March,2003 Rs. 2,500 (Previous Year Rs. 22,657). Maximum amount due at any time during the year Rs. 340,978 (Previous year Rs. 38,09,193).
6. Current Liabilities (Schedule 10) include deposits of Rs. 3,23,000 (Previous year- Rs. 2,38,000) matured but not claimed and unclaimed dividends of Rs. 13,21,322 (Previous year – Rs. 13,26,782). 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.
7. Current Liabilities (Schedule 10) includes Rs. 81,971 due to directors of the company (Previous Year Rs. 88,069). Maximum amount due during the year Rs. 113,930 (Previous year Rs. 1,05,774).
8. No provision for gratuity as on 31st March,2003 amounting to Rs. 1,45,61,383 (Previous year Rs. 1,47,22,510) calculated in accordance with payment of Gratuity Act,1972 , not actuarially determined, for employees and of which Rs. 7,27,497 (Previous year Rs. 9,59,097) relates to current year has been made in these accounts.
9. Sales are net of rebate and discounts amounting to Rs. 13,38,893 (Previous year Rs. 45,71,417).
10. Future Commitment for Lease Rentals Rs. Nil (Previous year Rs. 11,90,893).
11. Selling and distribution expenses in the Profit and Loss account are inclusive of commission to selling agents amounting to Rs. 71,20,778 (Previous year-Rs. 59,47,990).

12. As per information available with the company there is no amount due to any small scale and ancillary undertaking.
13. (a) During the year the company has sold the business of its Food and Beverages Division (Café 100) at its Book Value amounting to Rs. 3,37,82,607.
- (b) The company has during the year shut down the operations of its Gurgaon plant and is in the process of evaluating the offer received to sale its net assets. 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 (WDV)	Amount ('000)	
Land	2,898	
Building	12,438	
Plant and machinery	18,284	
Furniture, Fixtures and equipments	765	
Vehicles	29	
Total Fixed Asset (WDV)	34,414	
Inventories		
Stores & spares	5,142	
Packing materials	3,971	
Total Inventories	9,113	
Loans and Advances	2,430	
Total Asset (A)	45,957	
Current Liabilities (B)		215
Net Assets (C)=(A)-(B)		45,742

- (c) In the opinion of the management, the fall in the book value of preference shares in Grand 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. 39,26,829 (Previous Year Rs. 49,60,531) in the Profit & Loss Account.

Deferred Tax Liability (Net) as at 31st March 2003 is net of deferred tax asset in respect of unabsorbed depreciation and carried forward losses of Rs. 4,69,93,324 (Previous Year Rs. 3,99,68,560) 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 01/04/2002	Charge/(Credit) during the year	Closing as on 31/03/2003
Deferred Tax Liability			(Rs. '000)
-Depreciation	23,819	(1,756)	22,063
Deferred Tax Asset			
Carried Forward Losses	(2,421)	2,064	(357)
Unabsorbed Depreciation	(12,268)	(4,235)	(16,503)
Total	9,130	(3,927)	5,203

15. Segmental Reporting
During the financial year 2002-2003 the company was operating under a single segment i.e Dairy Products : comprising of Ghee, Milk Powder, Fresh Milk and Desserts and therefore there are no reportable segments as per Accounting Standard 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India. However, during the previous year (2001-2002) the Company was operating in the following segments, namely :
- Dairy Products : comprising of Ghee, Milk Powder, Fresh Milk and Desserts
 - Others : comprising of Food and Beverages



The following table presents the revenue, profit (loss), assets & liabilities information relating to the Business Segment for the year ended 31st March 2002 :

(Rs. '000)

Reportable Segments	Dairy Products	Others	Total
Revenue			
Sales and other Income	1,619,967	7,958	1,627,925
Total Revenue	1,619,967	7,958	1,627,925
Result			
Segment Result	(11,996)	(9,031)	(21,027)
Operational Profit			
Wealth Tax	–	–	(155)
Interest Net (Income)	–	–	5,476
Profit/(Loss) Before Tax			(15,706)
Less Provision for Taxation	–	–	
Deferred Tax Credit	–	–	4,961
Profit/(Loss) After Tax			(10,745)
Other Information			
Segment Assets	325,186	28,086	353,272
Unallocated Assets			92,832
Total Assets			446,104
Segment Liabilities	143,908	4,757	148,665
Unallocated Liabilities			30,905
Total Liabilities			179,570
Capital Expenditure	19,476	13,591	33,067
Depreciation	13,733	2,669	16,402

Note :

- There are no reportable secondary segments as per AS 17 "Segment Reporting" issued by the Institute Of Chartered Accountants of India.
- Unallocated assets includes Investments and Deposits with Banks, Interest and TDS recoverable.
- Unallocated Liabilities include Interest bearing liabilities and tax provisions.
- Segmental Assets include Capital Advances aggregating to Rs. 290,327.
- Capital Expenditure pertains to additions to Fixed Assets during the year.
- There are no inter segment sales.

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. Vijay Kapoor
 Mr. Anil Girotra
 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 2003			For the Year Ended 31st March 2002		
	With Persons Mentioned in Clause 22 (A) (a)	With Persons Mentioned in Clause 22 (A) (b)	Total	With Persons Mentioned in Clause 22 (A) (a)	With Persons Mentioned in Clause 22 (A) (b)	Total
Electricity expenses Paid	792	–	792	550	–	550
Rent paid	360	398	758	234	243	477
Salary and Allowances	–	234	234	–	321	321
Interest on Fixed Deposits	–	101	101	–	–	–
Sale of Assets	1,018	–	1,018	–	–	–
Amount received for Services Rendered	1,890	–	1,890	–	–	–
Reimbursement of Expenses	4,941	–	4,941	2,035	–	2,035
Managerial Remuneration	–	4,747	4,747	–	2,627	2,627
Security Deposit Paid	–	–	–	90	–	90
Advance Rent Paid	–	–	–	180	–	180
Outstanding payables , net of receivable	(989)	79	(910)	1,283	65	1,348

Notes:

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

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

	Year ended March 31st, 2003	Year ended March 31st, 2002
Profit (Loss) attributable to the Equity Shareholders (Rs.'000) (A)	(8,779)	(1,07,45)
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)	(1.80)	(2.20)

18. Amount paid/payable to Auditors:

	2002-2003 Rs. '000	2001-2002 Rs. '000
Audit Fees (including Service Tax)	840	682
In Other Capacity (Including Service Tax)	471	407
Out of Pocket Expenses	59	87
Total	1,370	1,176



19. (a) Managerial remuneration:

	2002-2003 Rs. '000	2001-2002 Rs.'000
Salary	976	735
Contribution to Provident and Superannuation Funds	263	186
Perquisites	1,325	740
Sitting Fees	12	2
Total	2,576	1,663

(b) 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. 21,71,325 (Previous Year Rs. 9,63,513) 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	2002-2003			2001-2002		
		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	9,963*F	Not applicable* A	*D	11,331*F
2. Ghee	Tonne			7,795			8,554
3. Desserts	Tonne			7			29
4. Fruit Juice and Fruit Juice Beverages	K.L.			—			—
5. Other Milk Products	Tonne			1,500			1,513
6. Ice	Tonne			3,650			—*E

*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	2002-2003			2001-2002		
		Opening Stocks	Sales	Closing Stocks	Opening Stocks	Sales	Closing Stocks
Milk Products	Tonne	482	10,352	93	293	11,142	482
	Rs. '000	24,529	629,029	5,045	15,110	671,029	24,529
Ghee	Tonne	455	8,173	77	298	8,397	455
	Rs. '000	49,028	996,504	9,303	29,384	924,961	49,028
Desserts	Tonne	2	9	—	2	29	2
	Rs. '000	238	841	—	235	3,203	238
Other Milk Products	Tonne	2	767	—	10	1,521	2
	Rs. '000	38	9,345	—	110	19,055	38
Food	Rs.'000	—	—	—	—	6,823	—

(c) Stocks, purchases and sale of goods for resale:

	Unit	2002-2003				2001-2002			
		Opening Stocks	Purchases	Closing Stocks	Sales	Opening Stocks	Purchases	Closing Stocks	Sales
Ice Cream	KL	—	—	—	—	1	2	—	3
	Rs.'000	—	—	—	—	7	200	—	543

(d) Raw material consumed:

	Unit	2002-2003				2001-2002			
		%	Quantity	Value Rs.'000	%	Quantity	Value Rs.'000		
Indigenous									
Milk and Separata	Tonne	82.13	127,079	1,092,039	85.88	151,458	1,172,255		
Others		17.28	—	228,842	13.56	—	185,154		
Imported (Others)		0.59	—	7,855	0.56	—	7,540		
		100		1,328,736	100.00		1,364,949		

(e) Consumption of stores and spare parts:

	2002-2003		2001-2002	
	Value Rs.'000	%	Value Rs.'000	%
Indigenous	9,779	98.11	13,434	99.90
Imported	188	1.89	14	0.10
	9,967	100.00	13,448	100.00

21. Value of imports calculated on CIF basis:

	2002-2003 Rs.'000	2001-2002 Rs.'000
Raw Material	7,855	4,678
Stores and spare parts	188	647
	8,043	5,325

22. Expenditure in foreign currency:

	2002-2003 Rs.'000	2001-2002 Rs.'000
Books, Periodicals & Subscription	16	—
	16	—

23. Earnings in Foreign currency:

	2002-2003 Rs.'000	2001-2002 Rs.'000
Export of goods on FOB basis (Including Nepal Sales Rs. 29,45,000 Previous Year Rs. 19,08,000)	7,913	6,257

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



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code

Balance Sheet Date

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

	Total Liabilities	<input type="text" value="39,05,41"/>	Total Assets	<input type="text" value="39,05,41"/>
Sources of Funds	Paid-up Capital	<input type="text" value="4,88,53"/>	Reserves & Surplus	<input type="text" value="20,89,02"/>
	Secured Loans	<input type="text" value="-----"/>	Unsecured Loans	<input type="text" value="68,65"/>
Application of Funds	Net Fixed Assets	<input type="text" value="11,18,36"/>	Investments	<input type="text" value="4,34,54"/>
	Net Current Assets	<input type="text" value="11,45,33"/>	Misc. Expenditure	<input type="text" value="-----"/>
	Accumulated Losses	<input type="text" value="-----"/>		

IV. Performance of Company (Amount in Rs. Thousands)

	Turnover	<input type="text" value="1,64,34,88"/>	Total Expenditure	<input type="text" value="1,65,61,94"/>
+ / -	Profit/Loss before Tax	<input type="text" value="1,27,06"/>	+ / -	Profit/Loss after Tax
<input type="text" value=""/> -			<input type="text" value=""/> -	<input type="text" value="87,79"/>
+ / -	Earning per share in Rs.	<input type="text" value="1.80"/>		Dividend rate %
<input type="text" value=""/> -				<input type="text" value="NIL"/>

V. Generic names of three principal products of Company

Item Code (ITC No.)	<input type="text" value="04059002"/>	Product Description	<input type="text" value="Pure Ghee"/>
Item Code (ITC No.)	<input type="text" value="04021001"/>	Product Description	<input type="text" value="Skimmed Milk Powder"/>
Item Code (ITC No.)	<input type="text" value="04022902"/>	Product Description	<input type="text" value="Whole Milk Powder"/>



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 30th ANNUAL GENERAL MEETING at Bahadurgarh, Distt. Patiala on
Tuesday, the 30th September, 2003.

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 30th Annual General Meeting
of the Company to be held on 30th September, 2003 and at any adjournment thereof.

Signed this _____ day of _____ 2003

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, 2003 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