

# TARAI FOODS LIMITED



## Tarai

23rd  
**ANNUAL REPORT**  
**2012-2013**

## Tarai Foods Limited

### TARAI FOODS LIMITED

Board of Directors	Mr. Gurprit Singh Sandhu Mrs. Kiran Sandhu Dr. R.P. Singh Mr. Vijay Jolly Mr. M.S. Garewal	(Managing Director) (Director) (Executive whole time Director) (Director) (Director)
Audit Committee, Investors Grievances Committee & Remuneration & Recruitment Committee	Dr. R.P. Singh Mrs Kiran Sandhu Mr. Vijay Jolly	
Auditors	Rattan Anil & Co. A-90, Gali No.6, 1st Floor, Madhu Vihar Market, Patparganj Bus Depot, Delhi	
Bankers	Axis Bank Ltd. B-6, Lajpat Nagar-II, New Delhi-110024	
Regd. Office	13, Hanuman Road, Connaught Place New Delhi-110001	
Head Office : (Plant)	Village Fazilpur Meharola Tehsil Kiccha Rudrapur Distt. Udham Singh Nagar, Uttarakhand	
Share Transfer Agent	<b>Beetal Financial &amp; Computer Services (P) Ltd.</b> 99, Madangir, Beetal House Behind Local Shopping Centre Near Dada Harsukhdas Mandir New Delhi-110062 Tel.: 29961281/2	
ISIN No.	INE906C01016	

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## Tarai Foods Limited

### NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Members of Tarai Foods Limited will be held on Monday, the 30th day of September, 2013 at 09.30 A.M at Elcina House, 422, Okhla Industrial Estate, Phase-III, New Delhi- 110020 to transact the following businesses:

#### AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as on 31st March, 2013 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Vijay Jolly, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

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

#### AS SPECIAL BUSINESS:

4. **Appointment of Mr. Melvinder Singh Garewal as Director of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 260 of the Companies Act, 1956 (including any statutory modification (s)/ or re-enactment there of for the time being in force), Mr. Melvinder Singh Garewal, who was appointed as an additional director of the Company by the Board of Directors of the Company on 13th March, 2013 and who shall hold the office upto the date of this Annual General Meeting be and is hereby appointed as Director of the Company."

5. **Appointment of Mr. Ram Pyare Singh as Whole Time Executive Director of the Company.**

To consider and if thought fit, to pass with or without modification, the following Resolution as **Ordinary Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 269, 198(4) 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act 1956, and as per the Articles of Association of the Company, approval of the Members be and is hereby accorded for the appointment of Mr. Ram Pyare Singh as Whole Time Executive Director of the Company for a period of three(3) years with effect from 1st July 2013 to 30th June, 2015, on a monthly consolidated salary of Rs. 36,000/- ( Rupees Thirty Six Thousand only)."

6. **Re-appointment of Mr. Gurprit Singh Sandhu as the Managing Director of the Company:**

To consider and if thought fit, to pass with or without modification, the following Resolution as **Ordinary Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310, 316 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, including any statutory modification and re-enactment thereof for the time being in force, and as per the Articles of Association of the Company the approval of the Members of the Company be and is hereby accorded for the re-appointment of Mr. Gurprit Singh Sandhu as the Managing Director of the Company for a further period of 5 years without salary with effect from 26th June, 2013."

Place: Rudrapur

Date: 26th August, 2013

By order of the Board  
For Tarai Foods Limited

Sd/-

Dr. R.P. Singh  
Executive Whole Time Director  
DIN: 03615102

## Tarai Foods Limited

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER PROXIES. IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 28th September, 2013 to 30th September, 2013 (both days inclusive).
3. Members seeking further information about the accounts are requested to write atleast 10 days before the date of meeting so that it may be convenient to get the information ready at the meeting.
4. Members/ Proxies should bring the attendance slips duly filled in for attending the meeting. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. As per amended provisions of the Companies Act, 1956, facility for making nominations is now available for shareholders in respect of shares held by them. Nomination forms can be obtained from registrar of the Company.
6. Members are requested to bring their copies of Annual Report to the meeting. No copies will be made available at the meeting venue.
7. The Shareholders are requested to furnish or update their e-mail IDs with the Registrar for sending the soft copies of the Annual Accounts of the Company as required vide circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by Ministry of Corporate Affairs.
8. No gifts shall be distributed at the annual General Meeting of the Company.
9. Pursuant to Clause 49 of the Listing Agreement entered with the Stock Exchange, following information is furnished about the directors proposed to be appointed/ re-appointed:
  - a. **Brief profile of Mr. Vijay Jolly, Director, recommended for reappointment:**  
Mr. Jolly is a retired Naval Officer from the Executive Branch of Indian Navy. He has rich experience in running Holiday Resort and is associated with various projects in the field of Electronics.
  - b. **Brief profile of Mr. Melvinder Singh Garewal, Director, recommended for appointment:**  
He is retired Wing Commandor- Air Force and has rich experience in farming.
  - c. **Brief profile of Mr. Ram Pyare Singh, Director, recommended for appointment as Executive Whole Time Director.**  
Mr. R.P. Singh has been involved with Mushroom Research and Development since last 38 years (Assistant Professor, Professor, Joint Director , Director and Professor Emeritus; 1972-2010). He has initiated and established Mushroom Research and Training Centre at the G.B. Pant University of Agriculture and Technology, Pantnagar Uttrakhand, India. His achievements on edible and medicinal mushrooms includes development of technology for the production of button mushroom( Agaricus bispours), Oyster mushroom (Pleurotus spp. ) and medicinal mushrooms (Ganoderma lucidum, Lentinula edodes, and Cordyceps sinensis). He attended and presented papers in 25 National and several International conferences in Sydney, Australia 1981; Maastricht, Netherlands 2000; Nantong, China 2009 and Xining China 2010 .He worked as advisor to Govt. of Uttarakhand on mushroom production from 2002 to 2003 and he worked as University's consultant to various Industrial Projects of Mushrooms in India and abroad too to the world's largest mushroom growing and marketing company, Hughes Mushrooms, Northern Ireland.
  - d. **Brief profile of Mr. Gurprit Singh Sandhu, Managing Director, recommended for re- appointment.**  
Mr. Gurprit Singh Sandhu, aged 67 years has vast experience in the food business and is actively engaged in the food processing business for more than 25 years. He has been associated with the development of agricultural techniques and has to his credit the experience and knowledge about mechanized farming and development of new varieties in regard to agricultural produce.  
He is also on the Board of Tarai Farmlands Pvt. Ltd. and Suraiya Exports Pvt. Ltd.

### ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

#### ITEM NO. 4:

The Board of directors of the company had on 13th March, 2013 approved the appointment of Mr. Melvinder Singh Garewal, as an additional director of the company pursuant to the provision of section 260 of the Companies Act 1956. In connection with the appointment of Mr. Melvinder Singh Garewal, as an additional Director of the company, there is a need to comply with the provisions of the provision of section 260 of the companies act, 1956, which allows the additional director to hold office upto office the date of this Annual General meeting of the company and are eligible for appointment as Director of the Company.

## Tarai Foods Limited

The board considers it desirable that the Company should continue to avail his valuable services and recommends his appointment as Director of the Company

Mr. Melvinder Singh Garewal, director is interested in the said resolution of his appointment as Director of the Company.

The Board recommends the approval of the said resolution by the Shareholders of the Company.

### ITEM NO. 5:

The Board of directors of the Company had in their meeting held on 25th June, 2013 approved the appointment of Mr. Ram Pyare Singh, as an Executive Whole Time Director of the company pursuant to the provisions of Section 269, 198(4) 309, 310 and other applicable provisions, of the Companies Act, 1956 read with Schedule XIII of the Companies Act 1956, and also on the basis of the recommendation of the audit committee of the Company. Accordingly, Mr. Ram Pyare Singh, was appointed as an Executive Whole Time Director as per the terms and conditions of the Board Resolution dated 25th June, 2013, subject to the approval of the Members in the General Meeting.

Mr. Ram Pyare Singh, Director, himself is interested in the said resolution of his appointment as Director of the Company.

The Board recommends the approval of the said resolution by the Shareholders of the Company.

### ITEM NO. 6:

The Board of directors of the Company had in their meeting held on 25th June, 2013 approved the re-appointment of Mr. Gurprit Singh Sandhu, as the Managing Director of the Company pursuant to the provisions of Section 198, 269, 309, 310, 316 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, and as per the Articles of Association of the Company.

Accordingly, Mr. Gurprit Singh Sandhu, was re - appointed as the Managing Director as per the terms and conditions of the Board Resolution dated 25th June, 2013, subject to the approval of the Members in the General Meeting.

None of the Directors except Mr. Gurprit Singh Sandhu is interested in proposed resolution. However, Mrs. Kiran Sandhu, Director of the Company being related to him may also be deemed to be interested in the proposed reappointment.

The Board recommends the approval of the said resolution by the Shareholders of the Company.

**By order of the Board  
For Tarai Foods Limited**

Place: Rudrapur

Date : 26th August, 2013

Sd/-  
Dr. R.P. Singh  
Executive Whole Time Director  
DIN: 03615102

## DIRECTORS' REPORT

Dear Members,

Your Directors present the 23rd Annual Report together with the Audited Financial Accounts for the year ended 31st March, 2013.

### Financial Results

Particulars	For the period ended 31-03-2013	For the period ended 31-03-2012
Gross Revenue	168	143
Operating Profit before Interest, Financial Charges and Depreciation	20	(45)
Less: Interest and Finance Charges	0.17	0.14
Profit/(Loss) before Depreciation	20	(45)
Less: Depreciation	55	55
Profit/(Loss) for the year	(35)	(100)
Extra Ordinary Items	598	--
Net Profit/(Loss) for the year	564	(100)
Less: Provision for Tax	--	--
Net Profit/(Loss) after Taxation	564	(100)

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The company has made a net profit (after the extra ordinary items) of Rs. 564 Lacs as compared to a loss of Rs. 100 Lacs during the previous year. Also, the gross revenue of the Company has increased to Rs. 168 Lacs as compared to Rs. 143 Lacs in the previous year.

The Extra Ordinary items consisted of Liability of Rs. 1 cr., no longer payable along with provision of Interest of Rs. 4,99,10,283/- not payable on the working capital facilities from State Bank of Travancore written off on full and final settlement of the loan amount.

In the year under review, the company has diversified into Mushroom growing in artificially controlled temperature setting. This year the company has processed 327 tonnes of Frozen Peas, processed small quantities of Frozen sweet corn to cater to the Institutional Market. Your Directors are hopeful of expanding the Mushroom capacities in near future to nearly 1 ton a day and also capture the mushroom market in a big way.

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

#### i. Industry structure and developments.

Indian food processing industry is widely recognized as a sunrise industry, having huge potential for uplifting agricultural economy, creating of large scale processed food manufacturing and food chain facilities and the resultant generation of employment and export earnings. Indian food industry is expected to grow to US\$ 280 billion by 2015 and generate an additional employment for approximately 8.2 million people. Also, food consumption in India is estimated to grow at a CAGR of 5.32% by 2013. Further, it is expected that processed food output will grow at a strong 7% CAGR in terms of value from US\$ 55.6 billion in 2005 to US\$ 95.6 billion in 2013.

Mushroom farming is practiced in more than 100 countries and its production is increasing at an annual rate of 6-7% presently. World production of mushroom is over 25 million tons as per claims of Chinese Association of edible mushrooms. Indoor cultivation of mushrooms utilizes the vertical space and is regarded as the highest protein producer per unit area and time – almost 100 times more than the conventional agriculture and animal husbandry. This high tech horticulture venture has a promising scope to meet the food shortages without undue pressure on land. In India, mushroom production shot up from near 5000 tons in 1992 over 1 lac tons in 2010. India produces about 600 million tons of agricultural waste annually and a major part of it are left out to decompose naturally for burnt in situ. This can effectively be utilized to produce highly nutritive food unlike mushrooms and spent mushroom substrate can be converted into organic manure for field crops. Mushroom growing is highly labour oriented venture and two factors, i.e., availabilities of raw material and labour make mushroom growing economically profitable in India.

On the export front also, for the first time during 1994 India not only figured in the US imports but emerged as the 11th largest exporter of the canned mushrooms replacing Taiwan. Now a few commercial mushroom units are exporting canned mushrooms to the Americans, European and other countries regularly.

#### ii. Opportunities and Threats.

##### Opportunities

Foods and vegetables - fast growing sector

Fruits and vegetables are one of the most important and fast growing sub-sectors of the food processing industry. Over the last few years, there has been a positive growth in ready-to-serve beverages, fruit juices and pulps, dehydrated and frozen fruits and vegetable products, tomato products, pickles, convenience veg spice pastes, processed mushrooms and curried vegetables. The demand has increased because of the factors like consumption by nuclear families, working women, students and single employees staying alone. There are abundant opportunities in expanding the export market because of good international demand for certain fruits and vegetable products. The Indian food processing industry is primarily export oriented. India's geographical situation gives it the unique advantage of connectivity to Europe, the Middle East, Japan, Singapore, Thailand, Malaysia and Korea.

Macro-economic as well as industry specific (FMCG and Packaged Food) indications point to enduring buoyancy in the domestic market, while the international geographies in which your Company operates are likely to be stable as well.

Changing demographics (young, higher disposable income, experimental, urbanization, willingness to spend) further fuelled by trends like a greater awareness of health and nutrition on one hand and more hedonism (especially the new 'affluent' generation) is rapidly enlarging the opportunity.

##### Mushrooms:

Development trends of Mushroom industry is based on the increasing consumer consciousness and demand for nutritious quality and organic products in domestic and international market. Increasing interest in protection of environment from the industrial pollution and environment friendly progress in mushroom production and processing technologies resulting in tremendous growth in the productivity and production of mushrooms.

## Tarai Foods Limited

### Strength:-

Mushrooms are grown seasonally as well as state-of-art environment controlled Crop room in the commercial units. It is highly labour oriented venture and labour availability is no constraint in the vicinity of Tarai Foods and two factors that is availabilities of raw materials and labour make mushroom growing economically profitable in this region. Moreover, Tarai foods Ltd. Rudrapur is located in the bowl of raw materials like Wheat Straw, Sugar cane Bagasse & Chicken Manure required for composting. Besides, the moderate climate of the Tarai region is well suited to mushroom production as temperature does not as high alike other parts of the country.

Awareness about food and medicinal values of mushrooms increasing quantitative use of mushrooms in the country thus creating better market for a product like fresh and processed mushrooms. There is increasing market for post harvest products like pickles or soup powder of mushrooms.

### Threats

- **Uncontrolled price structure**

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

- **High transportation charges:**

Although, agro and animal wastes are available in plenty in India but their availability are not evenly distributed. Due to diversified climate and topography of land, different kinds of crops are raised in different parts of the Country and production/ manufacture have to pay heavy transport charges. The hike in diesel/petrol prices from time to time aggravates this problem.

- **Commercial rate of electricity tariff:**

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

- Competition: eg -Availability of canned chinese mushroom at lower price.
- High cost of energy tariff for year round production though the mushrooms have been included as one of the agricultural crops.
- Unorganized production and sale particularly by seasonal farmers resulting in glut in market during winter months. This results in price cut in the period.
- Lack of modern facilities to produce quality compost, casing material spawn and processed products. TFL is going to improve its facilities in this regard.

To address these risks, the Company has a single point source supplier of Frozen/IQF (Individually Quick Frozen products to the customers as per their requirements with high quality products at a lower cost. Though the competition is fierce, the goodwill and the quality of the products offered by the Company are great plus factors and the Company expects to overcome the competition. The Company had expanded its product line both horizontally as well as vertically.

### iii. Product-wise performance.

#### Processed Foods

- Fresh Mushrooms
- Frozen Sweet Corn
- Frozen Peas

#### Mushroom Spawn

### Product-wise performance Sale of Finished Goods

Description	Current Year		Previous Year	
	Qty. (in MTs)	Value (in Rs. In lacs)	Qty. (in MTs)	Value (in Rs. In Lacs)
Fresh Mushrooms	115	116.30	118	112.76
Frozen Sweet Corn	15	6.19	11	5.18
Frozen Peas	86	31.83	20	3.26
Mushroom Spawn	15	11.20	4	3.00

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## Tarai Foods Limited

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The company has completely diversified in Mushroom growing in artificially controlled temperature setting. It has been successful in creating capacities of ½ ton a day for Mushroom and is hopeful of expanding it to 1 ton a day in near future.

The overall current year's production and realizations in Frozen Vegetable category are low compared to the previous year, but this is a temporary phase caused by adverse liquidity condition and the Company hopes to overcome these in the current year's working and continue with the increasing trends.

### **iv. Outlook**

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

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

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

Management is consistently keeping close watch on the changing market scenario and the business strategy is reviewed regularly for achieving a consistent growth by meeting the tough international competition successfully.

### **v. Risks and concerns.**

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

### **vi. Internal control systems and their adequacy.**

The Company has an adequate system of internal controls to ensure that all activities are monitored and controlled as well as transactions are authorized, recorded and reported correctly. The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines, which are supplemented by internal audit regularly.

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

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

The Company has diversified its operations into Mushroom growing in artificially controlled temperature setting and offers a wide range Frozen and IQF (Individually Quick Frozen) product range of peas, fruits/ vegetables as per the requirements of the customers, meeting strict quality & hygiene standards. Canned peas in various shapes and sizes are also available as per the customer requirement. The Company is a single point source of supplier of Frozen, IQF, products to the customers as per their requirements.

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

The Company lays due emphasis on sound Human Resource Management practices and appraisal systems with focus on cordial employee relations to ensure higher level of productivity and operational efficiency. Adequate efforts have been made to strengthen and develop its human resources as a key strength through continuous training inputs and focused development plan. As on 31st March 2013, the total numbers of permanent employees in the Company were 15.

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



## Tarai Foods Limited

### STATUS OF MAJOR LITIGATION:

During the year under review, IFCI Ltd. has served a notice dtd 15th February, 2013 through their advocates u/s 433 (e) and 434 of the Companies Act, 1956 for winding up of the company.

### DIVIDEND

No dividend is recommended for declaration for the year ended 31st March, 2013.

### AUDITORS

M/s. Rattan Anil & Co, Chartered Accountants, A-90, Gali No. 6, 1st Floor, Madhu Vihar Market, Patpar Ganj Bus Depot., Delhi, Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment.

The Company has received a Certificate from the Auditors to the effect that their reappointment, if made, would be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956.

### DIRECTORS COMMENT ON AUDITOR'S QUALIFICATION

**Point 3 (1) read with Clause 14 on Note 22:** The company has been repairing the plant on regular basis depending on the liquidity position as per the need of the hour. Extensive repairs are made to the plant and plant & machineries every year. The company has also filed a case with the High Court on Insurance Company towards this claim.

**Point 3 (2) read with Clause 11 on Note 22:** The company had entered into settlement with secured lenders and part payments have already been made to these lenders as per the terms of the settlement in the earlier years. Although all the secured lenders have already revoked the sanctioned Settlement. But the company has approached them again and is hopeful to clear the default as per the negotiated settlement. As per the discussions on the settlements, the interest are not payable to them on the original liability and Current provision of Interest due to the secured lenders along with Principal amount due to them at Rs. 4,26,314,829/- (after taking into consideration the payment made towards the negotiated settlement) as per Books of Accounts is more than the settlement amount discussed with these lenders and in view of this, there is no fresh provision of interest made for the year under review in the Books of Accounts. Complete details have been provided in the clause 11 on note 22 which is self explanatory.

**Point 4 read with Clause 11 on Note 22:** The company has approached the secured lenders for resettlement and payment of Rs. 2,05,70,000/- was made in earlier years to these secured lenders towards the negotiated settlement which stand revoked as on date. On fully settling the dues of the secured lenders as per the settlement, the company will be able to come out of the negative networth and also revive its operations fully. The company has also diversified in the field of Mushroom growing in artificially controlled temperature and is hopeful of revival of its operations fully.

### Point No. 9 to the Annexure to the Auditor's Report:

The company has defaulted in depositing the dues with the Provident Fund Authorities due to the adverse financial condition but it has approached the Provident Fund Authorities to work out the plans so that the payments can be made to them in installments. It has already started making the payment to clear the Provident Fund dues. The company is hopeful to clear the entire dues in the near future.

The company has outstanding dues of around Rs. 10.56 lacs towards the sales tax liabilities, out of which sales tax demand of Rs. 7.30 lacs has been raised on account of late issue of Form F by the VAT Authorities at the branch. The company has taken up the steps to approach the relevant Authorities for cancellation of this demand. Rest of the Sales Tax demand of Rs. 3.26 has not been paid due to adverse liquidity position. The company is hopeful to clear the dues soon.

Other points are self explanatory as given in various clauses on Note 22.

**Cost Auditors:** The Board of Directors of the Company have appointed M/s V.K. Dubey & Company, Cost Accountants, holding valid certificate of practice no. 00343 as the Cost Auditor for conducting the Cost Audit of the Company for the financial year 2013-14. The Audit Committee of the company have recommended for their appointment in accordance with Cost Audit Rules 2011 and relevant notification issued by the Ministry of Corporate Affairs.

### DIRECTORS

Mr. Ram Pyare Singh who was appointed an additional director of the Company w.e.f 10th April, 2012 was regularized as Director in the Annual General Meeting held on 29th September, 2012 and was further appointed as Whole Time Director w.e.f. 1st July, 2013.

Mr. Melvinder Singh Garewal who was appointed as an Additional Director of the Company w.e.f. 13th March, 2013 and is proposed to be regularized in the ensuing Annual General Meeting.

Mr. G.S. Sandhu was re-appointed as Managing Director of the Company for a period of 5 years w.e.f. 26th June, 2013.

Mr. Vijay Jolly, who has been appointed as Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

## Tarai Foods Limited

### FIXED DEPOSITS

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

### BUY BACK OF SHARES:

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

### EMPLOYEES

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

### STOCK EXCHANGE LISTING

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

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

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

### CORPORATE GOVERNANCE

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

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

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

Your Directors hereby state that:

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

### APPRECIATION

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

For and on behalf of the Board of Directors

Sd/-

Dr. R.P. Singh

Executive

Whole Time Director

DIN: 03615102

Sd/-

Vijay Jolly

Director

DIN: 00080354

Place: Rudrapur

Date: 26th August, 2013

### Annexure-1 Conservation of Energy: FORM A

#### A. Power and Fuel Consumption:

1. Electricity	Year ended 31 <sup>st</sup> March, 2013	Year ended 31 <sup>st</sup> March, 2012
(a) Purchased		
Units	13,19,560	1,18,2630
Total Amount	63,06,741	5,61,2112
Rate/unit	4.78	4.75
Own Generation		
(i) Through diesel generator		
Units generated	45,000	60,000
Units per ltr. of Diesel Oil	3.75	3
Cost/units	13.40	14.22

## Tarai Foods Limited

### B. Consumption per unit of Production:

	Standards (if any)	Year ended 31 <sup>st</sup> March, 2013	Year ended 31 <sup>st</sup> March, 2012
Electricity (Units) per Kg.	—	2.90	8.7

#### FORM B

#### Research and Development (R & D):

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

#### Technology absorption, adaptation and innovation:

Validation of a formulation for compost preparation was carried out in the year 2013. Formulation chosen for the composting consisted of wheat straw, Chicken manure (80%), Gypsum (9.5%), Urea (1%) and Cotton seed cake (2%). Validated recent formulation gave significantly higher yield comparing earlier formulation. The present formulation is comparatively cost effective also. Application of validated formulation is presently going on.

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

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

#### Foreign Exchange Earnings & Outgo

During the year under review, the Company has neither earned any foreign exchange nor used any foreign exchange.

For and on behalf of the Board of Directors

Sd/-

Dr. R.P. Singh

Executive

Whole Time Director

DIN: 03615102

Sd/-

Vijay Jolly

Director

DIN: 00080354

Place: Rudrapur

Date: 26th August, 2013

### REPORT ON CORPORATE GOVERNANCE

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

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

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

#### 2. BOARD OF DIRECTORS:

##### a) Composition and Category of Directors:

The Board of directors of the Company consists of 5 directors whose category, attendance in Board meetings and in last AGM is as follows:

S. No.	Name of Directors	PD/ND*	ED/NED/ID*	Attendance in last AGM	Attendance in Board Meetings		Other Board	
					Held	Attended	Directorship	Committee Chairmanship
1.	Mr. Gurpreet Singh Sandhu	PD & Managing Director	ED	Present	7	7	Director in Tarai Farmlands Pvt. Ltd., *Tarai Agro Inds. Ltd., Suraiya Exports Pvt. Ltd.	NIL

## Tarai Foods Limited

2.	Mrs. Kiran Sandhu	PD	NED	Present	7	7	Director in Tarai Farmlands Pvt. Ltd. , *Tarai Agro Inds. Ltd., Suraiya Exports Pvt. Ltd.	NIL
3.	Mr. Vijay Jolly	NPD	NED/ID	Present	7	7	Director in Obex India Pvt. Ltd, Sensei Car Services Limited	NIL
4.	**Mr. Rampyare Singh	NPD	**ED	Present	7	7	NIL	NIL
5.	***Mr. Melvinder Singh Garewal	NPD	NED/ID	Absent	N.A	N.A	NIL	NIL

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

· PD – Promoter Director; NPD – Non Promoter Director; ED – Executive Director;

· NED – Non-Executive Director; ID – Independent Director

\*\*Dr. Rampyare Singh was appointed as Executive Director of the Company in the Board Meeting held on 25/06/2013.

\*\*\*Mr. Melvinder Singh Garewal was appointed as an Independent Director & Additional Director in the Board Meeting held on 13/03/2013.

### a) Details of Board Meetings held during the year :

During the year under review, 7 (Seven) Board meetings were held and the dates of the board meetings and attendance at the board meetings were as follows:

Date of Board Meeting	Board Strength	No. of Directors Present
10/04/2012	4	4
30/05/2012	4	4
14/08/2012	4	4
18/08/2012	4	4
12/11/2012	4	4
14/02/2013	4	4
13/03/2013	5	5

### 3. AUDIT COMMITTEE :

During the financial year 2012-2013, the Members of the Audit Committee met 4 (Four) times. The dates of the meetings were 28/05/2012, 12/08/2012, 10/11/2012 and 12/02/2013.

#### a) Composition of Committee and attendance of members :

Sl. NO.	NAME OF DIRECTOR	POSITION	CATEGORY	NO. OF MEETINGS	ATTENDANCE
1.	Mr. Vijay Jolly	Chairman	NED/ID	4	3
2.	Mrs. Kiran Sandhu	Member	NED	4	3
3.	Mr. R.P Singh**	Member	NED/ID	4	3

\*Mr. Vijay Jolly having the requisite qualification as required under Clause 49 (II) of the Listing Agreement is the Chairman of the Audit Committee.

\*\* Mr. R. P. Singh was appointed as a Member of the Audit Committee on 10/04/2012.

#### a) Terms of reference:

- To review the performance of Statutory Auditors and recommend their appointment and remuneration to the Board, considering their independence and effectiveness;
- To review of internal controls, delegation of authority limits;
- To act as an interface between the management and the statutory and internal auditors overseeing the internal audit functions;
- To oversee the Company's financial statements, including annual and quarterly financial results, and financial accounting practices & policies;

## Tarai Foods Limited

- To review all internal systems, review the Company's financial and risk management policies, audit and control procedures of the company including but not limited to appointment of statutory/internal auditors from time to time and also to review the annual accounts, quarterly unaudited financial results and limited review report before they are put up to Board for its approval".

### 3. REMUNERATION & RECRUITMENT COMMITTEE:

During the financial year 2012-13 Members of the Remuneration & Recruitment Committee met 4 (Four) times. The dates of meetings were 28/05/2012, 12/08/2012, 10/11/2012 and 12/02/2013.

#### a) Composition of Committee and attendance of members:

SI. NO.	NAME OF DIRECTOR	POSITION	CATEGORY	NO. OF MEETINGS	ATTENDANCE
1.	*Mr. R.P Singh	Chairman	NED/ID	4	3
2.	Mrs. Kiran San dhu	Member	NED	4	3
3.	Mr. Vijay Jolly	Member	NED/ID	4	3

\* Mr. R. P. Singh was appointed as the Chairman of the Remuneration & Recruitment Committee.

#### Terms of reference:

- To oversee the method, criteria and quantum of compensation for Executive and Non-Executive Directors;
- To review the recruitment of key management employees and their compensation;
- Formulation of initiatives leading to greater transparency and improved corporate governance.

#### b) Remuneration Policy:

No remuneration is paid to the Directors by the Company & there is no remuneration policy of the Company.

### 3. INVESTORS'/SHAREHOLDERS' GRIEVANCES COMMITTEE

During the financial year 2012-2013, Members of the Investors'/Shareholders' Grievance Committee met 4 (Four) times. The dates of meetings were 28/05/2012, 12/08/2012, 10/11/2012 and 12/02/2013.

#### a) Composition of Committee and attendance of members:

SI. NO.	NAME OF DIRECTOR	POSITION	CATEGORY	NO. OF MEETINGS	ATTENDANCE
1.	Mr. R. P. Singh	Chairman	NED/ID	4	3
2.	Mrs. Kiran Sandhu	Member	NED	4	3
3.	Mr. Vijay Jolly	Member	NED/ID	4	3

\* Mr. R. P. Singh was appointed as the Chairman of the Investors' / Shareholders' Grievance Committee.

b) Mr. G. S. Sandhu, Managing Director, is the Compliance Officer of the Company.

c) - No. of Investors' Complaints received by the Company: 1

- No. of Complaints not solved / pending: NIL

### 3. GENERAL MEETINGS :

- Location and time, where last three AGMs were held :

Particulars	FY 2009-10	FY 2010-11	FY 2011-2012
Date & Time	September 30, 2010 9:30 A.M.	July 20, 2011 9:30 A.M.	September 29, 2012 9:30 A.M.
Venue	Elcina House, 422, Okhla Industrial Estate, New Delhi - 110 020	Elcina House, 422, Okhla Industrial Estate, New Delhi - 110 020	Elcina House, 422, Okhla Industrial Estate, New Delhi - 110 020

- Whether any special resolutions passed in the previous 3 AGMs:

In the Annual General Meeting held on 30th September, 2010 and 20th July, 2011 and 29th September, 2012 no special resolution was passed.

- Whether any special resolution passed in last year through postal ballot, details of voting pattern:

No.

- Person who conducted the postal ballot exercise:

N. A.

- Whether special resolutions are proposed to be conducted through postal ballot:

N. A.

- Procedure for postal ballot:

N. A.

## Tarai Foods Limited

### 7. DISCLOSURES:

- Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relative that may have potential conflict with the interests of the Company at large:

The Company does not have any materially significant related party transactions, which may have potential conflict with its interest at large.

- Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority, on any matter related to capital markets, during the last three years :  
N.A.

- Whistler Blower policy and affirmation that no personnel has been denied access to the audit committee:  
N.A.

- Details of compliance of mandatory requirements and adoption of the non-mandatory requirements:  
The Company has complied with the mandatory requirements of the Listing Agreement. The Company has adopted the non-mandatory requirements of the Remuneration Committee.

### 8. MEANS OF COMMUNICATION:

The Quarterly Unaudited Financial Results are generally published by the Company in The Financial Express (English), The Pioneer (English and Hindi) & Haribhomi (Hindi). The Company maintains a web-site [www.tarafoods.com](http://www.tarafoods.com). During the year under review, the Company has neither released any official news release nor has made any presentation to the Institutional Investors or to the Analysts.

### 9. SHAREHOLDERS' INFORMATION:

#### a) Annual General Meeting:

Date and Time : 30th September, 2013 at 9.30 A.M.

Venue : Elcina House, 422, Okhla Industrial Estate, Phase-III, New Delhi-110020

#### b) Financial Year:

The financial year of the Company is from April to March.

#### c) Book Closure:

The Register of Members and Share Transfer Books of the Company will remain closed from 28th September, 2013 to 30th September, 2013 (both days inclusive).

#### d) Dividend payment date :

N.A.

#### e) Stock Exchange Listing:

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

#### f) Stock Code:

The Stock Exchange, Mumbai - 519285

#### g) Market price Data High/ Low during each month in last financial year: At BSE (Bombay Stock Exchange)

Month	Monthly High	Monthly Low
Apr-12	2.81	2.14
May-12	3.76	2.94
Jun-12	4.04	3.25
Jul-12	4.76	3.36
Aug-12	3.20	2.52
Sep-12	3.24	2.54
Oct-12	2.50	1.82
Nov-12	2.05	1.43
Dec-12	2.04	1.45
Jan-13	2.29	1.78
Feb-13	2.10	1.84
Mar-13	2.39	2.00

#### h) Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.:

Since the shares of the Company are thinly traded, the comparison of the performance of the shares of the Company with indices such as BSE Sensex is not made.

#### i) Registrar and Transfer Agents:

Beetal Financial & Computer Services Pvt. Limited,  
99, 3rd Floor, Madangir, Behind Local Shopping Center,  
New Delhi- 110 062.

## Tarai Foods Limited

**j) Share Transfer System:**

All the share transfer system of the company is being controlled by Beetal Financial & Computer Services Pvt. Limited, subject to the approval of the company.

**k) Distribution of Shareholding as on 31.03.2013:**

Sr. No.	Category	No. of Shares	% of Holding
A.	Promoters' Holding:		
1.	Promoters		
	Indian Promoters	19,31,862	10.90
	Foreign Promoters	63,28,100	35.70
2.	Persons Acting In Concert	NIL	NIL
	Sub - Total	82,59,962	46.60
B.	Non Promoters' Holding		
3.	Institutional Investors:		
a.	Mutual Funds & UTI	12,900	.07
b.	Banks, FIs, Insurance Companies (Central/State Govt. Institutions/Non - Govt. Institutions)	20,300	.11
c.	Foreign Institutional Investors	NIL	NIL
	Sub - Total	33,200	.18
4.	Others		
a.	Private Corporate Bodies	36,49,327	20.58
b.	Indian Public	54,66,464	30.84
c.	NRIs/OCBs	3,19,167	1.8
d.	Any Other (Clearing Members Demat Transit)	-	-
	<b>GRAND TOTAL</b>	<b>1,77,28,120</b>	<b>100</b>

**l) Distribution of Shareholding by size as on 31.03.2013:**

Sr. No.	Shares	No. of shareholders	No. of shares	% to the total shares
1.	Up to 5,000	15,002		
2.	5,001 to 10,000	648	21,51,454	12.13
3.	10,001 To 20,000	270	5,58,952	3.15
4.	20,001 To 30,000	98	4,20,181	2.37
5.	30,001 To 40,000	35	2,49,172	1.41
6.	40,001 To 50,000	65	1,26,538	0.71
7.	50,000 To 1,00,000	63	3,09,575	1.74
8.	1,00,001 And Above	58	4,64,061	2.61
	TOTAL	16,239	1,34,48,187	75.86
			1,77,28,120	100

**m) Dematerialization of Shares & Liquidity:**

As on 31st March, 2013, 1,13,28,069 equity shares, representing 63.90% of Total Equity Capital is held in demat form with the NSDL & CDSL.

**n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:**

N. A.

**o) Plant Location:**

Village: Fazilpur-Mehrola,  
Tehsil: Kichha, Rudrapur,  
Dist.: Udham Singh Nagar,  
Uttrakhand.

**p) Address for Correspondence:**

13, Hanuman Road,  
Connaught Place,  
New Delhi- 110001

For and on behalf of the Board of Directors

Sd/-  
Dr. R.P. Singh  
Executive  
Whole Time Director  
DIN: 03615102

Sd/-  
Vijay Jolly  
Director  
DIN: 00080354

Place: Rudrapur  
Date: 26th August, 2013

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**Tarai Foods Limited**

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**AUDITORS' CERTIFICATE**  
**To the members of Tarai Foods Limited**

We have examined the compliance of conditions of Corporate Governance by Tarai Foods Limited for the year ended 31st March 2013 as stipulated in Clause 49 of the Listed Agreement of the said company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations' was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listed Agreement.

We state that no investor grievances is pending for a period exceeding one month against the company as per the record maintained by the company which are presented to investors' Grievances Committee.

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.

**For RATTAN ANIL & CO.**  
Chartered Accountants

Place : Rudrapur  
Date : 26th Aug, 2013

Sd/-  
Rattan Bansal  
Partner  
Membership No.: 083929  
Firm Regn. No.: 009414N



## Tarai Foods Limited

### AUDITORS' REPORT TO THE MEMBERS OF TARAI FOODS LIMITED.

1. We report that we have audited the Balance Sheet of TARAI FOODS-LIMITED as at 31st March, 2013 and the relative Profit and loss Account for the period ended on that date and the Cash Flow statement for the period ended on that date. 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 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 from 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and loss Account and the Cash Flow statement together with the significant accounting policies and notes thereon and attached thereto give in the prescribed manner, the information required by the Companies Act, 1956 and also give, subject to note 3.1 to 3.2 below, respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2013 in case of Balance Sheet and of the profit for the period ended on that date in case of the Profit & loss Account and of the cash flows for the period ended on that date in case of the Cash Flow Statement.
  1. Clause 14 on Note 22 regarding damage to the cold store building.
  2. Clause 11 on Note 22 regarding interest on Term Loan and working capital default not provided for.
  4. Considering continued losses, and negative net worth of the company, the concept of going concern may be in doubt, its ability to continue as going concern depends upon the settlement of outstanding dues of secured/ unsecured creditors and restructuring of operations by considering appropriate business strategies and financial viabilities. In spite of these uncertainties, accounts have been prepared on going concern basis and we are unable to ascertain its impact on the financial statements of the company. (Clause 12 on Note 22).
5. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report Amendment) order, 2004 (The Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (The Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said order.
6. Further to our comments in the Annexure referred to in Paragraph 3 & 4 above, we report that:
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit ;
  - b) In our opinion; proper books of account have been kept as required by law so far as appears from our examination of those books ;
  - c) The Balance Sheet, Profit & loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - d) In our opinion the Balance Sheet and Profit and loss account and Cash Flow statement dealt with by this report comply with the Mandatory Accounting Standards referred to in sub-section 3C of section 211 of the Companies Act, 1956;
  - e) In our opinion, and based on the information and explanations given to us, none of the directors of the Company, is disqualified as on March 31, 2013 from being appointed as a directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For RATTAN ANIL & CO.  
Chartered Accountants

Place : Rudrapur  
Date : 30th May 2013

Sd/-  
Rattan Bansal  
Partner  
Membership No.:083929  
Firm Regn. No.:009414N

## Tarai Foods Limited

### ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph (1) of our Report of given date of Tarai Foods Limited for the period ended 31st March, 2013)

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the Management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In our opinion, the company has not disposed of substantial part of fixed assets during the year.
2. a) As explained to us, inventories have been physically verified by the Management at regular intervals during the year.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company has maintained proper records of inventories. There were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained u/s 301 of the Act. Consequently, paragraphs iii (b), iii(c) and iii (d) of the said order are not applicable.
- b) The company. has taken interest free unsecured loans from the Managing Director in the current year as well as in earlier years and a company covered in the register maintained u/s 301 of the Act in earlier years.

Sr. No.	Name of the Party	Loan taken during the year	Maximum Balance during the year	Outstanding as on 31 <sup>st</sup> March 2013	Terms of the Loan
1	Mr. G.S. Sandhu	Rs. 87 lacs	Rs. 112.50 Lacs	Rs. 112.50 Lacs	Unsecured interest free and repayable on demand
2	Tarai Farmlands Pvt. Ltd.	Nil	Rs. 30 Lacs	Rs. 30 Lacs	Unsecured interest free and repayable on demand

- c) In our opinion and according to the information and explanations given to us, the loans as detailed above are interest free and the other terms and conditions are not prima facie prejudicial to the interest of the Company.
- d) In respect of loans taken by the company the loan is interest free and the principal amount is repayable on demand.
- e) In respect of loans taken by the company, these are repayable on demand which is not demanded as on the date of signing of this report and thus is not overdue.
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 for the purchase of inventory, fixed assets and also for the sale of goods and Services, During the course of our audit, we have not observed any Continuing failure to correct major weaknesses in internal control System.
5. a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, there are no such transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5,00,000/- or more in respect of any party.
6. The company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the company is commensurate with its size and nature of its business,
8. The Central Government has prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956.

## Tarai Foods Limited

**9. In respect of statutory dues:**

- a) According to the records of the Company, in the year under review undisputed statutory dues including Income tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities except for provident fund of Rs. 21.75 lacs (including of earlier years) and Sales Tax of Rs. 10.56 Lacs (including of earlier years) which are due for more than six months after they have become payable. Provision of Sales Tax Liability of Rs. 10.56 lacs had not made in Books of Accounts. According to the Information and explanations given to us, except for provident fund and Sales Tax, no undisputed amounts payable in respect of the aforesaid dues in the year under review were outstanding as at 31st March, 2013 for a period of more than six months from the date of becoming payable.
- b) As at 31st March, 2013 according to the records of the Company, the following are the particulars of disputed dues on account of sales tax, Income Tax and excise duty matters that have not been deposited:

Name of the statute	Amount Rs. in Lacs	Forum Where dispute is pending
Sales Tax (Financial Year 2000-01)	0.32	Appellate Authority Upto Commissioner's Level
Excise Duty (Fin. Year 1999 -2000)	0.59	Appellate Authority Upto Commissioner's Level
Income Tax (Ass. Year 1996 -97)	129.84	Appellate Authority ITAT and High Court

10. The company has accumulated losses and has not incurred cash Loss during the current financial year covered by our audit and has incurred cash loss in the immediately preceding financial year.
11. In our opinion and based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has defaulted in repayment of dues to financial institutions and the bank. The Company has been defaulting to the institutions for fifteen years to the tune of Rs. 465 lacs towards principal amount As per the books of accounts maintained by the Company, the default of unpaid interest to the secured lenders is approx. Rs. 40 crores as on 31.03.2013.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
14. The company is not dealing in or trading in securities, debentures and other investments.
15. The company has not given guarantees for loans taken by others from banks or financial institutions.
16. The company has not raised any new term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the financial statements of the company, we are of the opinion that no funds raised on short term basis have been used for long term investment.
18. During the year, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies act, 1956.
19. The company has not issued any debentures and hence question of creation of securities or charge in respect of debentures issued does not arise.
20. The company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

**For RATTAN ANIL & CO.**  
Chartered Accountants

Place : Rudrapur  
Date : 30th May 2013

Sd/-  
Rattan Bansal  
Partner  
Membership No.: 083929  
Firm Regn. No.: 009414N

## Tarai Foods Limited

### TARAI FOODS LIMITED

#### AUDITED BALANCE SHEET AS AT 31st MARCH, 2013

	Notes	AS AT 31-Mar-13	AS AT 31-Mar-12
		Rs.	Rs.
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	143,381,200	143,381,200
Reserves & Surplus	2	(551,276,660)	(607,639,098)
Moneys received against Share Warrants		-	-
		(407,895,460)	(464,257,898)
<b>Share application money pending Allotment</b>			
		-	-
<b>NON CURRENT LIABILITIES</b>			
Long Term Borrowings	3	426,314,829	494,725,112
Deferred Tax Liability (Net)		0	0
Other Long Term Liabilities	4	14,250,000	5,550,000
Long Term Provisions	5	535,439	569,074
		441,100,268	500,844,186
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings		0	0
Trade Payables	6	12,376,163	11,920,082
Other Current Liabilities	7	6,153,579	4,029,814
Short Term Provisions	8	173,226	196,897
		18,702,968	16,146,793
		51,907,777	52,733,081
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
a.) FIXED ASSETS			
-- Tangible Assets	9	40,237,176	45,702,783
-- Intangible Assets		0	0
-- Capital Work-in- Progress		1,269,336	1,269,337
-- Intangible Assets under development		0	0
		41,506,512	46,972,120
b.) Non Current investments		0	0
c.) Deferred Tax Assets (Net)		0	0
d.) Long term loans and advances		0	0
e.) Other non- current assets		0	0
<b>CURRENT ASSETS</b>			
(a) Current investments	10	4,431,085	564,128
(b) Inventories	11	395,919	296,540
(c) Trade receivables	12	1,283,441	639,487
(d) Cash and cash equivalents	13	4,290,816	4,260,806
(e) Short-term loans and advances		0	0
(f) Other current assets		10,401,262	5,760,961
		51,907,777	52,733,081

The accompanying notes 1 to 22 are an integral part of the Financial Statements.  
This is the Balance Sheet referred to in our report of even date

ON BEHALF OF THE BOARD

Sd/-

Rattan Bansal  
Partner  
Membership No.083929  
For and on behalf of  
M/s. Rattan Anil & Co.  
Chartered Accountants  
Firm Regn. No. : 009414N

DIN No:

Sd/-  
G.S. SANDHU  
MANAGING DIRECTOR  
00053527

Sd/-  
KIRAN SANDHU  
DIRECTOR  
00053879

Place : Rudrapur  
Date : 30.05.13

## Tarai Foods Limited

### TARAI FOODS LIMITED

### AUDITED PROFIT & LOSS ACCOUNT STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013

		For the YEAR ended 31-Mar-13	For the year ended 31-Mar-12
	Notes	Rs.	Rs.
<b>INCOME</b>			
Net Revenue from Operations	14	16,807,632	13,784,588
Other Income	15	40,730	467,860
		<b>16,848,362</b>	<b>14,252,448</b>
<b>EXPENSES</b>			
Cost of Materials consumed	16	4,821,310	2,885,090
Purchase of Stock in Trade		63,000	625815.00
Changes in inventories of Finished Goods and stock-in-Trade	17	(3,847,964)	(9,738)
Employee Benefit Expenses	18	2,187,675	2,927,725
Finance Cost	19	16,816	13,972
Depreciation and Amortization expenses	9	5,482,966	5,494,821
Other Expenses	20	11,604,904	12,317,799
Total Expenses		<b>20,328,707</b>	<b>24,255,484</b>
		(3,480,345)	(10,003,036)
<b>(LOSS)/ PROFIT BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX</b>			
		0	0
<b>EXCEPTIONAL ITEMS</b>			
		<b>(3,480,345)</b>	<b>(10,003,036)</b>
<b>PROFIT/ (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX</b>			
Extra Ordinary Items /prior year expenses		(59,842,783)	0
<b>PROFIT/ (LOSS) BEFORE TAX</b>		<b>56,362,438</b>	<b>(10,003,036)</b>
Tax expenses		0	0
<b>PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPEARATIONS</b>		<b>56,362,438</b>	<b>(10,003,036)</b>
<b>PROFIT/ (LOSS) FROM DISCONTINUING OPEARATIONS</b>		0	0
Tax Expenses of Discontinuing operations		0	0
<b>Profi/(loss) from Discontinuing Operations (after Tax)</b>		<b>0</b>	<b>0</b>
<b>Profit / (Loss) for the Period</b>		<b>56,362,438</b>	<b>(10,003,036)</b>
Loss brought forward from previous year		644,598,409	634,595,373
<b>LOSS TRANSFERED TO BALANCE SHEET</b>		<b>(588,235,971)</b>	<b>(644,598,409)</b>
<b>Earning Per Share before Extra Ordinary Items</b>		<b>(0.24)</b>	<b>(0.70)</b>
<b>Basic and Diluted EPS</b>			
<b>Earning Per Share after Extra Ordinary Items</b>		<b>3.93</b>	<b>(0.70)</b>
<b>Basic and Diluted EPS</b>			

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

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

ON BEHALF OF THE BOARD

Sd/-  
Rattan Bansal  
Partner  
Membership No.083929  
For and on behalf of  
M/s. Rattan Anil & Co.  
Chartered Accountants  
Firm Regn. No. : 009414N

DIN No:

Sd/-  
G.S. SANDHU  
MANAGING DIRECTOR  
00053527

Sd/-  
KIRAN SANDHU  
DIRECTOR  
00053879

Place : Rudrapur  
Date : 30.05.13

## Tarai Foods Limited

### NOTE 1: SHARE CAPITAL

	31-Mar-13	31-Mar-12
<b>AUTHORISED CAPITAL:</b>	Rs.	Rs.
32,000,000 Equity Shares of Rs. 10/- each (32,000,000)	320,000,000	320,000,000
150,000 (last year 150,000) Cumulative Convertible Preference Share Of Rs.100 /- each	15,000,000	15,000,000
	<b>335,000,000</b>	<b>335,000,000</b>
<b>ISSUED, SUBSCRIBED, CALLED UP AND PAID UP</b>		
17,728,120 Equity Shares of Rs. 10 each , fully called up (previous year 17728120 Equity Shares)	177,281,200	177,281,200
LESS: Calls in arrears-	33,900,000	33,900,000
-- By directors and officers Rs. 1.03 cr. (PY Rs. 1.03 crs.)		
-- By others Rs. 2.364 crs.(PY Rs. 2.364 crs.)	143,381,200	143,381,200

#### A.) The details of the Shareholders holding more than 5% shares:

Name of the Shareholders	As at 31.03.13		As at 31.03.12	
	No. of Shares	% held	No. of Shares	% held
Galway Investments Pvt. Ltd.	6328100	35.70%	6328100	35.70%
G.S. Sandhu	1658562	9.36%	1658562	9.36%
Arihant Technology Pvt. Ltd.	1000000	5.64%	1000000	5.64%
Sunbright Foods Pvt. Ltd.	1000000	5.64%	1000000	5.64%

#### B.) The reconciliation of the number of shares outstanding is set out below

Particulars	31-Mar-13	31-Mar-12
	No. of Shares	No. of Shares
Equity Shares at the beginning of the Year	17,728,120	17,728,120
Add: Share issued during the year	0	0
Less: Shares cancelled	0	0
Equity Shares at the end of the Year	<b>17,728,120</b>	<b>17,728,120</b>

### NOTE 2: RESERVES & SURPLUS

	31-Mar-13	31-Mar-12
<b>RESERVES AND SURPLUS</b>	Rs.	Rs.
<b>Share Premium Reserve</b>		
At the beginning and at the end of the year	36,959,311	36,959,311
<b>SURPLUS</b>		
<b>Debit Balance in profit &amp; Loss A/c.</b>		
As per Last Balance Sheet	(644,598,409)	(634,595,373)
Add: losses for the Year	56,362,438	(10,003,036)
At the end of the Year	(588,235,971)	(644,598,409)
<b>TOTAL</b>	<b>(551,276,660)</b>	<b>(607,639,098)</b>

## Tarai Foods Limited

### NOTE 3: LONG TERM BORROWINGS:

	31-Mar-13	31-Mar-12
	Rs.	Rs.
<b>Secured:</b>		
<b>TERM LOAN FROM FIS AND BANKS:</b>		
- Rupee Term Loan	46,500,000	65,500,000
- Interest Accrued and Due	399,884,829	449,795,112
	446,384,829	515,295,112
Less: Repayments under negotiated settlement	20,070,000	20,570,000
	<b>426,314,829</b>	<b>494,725,112</b>

\* Term Loans from financial institutions are secured by mortgage of Company's immovable properties, both present & future and hypothecation by way of first charge on the Company's movable assets (except book debts) including movable machinery, machinery spares, tools and accessories, present & future, subject to prior charges in favour of Company's Bankers on the stock of raw materials, semi finished goods, finished goods, consumable stores & such other movable as may be specifically permitted to secure its working capital requirements and guaranteed by the promoters of the Company as per the terms of the agreement. All these term loans are overdue for repayment. These are further secured by Personal Guarantee of Mr. G.S. Sandhu (Director) and Mr. Bhooi

### NOTE 4: OTHER LONG TERM BORROWINGS:

	31-Mar-13	31-Mar-12
	Rs.	Rs.
<b>UNSECURED</b>		
- From Others		
- From Directors	11,250,000	2,550,000
- From others#	3,000,000	3,000,000
# Includes unsecured loan from a company under the same management	<b>14,250,000</b>	<b>5,550,000</b>

### NOTE 5: LONG TERM PROVISIONS

<b>PROVISION FOR EMPLOYEE BENEFITS</b>		
- Provision for Gratuity	473,017	506,758
- Provision for Earned Leaves	62,422	62,316
	<b>535,439</b>	<b>569,074</b>

### NOTE 6 : TRADE PAYABLES

<b>Sundry Creditors- Due to Others</b>		
- Due to Micro, small and Medium Enterprises	12,376,163	11,920,082
	0	0
	<b>12,376,163</b>	<b>11,920,082</b>

### NOTE 7: OTHER CURRENT LIABILITIES

<b>Security deposits</b>		
<b>Other Payables:</b>	104,700	104,700
Advances from Customers		
Expenses Payable	2,551,796	304,237
Share Application Money Refundable	895,528	988,121
Other Statutory Dues	0	225,546
	<b>2,601,555</b>	<b>2,407,210</b>
	<b>6,048,879</b>	<b>3,925,114</b>
	<b>6,153,579</b>	<b>4,029,814</b>

## Tarai Foods Limited

### NOTE 8 : SHORT TERM PROVISIONS

Current Portion of Long Term Employee Benefits:

- Provision for Gratuity	149,329	168,822
- Provision for Earned Leaves	23,897	28,075
	173,226	196,897

NOTE 9: FIXED ASSETS										
Particulars	GROSS BLOCK			As at 31-Mar-13	DEPRECIATION			As at 31-Mar-13	NET BLOCK	
	As at 1-Apr-12	Additions during The Year	Sale/ Adjustment		As at 1-Apr-12	For the Year	on Sale / Adjustments		As at 31-Mar-13	As at 31-Mar-13
<b>TANGIBLE ASSETS:</b>										
Land	11,083,208	-	-	11,083,208	-	-	-	-	11,083,208	11,083,208
Approach Road	918,569	-	-	918,569	284,505	14,973	-	299,478	619,091	634,064
Building	34,362,362	-	-	34,362,362	16,864,053	1,147,703	-	18,011,756	16,350,605	17,498,309
Plant & Machinery	84,857,401	17,359	-	84,874,760	68,723,954	4,145,973	-	72,869,927	12,004,831	16,133,447
Furniture & Fixtures	1,583,047	-	-	1,583,047	1,581,237	-	-	1,581,237	1,810	1,810
Office Equipments	6,315,089	-	-	6,315,089	5,966,557	174,080	-	6,140,637	174,452	348,532
Vehicle	679,561	-	-	679,561	676,147	237	-	676,384	3,177	3,413
<b>Total</b>	<b>139,799,236</b>	<b>17,359</b>	<b>-</b>	<b>139,816,595</b>	<b>94,096,452</b>	<b>5,482,966</b>	<b>-</b>	<b>99,579,420</b>	<b>40,237,176</b>	<b>45,702,783</b>
<b>Total</b>	<b>139,700,833</b>	<b>98,403</b>	<b>-</b>	<b>139,799,236</b>	<b>88,601,631</b>	<b>5,494,821</b>	<b>-</b>	<b>94,096,454</b>	<b>1,269,337</b>	<b>1,269,337</b>
<b>CAPITAL WIP</b>	<b>1,269,337</b>	<b>-</b>	<b>-</b>	<b>1,269,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,506,513</b>	<b>46,972,120</b>

### NOTE 10: INVENTORY

Refer Clause 5 to Note 21

	31-Mar-13	31-Mar-12
Raw Material	Rs. 1,260	Rs. 50,587
W.I.P.	721,202	0
Finished Goods	3,270,058	143,295
Stores & Spares	178,340	180,348
Fuel, Oil and Lubricants	42,537	9,717
Packing Material	217,689	180,181
	<b>4,431,085</b>	<b>564,128</b>



## Tarai Foods Limited

### NOTE 11: TRADE RECEIVABLES

	31-Mar-13	31-Mar-12
(All the trade receivables are Unsecured)		
	Rs.	Rs.
<b>Debts outstanding for a period over six months :</b>		
- Unsecured but considered good	177,900	76,233
- Unsecured and considered doubtful	612,868	546,900
<b>Others :</b>		
- Unsecured but considered good	152,051	220,308
- Unsecured and considered doubtful	0	0
Less : Provision for doubtful debts	546,900	546,900
	<b>395,919</b>	<b>296,540</b>

### NOTE 12: CASH & CASH EQUIVALENTS

	31-Mar-13	31-Mar-12
	Rs.	Rs.
Balances With Banks In Current Accounts	1,071,133	192,059
Cheques/ Drafts on Hand	0	0
Cash on Hand	23,613	43,528
Fixed Deposit with Bank #	188,695	178,354
Share Application Money Refundable with Bank	0	225,546
	<b>1,283,441</b>	<b>639,487</b>

# Fixed Deposit with Banks includes deposit of Rs.NIL (Previous Year Rs. 1,67,075) with maturity of more than 12 months.

### NOTE 13: SHORT TERM LOANS AND ADVANCES

	31-Mar-13	31-Mar-12
All are unsecured and Considered Good except as mentioned otherwise		
	Rs.	Rs.
<b>A.) Loan and Advances to Related Parties</b>	0.00	0.00
<b>B.) Loan and Advances to Others: (Unsecured and considered Good)</b>		
Advances recoverable in cash or in kind or for value to be received		
- Unsecured but considered good	0	1,228
- Unsecured and considered doubtful	670,500	670,500
With Statutory Authorities: Unsecured and considered good		
- Balance with Income Tax Authorities	2,935,008	2,930,610
- Balance with Sales Tax Authority	90,583	90,583
- Balance with Custom Duty and Excise Duty	100	100
VAT ON INPUT	188,422	188,422
Deposits	635,983	609,142
Others#	440,720	440,721
Less Provision for doubtful Advances	670,500	670,500
# Includes Advances to Sundry Creditors		
(Advance include amount due from Directors/ Officers of the Company Rs. Nil /- Previous Year Rs..1,228/- )		
(Maximum advance due during the year Rs. 8,090/- Previous Year Rs.7,500/-)		
	<b>4,290,816</b>	<b>4,260,806</b>

## Tarai Foods Limited

### Note 14: REVENUE FROM OPERATIONS

	31-Mar-13	31-Mar-12
	Rs.	Rs.
Gross Sale of Products	16,762,525	12,501,588
Gross Sale of services	0	0
Other Operating Revenues	45,107.00	1,283,000
	16,807,632	13,784,588
Less: Exise Duty/service tax	0	0
Net Revenue from Operations	16,807,632	13,784,588

### Note 15: OTHER INCOME

	31-Mar-13	31-Mar-12
	Rs.	Rs.
Interest Income on Fixed and security deposits	40,730	42,860
Other interest Income #		425,000
# (Interest on delayed payment received)		
Dividend Income	0	0
Net gain/loss on Foreign Currency	0	0
	40,730	467,860

### NOTE 16: COST OF MATERIALS CONSUMED

	31-Mar-13		31-Mar-12	
	Amt. in Rs.	% of Consumption	Amt. in Rs.	% of Consumption
Imported	0	0	0	0
Indegenous	4821310	100	2885090	100
	4821310	100	2885090	100

### CONSUMPTION OF RAW MATERIAL:

	31-Mar-13		31-Mar-12	
	Qty (in MT)	Value (In Rs.)	Qty (in MT)	Value (In Rs.)
Wheat Straw	209	819,643	350	1100704
Farmyard Manure	185	102,083	386	203297
Poultry Manure	176	195,160	248	279757
Sweet Corn	28	140,000	38	189400
Raw Peas	739	2,653,218	0	0
Misc.(Spawn, Gypsum, coir pith, chemicals,cotton rolls etc.		911,206		1111933
		4,821,310		2,885,090

### NOTE 17: INCREASE / (DECREASE) IN INVENTORY

	31-Mar-13	31-Mar-12
	Rs.	Rs.
Opening Stock	143,295	133,557
stock w/off	0	0
Adjusted Stock	143,295	133,557
Closing Stock	3,991,259	143,295
Increase/(Decrease) in inventory	(3,847,964)	(9,738)

## Tarai Foods Limited

### NOTE 18: EMPLOYEE BENEFIT EXPENSES

	31-Mar-13	31-Mar-12
Salaries and Wages	1,915,641.00	2,615,732.00
Contribution to Provident and other fund	181,567.00	213,828.00
Expenses on ESOP and ESPP	0.00	0.00
Staff Welfare Expenses	90,467.00	98,165.00
	<b>2,187,675.00</b>	<b>2,927,725.00</b>

### NOTE 19: FINANCE COST

	31-Mar-13	31-Mar-12
Interest expense:	Rs.	Rs.
- Term Loan	0	0.00
- Others	905	706.00
- Bank Charges	15,911	13,266.00
Other Borrowing Costs	0	0
Applicable Net gain/ loss on foreign currency transaction	0	0
	<b>16,816</b>	<b>13,972</b>

### NOTE 20 : OTHER EXPENSES

#### MANUFACTURING EXPENSES

Consumption of Stores, spares and packing material	344,246	1,056,876
Fuel, Power & Water	7,719,442	7,414,000
Repairs to Building	13,428	39,619
Repairs to Machinery	874,529	802,296
Repair & Maintenance - Cold Store	29,714	18,090
	<b>8,981,359</b>	<b>9,330,881</b>

A

#### MARKETING EXPENSES

Loading & Unloading Charges	76,987	73,236
Freight Outward	97,583	152,765
Cold Store Hire charges	69,174	87,394
	<b>243,744</b>	<b>313,395</b>

B

#### ADMINISTRATIVE EXPENSES

Traveling & Conveyance Expenses	118,515	136,860
Rent	176,000	166,590
General/Board meeting Expenses	4,494	5,412
Miscellaneous Expenses	151,940	220,988
Legal & Professional Charges	1,299,749	1,667,621
License & Filing Charges	31,174	23,404
Insurance	0	0
Repair & Maintenance - Office	170,648	23,465
Listing Fee & Expenses	79,852	78,865
Share Registrar Charges	53,932	57,049
Printing & Stationery	132,416	147,874
Telephone Charges	56,930	29,946
Postage Charges	91,976	91,946
Sales Tax Expenses	500	6,581
Amounts w/off	1,558	16,922.00
Debtors w/off	10,117	0.00
	<b>2,379,801</b>	<b>2,673,523</b>

C

TOTAL	A+B+C	11,604,904	12,317,799
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## Tarai Foods Limited

### Note 21: STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

**1. General:**

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accounting principles of Going Concern and the Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosure of an item or information in the financial statements are made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

**2. Fixed Assets :**

Fixed Assets are stated at cost of acquisition and subsequent improvement hereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. In accordance with AS 28, where there is any indication of impairment of the Company's assets related to cash generating unit, carrying amount of such assets are reviewed at Balance Sheet date.

**3. Depreciation :**

Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

**4. Revenue Recognition and Sales:**

Revenue on sale of goods is recognized on dispatch of goods to the parties. Sales are net of sales tax.

**5. Inventories :**

Inventories are valued at the lower of cost and net realizable value. In case of stores and spares and packing material and raw material, 'Specific Identification' method and for other inventories, FIFO method is used. In case of Finished Goods, cost includes an appropriate portion on allocable overheads.

**6. Employee Benefits:**

**a. Provident Fund:**

Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account as incurred.

**b. Gratuity**

The company provides for the liability on the balance sheet date as per the actuarial valuation done.

**c. Leave encashment/ Entitlement:**

The employees are entitled to accumulate leaves as per the rules of the Company. Leaves accruing within the year of termination/retirement along with the that of immediately preceding year subject to maximum mentioned in the policy can be encashed at the time of retirement/ termination. Liability for the leave encashment is provided for on the basis of the actuarial valuation done.

**7. TAXATION**

Income Tax expenses comprise current tax (i.e. amount of tax for the year determined in accordance with the Income Tax Laws). Deferred Tax on assets are recognized and carried forward only if there is a virtual/ reasonable certainty of realization of such assets in near future and are reviewed for their appropriateness of respective carrying value at Balance Sheet date.

**8. Provisions, Contingent Liabilities and Contingent assets:**

Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities are disclosed in the notes to accounts and are determined based on the management perception that these liabilities are not likely to materialize. Contingent assets are not recognized or disclosed in the financial statements.

## Tarai Foods Limited

### Note 22: ADDITIONAL NOTES TO FINANCIAL STATEMENT

1. Contingent Liabilities and commitments:  
Contingent Liabilities not acknowledged as debts:
  - a) regarding excise duty on unbranded French fries Rs.0.59lacs (previous Rs.0.59) – Matters under appeal hence interest on such demand not provided for.
  - b) regarding Income Tax approx. Rs. 129.84 lacs (Previous Year Rs. 129.84 lacs)
2. Accounts of certain debtors and creditors' balances are subject to confirmation. But the management is of the opinion that there would not be any material impact on the financial statements.
3. In the absence of any possibility of taxable profits in the near future, the company has not provided for Deferred Tax Asset as per AS-22. The company is not recognizing deferred tax assets in respect of huge unabsorbed depreciation and carried forward losses and other deferred tax assets as there is no certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.
4. The company has raised invoice claims on Lamb Weston Inc. amounting to Rs.12.17 lacs during earlier years towards renting of cold storage, testing charges, custom duty and freight charges which are outstanding as at March 31,2013. These amounts are recoverable in foreign currency and are doubtful of recovery. Accordingly, provision for these amounts had already been made in these accounts in 1997-98.
5. The company has transferred the moneys lying in the Unclaimed Application Money Refundable account amounting to Rs. 2.25 lacs to Investor Education And Protection Fund during the year.
6. Disclosure pursuant to Accounting Standard -29: Rs. In lacs

	Debtors	Loans and Advances
Provisions for doubtful debts		
Opening balance as on 01.04.12	5.48	6.71
Provided /Utilised/ Reversed during the year	NIL	NIL
Closing balance as on 31.03.2013	5.48	6.71
7. The company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Act. 2006. There are no micro and small enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2013. The above information pertaining to micro and small enterprises has been determined to the extent such parties have been identified on the basis of the information available with the Company. This has been relied upon by the auditors.
8. Prior year expenses include bonus of Rs. 0.68 lacs paid for the year 2009-10 and has been shown along with Extra Ordinary Items.
9. In respect of Accounting Standard 17 on "Segment Reporting", the Company is a single segment Company dealing in fresh, frozen and canned foods in accordance with the criteria for identification of reportable segment specified in the said standard.
10. Earnings per share

Particulars		2012-13 (Rs. In lacs)	2011-12 (Rs. In Lacs)
<b>Numerator</b>			
Net Loss before Exceptional Items		(34.80)	(100.03)
Net Loss After Exceptional Items		(34.80)	(100.03)
Net Profit after Extra-ordinary Items		563.62	(100.30)
<b>Denominator</b>			
Weighted average Equity Shares	Nos.	14338117	14338117
Basic and Diluted EPS (face value of Rs. 10/- each)			
Before Exceptional Items		(0.24)	(0.70)
After Exceptional Items		(0.24)	(0.70)
After Extra-ordinary Items		3.93	(0.70)

## Tarai Foods Limited

11. Interest on secured term loans and working capital defaults with the secured lenders have not been provided for in the books of accounts as the company had entered into negotiated settlement with the Secured Lenders - Financial Institutions in 2009-10. The company made a payment of Rs.2 crs. towards the said settlement in subsequent years as part of the settlement but defaulted in the payment of further installments. All of the secured lenders have revoked the negotiated settlement but the company has approached them again for resettlement of the matter and is hopeful of settlement in the near future. Current provision of Interest of Rs. 39.99 crs. due to the secured lenders along with Principal amount of Rs. 4.65 crs. as per Books of Accounts is more than the settlement amount discussed with these lenders and in view of this, there is no fresh provision of interest made for the year under review in the Books of Accounts.
12. The net worth of the company is negative as at the Balance Sheet date. However accounts of the company have been prepared on going concern basis since the company is taking necessary steps for its revival. In case the company is unable to continue as going concern in future, the resultant adjustments, if any are presently not ascertainable.
13. Liabilities recognized in the Balance Sheet as on 31st March, 2013 with respect to gratuity is Rs. 6.22 Lacs (Previous year Rs. 6.75 lacs) and with respect to leave encashment/ entitlements Rs. 0.86 Lacs (Previous Year Rs. 0.90 lacs) as per the Actuarial Valuation. The following table set out the status of the Gratuity plan as required under AS-15. Reconciliation of the opening and closing value of the defined benefit obligation- Gratuity Plan AND LEAVE ENCASHMENT

### GRATUITY PLAN LEAVE ENCASHMENT

Sr. No.	Components of Employers Expenses	As at March, 31 2013	As at March, 31 2012	As at March, 31 2013	As at March, 31 2012
1.	Current Service Cost	48,408	58,312	20,377	12,497
2.	Interest Cost	58,100	52,153	7,774	6,931
3.	Net Actuarial (gain)/ loss recognized in the period	(37,657)	56,087	(12,422)	(3,544)
4.	Expenses Recognized in the statement of Profit & Loss	68,851	1,66,552	15,729	15,884
Sr. No.	Net Assets/ (Liability) recognized in Balance Sheet	2013	2012	2013	2012
1.	Present Value of defined Benefit obligation	6,22,346	6,75,580	86,319	90,391
2.	Fair Value of Plan Assets	--	--	--	--
3.	Status {(Deficit)/ Surplus}	(6,22,346)	(6,75,580)	(86,319)	(90,391)
4.	Net Asset/ (Liability) recognized in Balance Sheet	(6,22,346)	(6,75,580)	(86,319)	(90,391)
a.	Current	(1,49,329)	(1,68,822)	(23,897)	(28,075)
b.	Non- Current	(4,73,017)	(5,06,758)	(62,422)	(62,316)
Sr. No.	Change in Present Value of Obligations during the Year	2013	2012	2013	2012
1.	Present Value of the Obligation at the Beginning of the Year	6,75,580	6,06,436	90,391	80,588
2.	Current Service Cost	48,408	58,312	20,377	12,497
3.	Interest Cost	58,100	52,153	7,774	6,931
4.	Curtailment Cost/ (Credit)	--	--	--	--
5.	Settlement Cost/(Credit)	--	--	--	--
6.	Plan Amendments	--	--	--	--
7.	Acquisitions	--	--	--	--
8.	Actuarial (Gains)/Losses	(37,657)	56,087	(12,422)	(3,544)
9.	Benefits paid	(1,22,085)	(97,408)	(19,801)	(6,081)

## Tarai Foods Limited

14. The cold store building had suffered damages due to earthquake in March, 1999. The building requires major repairs in insulation and RCC works has to be repaired and substantial insulation will have to be re-done. The company had filed insurance claim with the National Insurance Co. in 2001 which remains unsettled till date.
15. The Company suffered loss on account of deterioration of stocks arising out of break down in Generating set and earthquake damages to the cold store building. Company had filed insurance claim with National Insurance Co. in 2001 for deterioration of stocks, machinery break down, for generator set and cold store building which are all pending till date.
16. The company has filed a case in Delhi High Court in 2004 for losses on account of damages to the cold store, deterioration of stocks, machinery break down. The case has been admitted and the evidences are being taken up.
17. The company has been served with a statutory notice under section 13 (2) of Securitization and Reconstruction of the Financial assets and Enforcement of Securities Interest Act, 2002, by IDBI Bank Ltd. in 2007.
18. IFCI issued a Notice under section 13(2) of SARFAESI Act, 2002 on 06.07.2011 upon the Company, took over the possession of the secured assets of the Company on 04.02.2012 under SARFAESI Act and issued a notice dtd. 7th February, 2012 u/s 13 (4) of the SARFAESI Act, 2002 having obtained consent from all secured lenders. IFCI thereafter invited Offers for sale of the Assets of the Company, published the Public Notice dtd 24th February, 2012 in the newspapers. An Assets Sale Committee was specifically constituted by IFCI for this purpose which kept the Reserved Price for the assets at Rs. 9.27 crs. with the Auction Date being 27th March, 2012. However, none of the parties appeared for bidding and the auction failed. IFCI Ltd. again invited the offers vide their Public Notice dtd 18th May, 2012 from the Interested Parties for sale of the secured Assets of the company after reducing the Reserved Price to Rs. 8 Crs. However, again the Auction failed as none of the parties showed any interest. IFCI Ltd. has served a notice dtd 15th February, 2013 through their advocates u/s 433 (e) and 434 of the Companies Act, 1956 for winding up of the company.
19. The company settled a secured loan (working capital facilities) of State Bank of Travancore of Rs. 190 lacs for Rs. 85 lacs as full and final settlement of all claims of the Bank against the company and the guarantors during the year. The company had paid Rs. 5 lacs in earlier years for the settlement which was reflected as deposit with the Bank in earlier years. The same has been now adjusted against the loan amount. Liability of Rs. 1 cr., no longer payable along with provision of Interest of Rs. 4,99,10,283/- payable on this working capital facilities from State Bank of Travancore have been written off on full and final settlement of the loan amount and shown as Extra- ordinary Items in the Profit & Loss A/c.
20. The access to the factory is through the land owned by third party. A case has been filed and admitted in the local courts of Rudrapur in earlier year denying the access to the Factory through the land under control of third Party.

21. Particulars

**VALUE OF IMPORTS ON CIF BASIS ON RAW MATERIAL, COMPONENTS, SPARE PARTS AND CAPITAL GOODS**

**PAYMENT TO AUDITORS AS:**

-- AUDIT FEES (RATTAN ANIL & CO.)	33,090	33,090
-- TAX AUDIT FEES (R.L. BANSAL & ASSOCIATES)	6,000	6,000
-- FOR COMPANY LAW MATTERS, MANAGEMENT AND OTHER SERVICES--	0	0
REIMBURSEMENTS	2,000	4,000
TOTAL	41,090	43,090

**EXPENDITURE IN FOREIGN CURRENCY ON ROYALTY, KNOWHOW, PROFESSIONAL AND CONSULTATION FEES, INTEREST AND OTHER MATTERS AMOUNT REMITTED IN FOREIGN CURRENCY ON DIVIDEND**

**EARNINGS IN FOREIGN CURRENCY ON EXPORT OF GOODS, ROYALTY, KNOWHOW, PROFESSIONAL AND CONSULTATION FEES, INTEREST, DIVIDEND AND OTHER INCOME**

	31st March, 2013	31st March, 2012
	NIL	NIL
	33,090	33,090
	6,000	6,000
	0	0
	2,000	4,000
	41,090	43,090
	NIL	NIL
	NIL	NIL
	NIL	NIL

## Tarai Foods Limited

Licensed/ installed capacities (Tonnes per annum) ** certified by the Management	Licensed		Installed **	
	Year Ending 31-03-13	Year ending 31-03-2012	Year Ending 31-03-13	Year ending 31-03-2012
Processing of Frozen French Fries, Vegetables And Fruits	10000	10000	7200	7200
Fresh Mushrooms	--	--	144	144

Production/ Purchase (MT Per annum)	Year ended 31/3/2013	Year ended 31/3/2012
<b>PRODUCTION</b>		
Frozen Sweet Corn	10	13
Fresh Mushrooms	115	119
Mushroom Spawn	15	4
Frozen Green Peas	327	—
<b>PURCHASE</b>		
Frozen Sweet Corn	3	5
Frozen Peas	--	22

Finished goods	Year ended 31/3/13		Year ended 31/03/2012	
	Qty (in MT)	Value (Rs. in Lacs)	Qty (in MT)	Value (Rs. in Lacs)
<b>Opening Stock</b>				
Frozen Sweet Corn	6	1.16	6	1.10
Frozen Peas	1	0.17	-	-
Others	-	0.11	-	0.24
<b>Closing Stock</b>				
Frozen Sweet Corn	4	1.34	6	1.16
Frozen Peas	241	31.36	1	0.17
Others	--	.01	-	0.11
<b>Turnover</b>				
Frozen Sweet Corn	15	6.19	11	5.18
Frozen Peas	86	31.83	20	3.26
Fresh Mushrooms	115	116.30	118	112.76
Mushroom Spawn	15	11.20	4	3.00
Others	-	2.08	-	.82
<b>Written off/ Sorting losses/ destruction</b>				
Frozen Sweet Corn	-	-	6	-
Frozen Peas	1	-	1	-



## Tarai Foods Limited

22. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

### CASH FLOW STATEMENT

(Prepared pursuant to Clause 32 of the Listing Agreement for the year ended March 31,2013)

	For the Period 31st March, 2013	For the Period 31st March, 2012
<b>A. Cash Flow from Operating Activities</b>		
Net Loss Before Tax & Extraordinary items	(3,480,345)	(10,003,036)
Adjustments for		
Depreciation	5,482,966	5,494,821
Net prior year adjustments		198,726
Finance Cost	16,816	13,972
Debtors Written Off	10,117	-
Amounts Written Off	1,558	16,922
Creditors written back	-	-
Operating Profit/ ( Loss) before Working Capital Changes	2,031,112	(4,278,595)
Adjustment for		
Trade & Other Recievables	(109,496)	2,272,735
Loans and Advances	(31,568)	(247,434)
Inventories	(3,866,957)	618,114
Trade and other Payables	2,522,540	1,105,619
Cash Generated from operations	545,631	(529,562)
Net prior year adjustments	(67,500)	(198,726)
Finance Cost	(16,816)	(13,972)
Taxes Paid	-	-
<b>Net Cash from Operating Activities (A)</b>	<b>461,315</b>	<b>(742,260)</b>
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(17,359)	(98,403)
Addition in Capital W-I-P	-	-
Investment in Fixed Deposits	-	-
Sale of Investments	-	-
Cash Flow before Extraordinary Items	(17,359)	(98,403)
Adjustments for Extraordinary Items	-	-
<b>Net Cash used in Investing Activities (B)</b>	<b>(17,359)</b>	<b>(98,403)</b>

## Tarai Foods Limited

### CASH FLOW STATEMENT

(Prepared pursuant to Clause 32 of the Listing Agreement for the year ended March 31, 2013)

	For the Period 31st March, 2013	For the Period 31st March, 2012
<b>C. Cash Flow From Financing Activities</b>		
Proceeds from Issue of Share Capital & Share Premium	-	-
Increase in unsecured loans	8,700,000	-
Proceeds from Long Term Borrowings	-	-
Repayment to Financial Institutions and Banks	(8,500,000)	-
Cash Flow before Extraordinary Items	200,000	-
Adjustments for Extraordinary Items	-	-
<b>Net Cash used in Financing Activities (C)</b>	<b>200,000</b>	<b>-</b>
<b>Net Increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>643,954</b>	<b>(840,663)</b>
Cash & Cash Equivalents as at the beginning of the period( note below)	639,487	1,480,150
Cash & Cash Equivalents as at the close of the period.(note below)	<b>1,283,441</b>	<b>639,487</b>

#### Cash & Cash Equivalents including

-Cash in hand	23,613	43,528
-Balances with Scheduled Banks	1,071,133	192,059
-Fixed Deposit with Bank	188,695	178,354
Share application money refundable	-	225,546
<b>Total</b>	<b>1,283,441</b>	<b>639,487</b>

Note: Previous period figures have been regrouped/reclassified, wherever necessary to conform to current year presentation.

For and on behalf of the Board

Sd/-  
G.S. SANDHU  
MANAGING DIRECTOR  
for TARAI FOODS LIMITED

### AUDITORS' CERTIFICATE

The above Cash Flow Statement has been compiled from and is based on the audited accounts of Tarai Foods Limited for the year ended 31st March, 2013 reported upon by us on May 30, 2013. According to the informations and explanations given the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreements with the Stock Exchanges and the reallocations required for the purpose are as made by the company.

Place : Rudrapur  
Date: 30th May, 2013

Sd/-  
Rattan Bansal  
Partner  
Membership No.083929  
For and on behalf of  
Rattan Anil & Co.  
Chartered Accountants nts  
Firm Regn. No. : 009414N