



**A TASTE FOR**

**TRUTH**

# WHAT YOU

## DISCOVER INSIDE

005	INTRODUCTION TO TEMPTATION FOODS
006	VISION AND MISSION
007	TFL VALUES
008	TFL'S BRANDS
010	FINANCIAL HIGHLIGHTS
011	TFL'S CLIENTELE
012	TFL'S PLANTS
013	QUALITY AND HYGIENE
014	TRUTH CAN BE HEARTBREAKING
018	TRUTH CAN BE UGLY
022	CHAIRMAN AND MANAGING DIRECTOR'S SPEECH
024	TRUTH CAN BE UNCOMFORTABLE
028	TRUTH CAN BE BEAUTIFUL
032	PARTICIPATORY GROWTH
034	TFL'S BOARD OF DIRECTORS
036	DIRECTORS' REPORT
046	MANAGEMENT DISCUSSION & ANALYSIS
054	REPORT ON CORPORATE GOVERNANCE
067	AUDITORS' REPORT
070	FINANCIAL STATEMENTS
095	BALANCE SHEET ABSTRACT

### Forward-looking statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

**THE JOURNEY FROM BLISSFUL IGNORANCE TO THE REALM OF TRUTH IS BOTH CHALLENGING AND ENLIGHTENING.**

Challenging, because the way is long and arduous, with multiple twists and turns.

**ENLIGHTENING, BECAUSE THE JOURNEY TRANSFORMS THE SELF AND ELEVATES IT TO A HIGHER PLANE OF REALITY.**

The more we seek the truth, the more we grow a taste for it.

**OR PERHAPS A FLEETING TEMPTATION TO EMBRACE IT.**

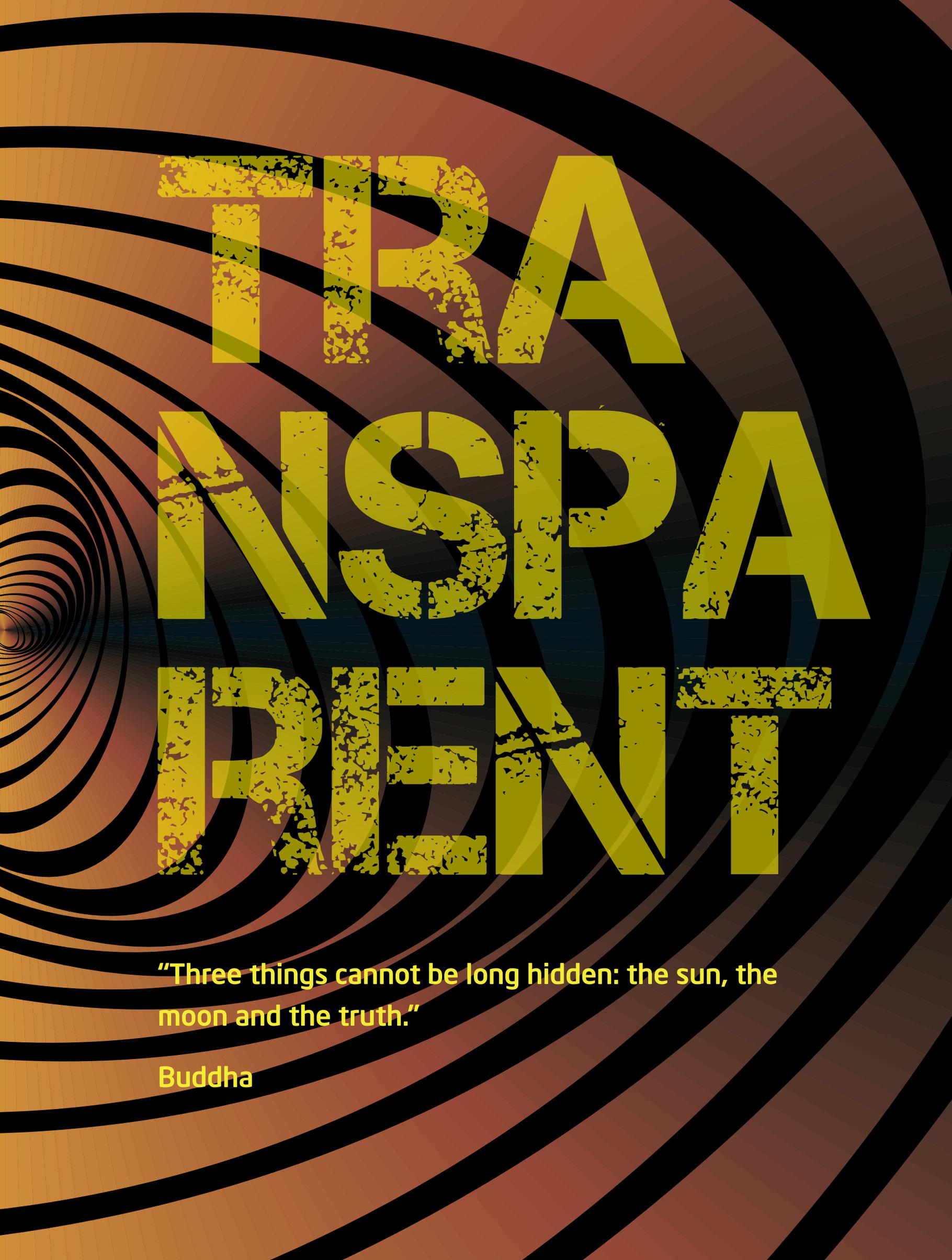
It's like stepping out of the cool comfort of a big old banyan tree to the harsh glare of the tropical midday sun.

**AND START LOVING THE EXPERIENCE ALL THE MORE...**

Socrates was right when he said **'ONCE YOU'VE TASTED THE TRUTH, YOU WON'T EVER WANT TO GO BACK TO BEING IGNORANT.'**



**TRUTH  
IS**



# TRIA NSPDA REENT

**"Three things cannot be long hidden: the sun, the moon and the truth."**

**Buddha**



THE

TRUTH

ABSOLUT

IS

**AT TFL, WE HAVE DEVELOPED  
A TASTE FOR TRUTH..**

**...IN THE TRANSPARENCY WITH  
WHICH WE CONDUCT OUR  
BUSINESS OPERATIONS,  
THE COURAGE WITH WHICH  
WE FACE OUR FUTURE AND  
THROUGH THE VALUES THAT  
DRIVE OUR STAKEHOLDER  
ACCOUNTABILITY.**

One of the leading players in the food processing industry, Temptation Foods Limited (TFL), is essentially in the business of frozen fruits and vegetables, marine foods and recipe foods.

TFL, since its inception in 1991, has been processing fruits, vegetables, and marine food for the domestic and overseas markets. TFL exports to USA, UK, Europe and the Middle East.

TFL carries out Individual Quick Freezing (IQF) of the fruits and vegetables at their plants, using latest technology and processes. TFL's portfolio covers 50+ products. TFL is one of the largest organized publicly listed companies in this sector.

# VISION

**TO BE A CONSUMER DRIVEN  
GLOBAL PLAYER OF  
BRANDED AND VALUE-ADDED  
FOOD PRODUCTS**

# MISSION

- **BUILD A HIGH PERFORMANCE PEOPLE-DRIVEN ORGANIZATION**
- **LEVERAGE CORE STRENGTHS FOR ACCELERATED SCALABILITY**
- **ACQUIRE QUALITY CUSTOMERS**
- **GROW GEOMETRICALLY VIA ACCRETIVE ACQUISITIONS**

# TFL

# VALUES

## Excellence

We strongly believe that the only way to learning and developing ourselves is to offer the best products and the best services to customers, which is a continuous process.

## Service along with the product

We offer the right products, at right prices and at the right time and our service is in-built and complementary to our products.

## Customer focus

We respect our customers, listen to them and consistently offer them the services they need. We always say 'YES' to services demanded by the customer, and have learnt that it is the only way to develop customer satisfaction. With improved levels of customer service, we raise the bar and endeavour to work towards customer delight.

## Social responsibility

We are committed to positively impact the society we live and operate in, and realise that the long-term success of a Company is ensured only when it creates value for the shareholders as well as the society. This includes the farmers who supply us, our employees, our consumers and the communities where we operate.

# TFL'S BRANDS

TFL owns three brands – Everfresh, Delika and Karen Anand.

## Everfresh

TFL acquired the Everfresh brand of frozen fruits and vegetables from Chambal Fertilizers and Chemicals of the K. K. Birla Group in November 2007.

Everfresh offers over 50 different types of IQF (Individually Quick Frozen) fruits and vegetables. The range of Everfresh brand includes Green Peas, American Sweet Corn, Baby Corn, Cauliflower, Beans, Carrots, Mixed Vegetables, Broccoli, Palak, Sarson ka Saag, Shredded Coconut, Alphonso Mangoes, French Fries, Green Chholia, Paneer, Gajar Mattar, Mattar Paneer, Aloo Mattar, Parwal, and Sambhar Onion.

The farm produce is procured from the Northern Agri-belt consisting of Haryana, Punjab and the Terai region, and the western Agri-belt. Within 24 hours of plucking, the products are processed and packed in unique food grade packages at -20 degree Celsius. This ensures high standards of nutrition, taste, hygiene and quality. The Ever Fresh range of products are processed and packaged without any chemicals and preservatives and conform to national and international quality standards, including FPO.



## Delika

Delika is the brand for the institutional markets. The product basket includes Frozen Green Peas, Frozen Mango Slices, Frozen Aloo Gobhi, Frozen Aloo Mattar, Frozen Beans, Frozen Baby Corn, Frozen Broccoli, Frozen American Sweet Corn, Frozen Mix Veg, Frozen Drum Stick, and Frozen Cauliflower.



# karen anand



## Karen Anand

Karen Anand was started by a reputed gourmet, chef and food critic, Karen Anand, in India, in 1997. What started as a hobby and passion grew into a company, well known for producing quality food products in the specialized niche market. The brand Karen Anand was acquired by TFL from Karen's Gourmet Kitchen Pvt. Ltd. in July 2007. The products belonging to this brand are jams, conserves, sauces and spreads and salad dressings.

The Karen Anand range of products is produced at the Jejuri plant, near Pune, Maharashtra. This plant handles the entire process: right from the careful selection of fruits and vegetables to their production and marketing. The USP of Karen Anand products are that no artificial colours or flavours are used, and that these products retain their natural freshness and flavour for up to one year. Karen Anand's products contain a very small amount of preservatives, to help cope with fluctuations in temperature and transport.

The three broad categories are conserves, dressings and sauces.

### Conserves

From the need to make ones breakfast fruitier, marmalades and preserves were invented. They are called conserves, as they contain a minimum of 45% fruit, of which 80% is in the form of pieces & 20% is in the form of pulp. The colour of conserves is darker than other jams and marmalades, as they have no added colour in them. The flavours of conserves, available with this brand are Alphonso Mango, Chunky Orange Marmalade, Fig & Orange, Mixed Fruit, Mulberry, Peach, Plum, and Strawberry.

### Dressings

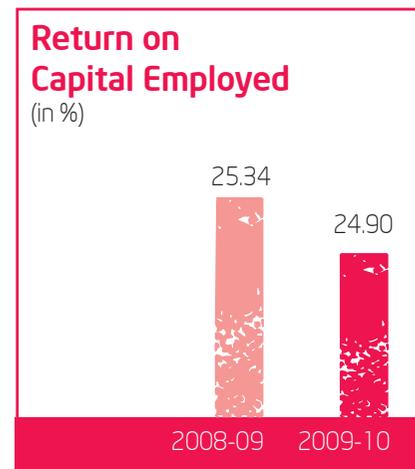
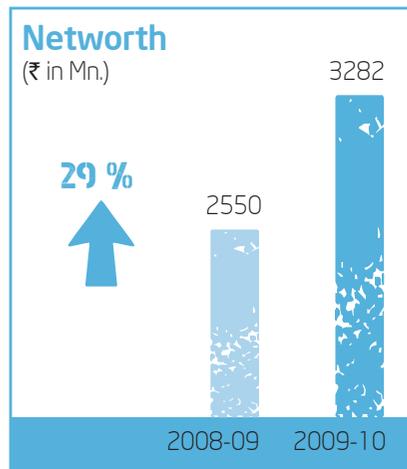
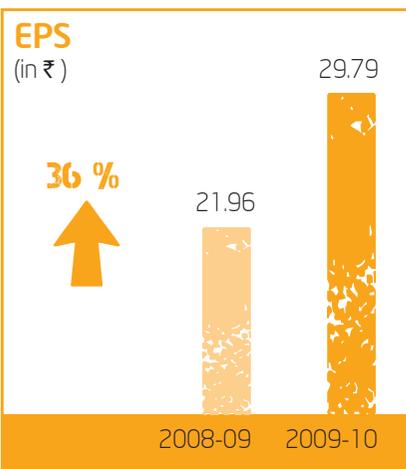
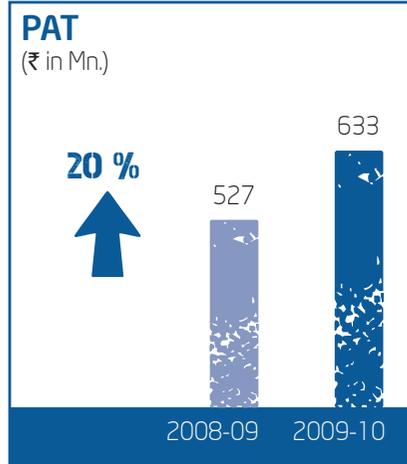
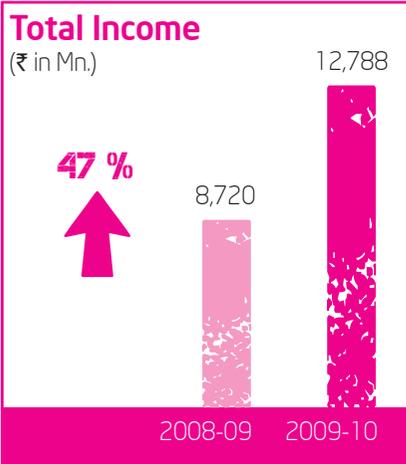
This brand offers creamy Dressings for salad & bread products. The products on offer in this category are Eggless Mayonnaise, French Dressing, Fresh Mayonnaise Garlic Mayonnaise, Italian Salad Dressing, Sandwich Spread, Thousand Island Mayonnaise and Whole Grain Mustard.

### Sauces

TFL also offers a wide variety of international sauces. The Spicy Mexican Salsa contains very little oil. The Spicy Mexican Salsa is a ready to use fat-free dip, which can be used in Mexican and Tex Mex cooking. Other sauces available are- Pizza sauce, Szechwan sauce and pasta sauce.

# FINANCIAL

# HIGHLIGHTS



# TFL'S CLIENTELE

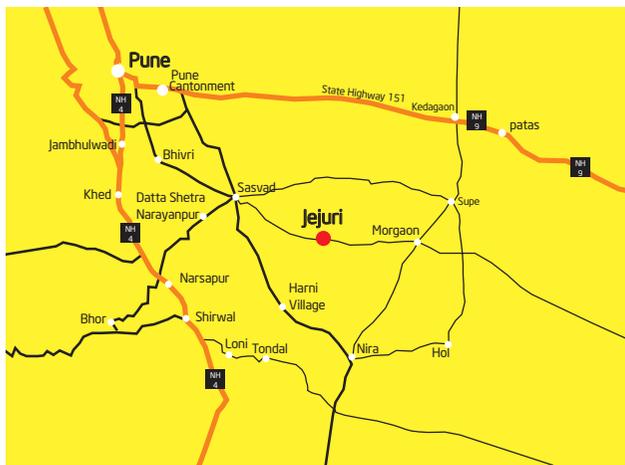
**International Ethnic:** In this line of business, TFL serves some of the reputed clients in the US, Canada and in the Middle East in the form of their own private Labels.

**International Mainstream:** These buyers use TFL's products as ingredients in the manufacture of their final products and include international brands, located in Germany, UK and Japan.

## International clients



# TFL'S PLANTS



TFL has two plants - Sonepat Plant in North India and Jejuri Plant in West India. These plants enjoy a combined annual capacity to process, pack and Individually Quick Freeze (IQF) over 70,000 tonnes of fruits and vegetables.

TFL's owned installed capacity IQF, Blast and Plate are perhaps India's largest facility. TFL's cold stores enjoy a combined in-plant capacity of over 5,400 tonnes.

TFL procures fresh fruits and vegetables, primarily from the Terai region in North India and the Progressive farming regions of Western India. The plants are strategically located in the agricultural heartlands, reducing logistical cost.

# QUALITY AND HYGIENE

Quality and hygiene are accorded topmost priority at TFL. Both the plants possess two management system certifications from "Bureau Veritas Certification (India) Private Limited": ISO 22000:2005 – Food Safety Management Systems and BRC (British Retail Consortium) norms – Global Standard For Food Safety.

These credentials reflect superior product quality, superior hygienic conditions and stringent quality control norms. The result is that TFL products are kept naturally fresh with no loss of nutrients, flavour, colour, texture or shape. However, with the rapid growth of modern retail chains and the development of better cold chain distribution facilities within the country,

the Company, apart from exporting around 90% of its produce, has also recently started supplying goods domestically under the Everfresh brand.

The Sonapat plant was audited in December 2009 for ISO-22000 (Food Safety Management System) norms & BRC (British Retail Consortium) norms-GLOBAL STANDARD FOR FOOD SAFETY. The plant achieved the highest possible grade of GRADE-A in BRC certification. The Jejuri plant was audited in January 2010 for ISO-22000 and in March 2010 for BRC norms. This plant also achieved GRADE-A of BRC certification. The scope of BRC audit included the manufacture of frozen fruits and vegetables, preparation of conserves, jams, sauces, ketchup, mayonnaise and salad dressings.





TRUTH

CAN

BE



# HEA RT S ARE KING

**"When you are sorrowful look again in your heart, and you shall see that in truth you are weeping for that which has been your delight."**

**Kahlil Gibran**



**TRUTH**

**IS THE**

**CONSISTENT**

**PURSUIT OF**

**ETHICAL BUSINESS**

**PRACTICES.**

**IN GOOD TIMES**

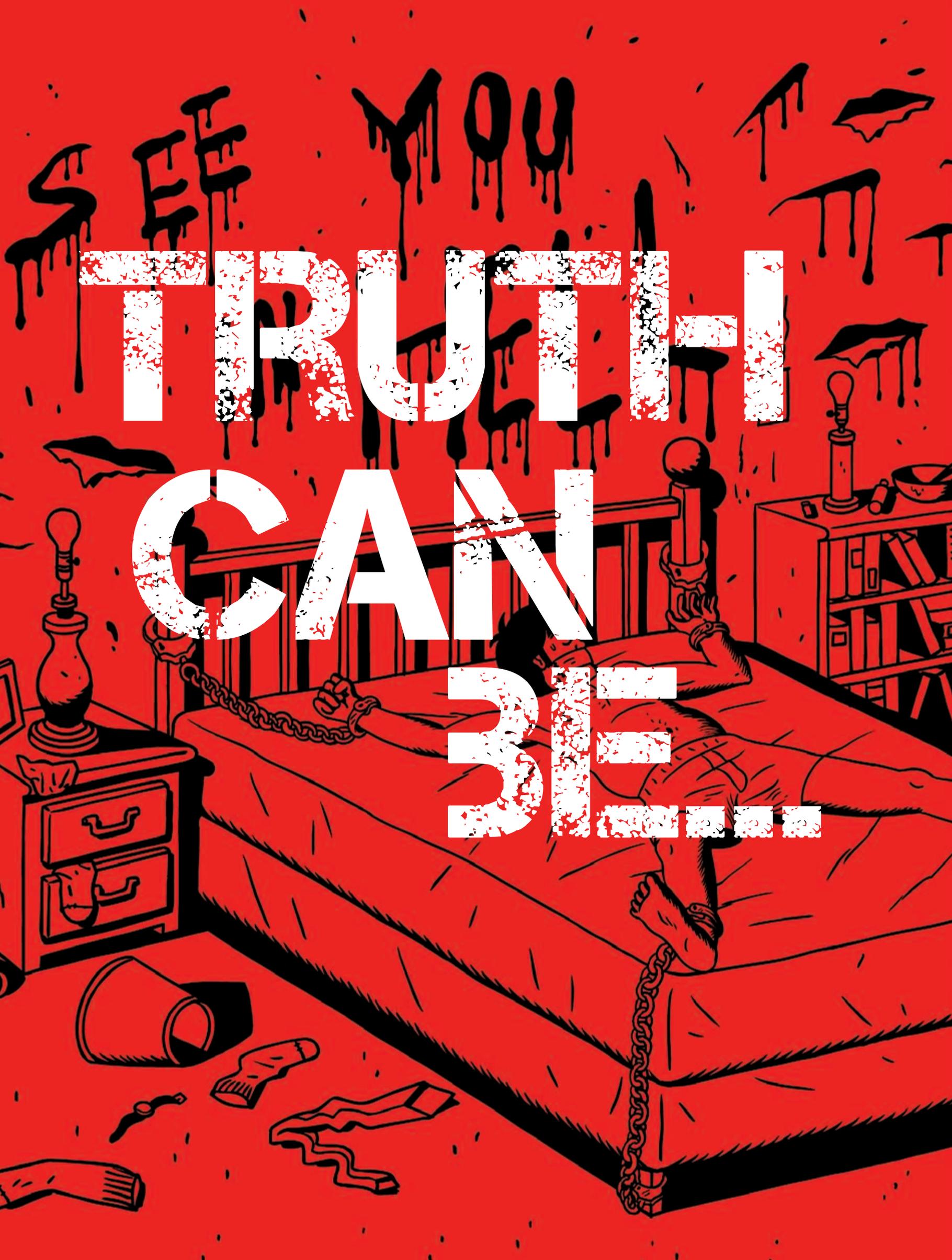
**AND BAD.**

At TFL, we believe in ethical business practices, complete stakeholder communication and transparency across hierarchies.

**The exponential growth in TFL's sales has been questioned and scrutinised since the Company's turnover rose from ₹ 38 Cr. in 2006-07 to ₹ 328 Cr. in 2007-08, and to ₹ 870 Cr. in 2008-09 and for the current fiscal year to ₹ 1276 Cr..**

All this was achieved through a QIP issue of ₹ 114 Cr. in the fourth quarter of 2007-08, proceeds of which were partly used to acquire 'Everfresh' Division of Chambal Fertilizers and Chemicals Ltd and 'Karen Anand' brands. Beside these proceeds were used to reinforce the Karen Anand and Everfresh Brands. During the 2007-08, TFL forayed into the marine segment as well, catalyzing a historic jump in sales turnover.

Our Company's financial statements for these years have been repeatedly found to be in accordance with the books of accounts by all who questioned and scrutinised them.



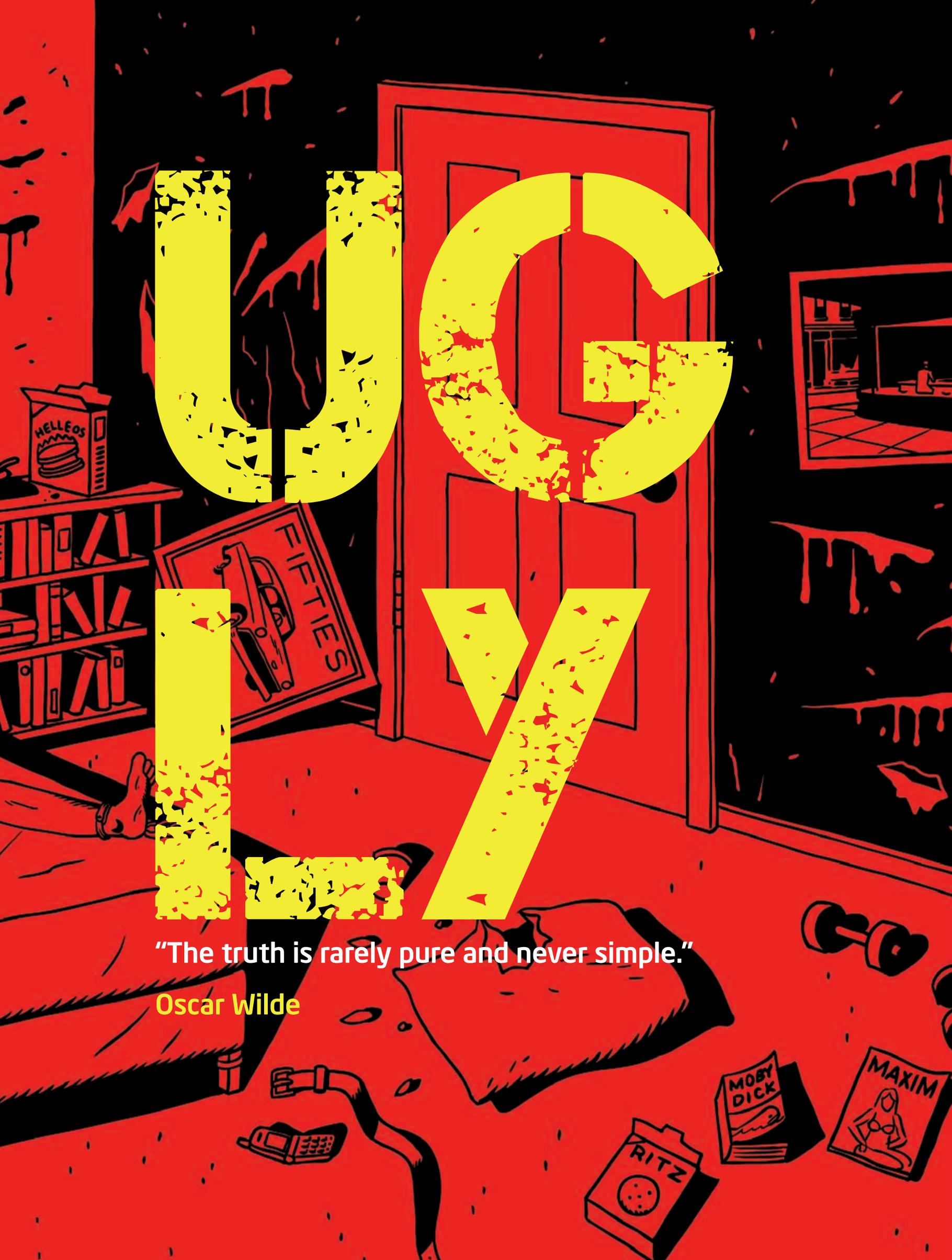
SEE YOU

TRUTH

CAN BE

TRUTH

# UJCV



"The truth is rarely pure and never simple."

Oscar Wilde

# TRUTH

**CAN BE QUESTIONED,  
CHALLENGED AND  
PROBED BY MANY, BUT  
REMAINS UNSCATHED  
AND UNSULLIED,  
DESPITE EXTERNAL  
ONSLAUGHT.**

**During 2008-09, TFL, along with its promoter company, VBAPL acquired 36,34,148 shares of Kohinoor Foods Limited (KFL), which represented 13.4% of the then share capital of KFL.**

**We invested in KFL with the sole intention of generating profit through efficient operations and transparent dealings. Contrary to perceptions, TFL never undertook a hostile acquisition of Kohinoor.**

**However, SEBI, by an ex parte interim gag order on 16th Feb 2009, barred our CMD from making any statements, press releases, etc about KFL.**

**All purchases and sales of shares were duly entered in the investment registers and reported to the stock exchange as per regulatory requirements.**

**Consequently the gag order dated 16th Feb 2009 was duly withdrawn by SEBI.**

**Today, TFL does not hold any share of KFL having exited its entire investment in this financial year.**

# CHAIRMAN AND MANAGING DIRECTOR'S SPEECH

# FOOD FOR THOUGHT

Dear Shareholders,

In all these years, we have tried to establish a company that listens to the customer, enjoys a diversified product range, caters to multiple pan-India markets, nurtures an inspired workforce, follows ethical business practices and reinforces a de-risked business model. The result of our sustained collective efforts, irrespective of responsibilities and hierarchies, is the continued exemplary performance of Temptation Foods Limited.

We wished to emerge as an integrated player with strong capabilities not just in the food processing sector, but also with equally strong backward linkages in the post harvest agri-infrastructure sector.

The growth in our financials has been quite encouraging in 2009-10, which is discussed in other parts of the Report. I would rather dwell on the story behind the growing numbers. We registered attractive growth in all our business segments as our production and procurement levels and sales volumes surged substantially, despite rising food inflation and moderate economic growth in India. Besides, we enriched our product range of frozen fruits and vegetables. During the year, TFL introduced an economy range of jams, sauces, packaged honey and other products under the Everfresh brand. This is just the beginning; we expect our processed foods segment to grow significantly as India's economic growth picks up momentum and people have more disposable income across the social pyramid.

We had promised last year that we would be making investments in agri infrastructure. We wished to emerge as an integrated player with strong capabilities not just in the food processing sector, but also with equally strong backward linkages in the post harvest agri infrastructure sector. Now, we can say with justified pride, that we have taken that promise one step further. We have already acquired major stakes in a Mega Food Park and in a Terminal Market. We are in advanced stages of acquiring similar stakes in more Food Parks and Terminal Markets in Eastern India - the largest fruit and vegetable producing region in the country.

Following the success of the IT 'Revolution' through IT Parks spread across the country, the Government now intends to replicate the success in Food Processing with aggressive plans to launch Mega Food Parks in select regions. At TFL, we realised the enormity of the opportunity posed by this sector, and we forayed into this business. The terminal market in which we have acquired a major stake will be the first privately owned and managed Modern Terminal Market in the country in the PPP mode. The Terminal market would significantly reduce wastages and provide a modern, highly efficient and transparent electronic platform for price discovery to facilitate better realizations for the farmer and value for money for the consumer.

India's food processing industry is now widely recognized as a 'sunrise industry' with a significant potential for uplifting agricultural economy, creation of large scale processed food manufacturing and food chain facilities, and the consequent generation of employment opportunities and export earnings.

I am confident that the industry growth will be accelerated by rapid urbanisation, increased literacy, changing lifestyle, increased number of women in workforce and rising per capita income.

Now the industry is geared to meet international standards in terms of food hygiene and food safety requirement. I am confident that the industry growth will be accelerated by rapid urbanisation, increased literacy, changing life style, increased number of women in workforce and rising per capita income.

At TFL, we wish to build our production and storage capacity, enhance operational efficiencies and reinforce financial strength to leverage the emerging sectoral opportunities. In addition, we have aggressive growth plans to grow our brand organically and inorganically and to reach the widest cross-section of consumers with a range of attractive price points. So the task ahead is to grow existing business, move up the value chain, leverage management bandwidth and drive synergies.

I must, however, acknowledge one fundamental reality: that if we cannot create better human resource...more driven, more passionate individuals, all our grandiose plans will gather dust on the drawing board. Therefore, we will continue to invest our energies and resources to sustain an engaged workforce, while at the same time, enhancing our knowledge base and capabilities.

In this endeavour to bridge the gap between what we are and what we can be I wholeheartedly expect all of you to contribute in whatever way you can. So that we can build a brand that all stakeholders feel proud to be associated with.

Yours sincerely

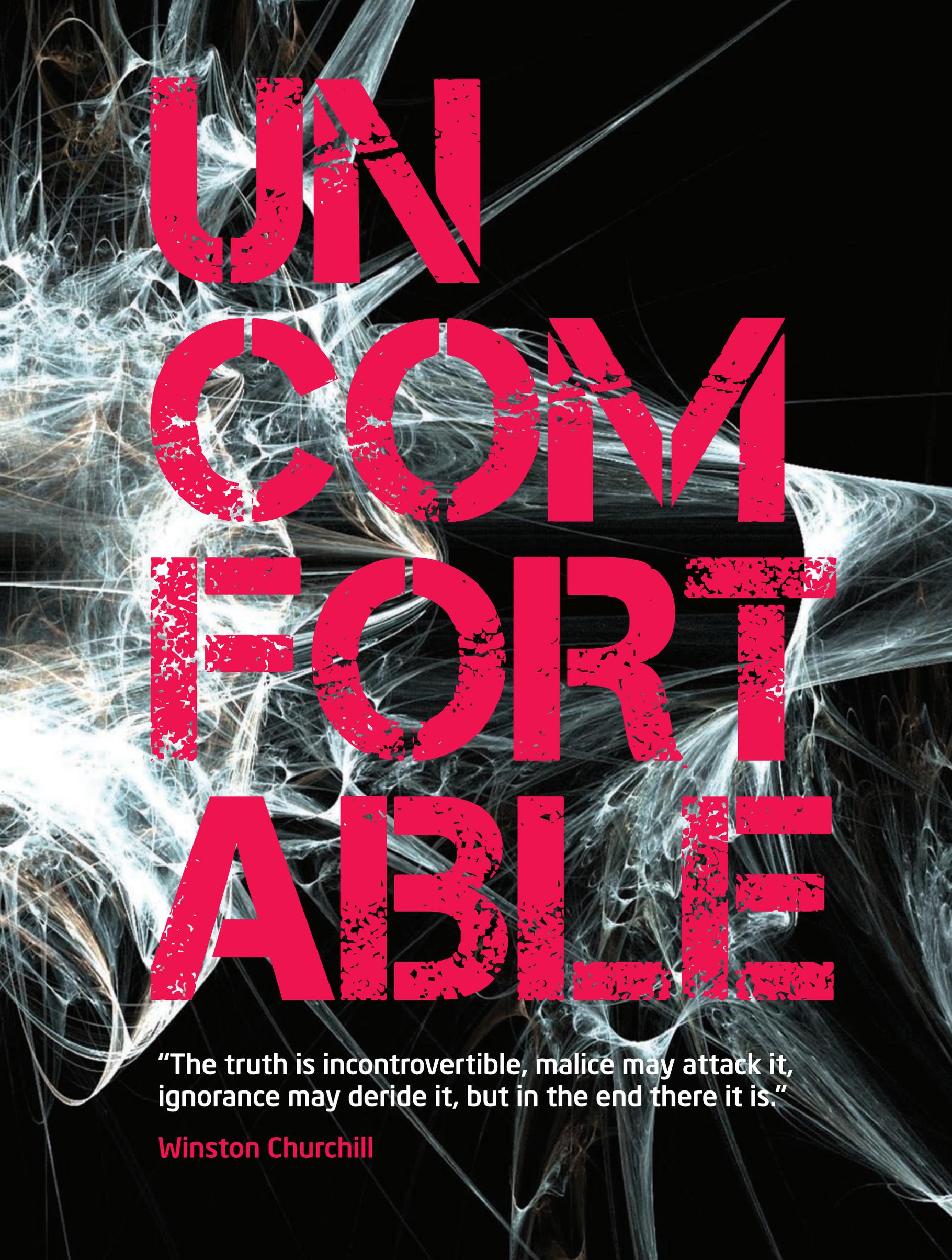
**Vinit Kumar,**

Chairman and Managing Director

TRUTH

CAN

BE



# UNCOMFORTABLE

**"The truth is incontrovertible, malice may attack it, ignorance may deride it, but in the end there it is."**

**Winston Churchill**

**THERE ARE ROUGH PATCHES  
IN THE PURSUIT OF**

**TRUTH.**

**THE JOURNEY IS  
UNPREDICTABLE AND AT  
TIMES, DANGEROUS. IT TAKES  
UTMOST DETERMINATION  
AND FOCUS TO STAND YOUR  
GROUND TILL THE END.**

We have highest respect for the rule of law and we continue to be committed to adhere to it.

On 24th September, 2009 a Search and Seizure operation was conducted by the Investigation Wing of the Income-Tax Department under Sections 131 and 132 of the Income Tax Act, 1961.

The Search and Seizure operation did not reveal any suppression of sales/profits or any unaccounted income/wealth. However, TFL was forced to revise its return of Income declaring an Income of ₹ 9,16,69,413 and a tax liability (MAT) of ₹ 6,88,54,980 due to the accounting treatment for 80 (1B) deduction for the marine division of the Company.

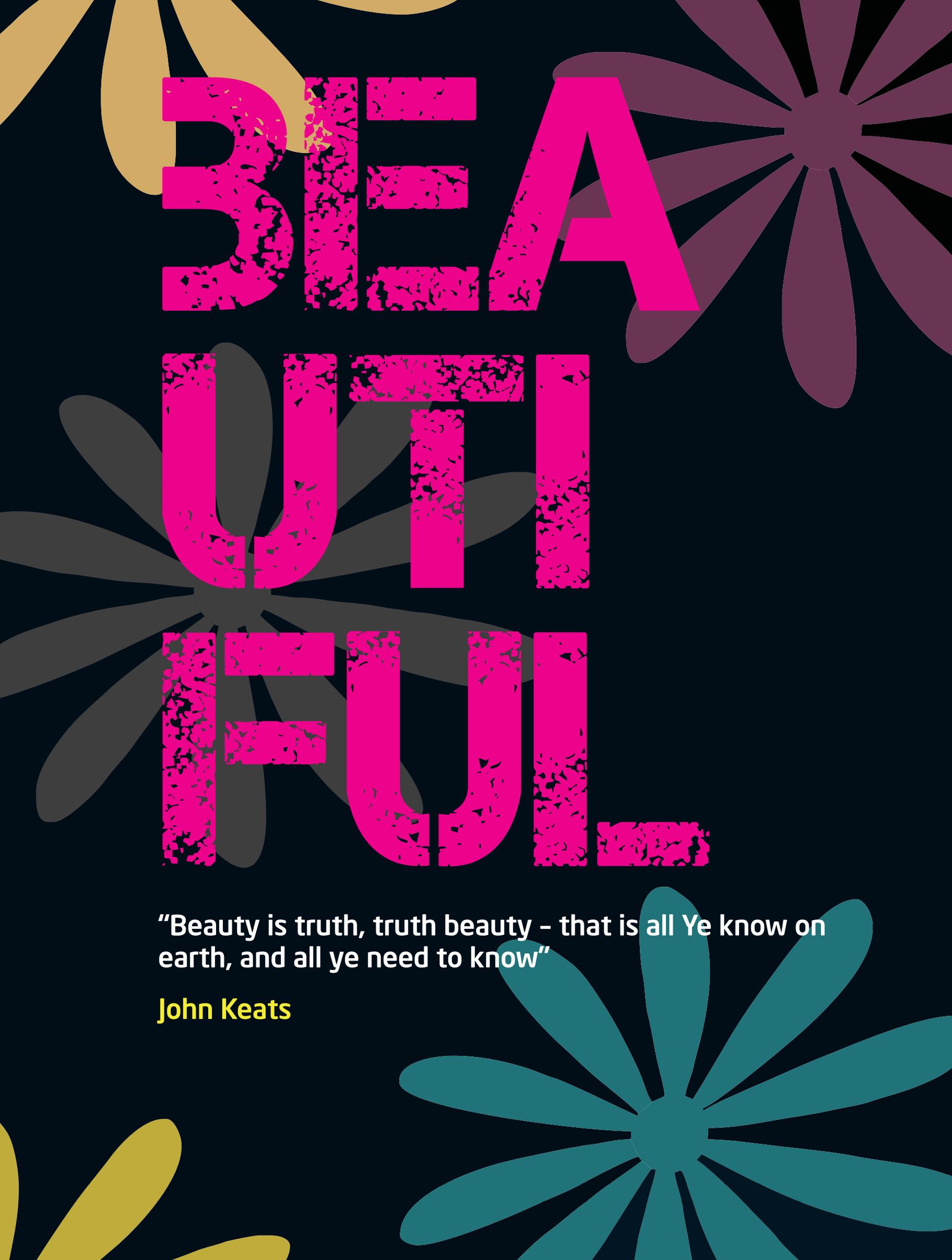
The Company was also investigated by the Registrar of Companies u/s 209A of the Companies Act, 1956 and some violations of a compoundable nature were found. The Company has duly preferred compounding applications to the Company Law Board for resolving these.

TRUTH

CAN

BE





SEEK

THE

TRUTH.

“Beauty is truth, truth beauty – that is all Ye know on earth, and all ye need to know”

John Keats



**TRUTH**

**IS A PROMISING**

**JOURNEY FROM**

**WHAT WE**

**ARE TO WHAT**

**WE CAN BE.**

We are presently one of the leading industry players with strong footprints in the F&V segment, the marine foods segment and the recipe foods segment, and three strong brands (Everfresh, Delika and Karen Anand) under our umbrella.

We have had our share of internal and external challenges, but the future looks promising.

Consider this: The Government of India has formulated a Vision 2015 Plan to treble the size of the food processing sector in 10 years to about US\$210 billion.

The food processing industry demonstrates an enhanced potential to grow and create livelihood. The industry is on a high growth trajectory, witnessing nearly two-fold growth in the preceding four years. However, focused attention is needed to create a strong supply chain for perishable farm produce, setting up of infrastructure facilities for processing of such produce and technology infusion to boost agri-production.

TFL is positioned to leverage emerging opportunities through capability enhancement, acquisitions and global alliances. At TFL, the way ahead is to grow as a brand driven player in the food business, with strong end-to-end capability across the value chain.



**TRUTH**

**IS A RESOLUTE**

**BELIEF IN**

**PARTICIPATORY**

**GROWTH**

Temptation Foods is striving to bring about meaningful changes to the lives of rural people in the vicinity of its plants.

TFL's corporate social responsibilities comprise:



### JYOT - SE- JYOT

TFL works closely with farming communities around its factories.

Agriculture in India is still largely carried out with outmoded tools and methods of farming.

This initiative aims to empower the farmer through access to better inputs in terms of choice of produce, seeds, tools and techniques of farming from the preparatory stage to the post harvest stage.

Post harvest, TFL again steps in with marketing support and advise for the farmer, so that his produce fetches him the best possible price.

This not only elevates the farmer's standard of living, but also gives him the necessary confidence to better his agri and marketing skills.

### DISHA

With a view to empower the rural womenfolk, a dozen fully sanitized centres for primary processing of Fruits and Vegetables, used as Raw Materials in TFL's factories, have been thrown open for women's Self Help Groups from the neighbouring villages.

The initiative enables the village womenfolk to effectively use their spare time to augment household income.

The primary processing of fresh fruits and vegetables is completely managed entirely by womenfolk at these centres.

### AALAP

TFL has launched 'AALAP' as an extension of 'Disha'.

Under this initiative, Women from Below Poverty Line families from neighbouring villages are trained to collect, segregate agricultural waste from the Primary Processing Centres and TFL's factories and convert the same into Organic Manure using the Vermi-Composting techniques.

The Local Authority is persuaded to provide the required premises to the Self Help Group to undertake the activity.

TFL also facilitates sale of the organic manure in nearby markets.

The AALAP project, is benefitting several Below the Poverty Line families, in the vicinity of TFL factories.

# TFL'S

# BOARD OF DIRECTORS

## Mr. Vinit Kumar

Chairman & Managing Director

Mr Vinit Kumar is the Chairman & Managing Director of TFL. He represents the promoters - Mumbai based Indigo Group of Companies.

Mr Vinit Kumar, BE (Electronics & Communication) and MBA, is a first generation technocrat entrepreneur, with over 22 years of experience of Business and Industry. He has been at the forefront in the development of the Frozen Fruits and Vegetables segment in the Indian food processing industry. He is the driving force behind TFL's growth in recent years and all new business initiatives.

**Dr. (Ms.) Kala Pant**

Non-Executive Director

Dr (Ms) Kala Pant, BSc, PhD in Banking and Transport, has rich and vast experience in the Banking Industry. She has been a member of the Boards of several Banks in India and is Consultant/Advisor to the banking sector. She has authored several papers on research projects in Banking, Shipping, Ports and Infrastructure.

**Ms. Elizabeth Harrington**

Non-Executive Director

Ms Elizabeth Harrington, AB (Cornell); is CEO of Harrington Global and an international management consultant well known for achieving rapid growth, increasing profits and competitive advantage through innovative strategies. She is a board member of the Chicago Mercantile Exchange and has been Board member of American Advertising Federation, Better Business Bureau, Metropolitan Family Services of Chicago, Cornell University President's Council and Mayor of Chicago's Shanghai Sister Cities Commission. She has published several papers on China and Global business strategy.

**Mr. E. David Ellington**

Non-Executive Director

Mr E David Ellington, BA (History), MA (Comparative Politics), JD (Law) is an expert in Fund Management and international corporate and tax law. He is currently Managing Director of Emory Capital Group LLC, a international advisory firm, headquartered in the USA, with extensive international experience in western Europe and Middle East and the Far East.

**Ms. B. Goswami**

Non-Executive Director

Ms Bhairavi Goswami, BA, is a renowned expert in media, marketing and advertising.

**Dr. S. Kaushik**

Non-Executive Director

Dr. Sanjay Kaushik, a veteran in international trade, holds a masters and a PhD in management. He is the latest addition to TFL's Board. He heads an international trading organization, with a focus on food, energy conservation, infrastructure and IT. He has won many international laurels for his outstanding contributions in the chosen fields. He has authored several books, including one on a former Prime Minister of India.

# DIRECTORS' REPORT



To,  
The Members of,  
Temptation Foods Limited

Your Directors have pleasure in presenting the 19th Annual Report together with the audited statement of accounts for the year ended March 31, 2010.

### Financial Results

(Rupees in Mn.)

Particulars	2009-10	2008-09
Income	12,788.01	8,719.81
Less:- Expenditure	11,592.83	7,953.43
Profit Before Tax, Financial Expenses, Depreciation and Extraordinary Items	1,195.18	766.38
Less: Financial Charges	211.09	109.86
Depreciation	113.26	81.34
Profit for the year before Extraordinary Expenses and Taxes	870.83	575.18
Less: Extraordinary Item	119.59	25.19
Profit for the year after Extraordinary Expenses and before Taxes	751.24	549.99
Less : Provision for Taxes & Tax Adjustments	121.79	23.04
Profit After Tax	629.45	526.95
Balance Brought Forward from Previous Year	681.50	172.18
Less: Interim Dividend (2008-09) and Dividend Distribution Tax thereon	-	17.63
Less: Proposed Final Dividend (2009-10) and Dividend Distribution Tax thereon	22.06	-
Surplus carried to Balance Sheet	1,288.89	681.50

## Operations

During the year under review, your Company has shown sterling performance in as much as the sales turnover has increased from Rs. 8,700.74 Mns in 2008-09 to Rs. 12,766.48 Mns in 2009-10, representing an increase of about 46.73% and the profit after tax has gone up from Rs. 526.95 Mns to Rs. 629.45 Mns representing an increase of about 19.45%.

## Dividend

Your Directors have recommended a dividend of Rs. 0.75 paise per equity share of Rs. 10 each, fully paid up i.e @ 7.5% for the financial year ended March 31, 2010. The dividend will be paid to members whose names appear in the Register of Members as on August 19, 2010. In respect of shares held in dematerialised form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on August 19, 2010.

## Business Prospects

In spite of recessionary trends, your Company has achieved a robust growth in sales and margins were safeguarded by initiating backward integration and enhancing production capacities thereby increasing scale of production and controlling the processing costs.

The production of all processes food products were brought under one roof at its Jejuri Plant from the outsourced units, so as to have better control over quality.

Good monsoon coupled with global recovery augurs well for the business and the Company has ambitious plans in the coming year, with emphasis on expansion by introducing several new variants in all the product segments- sauces, conserves, mayonnaise to cater to the mass market and to re launch the existing product range in attractive packs to consolidate the premium image in the niche market.

## Forfeiture of Application Money

In the previous year, your company had allotted 7,300,000 warrants including 300,000 warrants allotted to its Directors and its business associates, on preferential basis on August 11, 2008. Each warrant was convertible into one equity share of the Company, fully paid up, at a conversion price of Rs. 200 per share. The option was required to be exercised within a stipulated period of 18 months from the date of allotment. The Warrant holders had paid 10 % of the conversion price at the time of allotment amounting to Rs. 146,000,000/- (Rupees Fourteen Cr Sixty Lakhs), which stands forfeited and credited to the Capital

# 46.73%

**Sales Turnover  
has increased from  
Rs. 8,700.74 Mns.  
in FY 2008-09 to  
Rs. 12,766.48 Mns.  
in FY 2009-10**

Reserve Account, since the options were not exercised by the concerned allottees within the stipulated period consequent to the sharp decline in the share price.

## Transfer to General Reserve

During the year, Company has transferred Rs. 2,613,173/- to General Reserves consisting of Special Capital Incentive Rs. 2,500,000/- and Subsidy from Government Rs. 113,173/-, since the said reserves became free on fulfilling the conditions relating thereto.

## Borrowings

During the year, your company has been sanctioned funded and non-funded working capital limits of Rs. 115 Cr by a bank against the security of the movable and immovable assets of the company and the corporate guarantee from the promoter company. The limits have been draw-down depending upon the requirements of your company. A financial institution renewed working capital of Rs. 49 Cr during the year.

## Employees' Stock Options

256,600 share options allotted to the employees of the Company under the Employees' Stock Option Scheme, 2008 are outstanding.

The exercise price was Rs. 150 per share. The price was subsequently revised to Rs. 40 per share by the Board of Directors in its meeting held on April 27, 2009 and confirmed by the shareholders in Annual General Meeting held on August

10, 2009. The disclosures prescribed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed hereto.

### Non Renewal Of Group Gratuity Policy With LIC

Your Company has Employees Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) to fund the defined benefits plan for the qualified employees. The scheme provides for lump sum payment to employees on retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

The said policy has not been renewed by your Company. In view of the above, LIC has not given the detailed disclosure required under AS-15. The disclosure in the notes to accounts is based on the renewal notice received from LIC which in opinion of your Company satisfies the requirements relating to disclosure of gratuity liability as per AS-15. The Auditor in their report has mentioned regarding non renewal of Group Gratuity Policy with Life Insurance Corporation of India. Your Company is in the process of exploring alternate avenues with regard to renewing the Group Gratuity Policy with LIC or to make payment of Gratuity liability from its own internal sources.

### Fixed Deposits

Your Company has not accepted any fixed deposits from public during the year under review. There are no outstanding deposits, which have remained unpaid.

### Temptation Foods FZE ('FZE')

Your company has incorporated a company by the name of Temptation Foods FZE ('FZE'), limited by shares, in the Sharjah Airport Free Trade Zone, of which it is likely to hold 51% of the equity share capital.

Temptation Foods FZE ('FZE'), is intended to be used as a special purpose vehicle for acquisitions of business overseas and /or for raising of funds overseas.

### Temptation Foods International Limited

Your Company had incorporated Temptation Foods International Limited (TFIL), in the British Virgin Islands (BVI). Your Company currently envisages that the purpose for which TFIL is formed may not materialize now and hence Company did not pay BVI Annual License Fees. As the said fees are not paid, the above said Company has been struck off from the BVI Government Register and hence it is not a subsidiary of your company. As per BVI laws, company can be restored at anytime up to ten years after the strike off date by paying prescribed fees. As and when required your Company will restore the name of above said company.

### Disinvestment in the Shares of Kohinoor Foods Limited (KFL)

Keeping in view the declining market price of equity shares of KFL, your Company decided to disinvest/sell the shares of KFL, in order to prevent further loss to your Company. By selling the said equity shares of KFL, your company suffered a loss of Rs. 119,589,019/-. The Directors of the Company had visualised an appreciation in price and consequential profits, but due to adverse market scenario, the same did not materialize.

**FZE**

**Temptation Foods FZE ('FZE'), is intended to be used as a special purpose vehicle for acquisitions of business overseas and /or for raising of funds overseas.**

## Inspection Under Section 209A of the Companies Act, 1956

During the year, inspection under Section 209 A of the Companies Act, 1956 has been carried out by the office of Ministry of Corporate Affairs. No irregularities other than of a compoundable nature has been observed by the Investigating authority. Your Company is in the process of filing compounding applications with the Authorities against the observations/remarks of the Investigating authority.

## Directors

Dr. S. Kaushik was appointed as an additional Director w.e.f. January 29, 2010. In terms of Section 260 of the Companies Act, 1956, he shall hold office only up to the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member proposing his candidature for the office of Director liable to retire by rotation.

Mr.R.V.Joshi and Mr. G.Ramachandran resigned as Directors from the Board with effect from January 29, 2010 and May 28, 2010 respectively. The Board places on record its deep sense of appreciation for the valuable contributions made by them during their tenure as Directors of the Company.

Ms. Elizabeth Harrington retires by rotation and being eligible, offers herself for re-appointment at the forthcoming Annual General Meeting.

## Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- a) That in the preparation of the Annual Accounts for the year ended March 31, 2010, the applicable Accounting Standards have been followed and proper explanations were provided for material departures, if any.
- b) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the Financial Year and of the profit of the Company for the year.
- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) That the Directors have prepared the Annual Accounts for the Financial Year ended March 31, 2010 on a 'going concern' basis.

**19.45%**

Profit after tax has gone up from Rs. 526.95 Mns. in FY 2008-09 to Rs. 629.45 Mns. in FY 2009-10

# 7.5%

Dividend of  
Rs. 22.06 Mns.  
declared in  
FY 2009-10 & up  
from Rs. 17.63 Mns.  
in FY 2008-09

### Corporate Governance

Your Company has been practicing the principles of good Corporate Governance over the years and it is a continuous and ongoing process. A detailed report on Corporate Governance practices followed by your Company in terms of Clause 49(vi) of the Listing Agreement with Stock Exchange is provided separately in this Annual Report.

### Secretarial Audit

As per SEBI requirement, Secretarial audit is being carried out at specific periodicity by a Practicing Company Secretary. The findings of the audit have been satisfactory.

### Additional Information Pursuant To Section 217

- a) Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is enclosed herewith by way of an Annexure.
- b) Additional information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars) Rules, 1988 is enclosed herewith by way of an Annexure.

### Auditors

M/s. Sharp and Tannan, Chartered Accountants, hold the office as Auditors of your Company till the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to be reappointed. Their reappointment, if made, would be within the limits specified under section 224(1-B) of the Companies Act, 1956. Members are requested to reappoint them and fix their remuneration.

### Acknowledgement

Your Directors take this opportunity to place on record their appreciation to the contribution made by the employees to the working of the Company.

Yours Directors also express gratitude to the customers, suppliers, shareholders, banks, financiers and investors for the confidence reposed in your Company and for their continued co-operation during the year under Report.

By **Order of the Board of Directors**

Sd/-

**Vinit Kumar**

*Chairman & Managing Director*

Place: Mumbai

Date: May 28, 2010

## Disclosures prescribed under the SEBI

(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 annexed to Directors' Report:

a	Options granted	256,600	
b	Exercise price	Rs. 40/- (In the AGM of the Company held on 10th Aug, 09, the exercise price of Rs. 150/- was revised to Rs. 40/- per share).	
c	Options vested	Nil	
d	Options exercised	Nil	
e	Total number of shares arising on exercise of options	Nil	
f	Options lapsed	Nil	
g	Variations in terms of options	None	
h	Money realised on exercise of options	Nil	
i	Total number of options in force	256,600	
j	1) Options granted to senior management personnel	Name and Designation	Number of Options
		i) Mr. Vipin Chandok, President – Mergers and Acquisitions & New Initiatives	10,000
		ii) Mr. Nimish Thakore, President – Corporate Affairs and Company Secretary	15,000
		iii) Mr. Shyam Mahale – President- Corporate Planning	10,000
		iv) Mr. Sridhar Sarathy Business Head – Everfresh.	30,000
		v) Mr. Swapnil Shaha Vice President - Domestic Sales & Distribution	15,000
k	Any other employee who during the year has been granted options amounting to 5% or more of the options issued during the year	Nil	Nil
l	Employees who have been granted options equal to or exceeding 1% or more of the issued capital of the company at the time of the grant	Nil	
m	Diluted earnings per share after Extra Ordinary Items and after considering the issue of shares on exercise of options	Rs. 25.04	
n	Proforma Adjusted Net Income and Earnings per Share	Net Income after Taxes and before Extraordinary Expenses – as Reported	Rs. 749.04 Mn.
		Add: Intrinsic Value Compensation Cost	Rs. 10.39 Mn.
		Less: Fair Value Compensation Cost	Rs. 23.09 Mn.
		Compensation Cost Differential Employee Compensation Cost	Rs. 12.70 Mn.

Contd.

n	Proforma Adjusted Net Income and Earnings per Share (Contd.)	
		Adjusted Pro forma Net Income before Extraordinary Expenses
		Rs. 736.34 Mn.
		Net Income after Taxes and after Extraordinary Expenses – as Reported
		Rs. 629.45 Mn.
		Add: Intrinsic Value Compensation Cost
		Rs. 10.39 Mn.
		Less: Fair Value Compensation Cost
		Rs. 23.09 Mn.
		Differential Employee Compensation Cost
		Rs. 12.70 Mn.
		Adjusted Pro forma Net Income after Extraordinary Expenses
		Rs. 616.75 Mn.
		Basic Earnings Per Share after Taxes and before Extraordinary Expenses:
		– As Reported
		Rs. 29.79
		– Adjusted Pro- forma
		Rs. 29.29
		Basic Earnings Per Share after Taxes and after Extraordinary Expenses:
		– As Reported
		Rs. 25.04
		– Adjusted Pro- forma
		Rs. 24.53
		Diluted Earnings Per Share after Taxes and before Extraordinary Expenses:
		– As Reported
		Rs. 29.79
		– Adjusted Pro- forma
		Rs. 29.29
		Diluted Earnings Per Share after Taxes and after Extraordinary Expenses:
		– As Reported
		Rs. 25.04
		– Adjusted Pro- forma
		Rs. 24.53
o	Weighted average exercise price of Options granted during the year whose:	During the year no additional options were granted.
	a) Exercise price equals market price	Not applicable
	b) Exercise Price is greater than market price	Not applicable
	c) Exercise Price is less than the market price	Not applicable
	Weighted average fair value of Options granted during the year whose:	
	a) Exercise price equals market price	Not applicable
	b) Exercise Price is greater than market price	Not applicable
	c) Exercise Price is less than the market price	Not applicable
p	Description of the Method and the significant assumptions used to estimate the fair value of the options:	The fair value of the options granted has been estimated using the Black-Scholes option pricing model. Each tranche of the vesting has been considered as a separate grant for the purpose of valuation. The assumptions used in the estimation of the same have been detailed below:
		Weighted average values of the options granted during the year F.Y. 2008-09:
	i) Stock Price	i) Rs. 289.65
	ii) Volatility	ii) 51.81%
	iii) Risk free rate	iii) 9.14%
	iv) Exercise Price	iv) Rs. 40/- (In the AGM of the Company held on 10th Aug, 09, the exercise price of Rs. 150/- was revised to Rs. 40/- per share).
	v) Time to maturity	v) 4.20 years
	vi) Dividend yield	vi) 0.00

## Particulars Of Employees As Per Section 217(2A)

of the Companies Act, 1956 read with the Companies (Particulars Of Employees) Rules, 1975 And Forming Part Of The Directors' Report For The Financial Year Ended 31st March, 2010

Name & Age (Years)	Designation/ Nature of Duties	Nature of Employment	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualifications (Years)	Experience	Date of Commencement of Employment	Last Employment & Designation
A) Employed for Throughout The Financial Year and in receipt of remuneration aggregating Rs. 24,00,000/- or more per annum								
Mr. Vinit Kumar (45)	Chairman & Managing Director	Contractual	Rs. 3,700,308/-	Rs. 2,935,927/-	BE (Elct. & Comm.) MBA	20	26-10-2007	Reliance Industries Ltd
B) Employed for a part of the financial year and in receipt of remuneration aggregating Rs. 2,00,000/- or more per month								
Mr. Vipin Chandok (51)	President - M&A & New Initiatives	Otherwise	Rs. 1,060,381/- *	Rs. 895,483/-	F.C.A., A.C.S., LLB(G), B.Com (Hons)	29	01-04-2008	Orix Auto Finance (India) Ltd. (Chief Financial Officer & Company Secretary)
Mr. Nimish Thakore (50)	President - Corporate Affairs & Company Secretary	Otherwise	Rs. 1,994,540/- **	Rs. 1,712,810/-	F.C.A., A.C.S. B.Com (Hons)	26	21-08-2007	N.B. Thakore & Co, Practicing Chartered Accountant
Mr. Sanjay Jagtap (55)	President Legal - Company Secretary	Otherwise	Rs. 766,162/- ***	Rs. 674,332/-	LL.B., A.C.S., B.Com	32	27-07-2009	L.J. Associates The Law Firm

### Notes:

- The gross remuneration includes salary, bonus, allowances, leave travel assistance, house rent allowance, Company's contribution to Provident Fund and monetary value of perquisites as per Income Tax Rules, 1962.
- In addition to the above remuneration, employees are entitled to gratuity in accordance with the Company's Rules.
- The net remuneration is arrived at by deducting from the gross remuneration, Income Tax, Professional Tax, Contribution to Provident Fund, Medical Insurance Premium and the monetary value of non-cash perquisites, wherever applicable.

\*Mr. Vipin Chandok has resigned w.e.f 25.07.2009 with Gross salary of Rs. 2,25,120/- p.m.

\*\* Mr. Nimish Thakore's Salary structure has been revised to Gross Rs. 2,25,000/- p.m. w.e.f December, 2009.

\*\*\*Mr. Sanjay Jagtap has resigned w.e.f 19.12.2009 with Gross salary Rs. 2,03,000 p.m.

## Information Under Section 217(1)(E)

of The Companies Act, 1956 Read With The Companies (Disclosure Of The Particulars In The Report Of The Board Of Directors) Rules, 1988 And Forming Part Of The Directors' Report For The Year Ended 31st March, 2010.

S. No.	Particulars	Year ended 31st March, 2010	Year ended 31st March, 2009
<b>1.</b>	<b>Power and fuel Consumption</b>		
	i) Electricity		
	a) Purchased units	8,479,146	7,999,361
	Total Amount (Rs.)	55,486,311	46,911,070
	Rate / Unit (Rs.)	6.54	5.86
	b) Own Generation Through Diesel Generators:		
	Units	191,218	803,212
	Units per Litre of Diesel Oil Cost/Unit	9.93	8.83
	ii) Coal	Nil	Nil
	iii) Light Diesel Oil	-	-
	Quantity (Litres)	3,603,513	1,743,771
	Total Amount (Rs.)	154,499,774	72,272,137
	Average Rate (Rs.)	42.87	41.45
	iv) Other/Internal Generation	Nil	Nil
<b>2.</b>	<b>Consumption per unit of production (MT)</b>		
	Electricity (Units)	406.37	340.66
	Diesel Oil (Litres)	172.70	74.26
<b>3.</b>	<b>Technology Absorption, Adaptation and Innovaton</b>		
	- NIL -		
<b>4.</b>	<b>Foreign exchange earnings and outgo</b>		
	Particulars relating to foreign exchange earnings and outgo appear in Note No. 24 (g) and (f) of Schedule B being Notes forming part of the Accounts.		



# MANAGEMENT DISCUSSION & ANALYSIS

TFL's business consists of frozen food and processed food. The Company processes and individually quick freezes fruits, vegetables and marine food. TFL's other products are preserves, jams, marmalade, sauces, mayonnaise, salad dressings and honey.

During the year, the Company has also forayed into the agri-infrastructure industry, initially with a major stake a Mega Food Park, in one of the largest fruit and vegetable producing states in the Country.

### THE INDIAN FOOD PROCESSING INDUSTRY

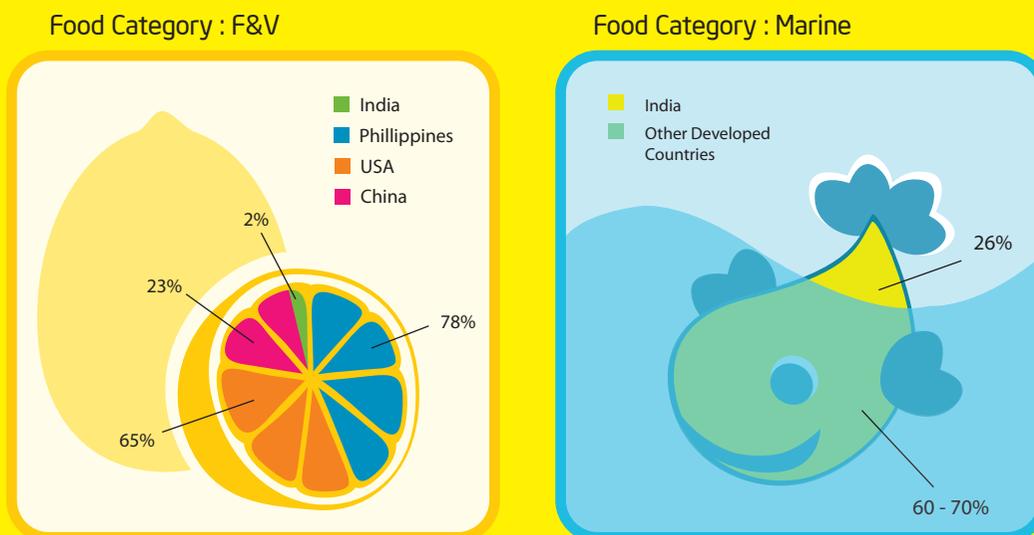
The food processing industry is one of the largest in India. Highly fragmented, most of the sectoral revenue comes from the unorganized sector. The small organised sector is growing at a fast pace. The sub-segments of the food processing sector are fruits and vegetables, milk and milk products, beer and alcoholic beverages, meat and poultry, marine products, grain processing, packaged or convenience food and packaged drinks. The sub-segments in which TFL is present are fruits and vegetables, marine products and packaged or convenience foods.

The largest component of household consumption expenditure is food and food products. India's current food consumption is estimated to be at Rs 8,60,000 crore. Processed food accounts for Rs. 4,60,000 crore and primary processed food (includes packed fruits and vegetables, packed milk etc) accounts for Rs. 2,80,000 crore (source:www.ssrn.com). During the last five years, food processing has reduced the food wastage by Rs 8,000 crores and the current level of food wastage is Rs 50,000 crores annually. (source: Business Line, 18 February 2010)

India's fast food market is growing at 30-35% every year (source: Indian Fast Food Market Analysis by RNCOS). The food processing industry grew from 6% in 2009 to around 14.9% in 2010 (source: www.ibef.org). It is expected that the processed food sector will grow to over Rs. 13.50 trillion by 2015 from Rs. 8.2 trillion in 2009-10. The retail food sector is expected to grow to US\$150 billion by 2025 (source: McKinsey Research). India's total food production is likely to double in the next 10 years, leveraging an opportunity for large investments in food and food processing technologies, especially in areas of canning, dairy and food processing, specialty processing, packaging, frozen food or refrigeration and thermo processing. FDI in the food processing sector is expected to reach Rs 1,200 crore in 2010-11. Besides, by 2020, the Indian food processing sector would touch US\$318 billion (source: www.ibef.org).

India ranks fifth in terms of food production, food consumption, food export and expected growth. The industry size is significant and it is growing at a rapid pace. But the share of the processing industry is relatively low with only about 1.3% of the fruits and vegetables produced going through secondary processing, compared to over 80% in the USA. In India, the low levels of food processing are due to poor storage infrastructure and poor marketing and distribution network.

### A Comparison of Food Processing Levels



(Source: www.mofpi.nic.in)

India is the second largest vegetable producer and third largest fruit producer globally. The country is the world's largest producer of mangos and bananas. It is among the world's top five producers for several other fruits and vegetables like onions, cauliflowers, pineapples and oranges, among others. India produces 41% of the world's mangoes, 30% of cauliflowers, 28% of tea, 23% of cashews, 36% of green peas and 10% of onions (source: Indian Fast Food Market Analysis by RNCOS).

However, the scenario is rapidly changing, nationally and internationally. In the domestic market, with growing urbanization, burgeoning middle class, rising income, emergence of organized retailing, the consumer mindset and preferences are evolving towards value-added, packaged and branded products. The international scenario for processed and packaged fruits and vegetables is also undergoing a remarkable shift. India's capability to produce international quality products is turning international demand to India. As per Food Processing Industries Minister, Subodh Kant Sahai, the food processing industry requires a minimum Rs 1,000 crore investment to strengthen infrastructure. The sector has been granted Rs 400 crore in Budget 2010-11, up from Rs 280 crores allocated last year. The sector has the potential to provide employment or business opportunities to people across the social pyramid. During the last financial year, this sector attracted around Rs 700 crores FDI (source: www.mofpi.nic.in).

Domestic and international demand for processed foods, especially frozen foods, is increasing exponentially. Over the years, the domestic frozen F&V grew around 10-12% annually, which is expected to gain further momentum when modern retail chains penetrate the Tier II and Tier III cities.

## THE MARINE FOOD INDUSTRY

India currently accounts for a small share of the global market in the marine food segment. It exports only about 6 lac tons of marine food, which is valued at about US\$2 billion. India's 8,000 km coast line, 28000 km of rivers and millions of hectares of reservoirs and brackish water, along with an economic zone of around 75 km, contributes to the marine food segment. The government has aggressive targets to increase the exports of marine foods to over US\$5 billion in three years (source: Business Line, 18 February 2010)

# US\$ 21.9 BN

The government has plans to invest US\$21.9 billion in the food processing industry over the next five years

## GOVERNMENT SUPPORT

In recent years, government policies have been directed towards facilitating the organized sector, liberalizing agri-marketing laws and FDI policies, rationalizing tax laws and improving capital subsidies. These initiatives channelized investments towards improving productivity, infrastructure and logistics and the consequent industry growth.

The government has formulated a Vision-2015 action plan with specific targets to treble the size of the food processing industry from around US\$70 billion to about US\$210 billion. The levels of processing of perishables would be increased from 6 per cent to 20 per cent. The government wishes to enhance India's share in global food trade from 1.5 per cent to 3 per cent, and it has plans to invest US\$21.9 billion in the food processing industry over the next five years (source:mofpi.nic.in).

To further support the food processing sector, the Ministry of Food Processing Industries has proposed to set up the National Institute of Food Technology, Entrepreneurship and Management (NIFTEM).

The Food Processing industry is included in the list of 'Priority Sector Lending for banks. Fruit and vegetable processing units have been completely exempted from paying excise duty. The Ministry of Food Processing Industry would assist in the setting

up of more food processing units, creating 10 million jobs by 2015 (source:mofpinic.in). The government is also keen to set up more Food Parks. External commercial borrowing will be made available for cold storage or cold room facility including farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat. Automatic approval for foreign equity up to 100 per cent is permitted for most of the processed food items.

## BUSINESS OVERVIEW

### Competitive Strengths of TFL

- TFL enjoys a locational advantage as all plants are located near the raw material sources. The raw materials are sourced from North and West regions. TFL has a plant in North India at Sonapat and in West India at Jejuri
- Strong brand equity and a wide products variety
- Wide geographic coverage with international presence
- Use of modern technologies and processes
- Strategic relationships with customers, suppliers and supply chain vendors
- Professionally managed and experienced management team

### TFL'S Strategy

The Company is well positioned and equipped to exploit the enormous opportunity that exists in the food processing industry. It is following a three-pronged strategy to optimize shareholder value, based on the following:

- **Grow existing business:** Maximize revenues through private label packing
- **Move up value chain:** Own brands and aggregate undervalued food brands
- **Enter into other key verticals:** Leverage management strengths and drive synergies

### TFL's conscious de-risking strategy involves the following:

- **De-risk international exposure:** Reduce dependence on international markets by building a robust, sustainable and profitable domestic retail business.
- **De-risk customer dependence:** Reduce dependence on key anchor customers. This has been done successfully with large new export buyers acquired during the year.
- **De-risk cyclicity:** Reduce impact of cyclical variations in raw material procurement prices and availability by building a robust contract farming network and capturing value right across the food chain.

# RS. 8,479.45 MN

The Company continued its position as the largest player in the domestic frozen fruits and vegetables business in the country, with a Rs. 8,479.45 million sales turnover.

## BRAND STRATEGY

TFL offers branded food products across all of its product categories and aims to extend its reach to a cognitive market share of the Indian kitchen. The Company has been investing and consolidating its brands. During the year, it took steps towards maturing its brands (Everfresh and Karen Anand) by adding to the product base, while simultaneously increasing its distribution networks.

## ACQUISITION STRATEGY

The Company's mainstay has been inorganic growth to increase market share, widen product base and create shareholder value.

It also wishes to ensure its own brands, rather than merely producing or distributing products belonging to brands owned by others.

## SUPPLY CHAIN

TFL tries to bridge the gap between product manufacture and consumer offtake through continuous efforts to effectively improve and channelize the supply chain management. Stringent quality norms are followed for procurement and processing of fresh fruits and vegetables and then converting them into frozen products. The procurement is done during the season and stored and sold during non season periods. The products are thereafter transported by refrigerated vans at - 18°C. Minimal handling during transportation ensures that product temperature remains intact. The Cold Chain (owned/leased) is based on state-of-the-art technologies to ensure maintenance of required temperatures and quality throughout the year. The robust supply chain ensures that customers receive the best quality products.

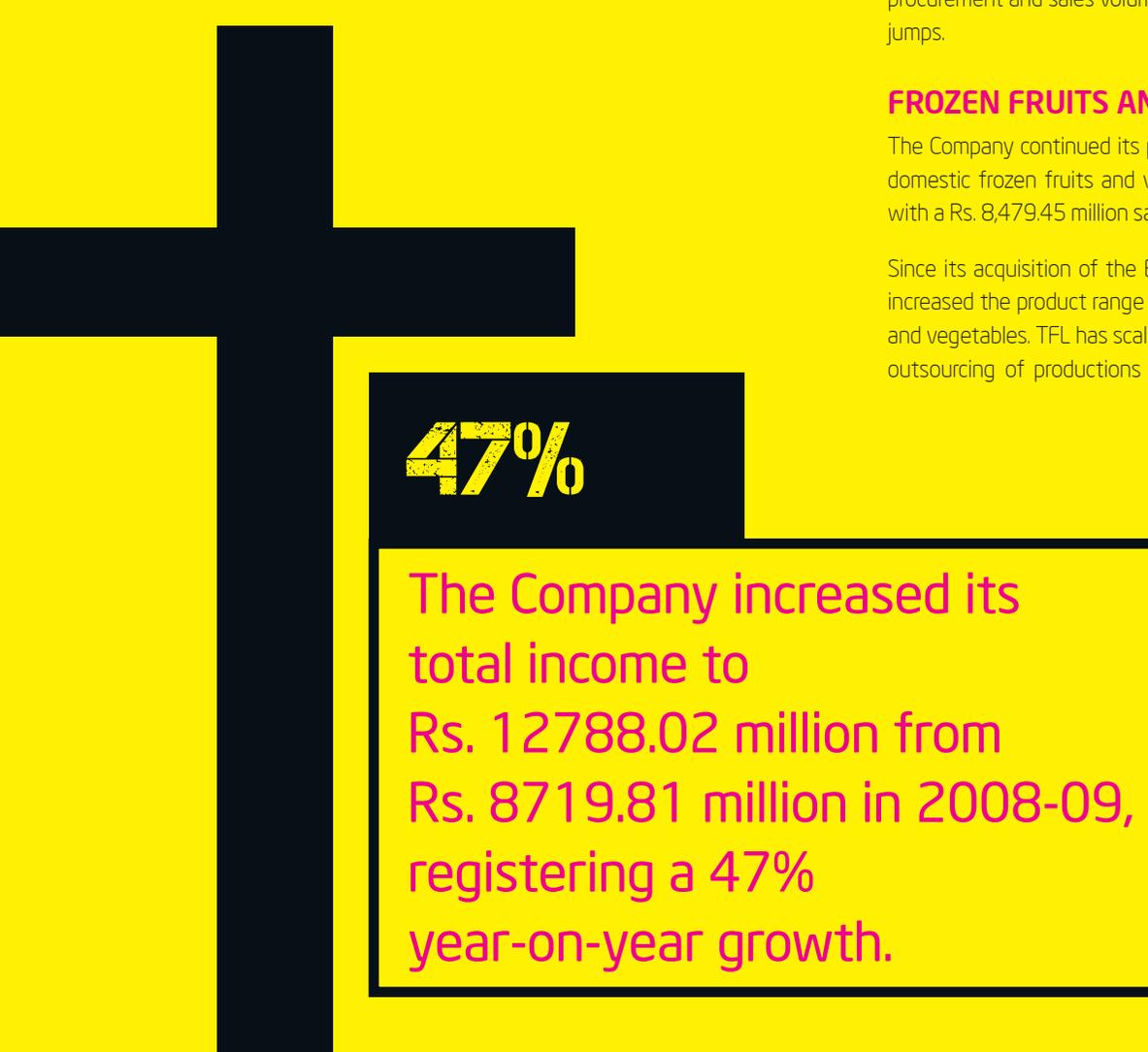
## PERFORMANCE REVIEW OF TFL DURING 2009-10

The Company continued to achieve record growths in all business segments, for the fourth year in a row, with production, procurement and sales volumes and values recording substantial jumps.

## FROZEN FRUITS AND VEGETABLES

The Company continued its position as the largest player in the domestic frozen fruits and vegetables business in the country, with a Rs. 8,479.45 million sales turnover.

Since its acquisition of the Everfresh Brand, TFL has religiously increased the product range to include several new frozen fruits and vegetables. TFL has scaled up operations manifold, including outsourcing of productions to units in raw material producing



**47%**

The Company increased its total income to Rs. 12788.02 million from Rs. 8719.81 million in 2008-09, registering a 47% year-on-year growth.

# SOURCING

TFL is making efforts to increase sourcing through contract farming of the required produce.

areas. While green peas and sweet corn continue to constitute a bulk of this business, other products are also gradually gaining popularity. The Company expects to be able to continue to grow this business segment, in terms of gross revenue and net revenue.

## PROCESSED FOODS BUSINESS

The Company bought the business of Karen Anand's Gourmet Kitchen late last year, including the Karen Anand brand, covering a wide range of preserves, jams, sauces, mayonnaise and dressings.

The brand, known for high end, quality products, has been positioned to cater to the premium segment in the processed food market.

During the year, the Company introduced an economy range of jams, sauces and other products under the Everfresh brand to cater to the mass market. It has also introduced packaged honey under this brand in select markets, which received encouraging response.

The Company expects the processed food business to grow significantly in the coming years, as the sales and distribution synergies between Karen Anand and Everfresh come into play and with the proposed addition of new and more value-added products to the range.

On the whole, during the current year, the Company increased its total income to Rs. 12788.02 million from Rs. 8719.81 million in 2008-09, registering a 47% year-on-year growth. Its PBIDT surged to Rs. 1075.59 million from Rs. 741.20 million in 2008-09, registering a 45.11% year-on-year growth. The Company's PAT jumped to Rs. 629.45 million from Rs. 526.95 million in 2008-09, registering a 19.45% year-on-year growth.

## NEW INITIATIVES

As a part of the Company's philosophy of growth in related areas, the Company has decided to complement its strong capabilities in the Food Processing Sector, by creating an equally strong capability in the backward linkages for the Food processing sector ie the post harvest agri infrastructure sector.

Under this initiative, the Company has acquired a major stake in a Food Park being established at Jangipur in West Bengal in one of the highest fruit and vegetable producing regions in the country - the highly fertile Gangetic plains. The Park is being set up in under Ministry of Food Processing' Scheme for Mega Food Parks and involves a grant of Rs 50 cr. The Food Park is being set up, based on a 'Hub and Spoke' Model, involving the creation of an elaborate and well laid out arrangement covering procurement, cleaning, sorting, grading, packing of raw materials from the surrounding regions, to ensure continuous, consistent and quality supplies of raw materials to the processing units coming up in the Park.

The Company is in advanced stages of acquisition of similar stakes in more Food Parks and Modern Terminal Markets for fruits and Vegetables.

The initiative is intended to equip the Company with strong capabilities and flexibility to capture value, across the value chain. The Company expects to leverage further on this capability for further forays in this business.

## RISKS AND CONCERNS

Some major areas of risks and concerns, which might impede future growth comprise the following:

- Weak supply chain
- Inadequate cold chain infrastructure
- Availability and cost of power

### A WEAK SUPPLY CHAIN

A major constraint in the rapid development of organized food processing industry is a weak supply chain. India's agri-based food production is characterized by:

- Bulk production is done by small and marginal farms.
- Producers get only about 30% of produce value, while trade intermediaries pocket the balance without corresponding value addition.
- Wastages are high at around 35%.
- The supply chain is highly unreliable.
- No primary processing infrastructure at the production sites; absence of credible institutions to streamline supply chain.
- Producers and processors are delinked

TFL is making efforts to increase sourcing through contract farming of the required produce.

### INADEQUATE COLD CHAIN INFRASTRUCTURE

Inadequate quality cold chain infrastructure for handling frozen fruits and vegetables is another area of concern for both the industry and the Company. Its frozen products require storage and handling at -18°C requiring large investments.

The Company is seriously considering to embark upon this activity on a pan-India basis.

## HR

TFL's encouraging performance is the result of a disciplined, focused work culture and involves sustained efforts to retain its workforce.

### AVAILABILITY AND COST OF POWER

In food processing --- particularly in frozen foods -- power constitutes the single largest expense head after raw material. The availability of quality power, in required quantities, consistently, at affordable costs is essential for the industry to operate and grow.

Across most states in the country, continuous availability of quality power is an area of major concern. Most processors are, therefore, forced to invest in and depend on costly liquid fuel based stand-by power generation facilities, with adverse effects on economics.

The Company has been making efforts with the concerned governments to address this on a priority basis.

### INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's elaborate internal control systems ensure efficient use and protection of resources and compliance with policies, procedures and statutory requirements. The internal control systems comprise well documented guidelines, authorization and approval procedures, including audit.

Intrinsic to the overall governance process, the Company has institutionalised a well established Internal Audit framework, which covers all aspects of financial and operational controls and

entails a balanced bottom-up and top-down approach, covering all units, functions and departments.

The head of the Internal Audit Department reports directly to the Chairman of the Audit Committee of the Board of Directors, ensuring independence.

Internal Audits are performed by an in-house team of professionals and additionally by an independent firm of Chartered Accountants. Reviews are conducted on an ongoing basis, based on an audit plan, which is approved by the Audit Committee at the beginning of the year.

Audit findings and recommendations are presented by the Head Audit to the Audit Committee on a quarterly basis. Emphasis is laid on closure of agreed actions and root cause analysis of issues, ensuring that issues are addressed comprehensively.

## HUMAN RESOURCES

TFL's encouraging performance is the result of a disciplined, focused work culture and involves sustained efforts to retain its workforce.

During the year, significant resources and efforts were devoted to people engagement initiatives to support a performance driven culture and to enhance passion for higher productivity.

To empower talent and prepare its people with necessary skills, the Company continued to provide employees with appropriate access to training and corresponding development plans including international exposures, wherever feasible. The staff training needs at various levels are periodically assessed and training programmes are conducted using internal resources and/or by engaging external trainers/facilities.

The Company works with a Key Responsibility Area based review and recognition strategy that aligns efforts and rewards results. It has an elaborate ESOP plan to reward performance and enable employees to share the benefits of Company's growth.

TFL recruited a number of employees at all levels during the year, taking the employee count to 165 as on 31st March, 2010.

The Company plans to continue to institute internal surveys to enhance HR practices in line with global standards.

## CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis described the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied.

Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, vagaries of nature and other incidental factors.



# REPORT ON CORPORATE GOVERNANCE

## PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company believes in adopting and adhering to the best recognised Corporate Governance practices and continuously benchmarking itself against these practices. The Company understands and respects its fiduciary role and responsibility towards shareholders and strives hard to meet their expectations. The Company believes that in order to create shareholder value, it is important to adopt transparency, and the best board practices.

The Company has infused the philosophy of Corporate Governance into all its activities. The philosophy on Corporate Governance is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as Independence, Accountability, Responsibility, Transparency, Fair and Timely Disclosures, and Credibility serve as the means for implementing the philosophy of good Corporate Governance in letter and spirit.

### A. Mandatory Requirements

#### 1. Board of Directors and Board Meetings

The Board is headed by Mr. Vinit Kumar, who is the Chairman and Managing Director. The Board is composed of eminent persons with considerable professional experience in diverse fields. With the exception of Mr. Vinit Kumar, who is Non-Independent, all the other Directors are Independent and Non-Executive.

The details of the Board of Directors as on date and the meetings attended by them are as under:-

Name of the Directors	Category of Directorship	No. of Board Meetings held during the year during his/her tenure as Director and number of Board Meetings attended		Attendance at the last AGM	No. of other Directorships as held#	No. of Committees of which Member	Remarks
		Held	Attended				
Mr. Vinit Kumar	Non-Independent & Executive Director	4	4	Yes	7	1	-
Dr. (Ms.) Kala Pant	Independent & Non-Executive	4	4	Yes	3	8	-
Mr. R.V. Joshi	Independent & Non-Executive	3	2	No	N.A	N.A	*Please refer note below
Mr. E. David Ellington	Independent & Non-Executive	4	1	No	-	-	-
Mr. G. Ramachandran	Independent & Non-Executive	4	2	No	N.A	N.A	**Please refer note below
Ms. Elizabeth Harrington	Independent & Non-Executive	4	1	No	2	3	-
Dr. S.Kaushik	Independent & Non-Executive	1	0	N.A.	1	4	***Please refer note below
Ms. Bhairavi Goswami	Independent & Non-Executive	4	4	No	2	5	-

# The Directorships of Private Limited Companies are also taken in to consideration.

\* Mr. R. V. Joshi resigned from Directorship w.e.f January 29, 2010.

\*\* Mr.G. Ramachandran resigned from Directorship w.e.f May 28, 2010.

\*\*\* Dr.S.Kaushik was appointed as Director w.e.f January 29, 2010

During the year under review, Four Board Meetings were held, the dates being: April 27, 2009; July 27, 2009; October 29, 2009; and January 29, 2010.

### Brief on Dr.S. Kaushik

Dr.S. Kaushik was appointed on the Board on 29th January, 2010. He holds a masters as well as doctoral qualification in the areas of management. He heads an international trading and counter trading organization, with special emphasis on energy conservation, infrastructure, chemicals and fertilizers, and information technology. Dr.S.Kaushik has over 3 decades of international exposure in international trade. Having lived in Italy, Kuwait and South East Asia, he has won many international laurels for his outstanding contributions, both in India and overseas. He has authored many books, including a book on former Prime Minister of India and the first I.T encyclopedic in a 10 volume set with cd on e-commerce. His latest book "The Marvels of Digital Networking" is under process. Dr.S.Kaushik holds membership of many esteemed academic / professional organisations.

## 2. Meetings of Committees of Directors

### MANDATORY COMMITTEES

#### a) Audit Committee

The Audit Committee of the Company was constituted and made functional w.e.f January 6, 2006. The Audit Committee comprised of the following four Non-Executive Directors:

- i) Ms. Kala Pant - Chairperson
- ii) Mr. G. Ramachandran
- iii) Mr.R.V.Joshi
- iv) Ms. Bhairavi Goswami

Due to resignations of Mr. R.V.Joshi and Mr.G.Ramachandran as Directors w.e.f January 29, 2010 and May 28, 2010 respectively, the Audit Committee has been re-constituted as under in the Board Meeting held on May 28, 2010:-

- i) Dr.(Ms)Kala Pant (Chairperson) - Independent Non Executive Director
- ii) Ms. Bhairavi Goswami - Independent Non Executive Director
- iii) Dr.S. Kaushik - Independent Non Executive Director

The role and terms of reference of the Audit Committee briefly include review of internal Audit Reports and the Statutory Auditors' Report on the financial statements, general interaction with the internal Auditors and statutory Auditors, selection and establishment of accounting policies, review of financial statements, both quarterly and annual before submission to the Board, review of Management discussion and analysis of financial condition and results of operations and review of performance of statutory and internal auditors and adequacy of internal control systems and other matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Audit Committee Meetings held during the FY 2009-10 and attendance sheet is as below:

Date of the Meetings	No. of Directors in the Committee	Directors Present
April 27, 2009	4	4
July 27, 2009	4	4
October 29, 2009	4	2
January 29, 2010	3	2

## b) Share Transfer and Investors' Grievance Committee

The Share Transfer and Investors' Grievance Committee was constituted and made functional w.e.f. January 6, 2006. The Committee comprised of the following three non Executive Directors:

- i) Dr. (Ms.) Kala Pant, Chairperson
- ii) Mr. R.V. Joshi
- iii) Ms. Bhairavi Goswami

Due to resignation of Mr. R.V.Joshi as Director w.e.f January 29, 2010, the Share Transfer and Investor's Committee has been re-constituted as under in the Board Meeting held on May 28, 2010 :-

- i) Dr.(Ms.)Kala Pant (Chairperson) - Independent Non Executive Director
- ii) Ms. Bhairavi Goswami - Independent Non Executive Director
- iii) Dr.S. Kaushik - Independent Non Executive Director

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate Certificates by the Company, (ii) looks into various issues relating to shareholders, including redressal of complaints from shareholders relating to transfer of shares, non-receipt of Balance Sheets, Dividends, etc. and (iii) carries out the functions envisaged under the Code of Conduct for Prevention of Insider Trading in terms of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992.

The Share Transfer & Investors' Grievances Committee Meetings held during the year and attendance thereat is as below:

Date of the Meetings	No. of Directors in the Committee	Directors Present
April 27, 2009	3	3
July 27, 2009	3	3
October 29, 2009	3	2
January 29, 2010	2	2

The status of Investors' complaints for the year is as under:

Complaints at the beginning of the year	Complaints received during the year	Complaints resolved during the year	Complaints pending at the end of the year
3	33	34	2

## NON-MANDATORY COMMITTEES

### c) Remuneration/Compensation Committee

The Remuneration/Compensation Committee was constituted on May 6, 2006.

The terms of reference of the Committee are:

- 1) To recommend to the Board the remuneration package of Managing Director and other working Directors.
- 2) To recommend to the Board annual increments and commission payable to the Managing Director and working Directors, if any, after reviewing their performance and overall financial position of the Company.
- 3) To recommend to the Board Sitting Fees payable to the Directors for attending the Meetings of the Board of Directors and Committees formed thereof.

- 4) To recommend to the Board at appropriate time the mode and means like payment of Commission, remunerating Non-Executive / Non working Directors within the overall ceiling of 1% of the Net Profits of the Company as computed under the applicable provisions of the Companies Act, 1956.
- 5) To recommend to the Board ESOS for the Employees of the Company.

The Committee was composed of the following three independent Non Executive Directors as under:

Mr.G. Ramachandran, Chairman

Dr. (Ms.) Kala Pant

Mr.E. David Ellington

Due to resignation of Mr.G.Ramachandran as Director w.e.f. May 28, 2010, the Remuneration/Compensation Committee has been re-constituted as under in the Board Meeting held on May 28, 2010:-

- i) Ms. Bhairavi Goswami(Chairperson) - Independent Non Executive Director
- ii) Dr.(Ms.)Kala Pant - Independent Non Executive Director
- iii) Dr.S. Kaushik - Independent Non Executive Director

The Remuneration/Compensation Committee Meeting/s held during the year and attendance thereat is as below:

Date of the Meeting	No. of Directors in the Committee	Directors Present
April 27, 2009	3	2
October 29,2009	3	2

Details of payments made to the Directors during the year, by way of (a) sitting fees for attending the meetings of the Board of Directors and of the Committees and (b) professional fees for services rendered to the Company and warrants allotted and held, are as below:

Director	Sitting Fees for attending the Meetings of: (Rs.)						Salary (Rs.)	Number of Warrants allotted during the year and held as on March 31, 2010
	Board of Directors	Audit Committee	Share Transfer & Investors' Grievances Committee	Remuneration Committee	Corporate Governance Committee	Borrowing committee		
Mr. Vinit Kumar	-	-	-	-	-	-	37,00,308	-
Dr. (Ms.) Kala Pant	20,000	20,000	4,000	10,000	-	10,000	-	-
Mr. R.V. Joshi	10,000	10,000	2,000	-	5,000	-	-	-
Mr. G. Ramchandran	10,000	10,000	-	10,000	5,000	-	-	-
Ms. Elizabeth Harrington	5,000	-	-	-	-	-	-	-
Mr. E. David Ellington	5,000	-	-	-	-	-	-	-
Ms. Bhairavi Goswami	20,000	20,000	4,000	-	-	10,000	-	-

#### d) Corporate Governance Committee

The Corporate Governance Committee was constituted on May 6, 2006, to monitor the implementation of the Corporate Governance norms under Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Ltd.

The Committee comprised of the following 3 non Executive Directors:

- (i) Mr. E. David Ellington
- (ii) Mr. G. Ramachandran
- (iii) Mr. R.V.Joshi

Due to resignations of Mr. R.V.Joshi and Mr.G.Ramachandran as Directors w.e.f. January 29, 2010 and May 28, 2010 respectively, the Corporate Governance Committee has been re-constituted as under in the Board Meeting held on May 28, 2010 :-

- i) Dr.S. Kaushik (Chairman) - Independent Non Executive Director
- ii) Ms.Elizabeth Harrington - Independent Non Executive Director
- iii) Ms. Bhairavi Goswami - Independent Non Executive Director

The Meetings of the Committee held during the year and attendance thereat is as below:

Date of the Meeting	No. of Directors in the Committee	Directors Present
April 27, 2009	3	2

#### e) Borrowing Committee

The Borrowing Committee was constituted on May 12, 2008, and was delegated powers to borrow moneys, otherwise than on debentures, up to a total amount of Rs. 1000 Cr (Rs. One Thousand Cr Only) outstanding at any one time.

The following Directors are the members of the Committee:

- i) Mr. Vinit Kumar(Chairman) - Chairman & Managing Director
- ii) Dr. (Ms.) Kala Pant - Independent Non Executive Director
- iii) Ms. Bhairavi Goswami - Independent Non Executive Director

The Meetings of the Committee held during the year and attendance thereat is as below:

Date of the Meetings	No. of Directors in the Committee	Directors Present
April 27, 2009	3	3
May 15, 2009	3	2
July 7, 2009	3	2
July 27, 2009	3	3
August 4, 2009	3	3
September 10, 2009	3	2
October 12, 2009	3	2
December 18, 2009	3	2
January 18, 2010	3	2
January 21, 2010	3	2

### 3. General Body Meetings

- a) Dates and location of the last three Annual General Meetings and passing of Special Resolutions thereat

Date	Location	Time	Special Resolution Passed (Yes/No)
August, 10 2009	World Trade Centre, Centre 1, Jasmine Hall, 1st Floor, Centre Point, Cuffe Parade, Mumbai 400005	11.30 a.m.	No
May 12, 2008	Hotel Hilton Towers, Nariman Point, Mumbai 400021	11.30 a.m.	Yes
June 18, 2007	Hotel Hilton Towers, Nariman Point, Mumbai 400021	11.00 a.m.	Yes

- b) Whether any Special Resolution passed last year through postal ballot - details of voting pattern : No
- c) Person who conducted the postal ballot exercise : Not Applicable
- d) Whether any Special Resolution is proposed to be conducted through postal ballot : No
- e) Procedure for postal ballot : Not Applicable

### 4. Chief Executive Officer/Chief Financial Officer Certification

Mr. Vinit Kumar, Chairman and Managing Director, as the Chief Executive Officer of the Company has issued necessary certificate pursuant to the provisions of Clause 49 of the Listing Agreement with The Bombay Stock Exchange and the same is annexed to and forms part of the Annual Report.

The Company did not have a Chief Financial Officer during the year. The Chief Executive Officer oversees the finance functions.

### 5. Other Disclosures

- a) There were no materially significant transactions made by the Company with its Promoters, Directors, Relatives or the Management which have potential conflict with the interest of the Company at large;
- b) SEBI passed an ex parte ad interim order dated June 4, 2009, restraining Venture Business Advisors Private Limited (VBAPL), the Promoter Company of the Company, from accessing the securities market and further prohibit them from buying, selling or dealing in securities market, directly or indirectly;

VBAPL filed consent application on December 4, 2009 against the said order dated June 4, 2009 against which SEBI vide their letter dated June 4, 2010 reverted that the consent application filed by VBAPL is rejected due to pending investigations. VBAPL is exploring further avenues to resolve the matter;

Apart from the above, there were no penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any Statutory Authority for any matter relating to capital markets during the last three years;

- c) During the year, inspection under Section 209 A of the Companies Act, 1956 has been carried out by the office of Ministry of Corporate Affairs. Your Company is in the process of filing compounding applications with the Authorities against the observations/remarks of the investigating authority;
- d) In preparation of financial statements, no treatment materially different from that prescribed in accounting standard had been followed;
- e) The Company had initiated the process of adopting and implementing risk management system and procedure in respect of its business and which is expected to be completed during the FY 2010-11;
- f) Presently the Company does not have a Whistle Blower Policy. However, no person of the Company has been denied access to the Audit Committee; and
- g) The Company has complied with all the Mandatory Requirements, other than Risk Management System. As regards non-mandatory requirements, the extent of compliance has been stated in this Report.

## 6. Means of Communication

### a) Quarterly/ Half Yearly Results:

Quarterly/ Half Yearly results are not sent to each household of shareholders, but are submitted to Stock Exchange and are published in one national English newspaper and in one regional language newspaper (of the place where the registered office of the Company is situated).

### b) Website:

The quarterly/half yearly/Annual results are displayed on the website of the company ([www.temptationfoods.com](http://www.temptationfoods.com)). They are also posted on the BSE website ([www.bseindia.com](http://www.bseindia.com)).

### c) Presentation to Institutional Investors or Analysts:

No presentations were made to Institutional Investors and to Analysts during the year under review.

### d) Management Discussion & Analysis Report (MD&AR)

The MD&AR is a part of the Annual Report.

## 7. General Shareholder Information

### a) AGM: Date, time and venue:

19th Annual General Meeting will be held on Friday, August 27, 2010 at 11.00 A.M. at World Trade Centre, Centre 1, Seminar Hall I & II, 31st Floor, Centre Point, Cuffe Parade, Mumbai 400 005.

b) Financial calendar (tentative)	On or Before
Unaudited Financial Results reporting for the quarter ending 30th June, 2010	August 14, 2010
Unaudited Financial Results reporting for the quarter ending 30th September, 2010	November 14, 2010
Unaudited Financial Results reporting for the quarter ending 31st December, 2010	February 14, 2011
Audited Financial Results reporting for the year ending 31st March, 2011	May 30, 2011
Annual General Meeting for the year ending 31st March, 2011	September 30, 2011

### c) Book closure period

From Friday, August 20, 2010 to Friday, August 27, 2010 (both days inclusive).

### d) Dividend payment date

Latest by September 25, 2010

### e) Listing on Stock Exchange

Currently, the Company's shares are listed at The Bombay Stock Exchange Ltd.

Annual Listing Fees for the year 2010-11 have been paid to The Bombay Stock Exchange Ltd.

### f) BSE Stock Code

519228

### g) ISIN Number

INE244I01019

#### h) Market Price Data & Price Performance in Comparison to BSE Sensex

Month	High (Rs.)	Low (Rs.)	Comparison with BSE Sensex	
			Sensex Change %	Company's Share Price Change %
April 2009	40.80	25.95	17.46%	12.44%
May, 2009	45.95	29.20	28.26%	21.36%
June, 2009	48.65	31.20	-0.89%	-2.07%
July, 2009	35.90	24.40	8.12%	8.50%
August, 2009	40.20	30.30	-0.02%	10.16%
September, 2009	46.70	36.50	9.32%	10.67%
October, 2009	41.95	33.65	-7.18%	-18.33%
November, 2009	42.90	32.00	6.48%	5.10%
December, 2009	38.90	34.05	3.18%	-2.64%
January, 2010	40.50	31.30	-6.34%	-3.70%
February, 2010	37.00	30.05	0.44%	-6.66%
March, 2010	34.05	28.50	6.68%	-4.12%

\* The Company's shares are listed only on The Bombay Stock Exchange Ltd.

#### i) Registrar & Share Transfer Agents

M/s. Purva Sharegistry (India) Pvt. Ltd., the Company's Registrar and Share Transfer Agents (R&TA), handle the entire share registry work. Accordingly, all documents, transfer deeds, demat requests and other communication in relation thereto should be addressed to the R&TA at the following address:

Purva Sharegistry (India) Pvt. Ltd.  
Unit no. 9, Shiv Shakti Ind. Estt.,  
J.R. Boricha marg,  
Opp. Kasturba Hospital Lane,  
Lower Parel (E),  
Mumbai 400 011.

Timing : 10 a.m to 6 p.m

Tel : 91-22-2301 6761 / 8261

Fax : 91-22-2301 2517

Email : busicomp@vsnl.com

#### j) Share Transfer System

Share transfers in physical form are registered and returned within the stipulated time period from the date of receipt in case documents are complete in all respects.

Share transfers in dematerialised form are affected as per the prescribed procedure within the stipulated time.

## k) i) Distribution of Shareholding as on March 31, 2010

Number of Shares	No. of share-holders	No. of shares held	% to Total Shares
Up to 500	9408	1932284	7.69
501 - 1,000	1574	1377743	5.48
1,001 - 2,000	805	1299580	5.17
2,001 - 3,000	311	820630	3.26
3,001 - 4,000	140	510901	2.03
4,001 - 5,000	157	752957	2.99
5,001 - 10,000	221	1740136	6.92
10,001 & above	268	16707869	66.45
<b>Total</b>	<b>12884</b>	<b>25142100</b>	<b>100.00</b>

## i) Shareholding Pattern as on March 31, 2010

Category	No. of Shares	%
Promoter Group*	43,87,780	17.45
Foreign Institutional Investors	6,70,469	2.67
Foreign Corporate Bodies	Nil	0.00
Indian Mutual Funds	1,800	0.01
Non Resident Indians	3,99,568	1.59
Indian Public (Including Bodies Corporate)	1,96,82,483	78.28
<b>Total</b>	<b>2,51,42,100</b>	<b>100.00</b>

\* Promoter Group comprises of Venture Business Advisors Pvt. Ltd.

## l) Dematerialization of Shares &amp; Liquidity

The Company's shares are available for dematerialization with both the Depositories i.e National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). 2,49,68,500 shares representing 99.31 % of the share capital of the Company have been dematerialised as on March 31, 2010.

The average monthly volume of shares traded on The Bombay Stock Exchange during 2009-10 was 61,43,124, with the highest being 29,69,487 shares on June 10, 2009 and the lowest 11,500 shares on May 18, 2009.

## m) Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

As on March 31, 2010

- i) 256,600 share options allotted to the employees of the Company during the year under the Employees' Stock Option Scheme of the company are outstanding. The exercise price was Rs. 150 per share. The price was subsequently revised to Rs. 40 per share recommended by the Board of Directors in its meeting held on April 27, 2009 and duly approved by the shareholders in AGM held on August 10, 2009. The options shall vest as per the vesting schedule over a period of four years from the date of the grant, based on passage of time as well as evaluation of the performance every year of the grantees. The options may be exercised and converted into the equivalent number of shares of the company after twelve months from the date of each vesting.
- ii) Application money amounting to Rs. 14,60,00,000 (Rupees Fourteen Crs Sixty Lakhs only) being 10% of issue price for 73,00,000 warrants/shares issued by the Company to Directors, Business Associates and Promoter Group was forfeited since the option to convert the warrants into equity shares of the Company was not exercised by the aforesaid parties within the stipulated period of 18 months from the date of issue.

#### n) Plant Locations

##### Owned

- i) Plot No. C-2, MIDC, Jejuri,  
Taluka Purandar, Dist. Pune-412 302.  
Tel. 91-2115-253372 / 253610 / 254166  
Fax. 91211-254166
- (ii) Village & Post Office Rathdhana,  
Sonipat Jatheri Road,  
Sonipat (Haryana) – 131 001.  
Tel. 91-130-3290430  
Fax. 91-130-2325312

#### o) Address for Correspondence

All communications related to investors be addressed to the Company's registered office as below:-

Mr.Nimish Thakore  
(President-Corporate affairs & Company Secretary)  
4, Unity House,  
8, Mama Parmanad Marg,  
Opera House, Mumbai-400 004.  
Tel No:-022-40576777/23686030  
E-mail:- nimish.thakore@temptationfoods.com

## B. Non-Mandatory Requirements

1. a) At present the Chairman does not maintain his independent office. Therefore, the question of reimbursement of expenses does not arise.  
b) None of the independent Directors have a tenure exceeding in aggregate for a period of 9 years on the Board of the Company.
2. For Remuneration Committee, please refer to para 2(c) of this Report.
3. As the Company's quarterly and half-yearly results are published in English newspaper having circulation all over India and in Marathi newspaper having circulation in Mumbai, the same are not sent to the shareholders of the Company.
4. Auditors' qualifications, if any, have been dealt with in the Notes on Accounts and Directors' Report.
5. Presently the Company does not have training programme for its Board Members.
6. Presently the Company does not have mechanism for evaluating non-executive Board Members.

By **Order of the Board of Directors**

Sd/-  
**Vinit Kumar**  
Chairman & Managing Director

Place: Mumbai  
Date: May 28, 2010

## CEO Certification

To  
The Board of Directors of  
**Temptation Foods Limited**  
4, Unity House, 8 Mama Parmanand Marg  
Opera House  
Mumbai - 400 004.

Dear Sirs/Madam,

**Sub: CEO Certification as required under sub-clause V of Clause 49 of the Listing Agreement with Bombay Stock Exchange**

I, Vinit Kumar, in my capacity as Managing Director of the Company, hereby certify as regards the accounts of the Company for the financial year ended on March 31, 2010, the Balance Sheet as at that date, the Profit & Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date, as under:

- a) I have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d) I have indicated to the Auditors and the Audit Committee:
  - i) significant changes in internal control over financial reporting during the year;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**Vinit Kumar**  
*Chairman & Managing Director*

Place: Mumbai  
Date: May 28, 2010



## Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement.

To the Members of Temptation Foods Limited,

We have examined the compliance of conditions of Corporate governance by Temptation Foods limited for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange of India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedure 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 explanation given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement except, with regard to the following:

1) Clause 49 V : The certification required to be made by the Chief Financial Officer as the Company does not have a Chief Financial Officer.

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.

Place: Mumbai  
Date: May 21, 2010

For **Sharp & Tannan**  
*Chartered Accountants*  
Firm's Reg. No. 109982W

By the hand of  
**Edwin P. Augustine**  
*Partner*  
(Membership No. 43385)

## Declaration - Compliance with the Code of Conduct

This is to confirm that the Company has adopted a Code of Conduct for its Directors and Senior Management Personnel. The Code of Conduct is available on the website of the Company.

In accordance with Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited (BSE), I, Vinit Kumar, Chairman & Managing Director of the Company, hereby declare that the Directors & Senior Management Personnel of the Company have affirmed compliance with the said Code of Conduct for the year ended March 31, 2010.

For **Temptation Foods Limited**

**Vinit Kumar**  
*Chairman & Managing Director*

Place: Mumbai  
Date: May 28, 2010

## Auditors' Report to the members of Temptation Foods Limited

We have audited the attached Balance Sheet of Temptation Foods Limited, as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (i) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) on the basis of the written representations received from the directors of the Company as on 31st March, 2010 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (vi) attention is invited to Note No. 15 of Schedule B – Note to the Accounts concerning the accounting for gratuity liability in view of the employees group gratuity policy with the Life Insurance Corporation of India not being renewed;
- (vii) attention is invited to Note No. 17 of Schedule B – Notes to the Accounts pertaining to extra-ordinary loss on sale of shares of Kohinoor Foods Limited; and
- (viii) in our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, read together with the Significant Accounting Policies and the Notes to the Accounts appearing in Schedule 'A' and Schedule 'B' respectively, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **SHARP & TANNAN**

Chartered Accountants

Firm's Reg. No. 109982W

by the hand of

**EDWIN P. AUGUSTINE**

Partner

Membership No. 43385

Place: Mumbai,

Date: 28th May, 2010

## Annexure to the Auditors' Report

(Referred to in paragraph 1 of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of all fixed assets.
- (b) As explained to us, these fixed assets have been physically verified by the management in accordance with a phased programme of verification over a period of three years, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. According to the said programme, a physical verification of plant and machineries at the Company's plants at Jejuri and Sonapat, were carried out during the year. No material discrepancies were noticed on such verification.
- (c) None of the fixed assets disposed off during the year affect the going concern status of the Company.
- (ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As explained to us, the procedures of physical verification of inventory followed by management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clauses 4 (iii) (b) to (d) of the Order are not applicable to the Company.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Clauses 4 (iii) (f) and (g) of the Order are not applicable to the Company.
- (iv) 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 nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. According to the information and explanations given to us, we have neither come across nor had been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into 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, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regards to the prevailing market prices at the relevant time.
- (vi) During the year, the Company has neither accepted nor renewed any deposits from the public under the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and hence the directives issued by the Reserve Bank of India and the rules framed thereunder, do not apply to the Company. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the products manufactured by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, no undisputed material statutory dues were in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable, except for the arrears of income tax and sales tax dues amounting to Rs.121,061,145 and Rs. 907,528 respectively. However, the arrears of income tax dues have since been paid.
- (b) According to the information and explanations given to us, no disputed amounts payable in respect of sales tax/income tax/custom duty/wealth tax/excise duty/cess were outstanding as at 31st March, 2010.

- (x) The Company has no accumulated losses as at 31st March, 2010 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the information and explanations and the relevant documents produced for our examination, the Company has not defaulted in repayment of principal amounts to any financial institution or bank. The overdue interest as at the balance sheet date, has since been paid. The Company has not issued any debentures.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund, nidhi/mutual benefit fund/society and hence, the provisions of Clause 4 (xiii) of the Order are not presently applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities and other investments. However, the investments made by the Company are properly recorded and held in the name of the Company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, there was no stipulation regarding the utilisation of loan given by the lending bank in the earlier year. According to the explanation given to us, the said loan was utilized for the business and not for purposes that are prohibited under the law.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xviii) During the year, the Company has not made preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) During the year, the Company has not issued any debentures. Accordingly the provision of Clause 4 (xix) of the Order is not presently applicable to the Company.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provision of Clause 4 (xx) of the Order is not presently applicable to the Company.
- (xxi) During the course of our examination of the books of account and records of the Company carried out in accordance with the

generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For **SHARP & TANNAN**

Chartered Accountants

Firm's Reg. No. 109982W

by the hand of

**EDWIN P. AUGUSTINE**

Partner

Membership No. 43385

Place: Mumbai,

Date: 28th May, 2010



## Balance Sheet as at 31st March, 2010

(Rupees)

	Schedule	As at 31st March, 2010		As at 31st March, 2009	
<b>Sources of Funds</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	251,421,000		251,421,000	
Reserves and Surplus	2	3,030,211,330	3,281,632,330	2,153,061,465	2,404,482,465
Share / Convertible Warrants Application Money	3		-		146,000,000
<b>Loan Funds</b>					
Secured Loans	4	1,655,750,310		1,018,332,844	
Unsecured Loans	5	115,168,874	1,770,919,184	68,814,749	1,087,147,593
<b>Total</b>			<b>5,052,551,514</b>		<b>3,637,630,058</b>
<b>Application of Funds</b>					
<b>Fixed Assets</b>					
Gross Block	6	1,533,121,485		1,185,048,014	
Less : Depreciation and Amortization		361,457,211		232,854,962	
Net Block		1,171,664,274		952,193,052	
Capital Work-in-Progress		72,585,630	1,244,249,904	32,585,630	984,778,682
<b>Investments</b>					
	7		64,886,643		280,985,899
<b>Deferred Tax Assets (Net) :</b>					
(Refer note no. 22 of Schedule B)			60,795,838		42,633,554
<b>Current Assets, Loans and Advances :</b>					
<b>Current Assets</b>					
i) Inventories		711,210,979		600,661,093	
ii) Sundry Debtors		3,749,562,218		2,593,567,557	
iii) Cash and Bank Balances		88,248,777		14,188,443	
iv) Loans and Advances		318,435,089		345,603,029	
		4,867,457,063		3,554,020,122	
<b>Less : Current Liabilities and Provisions :</b>					
i) Current Liabilities	9	960,544,044		1,151,942,895	
ii) Provisions		224,293,890		72,845,304	
		1,184,837,934		1,224,788,199	
<b>Net Current Assets</b>			3,682,619,129		2,329,231,923
<b>Total</b>			<b>5,052,551,514</b>		<b>3,637,630,058</b>
Significant Accounting Policies	A				
Notes to the Accounts	B				

The schedules referred to above and the notes attached form an integral part of the financial statements

As per our attached report of even date For <b>SHARP &amp; TANNAN</b> Chartered Accountants FRN. 109982W by the hand of	For and on behalf of the Board of Directors of <b>TEMPTATION FOODS LIMITED</b>
<b>EDWIN P AUGUSTINE</b> Partner M. No. 43385	Director
Place : Mumbai Date : 28th May, 2010	Director <b>NIMISH THAKORE</b> President Corporate Affairs & Company Secretary Place : Mumbai Date : 28th May, 2010

## Profit and Loss Account for the Year Ended 31st March, 2010

(Rupees)

	Schedule	FY 2009-10		FY 2008-09	
<b>Income</b>					
Sales			12,766,479,168		8,700,740,780
Other Income	10		21,535,326		19,065,767
<b>Total</b>			12,788,014,494		8,719,806,547
<b>Expenditure</b>					
Manufacturing Expenses	11		11,400,978,818		7,849,548,398
Decrease / (Increase) in Finished Goods	12		(119,559,911)		(261,237,979)
Administrative Expenses	13		244,144,568		247,913,944
Selling and Distribution Expenses	14		67,269,018		117,194,698
Interest and Finance Expenses	15		211,088,389		109,865,100
Depreciation and Amortisation		129,074,430		88,436,046	
Less: Transferred from Revaluation Reserve		15,813,653	113,260,777	7,099,638	81,336,408
			11,917,181,659		8,144,620,569
<b>Profit Before Extraordinary Item</b>			870,832,835		575,185,978
Less: Extraordinary Item (Refer note no. 17 of Schedule B)			119,589,019		25,191,443
<b>Profit After Extraordinary Item Before Tax</b>			751,243,816		549,994,535
Less: Provision for :					
Current Tax		135,946,489		62,381,034	
Deferred Tax		(18,162,286)		(41,277,807)	
Fringe Benefit Tax		-	117,784,203	1,935,167	23,038,394
<b>Profit After Tax Before Taxation Adjustments</b>			633,459,613		526,956,141
Less: Taxation Adjustments for Earlier Years					
Income Tax		3,909,878		-	
Fringe Benefit Tax		99,462	4,009,340	-	-
<b>Profit After Tax and Taxation Adjustments :</b>			629,450,273		526,956,141
Balance Brought Forward From Previous Year			681,496,218		172,173,596
<b>Amount Available For Appropriations</b>			1,310,946,491		699,129,737
<b>Appropriations</b>					
Interim Dividend			-	15,069,779	
Proposed Final Dividend		18,856,575		-	
Dividend Distribution Tax		3,204,675	22,061,250	2,563,740	17,633,519
<b>Balance Carried to Balance Sheet</b>			1,288,885,241		681,496,218
Earning Per Share before Extra Ordinary Item (Face Value of Rs. 10/- each)					
Basic			29.79		21.96
Diluted			29.79		21.94
(Refer note no. 20 of Schedule B)					
Earning Per Share after Extra Ordinary Item (Face Value of Rs. 10/- each)					
Basic			25.04		20.96
Diluted			25.04		20.94
(Refer note no. 20 of Schedule B)					
Significant Accounting Policies	A				
Notes to the Accounts	B				

The schedules referred to above and the notes attached form an integral part of the accounts.

As per our attached report of even date  
For **SHARP & TANNAN**  
Chartered Accountants  
FRN. 109982W  
by the hand of

**EDWIN P AUGUSTINE**  
Partner  
M. No. 43385

Place : Mumbai  
Date : 28th May, 2010

For and on behalf of the Board of Directors of  
**TEMPTATION FOODS LIMITED**

Director

**NIMISH THAKORE**  
President Corporate Affairs & Company Secretary

Place : Mumbai  
Date : 28th May, 2010

Director

## Schedules annexed to and forming part of Balance Sheet

(Rupees)

	As at 31st March, 2010		As at 31st March, 2009	
<b>SCHEDULE: 1 Share Capital</b>				
<b>Authorised Capital</b>				
75,000,000 (P.Y.75,000,000) Equity Share of Rs. 10/- each		750,000,000		750,000,000
<b>Issued, Subscribed &amp; Paid-up Capital</b>				
25,142,100 (P.Y.25,142,100) Equity Shares of Rs. 10/- each, fully paid up		251,421,000		251,421,000
<b>Total</b>		<b>251,421,000</b>		<b>251,421,000</b>
<b>SCHEDULE: 2 Reserves And Surplus</b>				
<b>Securities Premium</b>				
As per last Balance sheet	1,097,628,509		1,097,628,509	
Additions during the year	-	1,097,628,509	-	1,097,628,509
<b>General Reserve</b>				
Additions during the year (Per Contra)				
Transferred from Special Capital Incentive Reserve	2,500,000		-	
Transferred from Subsidy from Government Reserve (Refer note no.6 of Schedule B)	113,173	2,613,173	-	-
<b>Special Capital Incentive</b>				
As per last Balance sheet	2,500,000		2,500,000	
Less: Transferred to General Reserves (Per Contra) (Refer note no.6 of Schedule B)	2,500,000	-	-	2,500,000
<b>Subsidy from Government</b>				
As per last Balance sheet	113,173		113,173	
Less: Transferred to General Reserves (Per Contra) (Refer note no.6 of Schedule B)	113,173	-	-	113,173
<b>Capital Reserve:</b>				
As per last Balance sheet	294,054,613		229,175,898	
Additions during the year (Refer Note No.2 of Schedule B)	146,000,000	440,054,613	64,878,715	294,054,613
<b>Revaluation Reserves</b>				
As per last Balance Sheet	66,882,947		73,982,585	
Additions during the year	126,871,462		-	
	193,754,409		73,982,585	
Less: Transferred to Profit and Loss Account (Refer note no.5 of Schedule B)	15,813,653	177,940,756	7,099,638	66,882,947
<b>Employees' Stock Option</b>				
Employees Stock Option Outstanding	35,949,660		35,949,660	
Less : Deferred Employees Compensation	12,860,622	23,089,038	25,563,655	10,386,005
<b>Profit and Loss Account</b>		1,288,885,241		681,496,218
<b>Total</b>		<b>3,030,211,330</b>		<b>2,153,061,465</b>

## Schedules annexed to and forming part of Balance Sheet

(Rupees)

	As at 31st March, 2010		As at 31st March, 2009	
<b>SCHEDULE: 3 Shares / Convertible Warrants Application Money</b>				
Convertible Warrants (Refer note nos. 2, 3 of Schedule B)		-		146,000,000
<b>Total</b>		-		<b>146,000,000</b>
<b>SCHEDULE: 4 Secured Loans</b>				
<b>From Banks / Financial Institutions:</b>				
<b>Short Term</b>				
Pre/Post Shipment Credit Facility	90,000,000		90,000,000	
Working Capital Demand Loan	400,000,000		400,000,000	
Working Capital Loan	749,045,170		-	
<b>Long Term</b>				
Term Loan	-	1,239,045,170	13,991,066	503,991,066
<b>From Others:</b>				
<b>Short Term</b>				
Inter Corporate Deposit	-		24,624,000	
Factoring Facility	376,605,561		352,481,362	
Margin Funding Facilities	-		126,789,638	
<b>Long Term</b>				
Vehicle Loans	19,286,232	395,891,793	1,990,024	505,885,024
[Amount due within one year: Rs. 4,193,749 (P.Y. Rs. 439,330)]				
<b>Interest Accrued and Due:</b>				
From Banks / Financial Institutions	20,813,347		4,582,191	
From others	-	20,813,347	3,874,563	8,456,754
<b>Total</b>		<b>1,655,750,310</b>		<b>1,018,332,844</b>
<b>SCHEDULE: 5 Unsecured Loans</b>				
<b>Short Term:</b>				
<b>From Bank</b>				
Bills Discounting Facility	75,028,599		37,312,810	
<b>From Others</b>				
Inter Corporate Deposit & Others	39,987,725		31,250,000	
<b>Long Term:</b>				
<b>From Others:</b>				
Interest Free Sales Tax Deferment Loan from Government	152,550	115,168,874	251,939	68,814,749
[Amount due within one year: Rs. 58,622 (P.Y. Rs. 99,389)]				
<b>Total</b>		<b>115,168,874</b>		<b>68,814,749</b>

**SCHEDULE: 6 Fixed Assets as at 31st March, 2010**

	Gross Block						Depreciation/Amortization			Net Block	
	As at 01.04.2009	Additions/ Adjustments	Revaluation	Deletion	As at 31.03.2010	As at 01.04.2009	Additions	Deletion	As at 31.03.2010	As at 31.03.2010	As at 31.3.2009
<b>Owned Assets</b>											
<b>Tangible Assets</b>											
Freehold Land	90,996,706	-	-	-	90,996,706	-	-	-	-	90,996,706	90,996,706
Factory Building	152,120,692	-	-	-	152,120,692	23,927,623	4,974,554	-	28,902,177	123,218,515	128,193,069
Plant and Machinery	661,048,852	222,602,000	1,26,871,462	2,47,11,129	1,008,051,185	1,77,440,292	77,753,340	328,564	254,865,058	753,186,117	483,608,560
Office Equipment	2,866,790	1,104,501	-	187,537	3,783,754	620,652	194,663	93,388	721,926	3,061,827	2,246,139
Computers	7,235,720	260,853	-	160,366	7,336,207	2,636,335	1,000,994	43,166	3,594,165	3,742,043	4,599,384
Furniture and Fixture	2,394,416	86,587	-	-	2,481,003	885,825	165,503	-	1,051,328	1,429,675	1,508,591
<b>Sub-total (A)</b>	<b>916,663,176</b>	<b>224,053,941</b>	<b>1,26,871,462</b>	<b>2,819,032</b>	<b>1,264,769,547</b>	<b>205,510,727</b>	<b>84,089,054</b>	<b>465,118</b>	<b>289,134,664</b>	<b>975,634,883</b>	<b>711,152,449</b>
<b>Intangible Assets:</b>											
Computer Software	79,618,299	-	-	-	79,618,299	2,501,104	26,536,348	-	29,037,452	50,580,847	77,117,195
Brand & Trademarks	180,000,000	-	-	-	180,000,000	24,166,697	18,000,000	-	42,166,697	137,833,303	155,833,303
<b>Sub-total (B)</b>	<b>259,618,299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,618,299</b>	<b>26,667,801</b>	<b>44,536,348</b>	<b>-</b>	<b>71,204,149</b>	<b>188,414,150</b>	<b>232,950,498</b>
<b>Total (A+B)</b>	<b>1,176,281,475</b>	<b>224,053,941</b>	<b>1,26,871,462</b>	<b>2,819,032</b>	<b>1,524,387,846</b>	<b>232,178,528</b>	<b>128,625,402</b>	<b>465,118</b>	<b>360,338,813</b>	<b>1,164,049,033</b>	<b>944,102,947</b>
<b>Leased Assets :</b>											
<b>Tangible Assets:</b>											
Leasehold Land	4,688,030	-	-	-	4,688,030	186,479	49,224	-	235,703	4,452,327	4,501,551
Vehicles	4,078,509	-	-	32,900	4,045,609	489,955	399,805	7,065	882,695	3,162,914	3,588,554
<b>Sub-total (C)</b>	<b>8,766,539</b>	<b>-</b>	<b>-</b>	<b>32,900</b>	<b>8,733,639</b>	<b>676,434</b>	<b>449,029</b>	<b>7,065</b>	<b>1,118,398</b>	<b>7,615,241</b>	<b>8,090,105</b>
<b>Grand Total(A+B+C)</b>	<b>1,185,048,014</b>	<b>224,053,941</b>	<b>1,26,871,462</b>	<b>2,851,932</b>	<b>1,533,121,485</b>	<b>232,854,962</b>	<b>129,074,430</b>	<b>472,183</b>	<b>361,457,211</b>	<b>1,171,664,274</b>	<b>952,193,052</b>
<b>Previous Year</b>	<b>857,367,898</b>	<b>327,680,116</b>	<b>-</b>	<b>-</b>	<b>1,185,048,014</b>	<b>144,418,916</b>	<b>88,436,045</b>	<b>-</b>	<b>232,854,962</b>	<b>952,193,052</b>	<b>-</b>
Capital Work in Progress (including capital advances)	-	-	-	-	-	-	-	-	-	72,585,630	32,585,630

Depreciation recouped from Revaluation Reserves Rs. 15,813,653 (P.Y. Rs. 7,099,638)

Revaluation of Fixed Assets (Refer note no. 5 of Schedule B):

- The company revalued as at 31st March, 2007, Leasehold land, Building and Plant and Machinery assets situated at Jejuri plant which resulted in a net increase of Rs. 81,082,224/-.
- Further, revaluation as at 22nd July, 2009 of Plant and Machinery assets situated at Jejuri and Somepat Plants, resulted in a net increase of Rs. 126,871,462/-.

## Schedules annexed to and forming part of Balance Sheet

(Rupees)

SCHEDULE: 7 Investments (At Cost, Unless specified)	As at 31st March, 2010		As at 31st March, 2009	
<b>Long Term Investments</b>				
<b>Government Securities:</b>				
<b>Unquoted:</b>				
National Savings Certificates, VIIIth Issue (Including Accrued Interest Rs. 4,248 (P.Y. Rs. 2,040)) (Refer note no. 9(a) of Schedule B)		29,248		27,040
<b>Shares (Non Trade; Fully Paid Up):</b>				
<b>Quoted:</b>				
Nil Shares of Kohinoor Foods Ltd. (P.Y. : 2,856,632 Shares)		-	275,305,276	
<b>Unquoted:</b>				
300 Shares of Kade Pathar Pat Sanstha - Fully Paid Up (Face Value: Rs. 100)	30,000		30,000	
5,00,000 Shares of Monnet Securities Pvt. Ltd. - Fully Paid Up (Face Value: Rs. 10)	50,000,000	50,030,000	-	275,335,276
<b>Others:</b>				
<b>Unquoted:</b>				
Share Application Money : Aptsource Software Pvt. Ltd.	1,800,000		1,800,000	
Jangipur Bengal Mega Food Park Ltd.	12,000,000		-	
Temptation Foods FZE (Refer note no.10 of Schedule B)	1,027,395	14,827,395	-	1,800,000
<b>Current Investments</b>				
<b>Shares (Traded; Fully Paid Up):</b>				
<b>Quoted:</b>				
Nil Shares of Jumbo Bag Ltd. (P. Y. : 33,645 Shares)		-	1,541,748	
Nil Shares of Rasoya Protin Ltd. (P. Y. : 35,168 Shares)		-	2,281,835	3,823,583
<b>Total</b>		<b>64,886,643</b>		<b>280,985,899</b>
<b>Quoted Investments:</b>				
Book Value				279,128,859
Market Value				153,907,000
<b>Unquoted Investments:</b>				
Book Value		64,886,643		1,857,040

(Rupees)

Investments Purchased & sold	As at 31st March, 2010			As at 31st March, 2009		
	Face Value	No. of Shares	Purchase Cost	Face Value	No. of Shares	Purchase Cost
<b>(A) Name of Company:</b>						
Kohinoor Foods Ltd.	10	1,496,540	78,108,929	10	1,114,447	114,239,165
Jindal Saw Ltd.	2	25,000	23,325,974	-	-	-
Orchid Chemicals & Pharmaceuticals Ltd.	10	30,000	6,136,059	-	-	-
LKP Merchant Finance Ltd.	10	25,000	3,143,966	-	-	-
Shree Renuka Sugars Ltd.	1	150,000	33,022,125	-	-	-
	Face Value	No. of Units	Purchase Cost	Face Value	No. of Units	Purchase Cost
<b>(B) Name of Mutual Fund:</b>						
Religare PSU Equity Fund	10	2,000,000	20,000,000	-	-	-
Sundaram BNP Paribas Flexible ST. Inst. Fund	10	1,989,674	20,000,000	-	-	-

## Schedules annexed to and forming part of Balance Sheet

(Rupees)

	As at 31st March, 2010		As at 31st March, 2009	
<b>SCHEDULE: 8 Current Assets, Loans And Advances</b>				
<b>Inventories (As valued and certified by Management)</b> (at lower of cost or net realisable value)				
<b>Stock in Trade</b>				
Consumables	2,136,779		4,177,575	
Packing Materials	8,893,010		15,862,239	
Finished Goods	700,181,190	711,210,979	580,621,279	600,661,093
<b>Debtors</b> (Unsecured)				
Debts outstanding for a period exceeding six months :				
Considered Good	57,327,954		150,747,818	
Considered Doubtful	7,364,010		1,444,676	
	64,691,964		152,192,494	
Less: Provision for Doubtful Debts	7,364,010		1,444,676	
	57,327,954		150,747,818	
Other Debts :				
Considered Good	3,692,234,264	3,749,562,218	2,442,819,739	2,593,567,557
<b>Cash and Bank Balances</b>				
Cash on Hand	144,073		572,119	
Balances with Scheduled Banks:				
In Current Accounts	34,346,672		2,780,251	
In Fixed Deposit Accounts (Including interest accrued and due Rs. 666,422 (P.Y. Rs. 366,343))	53,695,451		10,773,492	
In Unclaimed Dividend Account (Per Contra)	62,581	88,248,777	62,581	14,188,443
<b>Loans and Advances</b> (Unsecured, Considered Good)				
Advance to Subsidiary Company	-		42,895	
Advances Recoverable in Cash or in Kind or for Value to be Received (Net)	72,821,107		102,859,908	
Inter Corporate Deposits	9,500,000		9,500,000	
Trade Advances to Suppliers	213,582,220		199,517,570	
Advances towards Business Purchase	-		1,000,000	
VAT Receivable (Subject to outcome of assessment)	15,560,217		15,474,714	
Deposits	6,971,545	318,435,089	17,207,942	345,603,029
<b>Total</b>		<b>4,867,457,063</b>		<b>3,554,020,122</b>

## Schedules

annexed to and forming part of Balance Sheet

(Rupees)

	As at 31st March, 2010			As at 31st March, 2009		
<b>SCHEDULE: 9 Current Liabilities and Provisions</b>						
<b>Current Liabilities:</b>						
<b>Sundry Creditors:</b>						
Due to Micro and Small enterprises (Refer note no.11 of Schedule B)	-			-		
Due to Others	883,901,995	883,901,995		1,083,061,219	1,083,061,219	
Interest accrued but not due on loan		1,918,356			1,772,055	
<b>Other Liabilities</b>		74,661,113			67,047,040	
Investor Education and Protection Fund:		-			-	
Unclaimed Dividend (Per Contra)		62,581	960,544,044		62,581	1,151,942,895
Note: There are no amounts due and outstanding to be credited to Investor Education and Protection Fund						
<b>Provisions for:</b>						
Income Tax (Net)		192,245,518			63,441,647	
Fringe Benefit Tax (Net)		1,952,509			1,592,206	
Employee Benefits		6,730,302			5,951,724	
Gratuity		1,304,311			1,859,727	
Proposed Dividend		18,856,575			-	
Dividend Distribution Tax		3,204,675	224,293,890		-	72,845,304
<b>Total</b>			<b>1,184,837,934</b>			<b>1,224,788,199</b>

## Schedules annexed to and forming part of Profit & Loss Account

(Rupees)

	FY 2009-10		FY 2008-09	
<b>SCHEDULE: 10 Other Income</b>				
Interest				
- From Banks - On Fixed Deposits Account	2,441,926		471,522	
- From Others				
On inter-corporate deposits	1,136,878		1,127,506	
On National Savings Certificates	2,208		2,040	
On Miscellaneous Advances / Deposits	4,729,153	8,310,165	5,770,625	7,371,693
(Including Tax Deducted at Source Rs. 740,782 (P.Y. Rs. 1,051,315))				
Dividend on Current Investments		868,471		17,118
Export Incentives		360,856		5,657,045
Insurance Claims Received		1,189,812		1,051,611
Balances Written Back / Write off (Net)		8,092,539		3,342,968
Miscellaneous		2,713,483		1,625,332
<b>Total</b>		<b>21,535,326</b>		<b>19,065,767</b>
<b>SCHEDULE: 11 Manufacturing Expenses</b>				
<b>Raw Materials Consumed :</b>				
Opening Stock	-		33,612	
Add:- Purchases (Net)	10,606,831,461		7,325,993,517	
	10,606,831,461		7,326,027,129	
Less:- Closing Stock	-	10,606,831,461	-	7,326,027,129
<b>Consumables and Packing Material :</b>				
Opening Stock	20,039,815		10,755,723	
Add:- Purchases	308,996,539		174,727,125	
	329,036,354		185,482,848	
Less:- Closing Stock	11,029,789	318,006,565	20,039,815	165,443,033
<b>Operating and Other Expenses :</b>				
Power, Fuel, Water & Cold Storage Charges (Net)	266,368,905		158,927,746	
Factory Expenses	1,798,883		18,296,996	
Labour and Processing Charges	207,973,004	476,140,792	180,853,494	358,078,236
<b>Total</b>		<b>11,400,978,818</b>		<b>7,849,548,398</b>
<b>SCHEDULE: 12 (Increase) / Decrease in Finished Goods</b>				
Closing Stock of Finished Goods	700,181,190		580,621,279	
Opening Stock of Finished Goods	580,621,279	(119,559,911)	319,383,300	(261,237,979)
<b>Total</b>		<b>(119,559,911)</b>		<b>(261,237,979)</b>

## Schedules annexed to and forming part of Profit & Loss Account

(Rupees)

	FY 2009-10		FY 2008-09	
<b>SCHEDULE: 13 Administrative Expenses</b>				
<b>Personnel Cost:</b>				
Salaries, Wages and Benefits (including Employees' Stock Compensation Charge amounting to Rs. 12,703,033; Previous Year Rs. 10,386,005)		54,719,389		66,122,606
Contribution to Provident Fund and Other Funds		1,345,629		1,666,654
Employer's Contribution to Gratuity Scheme		-		1,426,466
Staff Welfare		1,126,697	57,191,715	2,116,631
				71,332,357
<b>Other Administrative Expenses:</b>				
Electricity Charges		1,707,870		2,526,173
Rent		6,572,132		14,772,210
Repairs and Maintenance				
Building	637,877		875,544	
Plant & Machinery (including Outsourced facilities as per agreements)	53,131,800		22,464,503	
Others	1,173,847	54,943,524	3,518,960	26,859,007
Insurance Premium		1,078,054		2,382,403
Rates and Taxes		4,993,889		6,073,886
Auditors' Remuneration : (Excluding Service Tax)				
Audit Fees	862,500		750,000	
Certification Charges	481,500		408,500	
Expenses reimbursed	38,317	1,382,317	50,878	1,209,378
Travelling and Conveyance		14,003,587		23,275,622
Communication Expenses		3,616,014		5,038,586
Printing and Stationery		711,682		2,412,066
Legal and Corporate Charges		9,311,430		6,578,437
Retainership Fees		5,789,390		12,891,533
Professional Fees		25,658,213		8,539,808
Managerial Remuneration		3,700,308		4,867,786
Directors' Sitting Fees		168,000		288,000
Loss on Sale of Fixed Assets		117,831		-
Loss on Sale of Current Investments (Net)		22,364,995		3,732,303
Provision for Diminution in Value of Current Investment (Written Back) / Written Off		(2,603,563)		2,603,563
Bad Debts Written Off		1,741,346		-
Provision for Doubtful Debts		5,919,335		1,444,676
Foreign Exchange Rate Loss (Net of Gains)		6,467,554		33,240,877
Miscellaneous Expenses		19,308,945	186,952,853	17,845,273
<b>Total</b>		<b>244,144,568</b>		<b>247,913,944</b>

## Schedules annexed to and forming part of Profit & Loss Account

(Rupees)

	FY 2009-10		FY 2008-09	
<b>SCHEDULE: 14 Selling And Distribution Expenses</b>				
Freight and Forwarding Expenses		57,235,718		105,155,764
Sales Promotion Expenses		10,033,300		12,038,934
<b>Total</b>		<b>67,269,018</b>		<b>117,194,698</b>
<b>SCHEDULE: 15 Interest And Finance Expenses</b>				
Interest:				
On Fixed Loans	91,253,782		54,082,037	
Others	40,854,091	132,107,873	3,744,159	57,826,196
Discounting charges		73,262,629		44,981,439
Loan Processing Fees		5,291,275		6,453,064
Bank Charges		426,612		604,401
<b>Total</b>		<b>211,088,389</b>		<b>109,865,100</b>

## Cash Flow Statement for The Year Ended 31st March, 2010

(Rupees)

	FY 2009-10		FY 2008-09	
<b>A Cash Flow From Operating Activities:</b>				
<b>Profit After Extraordinary Item Before Tax</b>		<b>751,243,816</b>		<b>549,994,535</b>
Adjustments For :				
Interest Income	(8,310,165)		(7,371,693)	
Dividend Received	(868,471)		(17,118)	
Balances written Back / off (Net)	(8,092,539)		(50,367)	
Provision for diminution in value of investments	(2,603,563)		2,603,563	
Loss on Sale of Investments (Net)	141,954,014		25,191,443	
Loss on Sale of Fixed Asset	117,831		-	
Foreign Exchange Gain / Loss (Net)	6,467,554		33,240,877	
Employees Stock Compensation Charge	12,703,033		10,386,005	
Interest Expense	211,088,389		102,807,635	
Provision for doubtful debts & Bad Debts Written Off	7,660,680		(1,847,925)	
Depreciation and Amortisation	113,260,777	473,377,540	81,336,407	246,278,826
<b>Operating Profit before Extraordinary Items and Working Capital Changes</b>		<b>1,224,621,356</b>		<b>796,273,361</b>
Adjustments For Changes in Working Capital:				
Trade and Other Receivables	(1,170,122,895)		(1,924,647,377)	
Inventories	(110,549,886)		(270,488,458)	
Trade and other Payables	(183,229,450)		798,391,012	
Loans & Advances	28,304,818	(1,435,597,413)	272,980,981	(1,123,763,842)
Cash Generated from Operations		(210,976,057)		(327,490,480)
Direct Taxes Paid		(10,791,655)		-
<b>Net Cash Generated/ (Used in) Operating Activities (A)</b>		<b>(221,767,712)</b>		<b>(327,490,480)</b>
<b>B Cash Flow From Investing Activities:</b>				
<b>Inflow from Investment Activities</b>				
Dividend Received	868,471		17,118	
Intercompany Deposits Matured	-		5,500,000	
Sale of Investments	139,776,201		89,047,722	
Sale of Fixed Assets	2,261,918	142,906,590	-	94,564,840
<b>Outflow from Investment Activities</b>				
Purchases of Fixed Assets	224,053,941		283,521,277	
Payments towards capital WIP	40,000,000		-	
Purchase of shares	49,997,792		395,971,588	
Payment towards Share Application Money	12,000,000		-	
Investment in subsidiary company	1,027,395	327,079,128	-	679,492,864
<b>Net Cash Generated/ (Used in) Investing Activities (B)</b>		<b>(184,172,538)</b>		<b>(584,928,025)</b>

Contd.

## Cash Flow Statement for The Year Ended 31st March, 2010

(Rupees)

	FY 2009-10		FY 2008-09	
<b>C Cash Flow From Financing Activities:</b>				
<b>Inflow from Financing Activities</b>				
Application Money towards Convertible Warrants	-		5,100,000	
Interest Received	7,171,079		7,371,693	
Long term Loans Taken	17,296,207		13,991,066	
Short term Loans Taken	819,622,883	844,090,169	1,070,914,565	1,097,377,324
<b>Outflow from Financing Activities</b>				
Dividend Paid	-		15,069,779	
Corporate Dividend Tax Paid	-		2,563,740	
Long Term Loans Repaid	13,991,066		393,043	
Short Term Loans Repaid	151,413,638		-	
Repayment of Application Money towards Convertible Warrants	-		60,000,000	
Repayment of Share Application Money Received	-		2,700,000	
Sales Tax Deferred Loan paid	99,389		116,931	
Interest Paid	198,585,494	364,089,587	102,807,635	183,651,128
<b>Net Cash Generated/ (Used in) Financing Activities(C)</b>		<b>480,000,582</b>		<b>913,726,196</b>
<b>Net Change in Cash &amp; Cash Equivalents (A+B+C)</b>		<b>74,060,333</b>		<b>1,307,691</b>
Opening Balance of Cash & Cash Equivalents		14,188,443		12,880,752
Closing Balance of Cash & Cash Equivalents		88,248,777		14,188,443
<b>Net (Decrease)/ Increase in Cash and Cash Equivalents</b>		<b>74,060,333</b>		<b>1,307,691</b>

Notes:

- 1) Cash Flow Statement has been prepared under the Indirect Method as set out in Accounting Standard (AS) 3 "Cash Flow Statement" as specified in Companies (Accounting Standards) Rules, 2006
- 2) Cash and cash equivalents includes 'Cash and Bank Balances' as disclosed under Schedule 8 of the Annual Accounts and is inclusive of foreign exchange fluctuation of Rs. 9,174 (Previous year Rs. 8,045) on foreign currencies held in cash.
- 3) Previous year's figures have been regrouped/reclassified wherever applicable.

As per our attached report of even date  
For **SHARP & TANNAN**  
Chartered Accountants  
FRN. 109982W  
by the hand of

**EDWIN P AUGUSTINE**  
Partner  
M. No. 43385

Place : Mumbai  
Date : 28th May, 2010

For and on behalf of the Board of Directors of  
**TEMPTATION FOODS LIMITED**

Director

**NIMISH THAKORE**  
President Corporate Affairs & Company Secretary

Place : Mumbai  
Date : 28th May, 2010

## Schedules forming part of the accounts

### SCHEDULE A: SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of Presentation

The accounts have been prepared using historical cost convention and in accordance with Indian Generally Accepted Accounting principles (GAAP) on the accrual basis and in compliance with the Accounting Standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of incomes and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from the estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods. Wherever changes in presentation are made, comparative figures of the previous year are regrouped accordingly.

#### 2. Revenue Recognition

- a) Revenue from the sale of manufactured and traded products is recognised as and when the products are supplied in accordance with the terms of sale and upon transfer of passage of title to the customer.
- b) Sale of manufactured and traded products is net of trade discounts.
- c) Dividend income is accounted on receipt basis.

#### 3. Fixed Assets

- a) Fixed assets are capitalised at acquisition cost (net of tax / duty credits availed, if any), including directly attributable costs, such as, freight, insurance and specific installation charges for bringing the assets to present condition and location.
- b) Where expenditure increases the performance / life of an existing fixed asset as assessed earlier, such expenditure is added to the cost of the asset.
- c) Assets acquired under finance lease are recognised at the lower of the fair value of the lease assets at inception and present value of minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability. The finance charge is allocated to periods during the lease term at constant periodic rate of interest on the remaining balance of the liability.

#### 4. Intangible Assets and Amortisation Thereof

Intangible assets are recognized as per the criteria specified in Accounting Standard (AS 26) "Intangible Assets" and are amortised as follows:

Trade Marks, Brands and Copyright	Over the period of 10 years from the date of acquisition.
Application Software	Over the period of 3 years.

#### 5. Depreciation

- a) Depreciation on tangible fixed assets is provided at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, on straight-line method.
- b) Depreciation on assets costing upto Rs. 5,000 each are charged off fully in the year of purchase.
- c) Leasehold Land is written off over the primary period of lease.

#### 6. Impairment of Assets

- a) The carrying amount of assets, other than inventories is reviewed at each Balance Sheet date to determine, whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated.
- b) An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use, which is determined based on the estimated future cash flow generated from the continuing use of an asset and from its disposal at the end of its useful life, discounted to their present values.
- c) An impairment loss is reversed if there has been a change in the estimates made to determine and recognize the recoverable amount in the earlier year.

#### 7. Inventories

Inventories are valued at the lower of cost or net realisable value after providing for damages and obsolescence as under:

Raw materials, packing materials, stores and spares	At cost on FIFO
Traded Goods	At cost on FIFO
Finished Goods	At cost plus appropriate production overheads

#### 8. Borrowing Cost

- a) Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

## Schedules forming part of the accounts

- b) All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 9. Investments

Long term investments are carried at cost less provision for any diminution other than temporary, in the value of such investments. Current investments are carried at lower of cost or market value. The determination of carrying amount of such investments is done on the basis of specific identification.

### 10. Foreign Currency Transactions

- a) The reporting currency of the company is Indian Rupee.
- b) Transactions in foreign currencies are recorded at the exchange rates / contracted rates prevailing on the transaction dates.
- c) Monetary items of assets and liabilities in foreign currencies at the year end are translated at the prevailing exchange rate as at the close of the year.
- d) Foreign exchange gains / losses on settlement / translation are recognized in the Profit and Loss account.

### 11. Employee Benefits

#### a) Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, bonus, ex-gratia, etc. are recognised in the period in which the employees render the related services.

- b) The rules of the company do not permit encashment of earned leave.

#### c) Post Employment benefits:

- (i) Defined Contribution Plan: The Company's state governed provident fund is defined contribution scheme. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related service.
- (ii) Defined Benefit Plan: The employees of the company are covered under the Employees' Group Gratuity scheme of Life Insurance Corporation of India. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

### 12. Employees' Stock Options

Stock Options granted to employees under the Employees' Stock Option Scheme are accounted as per the intrinsic value

method permitted by the "Guidance Note on Share Based Payments" issued by the Institute of Chartered Accountants of India. Accordingly, the excess of Fair value of the shares as on the date of grant of options over the Exercise price is recognized as deferred employee compensation and is charged to profit and loss account over the vesting period.

The number of options expected to vest is based on the best available estimate and would be revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

### 13. Taxes On Income

- a) Tax on income for the current period is determined on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments / appeals.
- b) Deferred tax is recognised on timing differences between the accounting income and the estimated taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the balance sheet date.
- c) Deferred tax assets, other than brought forward business loss and unabsorbed depreciation, are recognised and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets can be realised.

### 14. Provisions, Contingent Liabilities and Contingent Assets

- a) Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation if
  - i) the Company has a present obligation as a result of past event;
  - ii) a probable outflow of resources is expected to settle the obligation; and
  - iii) the amount of obligation can be reliably estimated.
- b) Contingent Assets are neither recognized nor disclosed.
- c) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### 15. Events Occuring After The Balance Sheet Date

Where material, events occurring after the date of the Balance Sheet are considered upto the date of approval of accounts by the Board of Directors.

## Schedules forming part of the accounts

### SCHEDULE B: NOTES TO THE ACCOUNTS

#### 1. Contingent Liabilities

- a) Claims against the Company not acknowledged as debts: Rs. 1,073,042/- (Previous Year: Rs. 6,851,986/-).
- b) Counter guarantees given to a bank on account of guarantees given by them to Value Added Tax authorities: Rs. 2,884,453/- (Previous Year Rs. 2,804,500/-).
- c) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 60,000,000/- (Previous Year Rs. NIL).

#### 2. Capital Reserve

Capital Reserve includes Rs. 146,000,000/ (Previous Year Rs. 962,500) being the amount of warrant application money forfeited on 7,300,000 (Previous Year 275,000) warrants in respect of which the warrant holder did not exercise their conversion option.

#### 3. Convertible Warrants

In the previous year, the company had allotted 7,300,000 convertible warrants during the year, including 300,000 warrants allotted to the Directors of the company, on 11<sup>th</sup> August, 2008. Each warrant was convertible into one equity share of the company, fully paid up, at a conversion price of Rs. 200 per share. The option was required to be exercised within the stipulated period from the date of allotment. The warrant holders had paid 10% of the conversion price at the time of allotment, which stands forfeited and credited to the Capital Reserves Account, since the options were not exercised within the stipulated period.

Certain warrant holders who were allotted 7,300,000 warrants (Previous year 900,000 warrants in November, 2006), did not exercise their rights to convert the warrants into shares in respect of 7,300,000 outstanding warrants (Previous Year 275,000 outstanding warrants), and on the expiry of the conversion period, the application money of Rs. 146,000,000/- (Previous Year Rs. 962,500) paid in respect of the outstanding warrants were forfeited to the Company and credited to the Capital Reserve Account.

4. Formalities for updating information relating to increase in Authorised Share Capital of the Company on the portal of Ministry of Corporate Affairs are in progress.

#### 5. Revaluation

The company had revalued as at 31<sup>st</sup> March, 2007, leasehold land, building and plant and machinery assets situated at Jejuri plant based on the report by an independent chartered valuer. The valuation resulted in net increase in the value of the said assets by Rs. 81,082,224/- and corresponding increase in revaluation reserve by like amount.

During the year, the company carried out a second revaluation as at 22<sup>nd</sup> July, 2009 of plant and machineries located at Jejuri and Sonepat plants by an independent chartered valuer. The valuation resulted in a net increase in the value of the said assets by Rs. 126,871,462/- and corresponding increase in revaluation reserve by like amount.

#### 6. General Reserves:

During the year, Company transferred Rs. 2,613,173/- to General Reserves, the amount of Special Capital Incentive Rs. 2,500,000/- and Subsidy from Government Rs. 113,173/-, since the said reserves became free on fulfilling the conditions relating thereto.

#### 7. Secured Loans:

Pre/Post Shipment Credit Facility and the Working Capital Demand Loan are secured by charge on the current assets of the company, both present and future, charge on the immovable and movable assets, present and future, and Corporate Guarantee by the Promoter Company (Venture Business Advisors Pvt. Ltd.).

Working Capital Loan from Punjab National Bank is secured by first pari passu charge on current assets, present and future, charge on all movable fixed assets both present and future and Corporate Guarantee given by the Promoter.

Cash Credit facility from United Bank of India is secured by first charge on current assets, both present and future, charge on plant & machineries, both present and future and Corporate Guarantee given by the Promoter.

Overdraft facility from Yes Bank is secured by hypothecation of the Fixed Deposit Receipt.

Factoring Facility with SBI Global Factors Ltd. is secured by charge on fixed Assets, receivables, charge on immovable properties, pledge of the shares of the Company held by the Promoter and Corporate Guarantee given by the Promoter.

Margin Funding Facilities are secured by the pledge of the shares of the company which have been acquired by utilising the facilities and, in certain cases, by the pledge of the shares of the Company held by the Promoter.

Vehicle loans from Tata Capital Ltd. and Reliance Capital Ltd. are secured by hypothecation of the specific vehicles.

## Schedules forming part of the accounts

### 8. Assets Taken on Lease:

The following are the disclosures in accordance with Accounting Standard 19 "Accounting for Leases":

#### Operating Lease:

The company acquired commercial premises on renewable lease basis. The Lease rental amounting to Rs. 6,572,132/- (Previous Year: Rs. 14,772,210/-) has been charged to Profit & Loss Account.

#### Finance Lease:

- Assets acquired on finance lease comprise of vehicles. The lease has a primary period which is fixed and non-cancellable. There are no exceptional/ restrictive covenants in the lease agreements.
- The minimum lease payment and the present value of the minimum lease payments as at 31st March, 2010 in respect of assets acquired under finance lease are as follows:

Particulars	(Rupees)			
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	31-03-2010	31-03-2009	31-03-2010	31-03-2009
i) Payable not later than one year	6,700,600	642,600	4,193,749	439,330
ii) Payable later than one year and not later than five years	18,420,100	1,820,700	15,092,483	1,550,694
<b>Total (i+ii)</b>	<b>25,120,700</b>	<b>2,463,300</b>	<b>19,286,232</b>	<b>1,990,024</b>
Less: Future Finance charges	5,834,468	473,276	-	-
Present Value of Minimum Lease Payments	19,286,232	1,990,024	19,286,232	1,990,024

### 9. Pledge / Hypothecation of Securities / Fixed Deposits:

- National Savings Certificates (NSCs), VIIIth Issue, amounting to Rs. 29,248/- (Previous Year Rs. 27,040/-), including accrued interest have been pledged with the Value Added Tax Authorities of a State. The NSCs is in the name of the Managing Director as a nominee of the Company. (As per regulation, NSC is issued only in the name of an individual).
- Fixed deposits with banks, amounting to Rs. 2,901,653/- (Previous Year Rs. 2,804,500/-) including accrued interest have been hypothecated with banks who have issued guarantees to Value Added Tax authorities of various States.
- Fixes deposit amounting to Rs. 50,666,422/- (previous year Rs. Nil) including accrued interest was pledged with the bank against overdraft facility.

### 10. Subsidiary Company:

During the year, the company incorporated Temptation Foods FZE ("FZE"), a company limited by shares in the Sharjah Airport Free Trade Zone, UAE and paid Share Application Money equivalent to 51% of the equity share capital, the balance 49% was contributed by Mr. Vinit Kumar, Chairman & Managing Director.

### 11. Dues to Micro and Small Enterprises:

There are no micro and small enterprises to which the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2010.

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.

### 12. Balance Confirmations:

Certain Sundry Debtors, Loans & Advances and Creditors balances are subject to confirmation, reconciliation and consequent adjustments, if any.

## Schedules forming part of the accounts

### 13. Particulars of Unhedged Foreign Currency Exposures as at 31st March, 2010:

Particulars	Amount in foreign currency	Amount in foreign currency		Amount in Rupees	
		FY 2009-10	FY 2008-09	FY 2009-10	FY 2008-09
Receivables from customers	USD	23,450	2,595,737	1,024,378	132,282,202
	Euro	34,143	112,173	1,970,916	7,569,434
	<b>Total</b>	<b>-</b>	<b>2,707,910</b>	<b>2,995,294</b>	<b>139,851,636</b>

### 14. Segment Reporting:

The disclosure requirement in respect of Accounting Standard 17 on "Segment Reporting" is as under:

#### a) Primary Segment

The company is a single segment company dealing in fresh and frozen foods in accordance with the criteria for identification of reportable segment specified in the said standard.

#### b) Secondary Segment (Geographical Segment)

(Rupees)

Particulars	FY 2009-10		
	Within India	Outside India	Total
Sales	12,761,914,646	4,564,522	12,766,479,168
	(8,316,135,024)	(384,605,756)	(8,700,740,780)
Segment Assets	6,173,598,315	29,95,294	6,176,593,609
	(4,679,933,068)	(139,851,636)	(4,819,784,704)
Additions to fixed assets (includes adjustments on account of revaluation reserve Rs. 126,871,462, previous year Rs. Nil)	350,925,403 (327,680,116)	- -	350,925,403 (327,680,116)

Note: Figures in brackets pertain to previous year.

### 15. Employee Benefits:

The disclosures pursuant to Accounting Standard (AS) 15 (Revised) on "Employee Benefits" are as follows:

#### a) Defined Contribution Plan

Contribution to Defined Contribution Plan recognised as an expense and included in "Personnel Cost" – Schedule 13 in the Profit and Loss Account is as under:

- Employers contribution to Provident Fund and Other Funds– Rs. 1,345,629/- (Previous year: Rs. 1,666,654/-).

## Schedules forming part of the accounts

### b) Defined Benefit Plan

(Rupees)

	Gratuity (Partly Funded)	
	FY 2009-10	FY 2008-09
<b>I Change in obligation during the year ended 31st March, 2010</b>		
1) Liability at the beginning of the year	1,995,987	639,695
2) Interest Cost	-	-
3) Current Service Cost	425,382	750,079
4) Less :Benefit Paid ( prior to contribution to scheme)	16,615	70,174
<b>Sub-total</b>	<b>2,404,754</b>	<b>1,319,600</b>
5) Actuarial (Gain)/Loss	(939,295)	676,387
6) Liability taken over on acquisition of business (note 2 below)	-	-
7) Liability at the end of the year	<b>1,465,459</b>	<b>1,995,987</b>
<b>II Change in assets during the year ended 31st March, 2010</b>		
1) Plan assets at the beginning of the year	136,260	133,441
2) Expected Return on plan assets	24,888	2,819
3) Contribution	-	-
Transferred in (note 2 below)	-	-
4) Benefit paid ( from contribution to the scheme)	-	-
5) Actuarial (Gain)/Loss	-	-
6) Plan assets at the end of the year	<b>161,148</b>	<b>136,260</b>
Total actuarial (gain)/loss to be recognized	(939,295)	676,387
<b>III Actual Return on Plan Assets</b>		
1) Expected Return on plan assets	24,888	2,819
2) Actuarial (Gain)/Loss	(939,295)	676,387
3) Actual return on plan assets	Information not available	
<b>IV The major categories of plan assets as a percentage of total plan assets</b>	As per LIC scheme	
<b>V Net asset / (liability) recognised in the Balance Sheet as at 31st March, 2010</b>		
1) Liability at the end of the year	(1,465,459)	(1,995,987)
2) Plan assets at the end of the year	161,148	136,260
3) Amount recognised in the Balance sheet	<b>(1,304,311)</b>	<b>(1,859,727)</b>
<b>VI Expenses recognised in the statement of P&amp;L account for the year ended 31st March, 2010</b>		
1) Current Service Cost	425,382	750,079
2) Interest Cost	-	-
3) Expected Return on Plan Assets	-	-
4) Actuarial (Gain)/Loss	(939,295)	676,387
5) Liability carried forwards from earlier employer	-	-
6) Total expenses recognised in the Profit and Loss Account	<b>(513,913)</b>	<b>1,426,466</b>
<b>VII Amount to be recognised in the Balance Sheet</b>		
Present Value of Defined Benefit Obligation	1,465,459	1,995,987
Less: Fair value of Plan Assets	(161,148)	(136,260)
<b>Net Liability/(Asset)</b>	<b>1,304,311</b>	<b>1,859,727</b>
<b>VIII Principal actuarial assumptions at the Balance Sheet date</b>		
1) Discount Rate at 31st March, 2010	8.00%	8.00%
2) Expected return on plan assets as at 31st March, 2010	8.00%	8.00%
3) Attrition Rate (Staff Turnover Rate)	1.00 to 3.00%	1.00 to 3.00%
4) Salary Escalation Rate	5.00%	5.00%
<b>General description of the defined benefit plan</b>		

## Schedules forming part of the accounts

- c) The company has an Employees Group Gratuity Scheme with the Life Insurance Corporation of India (LIC), to fund the defined benefit plan for the qualified employees. The Scheme provides for lump sum payment to employees on retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

The said policy has not been renewed by the company. In view of the above, LIC has not given the detailed disclosure required under AS-15. The disclosure in the notes to accounts is based on the renewal notice received from LIC which in the opinion of the company satisfies the requirements relating to disclosure of gratuity liability as per AS-15. Since in the opinion of the company the opening provision in the books is in excess of the accrued gratuity liability at the year end as disclosed in the renewal notice of LIC, the difference has been written back as income.

### 16. Managerial Remuneration:

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956:

Particulars	FY 2009-10		FY 2008-09	
Profit before Tax as per Profit & Loss Account		751,243,816		549,994,536
Add:				
Depreciation debited in Profit & Loss Account (Net of Transfer from Revaluation Reserve)	113,260,777		81,336,407	
Managing Director's Remuneration	3,700,308		4,867,786	
Directors' Fees	168,000		288,000	
Loss on sale of Fixed Assets	117,831		NIL	
Loss on sale of Investments	141,954,014		28,923,746	
Provision for Diminution in Value of Current Investment	(2,603,563)		2,603,563	
Provision for Doubtful debts	5,919,335	262,516,702	1,444,676	119,464,178
		1,013,760,518		669,458,714
Less:				
Depreciation u/s 350 of The Companies Act, 1956	113,260,777		81,336,407	
Loss on sale of fixed assets	117,831	113,378,608	NIL	81,336,407
Adjusted Net Profit		900,381,910		588,122,307
Maximum remuneration payable to Managing Director @ 5% of the above on prorata basis from date of appointment		45,019,095		29,406,115

Particulars	FY 2009-10		FY 2008-09	
<b>Remuneration paid to the Managing Director</b>				
Basic & Other Allowances		2,960,401		3,913,457
House Rent Allowance		739,907		954,329
<b>Total</b>		<b>3,700,308</b>		<b>4,867,786</b>

### 17. Extraordinary Item

The Company incurred loss of Rs. 119,589,019/- during the year (Previous Year: 25,191,443/-) on sales of shares of Kohinoor Foods Limited, which has been disclosed as an Extraordinary Item.

### 18. Related Party Disclosures:

The disclosure requirements in respect of Accounting Standard 18 on "Related Party Disclosures" are as under:

## Schedules forming part of the accounts

### a) Relationships :

i) For the Financial year 2009-10

a) Company under same Management	Venture Business Advisors Pvt. Ltd. Delika Foods Pvt. Ltd.
b) Wholly Owned Subsidiary Company	Temptation Foods International Ltd., British Virgin Islands
c) Subsidiary Company	Temptation Foods FZE, Sharjah, UAE.
d) Key Management Personnel	Mr. Vinit Kumar, CMD

ii) For the Financial year 2008-09

a) Company under the same management	Venture Business Advisors Pvt. Ltd.
b) Wholly owned Subsidiary Company	Temptation Foods International Limited, British Virgin Islands.
c) Key Management Personnel	Mr.Vinit Kumar, CMD

### b) The following transactions were carried out with related parties in the ordinary course of business

Particulars Transactions	FY 2009-10		FY 2008-09	
	Subsidiary Company	Key Management Personnel	Subsidiary Company	Key Management Personnel
1 Remuneration paid to: Mr. Vinit Kumar	-	3,700,308	-	4,867,786
2 Loan taken / Advance given	-	-	42,895	-
3 Share Application Money paid : Temptation Foods FZE	1,027,395	-	-	-

### c) The following are the balances with related parties in the ordinary course of business:

	As at 31 st March, 2010	As at 31 st March, 2009
1 Amounts due from		
- Temptation Foods International Limited	Nil	42,895
- Mr. Vinit Kumar	Nil	Nil
- Venture Business Advisors Private Limited	Nil	Nil
2 Amounts due to		
- Temptation Foods International Limited	Nil	Nil
- Mr. Vinit Kumar	1,416,384	129,808
- Venture Business Advisors Private Limited	Nil	Nil

## 19. Particulars of loans and advances in the nature of loans as required by the Listing Agreement:

Name of the Company	Balance as on		Maximum outstanding	
	31 st March, 2010	31 st March, 2009	31 st March, 2010	31 st March, 2009
a) Given to Subsidiaries:				
Temptation Foods International Limited	Nil	Nil	Nil	Nil
Temptation Foods FZE	Nil	Nil	Nil	Nil
b) Given to Holding Company	NA	NA	NA	NA
c) Given to Associates	Nil	Nil	Nil	Nil
d) Where no repayment schedule is Specified:				
Temptation Foods International Limited	Nil	Nil	Nil	Nil
Temptation Foods FZE	Nil	Nil	Nil	Nil
e) Where no interest is charged:				
Temptation Foods International Limited	NA	NA	NA	NA
Temptation Foods FZE	NA	NA	NA	NA

## Schedules forming part of the accounts

### 20. Earnings Per Share:

The disclosure requirements in respect of Accounting Standard 20 on "Earnings Per Share" are as under:

#### Earning Per Share before Extra Ordinary Items

Particulars	FY 2009-10	FY 2008-09
<b>Basic</b>		
Profit After Tax Excluding Extra Ordinary Item as per accounts	749,039,292	552,147,585
Weighted average number of shares outstanding	25,142,100	25,142,100
<b>Basic EPS</b>	<b>Rs. 29.79</b>	<b>Rs. 21.96</b>
<b>Diluted</b>		
Profit after tax Excluding Extra Ordinary Item as per Accounts	749,039,292	552,147,585
Weighted average number of shares outstanding	25,142,100	25,142,100
Number of Shares under Option	256,600	256,600
Number of shares that would have been issued at fair value:	(256,600)	(229,066)
Weighted average number of potential equity shares that would be allotted on exercise of Options	-	27,534
Weighted average number of dilutive shares outstanding	25,142,100	25,169,634
<b>Diluted EPS</b>	<b>Rs. 29.79</b>	<b>Rs. 21.94</b>
<b>Face Value</b>	<b>Rs. 10</b>	<b>Rs. 10</b>

During Current Year, the Fair Value (ie. Rs. 36.09) of outstanding 256,000 shares under Employees Stock Options being lower than the Convertible Price of Rs. 40/- per share, the ESOPs are not dilutive in nature.

During the Previous Year, the Fair Value (ie. Rs. 176/-) of outstanding 7,300,000 Convertible Warrants being lower than the Conversion Price of Rs. 200/- per share, the warrants are not dilutive in nature.

#### Earning per share after Extra Ordinary Item

Particulars	FY 2009-10	FY 2008-09
<b>Basic</b>		
Profit After Tax Excluding Extra Ordinary Item as per accounts	749,039,292	552,147,585
Less : Extra Ordinary Item Loss on Sale of Investments	119,589,019	25,191,443
Profit After Tax including Extra Ordinary Item as per accounts	629,450,273	526,956,142
Weighted average number of shares outstanding	25,142,100	25,142,100
<b>Basic EPS (Rs.)</b>	<b>Rs. 25.04</b>	<b>Rs. 20.96</b>
<b>Diluted</b>		
Profit after tax Excluding Extra Ordinary Item as per Accounts	749,039,292	552,147,584
Less : Extra Ordinary Item Loss on Sale of Investments	119,589,019	25,191,443
Profit After Tax including Extra Ordinary Item as per Accounts	629,450,273	526,956,142
Weighted average number of shares outstanding	25,142,100	25,142,100
Number of Shares under option	256,600	256,600
Number of shares that would have been issued at fair value:	(256,600)	(229,066)
Weighted average number of potential equity shares that would be allotted on exercise of Options	-	27,534
Weighted average number of dilutive shares outstanding	25,142,100	25,169,634
<b>Diluted EPS</b>	<b>Rs. 25.04</b>	<b>Rs. 20.94</b>
<b>Face Value</b>	<b>Rs. 10</b>	<b>Rs. 10</b>

During Current Year, the Fair Value (ie. Rs. 36.09) of outstanding 256,000 shares under Employees Stock Options being lower than the Convertible Price of Rs. 40/- per share, the ESOPs are not dilutive in nature.

During the Previous Year, the Fair Value (ie. Rs. 176/-) of outstanding 7,300,000 Convertible Warrants being lower than the Conversion Price of Rs. 200/- per share, the warrants are not dilutive in nature.

## Schedules forming part of the accounts

### 21. Options under Employees' Stock Option Scheme:

The company has granted 256,600 options on 21st August, 2008, to selected permanent employees of the company under the Employees' Stock Options Scheme, 2008. The options would vest over a period of 4 years as per the Vesting Schedule under the Scheme. No option has vested during the year and the options granted during the year are outstanding at the Balance Sheet date. The vesting period shall commence from 21st August, 2009.

The Exercise Price is Rs. 150 per share against the fair market value of Rs. 290.10 prevailing at the time of grant of the options. The accounting of the options has been done as per the Guidance Note on "Accounting for Share based payments" issued by the Institute of Chartered Accountants of India. Accordingly, the accounting value of the options has been treated as another form of employee compensation in the financial statements of the company, by valuing the options at their Intrinsic Value. The Deferred Employee Compensation Expense is written off over the vesting period. Had the company followed fair value approach described in the Guidance Note, the Company's net income and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as below:

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
a) Net Profit before Extraordinary Items as reported - Rs.	749,039,292	552,147,585
Less: Differential Employee Compensation Cost	12,703,033	4,502,043
Adjusted Pro forma	736,336,259	547,645,541
b) Net Profit after Extraordinary Items as reported - Rs.	629,450,273	526,956,142
Less: Differential Employee Compensation Cost	12,703,033	4,502,043
Adjusted Pro forma	616,747,240	522,454,099
c) Basic Earnings Per Share before Extraordinary Items as reported	29.79	21.96
Pro forma Basic Earnings Per Share before Extraordinary Items	29.29	21.78
d) Basic Earnings Per Share after Extraordinary Items as reported	25.04	20.96
Pro forma Basic Earnings Per Share after Extraordinary Items	24.53	20.78
e) Diluted Earnings Per Share before Extraordinary Items as reported	29.79	21.94
Pro forma Diluted Earnings Per Share before Extraordinary Items	29.29	21.76
f) Diluted Earnings Per Share after Extraordinary Items as reported	25.04	20.94
Pro forma Diluted Earnings Per Share after Extraordinary Items	24.53	20.76

The Fair Value of each Option is estimated on the date of the grant using Black-Scholes model with the following assumptions:

Particulars	Year ended March 31, 2009
a) Volatility	51.81%
b) Risk Free Rate	9.14%
c) Exercise Price (refer note below)	Rs. 150
d) Time to Maturity (Years)	4.40
e) Dividend Yield	Nil

Note: In the Annual General Meeting of members of the company held on 10th August, 2009, the exercise price of Rs. 150 was revised to Rs. 40 per share.

### 22. Deferred Taxation:

- a) In compliance with the Accounting Standard 22 on "Accounting for Taxes on Income", the Company has recognized deferred tax on timing differences; being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

## Schedules forming part of the accounts

b) Deferred tax assets are attributable to the following items:

Particulars	Deferred Tax Assets /(Liabilities) as at 31.03.2009	(Charge) / Credit	(Rupees)
			Deferred Tax Assets / (Liabilities) as at 31.03.2010
<b>Deferred Tax Asset:</b>			
Provision for Doubtful Debts	491,045	2,850,677	3,341,722
Expenses allowed for tax purposes on payment of TDS	48,734,352	35,593,996	84,328,348
Provision for Diminution in Value of Current Investment	884,951	(884,951)	Nil
<b>Sub-Total (a)</b>	<b>50,110,348</b>	<b>37,559,722</b>	<b>87,670,070</b>
<b>Deferred Tax Liability:</b>			
Depreciation on Assets other than assets used for tax-holiday.	(7,476,795)	19,397,436	(26,874,231)
<b>Sub-Total (b)</b>	<b>(7,476,795)</b>	<b>19,397,436</b>	<b>(26,874,231)</b>
<b>Total (a-b)</b>	<b>42,633,553</b>	<b>18,162,286</b>	<b>60,795,839</b>

Note:

- The Company does not recognize deferred tax liability for timing differences on account of items which relate to income eligible for tax exemption under section 80-IB of the Income Tax Act, 1961, and which reverse during the tax-holiday period.
- The Company falls under the purview of section 115JB of the Income Tax Act, 1961. Hence, Current Tax is calculated as per the provisions of Minimum Alternative Tax (MAT).

### 23. Impairment of Assets

As required by Accounting Standard 28 on 'Impairment of Assets', the Company has reviewed the potential generation of economic benefits from fixed assets and concluded that the fixed assets employed in the business will generate adequate economic returns over their useful lives. Consequently, no provision for impairment loss is required.

### 24. Quantitative Details

a) **Licensed Capacity, Installed Capacity and Production:**

Particulars	Licensed Capacity (MT)		Installed Capacity* (MT)		Production ** (MT)	
	FY 2009-10	FY 2008-09	FY 2009-10	FY 2008-09	FY 2009-10	FY 2008-09
Fresh & Frozen Foods	70,000.00	70,000.00	70,000.00	70,000.00	199,580.37	107,000.29

\* The installed capacity is as certified by the management.

\*\* A part of the production is outsourced from other plants depending upon requirements.

b) **Finished Goods Stocks\*:**

Particulars	Unit	As at 31.03.2010		As at 31.03.2009	
		Quantity	Rupees	Quantity	Rupees
Fresh & Frozen Foods	MT	18,798.54	700,181,190	19,374.31	580,621,279

Purchases of Finished Goods in Current Year: (Previous Year: Nil).

c) **Sales: \***

Particulars	Unit	FY 2009-10		FY 2008-09	
		Quantity	Rupees	Quantity	Rupees
Fresh & Frozen Foods	MT	200,156.14	12,766,479,168	96,786.06	8,700,740,780

\* Sales include processing done on job-work basis

d) **Raw Materials Consumed:**

Particulars	Unit	FY 2009-10		FY 2008-09	
		Quantity	Rupees	Quantity	Rupees
Fresh & Frozen Foods	MT	267,885.37	10,606,831,461	132,458.89	7,326,027,129

## Schedules forming part of the accounts

Where of :-	FY 2009-10		FY 2008-09	
	Consumption (Rs.)	Percentage	Consumption (Rs.)	Percentage
1) Imported	Nil	Nil	1,509,535	0.02%
2) Indigenous	10,606,831,461	100%	7,324,517,594	99.98%
<b>Total</b>	<b>10,606,831,461</b>	<b>100%</b>	<b>7,326,027,129</b>	<b>100%</b>

### e) Consumables & Packing Material:

Where of :-	FY 2009-10		FY 2008-09	
	Consumption (Rs.)	Percentage	Consumption (Rs.)	Percentage
1) Imported	-	-	768,083	0.46%
2) Indigenous	318,006,565	100%	164,674,950	99.54%
<b>Total</b>	<b>318,006,565</b>	<b>100%</b>	<b>165,443,033</b>	<b>100%</b>

### f) Expenditure in Foreign Currency charged to accounts :

Particulars	FY 2009-10	FY 2008-09
Travelling Expenses	1,468,674	10,524,850
Professional Fees	42,895	3,391,191
Membership & Subscription	Nil	Nil
Others	971,320	2,941,128
<b>Total</b>	<b>2,482,889</b>	<b>16,857,169</b>

(Rupees)

### g) Earnings in Foreign Currency :

Particulars	FY 2009-10	FY 2008-09
Export of Fresh & Frozen Foods (FOB basis)	4,564,522	350,862,288

(Rupees)

### h) Value of imports on CIF basis :

Particulars	FY 2009-10	FY 2008-09
Import of raw materials / consumables / packing material	Nil	Nil

(Rupees)

## 25. Regrouping / Reclassification:

Figures for the previous year have been regrouped / reclassified wherever necessary to make them comparable with those of the present year.

As per our attached report of even date For <b>SHARP &amp; TANNAN</b> Chartered Accountants FRN. 109982W by the hand of  <b>EDWIN P AUGUSTINE</b> Partner M. No. 43385  Place : Mumbai Date : 28th May, 2010	For and on behalf of the Board of Directors of <b>TEMPTATION FOODS LIMITED</b>  Director  <b>NIMISH THAKORE</b> President Corporate Affairs & Company Secretary  Place : Mumbai Date : 28th May, 2010
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# CORPORATE INFORMATION

## Directors

Mr. Vinit Kumar, Chairman & Managing Director  
Dr. (Ms.) Kala Pant  
Ms. Elizabeth Harrington  
Mr. E. David Ellington  
Ms. Bhairavi Goswami  
Dr. S. Kaushik

## President - Corporate Affairs & Company Secretary

Mr. Nimish Thakore

## Registered Office

4, Unity House, 2nd Floor, 8,  
Mama Parmanand Marg  
Opera House, Mumbai-400 004

## Plant Locations

Plot No. C-2, MIDC, Jejuri, Taluka Purandar,  
Dist. Pune-412 302

Village & Post Office Rathdhana  
Sonipat Jatheri Road,  
Sonipat, (Haryana) – 131 001

136, K.M.Stone, G.T.Road,  
Village & Post Office Shamgarh  
Karnal (Haryana) – 132 116

## Principal Bankers

ICICI Bank Ltd.  
Bank of Baroda  
United Bank of India  
HDFC Bank Ltd.  
Punjab National Bank

## Statutory Auditors

Sharp & Tannan  
Chartered Accountants  
Ravindra Annex  
194, Churchgate Reclamation,  
Dinshaw Vachha Road, Mumbai-400 020

## Internal Auditors

R. G. Mehta & Co.  
Chartered Accountants  
B-203, Suchita Enclave, Maharashtra Nagar  
Borivali (W), Mumbai 400 092

**"YOU CAN BEND IT AND  
TWIST IT...  
YOU CAN MISUSE AND  
ABUSE IT...  
BUT EVEN GOD CANNOT  
CHANGE THE TRUTH."**

**Michael Levy**

