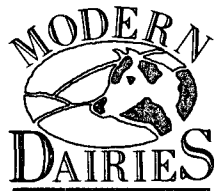


**17<sup>th</sup>**  
**ANNUAL  
REPORT**  
**2008-2009**



**MODERN DAIRIES LIMITED**



## MODERN DAIRIES LIMITED

### NOTICE

Notice is hereby given that the 17<sup>th</sup> Annual General Meeting of the members of Modern Dairies Limited will be held at its Registered Office at 136 KM, G.T. Road, Karnal -132 001 (Haryana) on Wednesday, the 23<sup>rd</sup> December, 2009 at 11:00 a.m. to transact the following business:

#### AS ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2009, the Profit & Loss Account of the Company for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of M<sup>rs</sup>. Alka Goyal, who retires by rotation, and being eligible offers herself for re-appointment.
3. **To consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

"RESOLVED THAT subject to the provisions of Section 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Walker Chandiook & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors M/s. S.R. Battliboi & Co., Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2009-10, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

#### AS SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Ashwani Kumar Aggarwal, who was appointed as Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice of intension u/s

257 of the Companies Act, 1956, from a shareholder signifying his intension of proposing the name of Mr. Ashwani Kumar Aggarwal for appointment as Director, be and is hereby appointed as Director of the Company."

5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended up-to-date, the consent & approval of the Company be and is hereby accorded to the appointment of Mr. Ashwani Kumar Aggarwal, as Director (Operations) of the Company for a period of three years w.e.f. 16<sup>th</sup> November, 2009 on the remuneration and on such terms and conditions as set out in the explanatory statement attached to this notice, and as approved by the Remuneration Committee with the further liberty and authority to the Board to alter and vary such terms and conditions including remuneration as agreed to by the Board of Directors of the Company and Mr. Ashwani Kumar Aggarwal subject to the conformity with the provisions of the Companies Act, 1956."

By order of the Board

Place : Chandigarh

Dated: 23<sup>rd</sup> November, 2009

Anubha Garg

Company Secretary

### NOTES:

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll) instead of himself/herself and the proxy need not be a member of the Company. Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting. A blank proxy form is enclosed. A proxy so appointed shall not have any right to speak at the meeting.





## MODERN DAIRIES LIMITED

Mr. Ashwani Kumar Aggarwal, aged 55 years joined the Company at the beginning as Manager (Production) and was promoted to various positions, the last being that of Unit Head and has been managing the operations of the works.

Mr. Aggarwal is a Dairy Technologist and has a vast technical and commercial experience of more than three decades. He is widely traveled and has in depth knowledge of international dairy business.

Your Board of Directors feel that his rich knowledge shall be highly beneficial to the Company and hence has appointed Mr. Ashwani Kumar Aggarwal as Director (Operations) of the Company for a period of three years w.e.f. 16<sup>th</sup> November, 2009. The Board of Directors while approving appointment of Mr. Ashwani Kumar Aggarwal has also approved remuneration to him as such by way of salary & perquisites for a period of three years from the date of appointment as given herein below:

### TERMS & CONDITIONS:

#### 1. SALARY

Rs. 1,00,000 (Rupees One Lacs only) per month with such annual increments / increases as may be decided by the Board of Directors from time to time.

#### 2. PERQUISITES :

- i) **House Rent Allowance** :40% of the salary per month.
- ii) **Provident Fund**: Contribution towards Superannuation Fund and Provident Fund shall be as per rules of the Company.
- iii) **Gratuity**: Payable at the rate not exceeding half a month's salary for each completed year of service as per rules of the Company.
- iv) **Leave**: As per the rules of the Company.
- v) **Medical Reimbursement**: Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month salary,

as per rules of the Company.

- vi) **Club Fees**: Fees in respect of two clubs.
- vii) **Car**: Free use of Company's car for official purposes along with driver.
- viii) **Telephone / Telefax**: Telephone, telefax and other communication facilities at Company's cost.
- ix) **Insurance**: Cost of insurance cover against the risk of any financial liability or loss because of any error of judgement, as may be approved by the Board of Directors from time to time.

#### 3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of appointment, the Director (Operations) shall be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restrictions, if any, set out in Schedule XIII of the Companies Act, 1956, from time to time.

The explanatory statement together with the notice be also treated as an abstract of the terms of the Agreement and Memorandum of interest under Section 302 of the Companies Act, 1956.

The Documents referred herewith and explanatory statement are open for inspection by any member at the registered office of the Company during business hours on any working day of the Company upto and including the date of meeting.

Your Directors commend the resolutions at item no.4 & 5.

#### MEMORANDUM OF INTEREST

None of the Directors except Mr. Ashwani Kumar Aggarwal is either concerned or interested in the aforesaid resolutions.

By order of the Board

Place : Chandigarh

Anubha Garg

Dated: 23<sup>rd</sup> November, 2009 Company Secretary

**INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 23<sup>RD</sup> DECEMBER, 2009 PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

**1. Name of Director : Mrs. Alka Goyal**

**Date of Birth : 05.08.1960**

**Date of Appointment : 22.04.1992**

**Expertise in Specific Functional Area:** Mrs. Alka Goyal, the Promoter Director of the Company, aged 49 years is a Graduate and Director of many Companies. She has long experience of management.

**Qualification:** B.A.

**List of other Directorships held:**

- (i) Mala Builders Pvt Ltd.,
- (ii) Chandigarh Finance Pvt Ltd.,
- (iii) PHi Business Solutions Ltd.

**Chairman/Member of the Committee of the Board of Directors of the Company:** NIL

**Chairman/Member of the Committee of Directors of other Companies:**

**PHi Business Solutions Ltd**

Remuneration Committee - Member

**Holding in the Company:** As on 31.03.2009, Mrs. Alka Goyal holds 1248972 equity shares of the Company.

**2. Name of Director : Mr. Ashwani Kumar Aggarwal**

**Date of Birth : 02.10.1954**

**Date of Appointment : 02.01.1993**

**Expertise in Specific Functional Area:**

Mr. Ashwani Kumar Aggarwal, aged 55 years joined the Company at the beginning as Manager (Production) and was promoted to various positions, the last being that of Unit Head and has been managing the operations of the works.

Mr. Aggarwal is a Dairy Technologist and has a long technical and commercial experience of more than three decades. He is widely traveled and has in depth knowledge of international dairy business.

**Qualification:** B.Sc. (Dairy Tech.)

**List of other Directorships held:**

- (i) Modern Dairyfarms Ltd.

**Chairman/Member of the Committee of Board of Directors of the Company:**

- Audit Committee - Member
- Investors Grievances Committee - Member
- Banking and Finance Committee - Member

**Chairman/Member of the Committee of Directors of other Companies:** NIL

**Holding in Company:** As on 31.03.2009, Mr. Ashwani Kumar Aggarwal holds 400 equity shares of the Company.

## DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 17<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

### FINANCIALS

	(Rs. in Lacs)	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Net Sales and other Income	45983	41360
Operating Profit/ (Loss)	(1238)	2774
Interest	1126	1150
Cash Profit/ (Loss)	(2364)	1624
Depreciation	743	564
Profit / (Loss) before Tax	(3107)	1060
Net Profit / (Loss)	(2600)	660

### PERFORMANCE

During the year under review, the net sales and other income is Rs. 459.83 crores against Rs. 413.60 crores in the previous year. The operating loss in the year is Rs. 12.38 crores against profit of Rs. 27.74 crores last year. The Company's exports are Rs. 95.26 crores against Rs. 126.59 crores in the previous year.

In the first two quarters of this year, the demand for the Company's product both domestic & export market, was good. The second half of the year saw a steep fall in demand in the global market due to severe economic downturn. The prices of our main exportable product, Casein, crashed in the global market; but the raw material (milk) cost remained firm in the domestic market. This made the Casein production un-remunerative and affected our exports. The stocks of Casein and allied products were also liquidated at un-remunerative prices.

In April'08, the Government of India suddenly withdrew the export incentives available to the dairy industry, which were restored only in December'08 affecting the bottom line.

Further, the foreign exchange fluctuation affected the Company adversely and resulted in financial losses on forward covers.

In brief, withdrawal of export incentives, global economic crises effecting export business and steep fluctuations in the currency resulted in major financial losses to the Company.

### PROJECT

The modernization cum expansion project was estimated to cost Rs. 171 crores, out of which

Rs. 129.78 crores has been spent by the end of the financial year. During the year the Company strengthened its milk procurement infrastructure by increasing its Milk Chilling Centers, adding Bulk Milk Coolers in the milk shed area, commencing production of Pharma Grade Lactose, installation of new Effluent Treatment Plant, expansion of Whey Filtration System etc. The remaining part of the project has been put on hold till further review.

### CURRENT OPERATIONS

The First Half of the current year 2009-10 continued to be difficult. The Company achieved Net sales and other Operating Income of Rs.156.12 crores as against Rs. 234.40 crores during the same period last year.

The domestic milk prices were high and availability of milk was affected due to draught like conditions created by delayed / deficit monsoon.

The International Market demand & prices remained low in the first half thereby making the export operations un-remunerative. Now, the situation has started improving. It is expected that our product export shall be competitive during the remaining part of the year.

In the domestic market, the product supplies of Cheese, Liquid Milk and Milk Powders are satisfactory.

### EXTERNAL COMMERCIAL BORROWING (ECB)

The shareholders are aware that the Company had entered into a Loan Agreement with International Finance Corporation (IFC), USA, for a loan of USD 8.5 Million by way of ECB.

Looking at the changed scenario, the Board of Directors have decided that the Company should go with caution on further capital expenditure on the project. IFC also suggested that the Company should not go ahead with further capital expenditure. In view of this, it is proposed to cancel the ECB sanction of USD 8.5 million, with mutual consent with IFC.

### CHANGE IN CAPITAL STRUCTURE

The promoters were allotted 30,00,000 warrants convertible into equity shares on preferential basis @Rs. 81/- per share to be converted within a period of 18 months from the date of the issue. Out of the above, they got 11,63,661 warrants converted into equity shares on 23<sup>rd</sup> July, 2008. Since they did not exercise their option for conversion of the remaining warrants, 18,36,339 warrants expired and an amount of Rs.1.48 crores paid by them was forfeited by the Company.

**DEBT RESTRUCTURING BY THE CDR**

Due to the financial losses as mentioned earlier in the report, the Company approached its Bankers under Corporate Debt Restructuring (CDR) mechanism. The rehabilitation proposal has been approved by CDR Committee in March'09 with a cut off date as 30<sup>th</sup> Nov.'08. The CDR has sanctioned a scheme of Rs. 21 crores out of which a fresh corporate loan of Rs. 18.65 crores was to be brought in by the banks and the balance of Rs. 2.35 crores was to be brought in by the promoters. The existing term loans of the Company have also been rescheduled.

The CDR scheme has been implemented and the respective funds from the lenders as well as the promoters has been inducted into the Company.

**REPAYMENT OF LOAN FROM DIRECTORATE OF INDUSTRIES, HARYANA**

Your Company had been availing Interest free Loan by the Government of Haryana by way of Sales Tax deferment. The Company has repaid the entire balance interest free loan within the stipulated period.

**QUALITY, FOOD SAFETY & ENVIRONMENT STANDARDS**

(ISO 9001:2000, ISO 14001 and HACCP Certifications)  
Your Company's manufacturing facilities continue to maintain the prestigious ISO 9001:2000, ISO 14001 and HACCP Certification by DNV Netherlands, a leading International Certification Company. The Company is in the process for implementing ISO:22000, a Food Safety Management System, it is expected to be completed by March, 2010. This will further strengthen the Company's Systems on Food Safety. It is an indicator of the Company's commitment for quality, food safety and maintaining environmental standards.

**DIRECTORS**

The Directors inform with profound grief about the sudden demise of Mr. Satish Tandon, Director of the Company on 2<sup>nd</sup> October, 2009. Mr. Tandon born on 13<sup>th</sup> April, 1946 was a Chemical Engineer. He had more than 40 years of experience in manufacturing and commercial areas and had a distinguished carrier. He joined the Board of the Company on 30<sup>th</sup> December, 2005. The Board of Directors place on record its deep appreciation for his contribution as Director of the Company.

During the year Mr. P. K. Bansal was replaced by Mr. Hardyal Sehrawat w.e.f. 25<sup>th</sup> April, 2008 as nominee Director of Government of Haryana. Mr. Hardyal Sehrawat was replaced by Mr. R. K. Rana

w.e.f. 30<sup>th</sup> October, 2008 as nominee Director of Government of Haryana.

Mr. H.S. Oberoi ceases to be Director (Operations) w.e.f. 25<sup>th</sup> May, 2009 upon completion of his tenure as such.

Mr. R.K. Rana, Nominee Director ceases to be a director w.e.f. 15<sup>th</sup> July, 2009. The Board of Directors place on record its appreciation for the valuable services rendered by the aforesaid Directors during their respective tenure.

Mrs. Alka Goyal, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re-appointment.

The Board of Directors have appointed Mr. Ashwani Kumar Aggarwal as additional director w.e.f. 16<sup>th</sup> November, 2009, designated as Director (Operations), subject to approval of the shareholders in the forthcoming Annual General Meeting.

**AUDITORS**

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of forthcoming Annual General Meeting. M/s. S. R. Batliboi & Co. has conveyed their unwillingness to seek the reappointment as Statutory Auditors of the Company vide letter dated 30<sup>th</sup> September, 2009. Your management puts on record their sincere appreciation for the work done by M/s S. R. Batliboi & Co. during their tenure.

The Board recommends the appointment of M/s. Walker Chandiook & Co., Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting, until the conclusion of the next Annual General Meeting. M/s. Walker Chandiook & Co., Chartered Accountants has also expressed their willingness to act as auditors of the Company, if appointed and have confirmed their eligibility. In this regard, attention of the members is invited to item no. 3 of the Notice convening the forthcoming Annual General Meeting. Your Directors have appointed M/s V. Kumar & Associates as Cost Auditors of the Company for the year 2009-10 to conduct the cost audit subject to the approval of the Central Government.

**AUDITOR'S REPORT**

All the comments of the Statutory Auditors on the Annual accounts are self explanatory and requires no further explanation except at -

Note no. ix(a) regarding slight delay in payment of statutory dues for which the management confirms that the systems have been put in place to prevent the reoccurrence of such events.

Note no. x regarding cash losses, management is of the opinion that the year under review witnessed abnormal circumstances of global meltdown, foreign currency fluctuation which were unexpected and beyond control. Now since the market is getting stabilized, the management is of the opinion that the Company's performance will improve and continue towards betterment.

#### **FIXED DEPOSITS**

The outstanding deposits at the end of the fiscal year under review amount to Rs. 340.78 Lacs (Previous year Rs.2127.21Lacs). There are no overdue deposits.

#### **CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS**

A separate report on Corporate Governance and Management Discussion & Analysis is attached to this report.

#### **HUMAN RESOURCES**

Harmonious employee relations prevailed throughout the year. Your Directors place on record their appreciation for all categories of employees for their hard work and dedication.

The statement showing particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is enclosed as Annexure 'A' and forms part of this report.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, is given in the Annexure 'B' and forms part of this report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) In the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2009, the applicable accounting standards have been followed and that there were no material departures.
- (ii) The accounting policies selected by them have been applied consistently, and they have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the

state of the Company as on 31<sup>st</sup> March, 2009 and Loss of the Company for the year ended 31<sup>st</sup> March, 2009.

- (iii) They 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 frauds and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.

#### **APPRECIATION**

Your Directors wish to place on record their sincere appreciation for the continued support from its Bankers and to all business associates of the Company.

For & on behalf of the Board

Place: Chandigarh

Krishan Kumar Goyal

Dated: 16<sup>th</sup> November, 2009

Chairman & Mg. Director

#### **MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE & DEVELOPMENTS**

The dairy industry in India is growing at a rapid pace. With India maintaining its status as the largest producer of milk in the World and annual growth rate of 3-4%, the dairy industry in India is poised for major development.

Of the total milk produced in the country it is estimated that only 18% to 20% is processed by the organized sector. The remaining balance milk is consumed through unorganized channels. With the growth of organized sector which is providing regular and remunerative market to the milk producer, this share is expected to go up at a fast rate. This will ensure a regular availability of raw material to the industry.

The continuous economic growth in the country has lead to increased demand for liquid milk and milk products.

#### **OPPORTUNITIES AND THREATS**

The world milk production is growing at the rate of about 1.5% where as the demand for milk products are growing at about 2.4%. This difference in demand and supply is likely to be available to India which is growing at 3.5-4%.

Due to recent global economic crisis, many developed nations including EU has increased /reintroduced the subsidies to their dairy sector, thereby affecting other developing nations.



The Indian Dairy Industry is still facing technical barriers to trade like restriction on exports of Edible Grade Dairy Products from India into the EU nations. There are other countries too like Russia, Mexico, Malaysia, Brazil, where Indian products can not be exported due to non availability of Mutual Trade Agreement between India and respective countries.

## RISK & CONCERN

Like any agro based industry, the dairy industry is also dependent on the vagaries of nature which affect the production of milk. The milk being perishable can't be stored for processing at a later stage.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls to ensure that transactions are properly recorded, authorized and reported.

The Company has in place well documented and structured systems and procedures in line with the best of practices and well defined roles and responsibilities for people in all functions at various levels. The Company is certified as ISO 9001:2000 (Quality System), ISO 14001 (Environment System) and HACCP (Food Safety System) by DNV, Netherlands.

There is adequate Management Information System. Management review meetings are held periodically to monitor and control functions of the Company. Internal audit on regular basis is carried out to ensure proper control.

## FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

During the year under review the Company achieved net sales and other income of Rs 459.83 crores as against Rs. 413.60 crores in previous year. It has net loss of Rs. 26.00 crores as compared to profits of Rs.6.60 crores during the previous year. The Company exported products worth Rs 95.26 crores during the year as compared to Rs. 126.59 crores during the last year.

## HUMAN RESOURCES

The Company regards its employees as valuable asset and continuously reviews and evolves policies and procedures to attract and retain its pool of technical and managerial personnel through a conducive work environment.

## CAUTIONARY STATEMENT

The Management Discussion and Analysis report may contain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statement as important factors could influence the Company's operations such as Government policies, local, political and economic development, risk inherent to the Company's growth and such other factors.

For & on behalf of the Board

Place: Chandigarh

Krishan Kumar Goyal

Dated: 16<sup>th</sup> November, 2009

Chairman & Mg. Director

## Annexure 'A' to Directors Report

Statement pursuant to section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

S. No	Name	Age (Years)	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualification	Total Experience (Years)	Date of Commence -ment of Employment	Previous employment/ position held
1	Mr. Krishan Kumar Goyal	53	Chairman & Managing Director	5952432	B.Com., LLB	31	22.04.92	Mg. Director & CEO Modern Steels Ltd.

Notes: (1) Gross remuneration comprises salary, allowances, monetary value of perquisites and the Company's contribution to Provident and Superannuation Funds but excludes contributions to Gratuity Fund. Mr. Goyal is also Mg. Director & CEO of Modern Steels Limited.

(2) The nature of employment is contractual.

For & on behalf of the Board

Place : Chandigarh

Krishan Kumar Goyal

Dated :16<sup>th</sup> November, 2009

Chairman & Mg. Director

## Annexure 'B' to Directors' Report

Information as per Section 217(1) (e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2009.

**FORM 'A'**

A) POWER AND FUEL CONSUMPTION	Current year 2008-09	Previous Year 2007-08
<b>POWER</b>		
<b>a) Electricity Power</b>		
Purchase Units (Kwh)	1,28,70,003	1,59,51,034
Total Amount (Rs.)	5,76,49,083	6,79,39,027
Rate per Unit (Rs.)	4.48	4.26
<b>b) Other Generation</b>		
<b>Through Diesel Generator</b>		
Unit (Kwh)	39,17,531	34,34,648
Total Amount (Rs.)	3,80,72,734	3,20,04,743
Unit per litre of Diesel Oil	3.38	3.23
Cost / Unit (Rs.)	9.72	9.32
<b>FUEL</b>		
Quantity (MT)	30,512	35,706
Total Amount (Rs.)	9,39,37,265	7,54,32,984
Rate / Unit (Rs.per MT)	3,078.70	2,112.61

**B) CONSUMPTION PER UNIT OF PRODUCTION**

Products :Liquid Milk, Skimmed Milk Powder , Whole Milk Powder, Dairy Whitener, Pure Ghee, Butter, Casein, WPC, Lactose etc.

Unit per 1000 kgs. of milk processed

Electricity (Kwh)	77.94	83.82
Fuel Quantity (Kgs.)	1,41.66	154.43

**NOTE :**

As the Company manufactures several products, it is impracticable to apportion the utilities to different products. However, consumption of electricity and fuel has been given per thousand kgs. of milk processed.

**FORM 'B'**
**1. RESEARCH AND DEVELOPMENT (R&D)**

The Company is in the production of milk and whey proteins. The Company has taken the initiative and worked on to develop Whey Protein Concentrates-70 and successfully produced WPC 70 for its customers.

**2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

Last year, the Company worked on to produce Rennet Casein from cow/buffalo mix milk, and now the Company is regularly supplying Rennet Casein to its customers worldwide for diverse applications.

The Company has standardized the production process for WPC 70 and supplying as per customers' requirements as a value added product.

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars with regard to Foreign Exchange earnings and outgo appear on the relevant Schedule of the Balance Sheet.

For & on behalf of the Board

Place : Chandigarh  
Dated : 16<sup>th</sup> November, 2009

Krishan Kumar Goyal  
Chairman & Mg. Director

## CORPORATE GOVERNANCE REPORT

In line with the requirement for providing a "Report on Corporate Governance" as per Clause 49 of the revised Listing Agreement of the Stock Exchange as applicable, given below is a report on Company's Corporate Governance norms.

### COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Modern Dairies Limited is committed in adopting the best practices of Corporate Governance. The Company endeavours to act on the principles of Transparency, Accountability, Trusteeship and Integrity. The ultimate objectives being of realising long term shareholder value, while taking into account the interest of other stakeholders.

#### 1. BOARD OF DIRECTORS

##### A. Composition of the Board of Directors

A list of directors including the Chairman of the Board and their status as executive / non-executive and independent / non-independent for the year ended 31<sup>st</sup> March, 2009 is set out below:-

Name of the Director	Category of the Director	No of Board meetings attended	No of other Directorships in Public Company	No. of Committee positions held		Last AGM attended
				Chairman	Member	
<b>Mr. Krishan Kumar Goyal</b>	Chairman & Managing Director-Non Independent (Promoter) Director	10	3	-	1	Yes
<b>Dr. Bhupendra Nath Mathur</b>	Non Executive Independent Director	9	-	-	2***	No
<b>Mr. Amarjit Goyal</b>	Non Executive Non Independent (Promoter) Director	9	1	-	-	Yes
<b>Mrs. Aika Goyal</b>	Non Executive Non Independent (Promoter) Director	2	1	-	-	No
<b>Mr. Satish Tandon</b>	Non Executive Independent Director	6	5	1	8	Yes
<b>Prof. Satish Kapoor</b>	Non Executive Independent Director	8	-	2	-	Yes
<b>Mr. P. K. Bansal*</b>	Non Executive Independent (Nominee) Director	-	-	-	1	No
<b>Mr. Hardyal Sehrawat*</b>	Non Executive Independent (Nominee) Director	4	-	-	-	No
<b>Mr. R. K. Rana*</b>	Non Executive Independent (Nominee) Director	3	-	-	-	No
<b>Mr. H.S. Oberoi**</b>	Executive Non Independent Director (Operations)	10	-	-	1	Yes

\* Mr. Hardyal Sehrawat replaced Mr. P. K. Bansal w.e.f 25<sup>th</sup> April, 2008 and Mr. R. K. Rana replaced Mr. Hardyal Sehrawat w.e.f. 30<sup>th</sup> October, 2008 as nominee Directors of Government of Haryana. Mr. R.K. Rana also ceases to be a Director w.e.f. 15<sup>th</sup> July, 2009 upon withdrawal of his nomination.

\*\* Mr. H.S. Oberoi ceases to be Director (Operations) w.e.f. 25<sup>th</sup> May, 2009 upon completion of his tenure as such.

\*\*\* Dr. B. N. Mathur replaced Mr. H. S. Oberoi as member of the Investors Grievances Committee w.e.f. 15<sup>th</sup> July, 2009.



## MODERN DAIRIES LIMITED

### B. Board Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2009, ten meetings of Board of Directors were held. The details of Board Meetings held during the year are as under:-

Date of Board Meeting	Board's Strength	No of Directors Present
25 <sup>th</sup> April, 2008	8	6
28 <sup>th</sup> May, 2008	8	8
23 <sup>rd</sup> June, 2008	8	6
25 <sup>th</sup> July, 2008	8	6
26 <sup>th</sup> August, 2008	8	7
29 <sup>th</sup> September, 2008	8	5
30 <sup>th</sup> October, 2008	8	4
23 <sup>rd</sup> December, 2008	8	5
28 <sup>th</sup> January, 2009	8	7
30 <sup>th</sup> March, 2009	8	7

### C. Board's Processes

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisition of material nature of assets, mortgages, guarantees, donations etc, are regularly placed before the Board. This is in addition to information with regard to actual operations, major litigation feed back reports, information on Senior Level appointments just below the Board Level and minutes of all Committee Meetings.

The information as required under Corporate Governance is being made available to the Board as and when applicable.

## 2. COMMITTEES OF THE BOARD

### A. Audit Committee

- a. (i) The Company has Audit Committee as per provisions of the Listing Agreement and under section 292A of the Companies Act, 1956, which consist of Independent and non executive Directors namely Prof. Satish Kapoor, Dr. Bhupendra Nath Mathur and Mr. Satish Tandon\*.
  - (ii) The Chairperson of the Audit Committee, Prof. Satish Kapoor is a non executive independent Director.
  - (iii) All of the above Directors are financially literate and have accounting and related financial management expertise.
  - (iv) The Chairperson was present at the last Annual General Meeting to answer the Shareholders queries.
  - (v) The Company Secretary of the Company, namely, Ms. Anubha Garg is the Secretary of the Audit Committee.
- \*Mr. Satish Tandon, who is a non executive independent director, replaced Mr. P.K. Bansal as a member of the Audit Committee w.e.f. 25<sup>th</sup> April, 2008
- b. The Committee met six times during the year on 25<sup>th</sup> April, 2008 , 25<sup>th</sup> July, 2008, 26<sup>th</sup> August, 2008, 29<sup>th</sup> September, 2008, 30<sup>th</sup> October, 2008 & 28<sup>th</sup> January, 2009. The status of attendance of members at the Audit Committee was as under:

Name of Director	No. of Meetings attended during 2008-2009
Prof. Satish Kapoor	6
Dr. Bhupendra Nath Mathur	5
Mr. Satish Tandon	2

**c. Powers of Audit Committee:** The Audit Committee has the following powers as amended from time to time:-

1. To investigate any activity within its terms of reference.
2. To seek any information from any employee.
3. To obtain outside professional legal advice.
4. To secure attendance of outsiders with relevant expertise, if considered necessary.

**d. Role of Audit Committee**

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fee.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with management, the annual financial statements before submission to the Board for approval with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with Listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
  - g. Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, performance of the statutory and internal auditors, adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors on any significant findings and follow-up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of Whistle Blower mechanism, in case the same is existing.

13. Carrying out any other function, which may be specified as a role of the Audit Committee under amendments, if any, from time to time as per the Listing Agreement, Companies Act, 1956, and other statutes.

**e. Review of information by Audit Committee**

The Audit Committee has the power to mandatorily review the following information:-

1. Management discussion and analysis of financial conditions and results of operations,
2. Statement of significant related party transaction (as defined above), as submitted by management,
3. Management letters/ letters of internal control weakness issued by the Statutory Auditors,
4. Internal Audit Reports relating to internal control weakness and
5. The appointment, removal and terms of remuneration of the chief internal auditors shall be subject to review by the Audit Committee.

**B. Remuneration Committee**

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission, service agreements and other employment conditions of the Executive Directors comprising Managing Director/ Director (Operations). The Committee fixes the remuneration after taking into consideration remuneration practices followed by Companies of similar size and standing in the industry. The Committee periodically reviews and recommends suitable revision in remuneration package of Executive Directors to the Board.

Remuneration Committee comprises of three Directors as its members. All members of the Committee are non executive and persons of repute and have sound knowledge of management practices.

Chairman of the Committee Dr. Bhupendra Nath Mathur is a non executive independent director nominated by the Board. The power and role of the Remuneration Committee is as per guidelines set out in the Listing Agreement. The constitution of the Remuneration Committee is as under:

<b>Name of the Director</b>	<b>Member / Chairman</b>
Dr. Bhupendra Nath Mathur	Chairman
Prof. Satish Kapoor	Member
Mr. Satish Tandon	Member

During the year no meeting of the Remuneration Committee was held.

**Remuneration Policy**

The Managing Director and Director (Operations) are paid remuneration as per the terms approved by the Board of Directors and confirmed by the shareholders of the Company and in conformity with the approval of Central Government, wherever necessary. Service contracts are entered into in terms of regulations governing their appointment and terms of remuneration. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the competitive industries, financial position of the Company etc. The remuneration structure comprises Basic Salary, Perquisites and allowances, contribution to Provident Fund and other funds in accordance with various related provisions of the Companies Act, 1956.

**Details of Remuneration paid to the Directors during the Financial year ended 31<sup>st</sup> March, 2009** (Amount in Rs.)

Name of the Director	Salary	Perquisites & other benefits	Performance bonus/ commission	Stock Option	Sitting Fee	Total
Mr. Krishan Kumar Goyal*	59,12,903	30,169	-	-	-	59,43,072
Dr. Bhupendra Nath Mathur	-	-	-	-	70,000	70,000
Mr. Amarjit Goyal	-	-	-	-	45,000	45,000
Mrs. Alka Goyal	-	-	-	-	10,000	10,000
Mr. Satish Tandon	-	-	-	-	55,000	55,000
Prof. Satish Kapoor	-	-	-	-	1,00,000	1,00,000
Mr. Hardyal Sehrawat**	-	-	-	-	20,000	20,000
Mr. R. K. Rana**	-	-	-	-	15,000	15,000
Mr. H.S. Oberoi ***	17,59,214	-	-	-	-	17,59,214

\* Vide letter dated 9<sup>th</sup> March, 2009 the Company has received Central Government approval under section 269, 198/309 and 637 AA of the Companies Act, 1956 for payment of total remuneration to Mr. Krishan Kumar Goyal as Chairman & Mg. Director.

\*\* Mr. Hardyal Sehrawat replaced Mr. P. K. Bansal w.e.f. 25<sup>th</sup> April, 2008 and Mr. R. K. Rana replaced Mr. Hardyal Sehrawat w.e.f. 30<sup>th</sup> October, 2008 as nominee Directors of Government of Haryana. Mr. R.K. Rana also ceases to be a Director w.e.f. 15<sup>th</sup> July, 2009 upon withdrawal of his nomination.

\*\*\* Mr. H.S.Oberoi ceases to be Director (Operations) w.e.f. 25<sup>th</sup> May, 2009 upon completion of his tenure as such.

**C. Shareholders/Investors Grievances Committee**

The Company has formed a Shareholders/Investors Grievances Committee under the Chairmanship of a non executive Director. The list of present member and the chairman of the Committee is as follows:

Name of the Director	Member/Chairman
Prof. Satish Kapoor	Chairman
Mr. Satish Tandon	Member
Mr. H. S. Oberoi*	Member
Dr. Bhupendra Nath Mathur**	Member

\* Mr. H.S.Oberoi ceases to be Director (Operations) w.e.f. 25<sup>th</sup> May, 2009 upon completion of his tenure as such and hence ceases to be a member of the Committee.

\*\* Dr. B. N. Mathur replaced Mr. H. S. Oberoi as member of the Investors Grievances Committee w.e.f. 15<sup>th</sup> July, 2009. The Committee looks into the redressing of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, change of address etc. Meetings of this Committee were held on 25<sup>th</sup> April, 2008, 25<sup>th</sup> July, 2008, 30<sup>th</sup> October, 2008 and 28<sup>th</sup> January, 2009.

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange with particular reference to transfer, dematerialization, complaints of shareholders etc.

The Company attends to the investors grievances/ correspondence expeditiously and usually a reply is sent within 10 days of receipt of letter, except in cases that are constrained by dispute or legal impediment.

**D. Share Transfer Committee**

For the expeditious disposal of the share transfer and allied services Company has formed a Share Transfer Committee to look into and decide matters pertaining to transfer, duplicate share certificates and related matters.

**E. Allotment Committee**

The Company has formed an Allotment Committee under the Chairmanship of a non executive Director. The list of present member and the chairman of the Committee is as follows:

Name of the Director	Member/Chairman
Prof. Satish Kapoor	Chairman
Mr. Krishan Kumar Goyal	Member
Mr. Satish Tandon	Member
Mr. H.S. Oberoi*	Member

\* Mr. H.S.Oberoi ceases to be Director (Operations) w.e.f. 25<sup>th</sup> May, 2009 upon completion of his tenure as such and hence ceases to be a member of the Committee..

The Committee approves the allotment of Securities i.e Shares / Debentures / Warrants etc. from time to time. Meetings of this Committee were held on 8<sup>th</sup> July, 2008 and 23<sup>rd</sup> July, 2008.

**F. Banking & Finance Committee**

The Company has formed a Banking & Finance Committee under the Chairmanship of a non executive Director. The list of present member and the chairman of the Committee is as follows:

Name of the Director	Member/Chairman
Prof. Satish Kapoor	Chairman
Mr. Krishan Kumar Goyal	Member
Mr. H.S. Oberoi*	Member

\* Mr. H.S.Oberoi ceases to be Director (Operations) w.e.f. 25<sup>th</sup> May, 2009 upon completion of his tenure as such and hence ceases to be a member of the Committee..

No meeting of the Committee was held during the year.

**3. Ms. Anubha Garg, Company Secretary is the Compliance Officer of the Company.**
**4. Details of last three Annual General Meetings (AGMs)**

Financial Year	Location	Date	Time
2005 - 06	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	28 <sup>th</sup> June, 2006	11.00 A.M.
2006 - 07	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	27 <sup>th</sup> August, 2007	11.00 A.M.
2007- 08	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	29 <sup>th</sup> September, 2008	11.00 A.M.

During the year an Extraordinary General Meeting of the Company was held on 23<sup>rd</sup> June, 2008 at 11:00 a.m. at Registered office: 136 KM., G.T. Road, Karnal 132 001 (Haryana)



Special Resolutions passed in previous three AGMs:

- (i) In the 15<sup>th</sup> AGM dated 27<sup>th</sup> August, 2007, the following Special resolutions were passed for approval of:
  - a) The appointment and remuneration of Mr. Krishan Kumar Goyal as Chairman & Mg. Director of the Company for the period from 2<sup>nd</sup> November, 2007 to 1<sup>st</sup> November, 2012.
  - b) Allotment of Bonus Shares to the existing shareholders of the Company in the ratio of 1:1.
- (ii) In the 16<sup>th</sup> AGM dated 29<sup>th</sup> September, 2008, Special Resolution passed for approval of amendments in the Articles of Association of the Company.

The Company passed no resolution through postal ballot during the year.

## 5. DISCLOSURES

1. None of the transactions with any of the related parties were in conflict with the interests of the Company at large. Transactions with related parties are disclosed in Notes to Accounts in the Annual Report.
2. There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.
3. The Company has complied with the above Mandatory Requirements of Corporate Governance & the Company has not adopted any Non Mandatory Requirements of Corporate Governance except Remuneration Committee, Allotment Committee and Banking & Finance Committee.

## 6. MEANS OF COMMUNICATION

The quarterly /half yearly/ yearly results of the Company and information relating to Annual General Meeting, Book Closures is published in The Economic Times/ The Hindustan Times/ The Financial Express (all editions)/ Financial World and Dainik Jagran / Hari Bhoomi i.e in English and regional language newspapers and is also notified to the Stock Exchange as required under the Listing Agreement. In addition, the Company also files quarterly results, shareholding pattern etc. in such form so as to enable Stock Exchange to put it on their website.

**Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders.**

## GENERAL SHAREHOLDER INFORMATION

### 1. Annual General Meeting:-

Day, Date & Time : Wednesday the 23<sup>rd</sup> December, 2009 at 11:00 a.m.  
 Venue : 136 KM, G.T.Road, Karnal 132 001 (Haryana)

### 2. Financial Calendar for :-

Adoption of Results for the Quarter Ended :-	In the Month of (tentative)
30 <sup>th</sup> June, 2009	16 <sup>th</sup> November, 2009*(already held)
30 <sup>th</sup> September, 2009	16 <sup>th</sup> November, 2009*(already held)
31 <sup>st</sup> December, 2009	January, 2010 (last week)
31 <sup>st</sup> March, 2010	May, 2010 (last week)
Annual General Meeting	By September, 2010

\* The finalization of Annual Accounts & quarterly results are delayed as the Company got itself registered with CDR & the necessary documentation in this regard took some time more than expected.



# MODERN DAIRIES LIMITED

### 3. Book Closure Date :-

From 21<sup>st</sup> December, 2009 to 23<sup>rd</sup> December, 2009(both days inclusive)

### 4. Listing on Stock Exchanges :-

Your Company is listed at Bombay Stock Exchange Ltd.

### 5. Stock Code :-

BSE : 519287

ISIN No. in NSDL & CDSL : INE617B01011

### 6. Stock Data:-

Month	MODERN DAIRIES LTD. ON BSE				BSE SENSEX		
	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume	High	Low	Close
<b>2008</b>							
April	60.50	41.10	49.05	376829	17,480.74	15,297.96	17,287.31
May	53.00	44.05	48.20	447851	17,735.70	16,196.02	16,415.57
June	49.00	35.70	36.15	272326	16,632.72	13,405.54	13,461.60
July	44.90	33.60	36.45	265299	15,130.09	12,514.02	14,355.75
August	41.80	30.00	33.30	283026	15,579.78	14,002.43	14,564.53
September	34.85	20.00	22.55	168304	15,107.01	12,153.55	12,860.43
October	24.80	16.55	19.15	135828	13,203.86	7,697.39	9,788.06
November	19.65	11.00	11.75	254082	10,945.41	8,316.39	9,092.72
December	24.50	10.80	16.80	347389	10,188.54	8,467.43	9,647.31
<b>2009</b>							
January	21.30	15.30	16.60	53336	10,469.72	8,631.60	9,424.24
February	20.00	14.30	14.80	111891	9,724.87	8,619.22	8,891.61
March	17.00	13.00	15.30	128558	10,127.09	8,047.17	9,708.50

### 7. Registrars and Share Transfer Agent (For Physical as well as for Demat Segment):-

M/s. MCS Limited,

F-65, 1st Floor Okhla Industrial Area, Phase-I, New Delhi 110 020.

Tel. No. : 91-11-41406149, Fax No.: 91-11-41709881, E-mail : admin@mcsdel.com

Website: www.mcsdel.com

All shareholders of the Company can avail online services from our Registrars & Share Transfer Agents M/s. MCS Limited, with regard to Investors Grievances. Please log in on the site of MCS Limited [www.mcsdel.com](http://www.mcsdel.com) and click on Investors Services and you can register your queries/grievances and details as required by you. The registered queries/grievances on the site will be responded by M/s. MCS Limited on priority basis.

**8. Shareholding Pattern of the Company as on 31<sup>st</sup> March, 2009:-**

Category	No. of shares held	%age of shareholding
1. Promoters & Promoter Group	10654779	45.69
2. Mutual Funds and UTI	9400	0.04
3. Foreign Institutional Investors	364000	1.57
4. Foreign Financial Institution	4650000	19.94
5. Bodies Corporate (not included above)	735622	3.15
6. Indian Public	6597337	28.29
7. NRIs/OCBs	308723	1.32
<b>TOTAL</b>	<b>23319861</b>	<b>100.00</b>

**9. Distribution of Shareholding as on 31<sup>st</sup> March, 2009:-**

SHAREHOLDING (IN RS.)		SHAREHOLDERS		NO OF SHARES	
From	To	Number	% of total	No. of Shares	% of total
upto	5000	11688	87.59	2671231	11.45
5001	10000	1065	7.98	829423	3.56
10001	20000	299	2.24	465828	2.00
20001	30000	82	0.61	204382	0.88
30001	40000	31	0.23	115235	0.49
40001	50000	38	0.29	182150	0.78
50001	100000	60	0.45	471434	2.02
100001	and above	81	0.61	18380178	78.82
<b>TOTAL</b>		<b>13344</b>	<b>100.00</b>	<b>23319861</b>	<b>100.00</b>

**10. Dematerialisation of Shares:-**

The trading in Company's shares is permitted only in dematerialised form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the Company has enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

**Share Dematerialisation record:** The following data indicates the extent of Dematerialisation of Company's shares as on 31<sup>st</sup> March, 2009.

No. of Shares	<b>17209386</b>	73.80% of the total share capital
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**11. Plant Locations of the Company**

136 KM, G.T.Road, Karnal 132 001(Haryana), Tel. : 01745-242901-03, Fax : 01745-242900

**12. Investors Correspondence:-**

All queries of investors regarding the Company's shares in Physical / D'mat form may be sent at the following addresses:

i) Modern Dairies Limited  
 SCO 98-99, Sub City Centre,  
 Sector 34, Chandigarh-160 022.  
 Tel.:0172-2609001,2609002,2609003  
 Fax.: 0172- 2609000  
 E-mail: secretarial@milklplus.com  
 Company's Website: www.milklplus.com

ii) M/s. MCS Limited  
 F-65, 1st Floor, Okhla Industrial Area  
 Phase-I, New Delhi 110 020  
 Tel.No. : 91-11-41406149  
 Fax No.: 91-11-41709881  
 E-mail : admin@mcsdel.com  
 Website : www.mcsdel.com



## MODERN DAIRIES LIMITED

**Declaration under Clause 49 I (D) (ii) by the Executive Director, of affirmation by the Board of Directors and Senior Management of compliance with code of conduct.**

The Shareholders,

I, Krishan Kumar Goyal, Chairman & Managing Director of the Company do hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board of Directors, as applicable to the Board of Directors and Senior Management of the Company.

Place : Chandigarh  
Date : 1<sup>st</sup> September, 2009

Sd/-  
Krishan Kumar Goyal  
Chairman & Managing Director

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,  
**The Members**  
**Modern Dairies Limited**

We have examined the compliance of conditions of Corporate Governance by Modern Dairies Limited for the financial year ended on 31<sup>st</sup> March, 2009 as stipulated in Clause 49 of the Listing Agreement of the Company entered with Stock Exchange(s).

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statement 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 conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no Investor Grievance was pending for a period exceeding one month against the Company as per the record maintained and produced before us by the Company.

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

**FOR SHARMA SARIN & ASSOCIATES**  
Company Secretaries

Place : Chandigarh  
Date : 1<sup>st</sup> September, 2009

**P.D. SHARMA**  
Partner

**AUDITORS' REPORT**

To  
The Members of Modern Dairies Limited

1. We have audited the attached Balance Sheet of Modern Dairies Limited ("the Company") as at March 31, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on March 31,

2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and 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 March 31, 2009;
  - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
  - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

S. R. BATLIBOI & Co.  
Chartered Accountants

**Per Rajiv Goyal**  
Partner

Place: Gurgaon  
Date: 1<sup>st</sup> September, 2009

M.No.: 94549

**Annexure referred to in paragraph 3 of our report of even date**

Re: Modern Dairies Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are 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 and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register

maintained under section 301 of the Companies Act, 1956 and hence clause 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (b) The Company had taken loan from its directors, their relatives and companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.115,737,418 and the year-end balance of loans taken from such parties was Rs.17,548,839.
- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (d) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interests have been regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The Company is not in the business of sale of services.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has

been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delays in a few cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Haryana Murrah Buffalo and Other Milch Animal Breed (Presentation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001	Milk Cess	46,833,333	2001-02 to 2008-09	Honorable High Court of Punjab and Haryana

- (x) The Company's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. *The Company has incurred cash losses in the current year but did not incur cash losses in the immediately preceding financial year.*
- (xi) Based on our audit procedures and as per the information and explanations given by the

management, the Company has no outstanding dues in respect of a financial institution and has not issued any debentures. *The Company has defaulted in repayment of principal amount dues to banks; period and amount of default are as follows:*

Amount of Default (Rs.)	Due Date	Actual payment Date	Period (No. of delay days)
15,400,000	May 31, 2008	July 09, 2008	40
7,800,000	May 31, 2008	July 11, 2008	42
4,500,000	May 31, 2008	July 19, 2008	50
5,830,000	May 31, 2008	July 19, 2008	50
7,800,000	August 31, 2008	September 02, 2008	3
15,400,000	November 30, 2008	March 03, 2009	94
7,800,000	November 30, 2008	March 31, 2009	122
10,330,000	November 30, 2008	Till March 24, 2009 (Refer below)	114
33,530,000	February 28, 2009	Till March 24, 2009 (Refer below)	25

A Corporate Debt Restructuring Scheme has been approved on March 24, 2009 in which the installments on existing term loans have been rescheduled and now repayable in future periods. Thus the unpaid installment of Rs.43,860,000, which has not been paid as yet, has been regularized due to the said reschedulement.

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and

explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an 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 investment.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

S. R. BATLIBOI & Co.  
Chartered Accountants

**Per Rajiv Goyal**  
Partner

Place: Gurgaon  
Date: 1<sup>st</sup> September, 2009

M.No.: 94549



# MODERN DAIRIES LIMITED

## BALANCE SHEET AS AT MARCH 31, 2009

Schedule	As at March 31, 2009 [Amount in Rs.000's]	As at March 31, 2008 [Amount in Rs.000's]
<b>I SOURCES OF FUNDS</b>		
<b>1 Shareholders' Funds</b>		
a) Share Capital	I 23,35,89	17,54,52
b) Share Warrant Money (Refer note 7 in Schedule XVI)	1,48,74	2,43,00
c) Reserves & Surplus	II 30,98,42	11,24,89
<b>2 Loan Funds</b>		
a) Secured Loans	III 1,02,01,66	1,12,30,31
b) Unsecured Loans	IV 3,40,78	1,05,42,44
		21,27,21
1,33,57,52		
<b>3 Deferred Tax Liability (net)</b> (Refer note 13 in Schedule XVI)		
	-	6,80,47
<b>Total</b>	<b>1,61,25,49</b>	<b>1,71,60,40</b>
<b>II APPLICATION OF FUNDS</b>		
<b>1. Fixed Assets</b>		
a) Gross Block	VA 1,38,41,81	1,20,82,45
b) Less: Accumulated Depreciation	27,21,81	19,83,22
c) Net Block	1,11,20,00	1,00,99,23
d) Capital Work-in-Progress	2,22,96	9,29,53
	1,13,42,96	1,10,28,76
<b>2 Intangibles</b>		
	VB 49	86
<b>3 Investments</b>		
	VI 62,46	38,15
<b>4 Current Assets, Loans &amp; Advances</b>		
a) Inventories	VII 29,01,51	50,16,80
b) Sundry Debtors	21,74,27	28,87,94
c) Cash & Bank Balances	64,32	1,17,33
d) Loans & Advances	9,40,66	13,82,32
Less:	60,80,76	94,04,39
<b>5 Liabilities &amp; Provisions</b>		
a) Current Liabilities	VIII 18,09,61	28,76,02
b) Provisions	10,51,69	4,35,74
	28,61,30	33,11,76
Net Current Assets	VII - VIII 32,19,46	60,92,63
<b>Profit and Loss Account (Debit Balance)</b>	<b>15,00,12</b>	-
<b>Total</b>	<b>1,61,25,49</b>	<b>1,71,60,40</b>
<b>Notes to Accounts</b>		
XVI		

Schedules referred to above and notes to accounts form an integral part of the Financial Statements

As per our report of even date

S.R.Batliloi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**Per Rajiv Goyal**  
Partner  
Membership No.:94549  
Place: Gurgaon  
Dated : 1<sup>st</sup> September, 2009

**Krishan Kumar Goyal**  
Chairman & MD

**Satish Kapoor**  
Director

**Mukesh Sehgal**  
General Manager (Corporate Finance)

**Anubha Garg**  
Company Secretary



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule	For the year ended March 31, 2009 <small>[Amount in Rs.000's]</small>	For the year ended March 31, 2008 <small>[Amount in Rs.000's]</small>
<b>INCOME</b>			
Turnover (Gross)			
Sales and Service Income	IX	4,57,64,81	4,05,70,79
Less : Excise Duty on Sales (Refer Note 17 in Schedule XVI)		<u>57,22</u>	<u>2,25,90</u>
Turnover (Net)		4,57,07,59	4,03,44,89
Other Income	X	<u>2,75,70</u>	<u>10,14,77</u>
<b>Total</b>		<b><u>4,59,83,29</u></b>	<b><u>4,13,59,66</u></b>
Material Cost	XI	3,90,29,94	3,63,88,12
Personnel Expenses	XII	6,27,98	5,13,62
Operating and other expenses	XIII	55,21,92	35,52,88
Financial Expenses	XIV	12,08,14	12,14,18
(Increase)/Decrease in Stock	XV	19,59,03	(19,34,51)
Depreciation		7,43,07	5,64,46
Amortisation		<u>37</u>	<u>1,14</u>
<b>Total</b>		<b><u>4,90,90,45</u></b>	<b><u>4,02,99,89</u></b>
<b>Profit/(Loss) before tax</b>		<b>(31,07,16)</b>	<b>10,59,77</b>
Provision for Taxation			
Current Tax [Minimum Alternate Tax (MAT)]		-	1,20,06
Less: MAT Credit Entitlement		-	(1,05,97)
MAT Credit Entitlement Written off		1,42,71	-
Income Tax for Earlier Years		17,79	(7,79)
Deferred Tax Charge/(Credit)		(6,80,47)	3,79,23
Fringe Benefit Tax		12,00	14,49
Fringe Benefit Tax for Earlier Years		<u>82</u>	<u>-</u>
Net Profit/(Loss)		<u>(26,00,01)</u>	<u>6,59,75</u>
Balance brought forward from previous year		10,99,89	13,15,45
Less : Transferred for Bonus Issue		-	8,75,31
Balance carried to Balance Sheet		<u>(15,00,12)</u>	<u>10,99,89</u>
Weighted Average Number of Equity Shares outstanding during the year		2,17,11	1,75,00
Profit/(Loss) for Calculation of Earnings/(Loss) Per Share after tax (Rs.)		<u>(26,00,01)</u>	<u>6,59,75</u>
Nominal Value per Equity Share (Rs.)		10	10
Basic Earning/ (Loss) per share (Nominal value per share Rs. 10) (Refer Note 10 in Schedule XVI)		<u>(11.98)</u>	<u>3.77</u>
Dilluted earning/ (Loss) per share (Nominal value per share Rs. 10) (Refer Note 10 in Schedule XVI)		<u>(11.98)</u>	<u>3.77</u>
<b>Notes to Accounts</b>	<b>XVI</b>		
Schedules referred to above and notes to accounts form an integral part of the Financial Statements			
As per our report of even date			
S.R.Batliboi & Co. Chartered Accountants		For and on behalf of the Board of Directors	
<b>Per Rajiv Goyal</b> Partner Membership No.:94549 Place: Gurgaon Dated : 1 <sup>st</sup> September, 2009	<b>Krishan Kumar Goyal</b> Chairman & MD	<b>Satish Kapoor</b> Director	
	<b>Mukesh Sehgal</b> General Manager (Corporate Finance)	<b>Anubha Garg</b> Company Secretary	



# MODERN DAIRIES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

As at 31st March, 2009  
[Amount in Rs.000's]

As at 31st March, 2008  
[Amount in Rs.000's]

<b>A. Cash Flow from Operating Activities</b>		
Profit/(Loss) before tax	(31,07,16)	10,59,77
Adjustments for:		
Depreciation/Amortisation	7,43,44	5,65,60
Loss/(Profit) on Sale/Discard of Fixed Assets	2,58	4,62
Provision for Loss on Derivative Contracts	6,49,85	-
Interest Expenses	11,25,83	11,50,11
Dividend Income	(65)	(10)
Diminution on Investment	22,95	-
Interest Income	(2,27)	(3,76)
	<u>25,41,73</u>	<u>17,16,47</u>
Operating profit before Working Capital Changes	<u>(5,65,43)</u>	<u>27,76,24</u>
Adjustments for:		
(Increase) / Decrease in Inventories	21,15,29	(23,25,49)
(Increase) / Decrease in Sundry Debtors	7,13,67	(5,66,82)
(Increase) / Decrease in Loans and Advances	4,41,66	(6,34,82)
Increase / (Decrease) in Current Liabilities and Provision	(11,86,97)	11,50,14
	<u>20,83,65</u>	<u>(23,76,99)</u>
Cash from / (used in) Operations	15,18,22	3,99,25
Direct Taxes (Refund) / Paid	74,37	(14,69)
<b>Net Cash from / (used in) Operating Activities</b>	<u>14,43,85</u>	<u>4,13,94</u>
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(10,62,40)	(18,27,77)
Dividend received	65	10
Interest received	2,27	3,76
Fixed Deposit Matured/(Taken)	10,59	-
Proceeds from Sale of Fixed Assets	2,55	2,50
Purchase of Current Investment	(47,26)	(10,00)
<b>Net Cash from / (used in) Investing Activities</b>	<u>(10,93,60)</u>	<u>(18,31,41)</u>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Equity Shares	34,82,75	2,43,00
Share Issues Expenses	77,78	-
Repayment of Term Loan	(9,19,33)	(4,35,73)
Proceeds from Corporate Loan	11,19,61	-
Repayment of Cash/Export Credit Facilities	(12,25,80)	29,68,90
Repayment of Unsecured Loan	(17,86,43)	(4,59,36)
Interest Paid	(11,26,27)	(11,46,97)
<b>Net Cash from / (used in) Financing Activities</b>	<u>(3,77,69)</u>	<u>11,69,84</u>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<u>(27,44)</u>	<u>(2,47,63)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>38,47</u>	<u>2,86,10</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>11,03</u>	<u>38,47</u>
<b>Components of cash and cash equivalents</b>		
Cash on hand	16,40	11,28
<b>Balances with Scheduled Banks</b>		
In Current Accounts	16,53	64,07
In Book Overdraft	(21,90)	(36,88)
On fixed deposit accounts	31,39	41,98
	<u>42,42</u>	<u>80,45</u>
Less: Fixed deposits not considered as cash equivalents	<u>31,39</u>	<u>41,98</u>
<b>Cash &amp; Cash Equivalents in Cash Flow Statement:</b>	<u>11,03</u>	<u>38,47</u>

a) Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard -3 on Cash Flow Statements notified by Companies (Accounting Standards) Rules, 2006 (as amended)

b) Negative figures have been shown in brackets.

As Per our report of even date  
S.R.Batilboi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**Per Rajiv Goyal**  
Partner  
Membership No.:94549  
Place: Gurgaon  
Dated : 1<sup>st</sup> September, 2009

**Krishan Kumar Goyal**  
Chairman & MD

**Satish Kapoor**  
Director

**Mukesh Sehgal**  
General Manager (Corporate Finance)

**Anubha Garg**  
Company Secretary

## SCHEDULES TO THE FINANCIAL STATEMENTS

### SCHEDULE : I

#### SHARE CAPITAL

	As at March 31, 2009 [Amount in Rs.000's]	As at March 31, 2008 [Amount in Rs.000's]
<b>Authorised</b>		
3,00,00,000 (Previous Year 3,00,00,000) Equity Share of Rs.10 each.	<u>30,00,00</u>	<u>30,00,00</u>
<b>Issued and Subscribed</b>		
2,33,96,761 (Previous Year 17,58,31,000) Equity Share of Rs. 10 each fully paid up	<u>23,39,68</u>	<u>17,58,31</u>
<b>Paid Up</b>		
2,33,19,861 (Previous Year 1,75,06,200) Equity Share of Rs. 10 each fully paid up	23,31,99	17,50,62
Out of the above: [87,53,100 (Previous Year 87,53,100) Equity Shares allotted as fully paid up Bonus Shares by capitalisation out of Accumulated Profit and Loss Account]		
Add : Forfeited Shares (Amount Paid Up) [76,900 (Previous Year 76,900) Partly Paid Equity Shares of Rs.10 each forfeited on October 23, 2000]	3,90	3,90
	<u>23,35,89</u>	<u>17,54,52</u>

### SCHEDULE : II

#### RESERVES & SURPLUS

	As at March 31, 2009 [Amount in Rs.000's]	As at March 31, 2008 [Amount in Rs.000's]
Capital Subsidy	25,00	25,00
Securities Premium Account		
Amount as per last Balance Sheet	-	-
Add: Premium on Issue of Equity Shares on Conversion of Share Warrants into Equity Shares to Promoters and Promoters Group Companies (Refer Note 7 of Schedule XVI)	8,26,20	-
Add: Premium on Issue of Equity Shares to International Finance Corporation	<u>23,25,00</u>	-
	31,51,20	-
Less: Share Issue Expenses	<u>(77,78)</u>	-
	30,73,42	-
Profit and Loss Account	-	10,99,89
	<u>30,98,42</u>	<u>11,24,89</u>

**SCHEDULE : III**
**SECURED LOANS**

	As at March 31, 2009 [Amount in Rs.000's]	As at March 31, 2008 [Amount in Rs.000's]
<b>Loans and advances from banks</b>		
- Term Loans	44,30,72	53,50,05
- Interest Accrued and Due on Term Loan	-	3,13
- Corporate Loan	11,19,61	-
- Cash/Export Credit Facilities	46,51,33	58,77,13
	<u>1,02,01,66</u>	<u>1,12,30,31</u>

**NOTES:**

1. Term Loan of Rs.44,30,72 thousands (Previous Year Rs.53,50,05 thousands) from Banks are secured by way of equitable mortgage of Fixed Assets, present and future including Land & Building of the Company on first pari-passu basis and is also guaranteed by Managing Director of the Company.
2. Corporate loan of Rs.11,19,61 thousands (Previous Year Rs.Nil) is sanctioned by the consortium of banks at the end of the year as a part of Corporate Debt Restructuring scheme as mentioned in Note 14 of Schedule XVI. As per scheme, it is to be secured by way of mortgage and charge of immovable and movable assets both present and future. It is also to be secured by way to a charge/assignment on all bank accounts. Further it is to be secured by way of pledge of promoter's shares after obtaining approval from International Finance Corporation. The Company is under progress to create such charges.
3. Cash/Export Credit Loans of Rs.46,51,33 thousands (Previous Year Rs.58,77,13 thousands) from Banks is secured by way of hypothecation of current assets of the Company consisting of raw material, stock in process, finished goods, stores & spares, goods in transit, receivables and any other security acceptable on pari passu. It is also secured by equitable mortgage of fixed assets including land and building of the Company on pari-passu basis with other banks. It is also guaranteed by Managing Director of the Company.
4. Refer Note 14 of Schedule XVI for details regarding Corporate Debt Restructuring Scheme.

**SCHEDULE : IV**
**UNSECURED LOANS**

	As at March 31, 2009 [Amount in Rs.000's]	As at March 31, 2008 [Amount in Rs.000's]
Fixed Deposit (from relative of directors and related entities) (Due within one year Rs.Nil (Previous Year Rs.Nil))	53,99	49,68
<b>Other Loans and Advances (other than Banks)</b>		
- Directors [Due within one year Rs.Nil (Previous Year Rs.Nil)]	1,19,06	1,83,96
- Interest Free Loan from Director of Industries, Haryana [Due within one year Rs.Nil (Previous Year Rs.3,26,06 thousands)]	-	3,26,06
- From Others [Due within one year Rs.Nil (Previous Year Rs.Nil)]	1,67,73	15,67,51
	<u>3,40,78</u>	<u>21,27,21</u>

**SCHEDULE : VA****FIXED ASSETS**

[Amount in Rs.000's]

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1-Apr-08	Additions	Deductions/ Adjustments	As at 31-Mar-09	As at 1-Apr-08	For the Year	Deductions/ Adjustments	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08
Land - Freehold	1,89,93	-	-	1,89,93	-	-	-	-	1,89,93	1,89,93
Land - Leasehold	-	1,74,24	-	1,74,24	-	1,76	-	1,76	1,72,48	-
Building	17,49,97	24,48	-	17,74,45	1,86,24	57,56	-	2,43,80	15,30,65	15,63,73
Plant & Machinery	99,99,95	15,57,17	9,06	1,15,48,06	17,47,15	6,69,20	4,28	24,12,07	91,35,99	82,52,80
Furniture & Fittings (Including Office Equipments)	70,24	9,50	55	79,19	24,32	7,78	20	31,90	47,29	45,92
Vehicle	72,36	3,58	-	75,94	25,51	6,77	-	32,28	43,66	46,85
<b>TOTAL (A)</b>	1,20,82,45	17,68,97	9,61	1,38,41,81	19,83,22	7,43,07	4,48	27,21,81	1,11,20,00	1,00,99,23
Previous Year	1,02,47,76	18,50,34	15,65	1,20,82,45	14,27,28	5,64,46	8,52	19,83,22	1,00,99,23	88,20,48
Capital Work- in -Progress [including capital advances unsecured, considered good of Rs.754 thousands (Previous Year Rs.Nil)]	9,29,53	8,91,96	15,98,53	2,22,96	-	-	-	-	2,22,96	9,29,53

**SCHEDULE : VB****INTANGIBLE ASSETS**

[Amount in Rs.000's]

PARTICULARS	GROSS BLOCK				AMORTISATION				NET BLOCK	
	As at 1-Apr-08	Additions	Deductions/ Adjustments	As at 31-Mar-09	As at 1-Apr-08	For the Year	Deductions/ Adjustments	As at 31-Mar-09	As at 31-Mar-09	As at 31-Mar-08
Computer Software	6,86	-	-	6,86	6,00	37	-	6,37	49	86
<b>TOTAL (A)</b>	6,86	-	-	6,86	6,00	37	-	6,37	49	86
Previous Year	6,86	-	-	6,86	4,86	1,14	-	6,00	86	2,01

**SCHEDULE : VI**
**INVESTMENTS**
**Current Investments (At lower of cost or market value) (Other than trade)**

Particulars	[Amount in Rs.000's]	
	March 31, 2009	March 31, 2008
<b>Investment In Equity Shares (Quoted)</b>		
<b>Infosys Technologies Limited</b> (2500 Equity Shares (Previous Year 500) of Rs.5 each fully paid up)	33,34	7,83
<b>ICICI Bank Limited</b> (5000 Equity Shares (Previous Year Nil) of Rs.10 each fully paid up)	21,75	-
<b>Vardhman Textiles Limited</b> (2000 Equity Shares (Previous Year 2000) of Rs.10 each fully paid up)	7,26	7,26
<b>Thermax Limited</b> (1500 Equity Shares (Previous Year 1500) of Rs.10 each fully paid up)	4,77	4,77
<b>Vardhman Holdings Limited</b> (3320 Equity Shares (Previous Year 3320) of Rs.10 each fully paid up)	7,53	7,53
<b>Units of Mutual Fund (Quoted)</b>		
<b>Principal PNB Long Term Equity Fund</b> (100000 Units (Previous Year 100000) in 3 Year Plan Series II Growth Plan)	10,00	10,00
	<b>84,65</b>	<b>37,39</b>
Less: Provision for diminution	22,95	-
	<b>61,70</b>	<b>37,39</b>
<b>Investment In Equity Shares (Un-Quoted)</b>		
<b>Aricent Technologies ( Holdings ) Limited</b> (formerly Flextronics Software Systems Ltd ) (1069 Equity Shares (Previous Year 1069) of Rs.10 each fully paid up)	76	76
	<b>62,46</b>	<b>38,15</b>

Aggregate amount of quoted investments [Amount in Rs.000's]

**84,65**
**37,39**

Market value of quoted investment [Amount in Rs.000's]

**61,70**
**36,00**

Aggregate amount of unquoted investments [Amount in Rs.000's]

**76**
**76**

The following investments were purchased during the year

Particulars	Face Value (Rs.)	Cost (in Rs.000's)
2000 Equity Shares of Infosys Technologies Limited	5	25,51
5000 Equity Shares of ICICI Bank Limited	10	21,75

**SCHEDULE : VII**

**CURRENT ASSETS, LOANS & ADVANCES**

	As at <b>March 31, 2009</b> [Amount in Rs.000's]	As at <b>March 31, 2008</b> [Amount in Rs.000's]
<b>a) Inventories (Lower of Cost or Net Realisable Value whichever is lower)</b>		
Raw Materials	45,08	1,55,47
Work in Progress	1,14,92	1,37,37
Finished Goods [including Stock in Transit Rs.2,59,52 thousands (Previous Year Rs.Nil)]	22,57,96	42,29,61
Stores and Spare Parts	3,65,56	3,45,42
Packing Materials	1,17,99	1,48,93
	<b>29,01,51</b>	<b>50,16,80</b>
<b>b) Sundry Debtors</b>		
(Unsecured)		
i. Debts outstanding for a period exceeding six months :		
- Considered Good	55	35,15
- Considered Doubtful	27,68	-
ii. Other Debts:		
- Considered Good	21,73,71	28,52,79
	<b>22,01,94</b>	<b>28,87,94</b>
Less: Provision for Doubtful Debts	27,67	-
	<b>21,74,27</b>	<b>28,87,94</b>
<b>c) Cash and Bank Balances</b>		
Cash on Hand	16,40	11,28
Bank Balances with Scheduled Banks		
i) On Current Accounts	16,53	64,07
ii) On Fixed Deposits*	31,39	41,98
	<b>64,32</b>	<b>1,17,33</b>
* Fixed deposits of Rs.31,39 thousands (Previous Year Rs.41,98 thousands) are pledged with various Government Authorities		
<b>d) Loans &amp; Advances</b>		
(Unsecured, Considered Good)		
Advance Recoverable in Cash or in Kind or for value to be received (Refer Note 14(b) and 18 of Schedule XVI)	6,60,70	10,53,62
Security Deposits	49,81	46,93
Balances with Excise and Customs	2,27,23	1,38,19
Minimum Alternate Tax Credit Receivable	-	1,42,71
Advance Tax	2,92	87
	<b>9,40,66</b>	<b>13,82,32</b>
<b>Total Current Assets, Loans &amp; Advances</b>	<b>60,80,76</b>	<b>94,04,39</b>



# MODERN DAIRIES LIMITED

## SCHEDULE : VIII

### CURRENT LIABILITIES AND PROVISIONS

	As at March 31, 2009 [Amount in Rs. 000's]	As at March 31, 2008 [Amount in Rs. 000's]
<b>Current Liabilities #</b>		
Sundry Creditors for Goods, Services and Others		
-Total Outstanding Dues of Micro and Small Enterprises (Refer note 12 of Schedule XVI)	7,17	97
-Total Outstanding Dues of Creditors other than Micro and Small Enterprises	15,87,01	24,43,58
Interest accrued but not due on loans	2,69	-
Security Deposits	28,06	23,30
Advance from Customers	7,16	1,78,90
Book Overdraft	21,90	36,88
Other Liabilities	1,55,62	1,92,39
	<u>18,09,61</u>	<u>28,76,02</u>
# There is no amount payable to investor education and protection fund		
<b>Provisions</b>		
Gratuity (Refer Note 20 in Schedule XVI)	48,09	38,23
Income Tax [Net of advance payments of Rs.Nil (Previous Year Rs.Nil)]	-	42,26
Fringe Benefit Tax [Net of advance payments of Rs.Nil (Previous Year Rs.12,50 thousands)]	-	1,50
Derivative Contracts	6,49,85	-
Contingent Liabilities (Refer Note 4 in Schedule XVI)	3,53,75	3,53,75
	<u>10,51,69</u>	<u>4,35,74</u>
Total Current Liabilities and Provisions	<u>28,61,30</u>	<u>33,11,76</u>

## SCHEDULE : IX

### SALES AND SERVICE INCOME

	Year ended March 31, 2009 [Amount in Rs. 000's]	Year ended March 31, 2008 [Amount in Rs. 000's]
Sale of Milk and Milk Products	4,57,64,81	4,00,54,43
Job Processing Income	-	5,16,36
	<u>4,57,64,81</u>	<u>4,05,70,79</u>



## SCHEDULE : X

OTHER INCOME	Year ended March 31, 2009 [Amount in Rs.000's]	Year ended March 31, 2008 [Amount in Rs. 000's]
Dividend Income on Current Investment - Non Trade	65	10
Interest from Fixed Deposit (gross) [Tax deducted at source Rs 46 thousands (Previous Year Rs. 1,31 thousands)]	2,27	3,76
Export Benefits under Export Incentive Schemes	2,41,06	9,90,98
Miscellaneous Income	31,72	19,93
	<u>2,75,70</u>	<u>10,14,77</u>

## SCHEDULE : XI

MATERIAL COST	Year ended March 31, 2009 [Amount in Rs.000's]	Year ended March 31, 2008 [Amount in Rs. 000's]
Consumption of Raw Materials	3,79,81,64	3,53,44,50
Consumption of Packing Materials	10,48,30	10,43,62
	<u>3,90,29,94</u>	<u>3,63,88,12</u>

## SCHEDULE : XII

### PERSONNEL EXPENSES

	Year ended March 31, 2009 [Amount in Rs.000's]	Year ended March 31, 2008 [Amount in Rs. 000's]
Salaries Wages and Bonus*	5,92,76	4,82,83
Contribution to Provident and Other Funds**	21,07	18,83
Gratuity Expenses (Refer Note 20 of Schedule XVI)	11,37	8,08
Workmen and Staff Welfare Expenses	2,78	3,88
	<u>6,27,98</u>	<u>5,13,62</u>

\* Rs.Nil (Previous year Rs.25,00 thousands) transferred to preoperative expenses  
(Refer Note 6 of Schedule XVI)

\*\* Rs.Nil (Previous year Rs.88 thousands) transferred to preoperative expenses  
(Refer Note 6 of Schedule XVI)

**SCHEDULE : XIII**
**OPERATING AND OTHER EXPENSES**

	Year ended March 31, 2009 [Amount in Rs.000's]	Year ended March 31, 2008 [Amount in Rs. 000's]
Consumption of Stores and Spare Parts	6,53,63	5,33,91
Power & Fuel	18,96,59	17,55,59
Travelling & Conveyance	95,34	1,00,17
Rent	8,72	6,40
Insurance	37,83	25,40
Legal and Professional Fees	62,97	93,37
Rates and Taxes	6,06	10,80
Payment to Auditors		
As Auditor:		
- Audit Fee	15,00	3,00
- Tax Audit Fee	1,00	50
- Out of Pocket Expenses	57	1,18
As Advisor in respect of:		
- Taxation Matters	-	50
In Other Manner		
- Certification Fee	-	42
Repair & Maintenance		
- Building	24,80	15,84
- Plant & Machinery	50,26	35,86
- Others	2,06	4,36
Loss on Sale/write off of Fixed Assets	2,58	4,62
Provision for doubtful debts	27,67	-
Commission on Sales (other than sole selling agent)	64,31	85,88
Exchange Difference	12,31,30	1,25,86
Provision for Loss on Derivative Contracts	6,49,85	-
Freight and Forwarding Charges	2,96,82	4,13,69
Provision for Diminution of Current Investment - Non Trade	22,95	-
Miscellaneous Expenses	3,71,61	3,35,53
	<u>55,21,92</u>	<u>35,52,88</u>

Note: Following expenses have been transferred to preoperative expenses (Refer Note 6 of Schedule XVI)

- Power and Fuel Rs.Nil (Previous year Rs.13,74 thousands)
- Insurance Rs.Nil (Previous year Rs.6,00 thousands)
- Travel & Conveyance Rs.Nil (Previous year Rs.10,00 thousands)
- Miscellaneous Rs.Nil (Previous year Rs.12,60 thousands)

## SCHEDULE : XIV

### FINANCIAL EXPENSES

	Year ended March 31, 2009 <small>[Amount in Rs.000's]</small>	Year ended March 31, 2008 <small>[Amount in Rs. 000's]</small>
<b>Interest</b>		
- On Term Loan*	5,28,21	5,69,69
- On Banks	5,53,49	4,53,73
- On others [including Rs.44,13 thousands (previous year Rs.1,26,69 thousands) paid to directors, relatives of directors and related entities]	44,13	1,26,69
<b>Bank Charges</b>	<u>82,31</u>	<u>64,07</u>
	<u>12,08,14</u>	<u>12,14,18</u>

\* Rs.36,45 thousands (Previous year Rs.1,09,58 thousands) transferred to preoperative expenses  
(Refer Note 6 of Schedule XVI)

## SCHEDULE : XV

### (INCREASE)/DECREASE IN STOCK

	Year ended March 31, 2009 <small>[Amount in Rs.000's]</small>	Year ended March 31, 2008 <small>[Amount in Rs. 000's]</small>
<b>Opening Stock</b>		
Finished Goods	42,29,61	23,61,43
Work in Progress	<u>1,37,37</u>	<u>31,35</u>
	43,66,98	23,92,78
<b>Closing Stock</b>		
Finished Goods	22,57,96	42,29,61
Work in Progress	<u>1,14,92</u>	<u>1,37,37</u>
(Increase)/ Decrease in Stock	<u>23,72,88</u>	43,66,98
(Increase)/ Decrease in Excise Duty on Change in Stocks (Refer Note 17 in Schedule XVI)	(35,07)	39,69
Net (Increase)/ Decrease in Stock	<u>19,59,03</u>	<u>(19,34,51)</u>

**SCHEDULE XVI****NOTES TO ACCOUNTS****1. Nature of operations**

Modern Dairies Limited ["the Company"] was incorporated in 1992 and is primarily engaged in the business of manufacturing/processing of milk and milk products like casein, lactose, skimmed milk powder, cheese, butter, pure ghee, etc.

**2. Significant Accounting Policies****a) Basis of preparation**

The financial statements have been prepared to comply in all material respects with the notified accounting standard by Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

**b) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**c) Fixed Assets and Depreciation**

Fixed Assets are stated at cost of acquisition (or revalued amounts, as the case may be) and includes other incidental expenses, less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost such as duties [net of CENVAT, if applicable], freight, erection and commissioning and installation expenses incurred in bringing the assets to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, which correspond to the rates prescribed under schedule XIV of the Companies Act, 1956.

**d) Intangibles and Amortization**

Computer Software is amortized using the straight line method over a period of four years.

**e) Impairment of Fixed Assets**

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever 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. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**f) Leases*****Where the Company is the lessee***

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial

direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**g) Security Issue Expenses**

Expenses incurred on issue of securities are charged to Securities Premium Account.

**h) Government grants and subsidies**

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as a part of shareholders' funds.

**i) Inventories**

Inventories are valued as follows:

**Raw materials:** Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on FIFO basis.

**Packing Materials, Stores and Spare parts:** Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on FIFO basis.

**Work-in-progress and finished goods:** Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on monthly weighted average basis.

**By-Products:** At net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

**j) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**k) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

*Sale of Goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. It includes excise duty wherever applicable but excludes value added tax/sales tax and are net of returns. Excise duty shown as deduction from revenue is the amount that is included in the amount of revenue and not the entire amount of liability that arose during the year.

*Interest*

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend on investments is recognized when the right to receive the same is established.

*Export Benefit*

Export benefits under the duty exemption pass book scheme and other schemes are accounted for in the year of export of goods.

*Job Processing Income*

Job processing income is accounted for at the time of completion of the processing.

**l) Foreign Exchange Transactions***Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

*Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

*Exchange Differences*

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

Exchange differences on foreign currency transactions relating to fixed assets acquired from a country outside India have been adjusted to revenue. However, exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing on or after December 7, 2006 are capitalized as a part of fixed asset.

*Forward Exchange Contracts not intended for trading or speculation purposes.*

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**m) Retirement Benefits****Provident Fund**

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund.

**Gratuity**

Gratuity liability are defined benefit obligations made at the end of each financial year and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

**n) Income Tax**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable

income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

#### **o) Segment Reporting Policies**

##### *Identification of primary segments:*

The Company is primarily in the business of manufacturing/processing of milk and milk products like casein, lactose, skimmed milk powder, cheese, butter, pure ghee etc., All these products have similar risks and returns because of similar nature of products, common consumer segments and similar production processes. Thus, it operates in a single Primary Segment.

##### *Secondary Segment Reporting (by Geographical Segments)*

The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

#### **p) Derivative Instruments**

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

#### **q) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

**r) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**s) Cash Flow Statements**

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**3. A. Contingent Liabilities**

The Company has estimated Contingent Liabilities in respect of show-cause notices/demands received from Government Authorities and others in respect of the following:

**[Amount in Rs.000's]**

<b>Nature of Contingent Liability</b>	<b>As at 31st March, 2009</b>	<b>As at 31st March, 2008</b>
a) Milk Cess	<b>3,37,50</b>	3,20,63
b) Excise Duty	<b>77,21</b>	77,21
c) Claims not acknowledged as debts	<b>38,15</b>	40,02
d) Bank Guarantee	<b>4,55</b>	1,01,00

**(a) Milk Cess**

As per 'The Haryana Murrah Buffalo and Other Milch Animal Breed (Presentation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001', every milk processing company is liable to pay milk cess not exceeding fifteen paise per litre on registered capacity of a milk plant under Milk and Milk Product Order, 1992. Accordingly Haryana State Government imposed; vide its notification no.6388-AH-4-2001/16142 dated September 09, 2001, milk cess of ten paise per litre on the registered capacity.

In 2001, the Company filed a writ petition before Honorable High Court of Punjab and Haryana challenging the imposition of such cess as against the Constitution of India. The Honorable High Court of Punjab and Haryana issued a stay order dated July 09, 2004 on such imposition and directed the Company to continue to pay 1/3rd of the total milk cess amount to the State Government on registered capacity till the final outcome of the case. The final outcome of such petition is pending till date. In 2004, a similar cess levied in the state of Punjab by the Government of Punjab under the Punjab Dairy Development Board Ordinance 2000, was upheld unconstitutional by the Honorable Supreme Court of India.

Till 2004-05, the Company had provided milk cess amounting to Rs.3,53,75 thousands (Previous Year Rs.3,53,75 thousands) in the books of account (refer Note 4 below). Thus subsequent to 2004-05, based upon this order of the Honorable Supreme Court, the stay order from the honorable High Court of Punjab and Haryana and as per the legal advice obtained by the Company, the Company discontinued the provision of milk cess in the books of account as it believes, that the chances of cess being levied on the Company for the period after the year 2004- 2005 of Rs.3,37,50 thousands are remote and hence no provision against thereof is considered necessary at this point in time.



**(b) Excise Duty**

In the year 2005-06, the Company had availed Cenvat credit of Rs.77,21 thousands (Previous Year Rs.77,21 thousands) on certain steel and other similar items (i.e. 'supporting goods') as inputs used in fabrication of storage tanks other structures. As per the Excise Authorities, this credit of Rs.77,21 thousands pertains to inputs used in fabrication of milk storage tanks and other supporting structures of storage tanks and has therefore denied all the aforesaid credit on the ground that the inputs and goods mentioned above neither qualify as capital goods nor inputs as per cenvat credit Rules, 2004 for manufacture of the final products namely Casein and Lactose.

Based upon the legal advise obtained by the Company, the Management believes that the Company has good chances of winning the case and hence no provision against thereof is considered necessary at this point in time.

**(c) Claims not acknowledge as debts**

An overseas vendor claimed Rs.38,15 thousands (Previous Year Rs.40,02 thousands) for services provided to the Company in respect of capital projects. The Company has alleged that the services provided by the vendors are not as per the agreement and due to which the Company has not been able to achieve the required production efficiency. Based upon the discussion with the vendors the Company is confident no liability would devolve against the Company and hence no provision against thereof is considered necessary at this point in time.

**B. Capital Commitment**

[Amount in Rs.000's]

Nature of Capital Commitment	As at 31st March, 2009	As at 31st March, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	66,16	Nil

**4. Contingencies Provision consist of the following**

[Amount in Rs.000']

Particulars	Opening balance	Additions	Payment	Reversals	Closing balance
Milk Cess [refer Note 3 (a) above]	3,53,75	-	-	-	3,53,75
	(3,53,75)	(-)	(-)	(-)	(3,53,75)

Note: Figures in brackets represent previous year figure

**5. Leases**

For assets taken on Operating Lease

(a) The Company has taken various residential and offices under operating lease agreements. These are generally not 'non-cancelable' and are renewable by mutual consent on mutually agreed terms.

(b) The aggregate lease rentals payable are charged as rent in Schedule XIII.



**6. Details of pre-operative expenses (included in Capital Work in Progress) relating to Fixed Assets are as follows:**

[Amount in Rs.000's]

Particulars	March 31, 2009	March 31, 2008
Opening Balance as per last accounts	75,08	-
Add: Incurred during the year		
Interest on Term Loans	36,45	1,09,58
Salaries Wages and Bonus	-	25,00
Contribution to Provident and Other Funds	-	89
Power & Fuel	-	13,74
Insurance	-	6,00
Travelling & Conveyance	-	10,00
Miscellaneous Expenses	-	12,60
<b>Total</b>	<b>1,11,53</b>	<b>1,77,81</b>
Less: Allocated to Fixed Assets	<b>1,11,53</b>	1,02,73
<b>Total</b>	<b>-</b>	<b>75,08</b>

**7. Conversion of Share Warrants**

On November 29, 2007, the Company had allotted 3000000 convertible share warrants to Promoters and Promoters Group Companies on preferential basis at a price of Rs.81 per share (Face value of Rs.10 each). These warrants were convertible into equivalent number of equity shares within a period of eighteen months from the date of issue i.e. May 29, 2009 subject to receipt of full consideration. The Company had received Rs.8.10 per share warrant at the time of issue of the same.

During the year, Allotment Committee of the Company in its meeting held on July 23, 2008, allotted 1163661 equity shares upon conversion of warrants to promoters and promoter group companies amounting to Rs.9,42,57 thousands.

Subsequent to the year end till the last day of conversion, the Promoters and Promoters Group, have not applied for conversion of remaining share warrants and accordingly the Company has forfeited 1836339 share warrants and Share Warrant Application Money of Rs.1,48,74 thousands.

**8. Preferential Allotment to International Finance Corporation [IFC]**

During the year, the Company has entered into a Subscription Agreement with, International Finance Corporation [IFC] and allotted 4650000 equity shares of Rs.10 each at the price of Rs.60 per share on a preferential basis amounting to Rs.27,90,00 thousands.

**9. Derivative Instruments and Un Hedged Foreign Currency Exposure**

Particulars of Hedged derivatives	Purpose
<b>Forward contract outstanding as at Balance Sheet date:</b>	
<b>Sell (Amount in 000's)</b>	
US\$ 1,00,00	Hedge of future receipts of Rs.50,86,00 thousands (Previous Year Rs Nil) towards export
US\$ (-)	

Particulars of Un hedged foreign Currency Exposure as at the Balance Sheet date	
US\$ 15,30 (US\$ 37,77)	Export Debtors Rs.7,78,06 thousands (Previous Year Rs.14,88,17 thousands)
US\$ 8 (US\$46)	Import Creditors Rs.4,27 thousands (Previous Year Rs.18,05 thousands)
Euro 3 (Euro Nil)	Import Creditors Rs.2,38 thousands (Previous Year Rs. Nil)

Note: Figures in brackets represent previous year figures

## 10. Earning per Share

	Particulars	March 31, 2009	March 31, 2008
i)	<b>Calculation of Weighted Average Number of Equity Shares of Rs.10 each</b>		
	Number of Equity Shares at the beginning of the year	17506200	8753100
	Issue of Bonus Shares	-	8753100
	Fresh Equity Shares issued to IFC	4650000	-
	Issue of Equity Shares on conversion of Share Warrants	1163661	-
	Equity Shares outstanding at the end of the year	23319861	17506200
	Weighted Average number of Equity shares outstanding during the year	21711111	17506200
ii)	Net Profit/(Loss) after tax available for Equity Shareholders (Rs. in thousands )	(26,00,01)	6,59,75
iii)	Basic and Diluted Earning per Share (Rs.)	(11.98)	3.77

## 11. Related Party Disclosures

### A. Names of Related Parties

Enterprises owned or significantly influenced by key management personnel or their relatives

Modern Steels Ltd.  
Chandigarh Finance Pvt. Ltd  
Mala Builders Pvt. Ltd.  
Modern DairyFarms Ltd  
Times Finvest & Commerce Limited (Formerly known as Bhanu Investment & Commerce Ltd.)  
Shree Ganesh Investments & Industries Ltd.  
Smile Finvest Private Limited  
(Formerly known as Smile Estates (P) Ltd)  
Nabha Finance Pvt. Ltd.  
Bharat Forgings Pvt. Ltd.  
PHi Business Solutions Ltd.  
Modern Automotives Ltd.

Key Management Personnel

Mr. Krishna Kumar Goyal  
Mr. H. S. Oberoi



# MODERN DAIRIES LIMITED

List of Persons having controlling interest together with their relatives and controlled entities

Key Management Personnel	Father	Mother	Wife	Son	Daughter	Enterprises owned or significantly influenced by key management personnel or their relatives
Mr. Krishan Kumar Goyal	Mr. Amarjit Goyal	Mrs. Rattan Mala Goyal	Mrs. Alka Goyal	Mr. Aditya Goyal	Ms. Sonam Goyal	Krishan Kumar Goyal (HUF) Amarjit Goyal (HUF)
Mr. H. S. Oberoi	-	-	-	-	-	-

## B. Transactions with Related Parties

[Amount in 000's]

Nature of Transaction	Key management Personnel		Relatives of Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
<b>Rent Paid</b>						
M/s Mala Builders Pvt. Ltd.	-	-	-	-	2,70	2,70
<b>Interest Payable</b>						
Amarjit Goyal	-	-	16,40	15,23	-	-
Krishan Kumar Goyal	-	5,98	-	-	-	-
Amarjit Goyal HUF	-	-	-	-	3,51	3,22
K.K. Goyal HUF	-	-	-	-	33	34
Rattan Mala Goyal	-	-	85	78	-	-
Sonam Goyal	-	-	11	11	-	-
Aditya Goyal	-	-	-	33	-	-
Alka Goyal	-	-	-	86	-	-
M/s Shree Ganesh Investment & Industries Ltd.	-	-	-	-	13,67	39,75
M/s Smile Finvest Pvt. Ltd.	-	-	-	-	3,15	7,62
M/s Times Finvest & Commerce Limited (formerly known as Bhanu Investment & Commerce Ltd.)	-	-	-	-	6,11	33,63
M/s Chandigarh Finance Pvt. Ltd	-	-	-	-	-	15,56
<b>Fixed Deposit Accepted</b>						
Krishan Kumar Goyal (HUF)	-	-	-	-	3,00	-
<b>Fixed Deposit Repaid</b>						
Krishan Kumar Goyal (HUF)	-	-	-	-	3,00	-
<b>Unsecured Loan Taken</b>						
Krishan Kumar Goyal	10,56	-	-	-	-	-
Alka Goyal	-	-	90	-	-	-
Shree Ganesh Investment & Ind. Ltd.	-	-	-	-	1,55,00	-
Chandigarh Finance Pvt. Ltd.	-	-	-	-	-	7,85,00
Smile Finvest Pvt. Ltd.	-	-	-	-	-	5,00

[Amount in 000's]

Nature of Transaction	Key management Personnel		Relatives of Key Management Personnel		Enterprises owned or significantly influenced by key management personnel or their relatives	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
<b>Unsecured Loan Repaid</b>						
Krishan Kumar Goyal	15,00	74,00	-	-	-	-
Alka Goyal	-	-	90	13,00	-	-
Aditya Goyal	-	-	-	4,00	-	-
Amarjit Goyal	-	-	75,00	-	-	-
Times Finvest & Commerce Limited	-	-	-	-	2,24,36	2,42,00
Chandigarh Finance Pvt. Ltd.	-	-	-	-	8,12,88	4,95,00
Smile Finvest Pvt. Ltd.	-	-	-	-	1,06,05	55,00
Shree Ganesh Investment & Industries Ltd	-	-	-	-	5,79,21	1,25,00
<b>Sale of Goods</b>						
M/s Modern Steels Ltd.	-	-	-	-	1,85	27,80
<b>Purchases of Raw Material</b>						
M/s Modern DairyFarms Limited	-	-	-	-	87,05,64	73,41,82
<b>Sharing of Expenses (Payment)</b>						
M/s Modern Steels Ltd.	-	-	-	-	6,62	6,32
<b>Lease Rent Received</b>						
M/s Modern DairyFarms Limited	-	-	-	-	-	2,63
<b>Issue of Equity Shares upon conversion of share warrants</b>						
Krishan Kumar Goyal	1,57,09	-	-	-	-	-
Alka Goyal	-	-	78,55	-	-	-
Aditya Goyal	-	-	78,55	-	-	-
Chandigarh Finance Pvt. Ltd.	-	-	-	-	6,28,38	-
<b>Issue of convertible share warrants</b>						
Krishan Kumar Goyal	-	40,50	-	-	-	-
Alka Goyal	-	-	-	20,25	-	-
Aditya Goyal	-	-	-	20,25	-	-
Chandigarh Finance Pvt. Ltd	-	-	-	-	-	1,62,00
<b>Balances outstanding as at year end</b>						
<b>Loans Payable Outstanding:</b>						
Krishan Kumar Goyal	12,71	17,15	-	-	-	-
Amarjit Goyal	-	-	1,05,38	1,65,84	-	-
Alka Goyal	-	-	97	97	-	-
Times Finvest & Commerce Ltd.	-	-	-	-	4,73	2,24,36
Chandigarh Finance Pvt. Ltd.	-	-	-	-	-	8,12,88
Smile Finvest Private Ltd.	-	-	-	-	2,43	1,06,05
Shree Ganesh Investment & Industries Ltd.	-	-	-	-	10,57	4,24,21
<b>Fixed Deposit Payable:</b>						
Amarjit Goyal (HUF)	-	-	38,29	35,14	-	-
Rattan Mala Goyal	-	-	9,22	8,46	-	-
Others	-	-	6,48	6,08	-	-
Advance Recoverable-Modern DairyFarms Limited					94,92	2,94,46

Note:

1. Reuneration paid to Key Management Personnel has been disclosed under note 21.6 of the notes to accounts.
2. For personal guarantee given by Managing Director on Secured Loans Refer Schedule III.



## MODERN DAIRIES LIMITED

[Amount in Rs.000's]

12. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	March 31, 2009	March 31, 2008
the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year		
- Principal Amount Unpaid	6,92	97
- Interest Due	25	-
the amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil
the amount of interest accrued and remaining unpaid at the end of each accounting year; and	25	Nil
the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

13. The Company follows Accounting Standard (AS-22) "Accounting for taxes on Income", Notified under Companies Act, 1956. The Company has significant timing differences between accounting and tax records which suggest accounting for deferred tax asset which are as below

[Amount in Rs.000's]

	March 31, 2009	March 31, 2008
<b>Deferred Tax Assets</b>		
<b>Tax impact of Timing Differences leading to Deferred Tax Assets:</b>		
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years in accordance with section 43B of Income Tax Act, 1961	89,27	93,52
Provision for doubtful debts	9,41	-
Unabsorbed business losses	7,56,19	-
Unabsorbed depreciation	5,41,37	87,30
<b>Gross deferred tax assets</b>	<b>13,96,24</b>	<b>1,80,82</b>
<b>Tax impact of Timing Differences leading to Deferred Tax Liabilities:</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	10,64,50	8,61,29
<b>Gross deferred tax liabilities</b>	<b>10,64,50</b>	<b>8,61,29</b>
<b>Less:- Deferred Tax assets not recognised (Refer Note below)</b>	<b>3,31,74</b>	<b>-</b>
<b>Net deferred tax liability/(assets)</b>	<b>-</b>	<b>6,80,47</b>

The Company follows Accounting Standard (AS-22) "Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India. The Company has significant timing differences between accounting and tax records on account of losses and unabsorbed depreciation, which suggest accounting for deferred tax asset. Since there is no convincing evidence which demonstrates virtual certainty of realization of such "deferred tax asset", the Company has prudently decided not to recognise any deferred tax asset. There is no case for accounting of any deferred tax liability either.

#### 14. Corporate Debt Restructuring

The Corporate Debt Restructuring [CDR] Empowered Group vide its letter dated 24th March, 2009 which has been further revised vide a letter dated March 30, 2009 and June 25, 2009, has approved the loan restructuring scheme for the Company, the salient features of which are as follows:

- a) Cut off date for implementation: November 30, 2008
- b) Interest rate on working capital and term loan from all banks has been reduced. However, since the CDR scheme was approved on March 24, 2009, the banks had debited interest at the earlier rates. Subsequent to the sanctioning of CDR scheme, the Company has reversed excess interest of Rs.55,65 thousands charged by the banks (computed as per revised interest rates) and included the same as interest receivable from banks under Loans and Advances in Schedule VII.
- c) A fresh corporate loan of Rs.18,65,00 thousands has been sanctioned to the Company to fund the foreign currency losses and is repayable in 28 quarterly installments commencing from January 2011. Subsequent to the year end, PNB and SBI have disbursed their share of such loan amounting to Rs.17,71,75 thousands to the Company.
- d) Repayment schedule of the existing term loans as at November 30, 2008 amounting to Rs.46,58,94 thousands, would start from January 2011 in 28 quarterly installment. However, since the CDR scheme was approved on March 24, 2009. Some Banks already debited the installments amounting to Rs.2,32,00 thousands which was due in November 2008. The Company has requested to banks to refund this amount as per the scheme of CDR. No accounting has been done in the books of account pending approval of request by the banks.
- e) The promoters of the Company shall bring in Rs.2,35,00 thousands as contribution in the form of capital or unsecured loan. However, at least 50% of the total contribution would be in the form of fresh equity after obtaining the approval from International Finance Corporation [IFC] or preference shares. Subsequent to the CDR scheme, the Promoters have infused Rs.2,35,00 thousands as unsecured loan through their related companies. Conversion of such loan has not been done pending approval from IFC.
- f) The package shall be effective within 120 days from the date of order. A Master Restructuring Agreement [MRA] shall be signed between all banks and Company within that period. Once the MRA is signed, a Trust Retention Account would be opened by the lead banker, PNB, through which all the cash flows of the Company would be routed.
- g) Entire share holding in the Company held by the Promoters, including fresh equity to be brought, shall be pledged with the lenders on pari passu. The Company shall approach and obtain International Finance Corporation's [IFC] consent for pledge of Promoters shares with CDR lenders. The Company is in the process of obtaining such approval from IFC.
- h) The Company shall mortgage and create a charge in favor of lenders on immovable assets both present and future. The Company is under process to create such charges.
- i) A charge by way of hypothecation on all movable assets in favor of lenders shall be created.
- j) A charge/assignment on all accounts shall be created in favour of lenders.

As mentioned in the point (f) above, a MRA has been executed as of July 22, 2009 and above scheme has been approved by all the banks. Based on the revised repayment schedule, there is no amount repayable by the Company in 2009-10. Further, default made by the Company in 2008-09 on account of repayment of installment of term loans has been regularised due to above re-schedulement. The Company is in the process of compliance with certain conditions of CDR Scheme as mentioned above.

15. The Company has during the year incurred net losses after tax of Rs.26,00,01 thousands (Previous Year net profit after tax of Rs.6,59,75 thousands). The Company's accumulated losses as at March 31, 2009 are Rs.15,00,12 thousands (Previous Year accumulated profit of Rs.10,99,89 thousands). In view of infusion of fresh equity (including share premium) by IFC of Rs.27,90,00 thousands, share warrant conversion by the promoters amounting to Rs.9,42,57 thousands and the relief granted to the Company under the Corporate Debt Restructuring and infusion of Rs.2,35,00 thousands by the promoters as mentioned in Note 14 above, financial statements do not include any adjustment relating to recoverables /payables and classification of recorded assets/liabilities that may be necessary if the entity is unable to continue as a going concern. Accordingly, the financial statements of the Company continue to be prepared on a going concern basis.
16. The Company has during the year incurred net losses after tax of Rs.26,00,01 thousands (Previous Year net profit after tax of Rs.6,59,75 thousands). Due to losses in the current year, indicators of impairment as per AS-28 are present as at March 31, 2009. Accordingly, the Company has tested the fixed assets for impairment and determined that the value in use of its fixed assets exceeded its carrying value as at March 31, 2009 and there is no need to write down the carrying value of the fixed assets as at the date of the Balance Sheet.
17. In accordance with paragraph 10 of Accounting Standard-9 on Revenue Recognition notified under the Companies (Accounting Standard) Rules, 2006, excise duty amounting to Rs.57,22 thousands (Previous year Rs.2,25,90 thousands) on sales has been reduced from sales in profit & loss account and excise duty on increase/decrease in stock amounting to Rs.35,07 thousands (Previous Year Rs.39,69 thousands) has been adjusted in Schedule XV of the financial statements.
18. Loans and Advance includes Rs.94,92 thousands (Previous Year Rs.2,94,46 thousands) due from Modern Dairyfarms Limited, a company under same management. Maximum amount outstanding during the year Rs.6,97,56 thousands (Previous Year Rs.11,34,19 thousands).

**19. Segment Information**
**Primary Segment**

The Company operates in one primary segment

**Secondary Segments**

- (i) Revenue as per Geographical Markets

[Amount in Rs.000's]

	March 31, 2009	March 31, 2008
Within India	3,59,88,64	2,76,85,78
Outside India	97,18,95	1,26,59,11
<b>Total</b>	<b>4,57,07,59</b>	<b>4,03,44,89</b>

**Sundry Debtors**

	March 31, 2009	March 31, 2008
Within India	13,96,21	13,99,77
Outside India	7,78,06	14,88,17
<b>Total</b>	<b>21,74,27</b>	<b>28,87,94</b>

- (ii) The Company has common fixed assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished.

**20. Gratuity:**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service subject to maximum limit of Rs.3,50 thousands (Previous Year Rs.3,50 thousands).



The following table summarizes the components of net benefit expenses recognized in the Profit & Loss Account and the funded status and amount recognized in the Balance Sheet for respective plans.

**Profit and Loss account**

Net employee benefit expense (recognised in Employee Cost)

[Amount in Rs.000's]

	2008-09	2007-08
Current service cost	7,67	6,36
Interest cost on benefit obligation	2,68	2,59
Expected return on plan assets	Nil	Nil
Net actuarial (gain)/loss recognised in the year	1,02	(87)
Past service cost	Nil	Nil
Net benefit expense	<u>11,37</u>	<u>8,08</u>
Actual return on plan assets	Nil	Nil

**Balance sheet**

**Details of Provision for gratuity**

[Amount in Rs.000's]

	2008-09	2007-08
Defined benefit obligation	48,09	38,23
Fair value of plan assets	<u>Nil</u>	<u>Nil</u>
Liability for Short term leave		
Less: Unrecognised past service cost	Nil	Nil
Plan asset / (liability)	<u>48,09</u>	<u>38,23</u>

**Changes in the present value of the defined benefit obligation are as follows:**

[Amount in Rs.000's]

	2008-09	2007-08
Opening defined benefit obligation	38,23	32,30
Interest cost	2,67	2,60
Current service cost	7,67	6,36
Benefits paid	(1,51)	(2,15)
Actuarial (gains)/losses on obligation	1,03	(88)
Liability for Short term leave		
Closing defined benefit obligation	<u>48,09</u>	<u>38,23</u>



## MODERN DAIRIES LIMITED

Changes in the fair value of plan assets are as follows:

[Amount in Rs.000's]

	2008-09	2007-08
Opening fair value of plan assets	Nil	Nil
Expected return	Nil	Nil
Contributions by employer	Nil	Nil
Benefits paid	Nil	Nil
Actuarial gains/(losses)	Nil	Nil
Closing fair value of plan assets	Nil	Nil

The principal assumptions used in determining gratuity leave salary obligations for the Company's plans are shown below:

	2008-09	2007-08
	%	%
Discount rate	7%	8%
Expected rate of return on assets	N.A	N.A
Employee turnover		
Up to 30 years	3.0	3.0
Up to 44 years	2.0	2.0
Above 44 years	1.0	1.0

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous year are as follows:

[Amount in Rs.000's]

	2008-09	2007-08
Defined benefit obligation	48,09	38,23
Plan assets	Nil	Nil
Surplus/(deficit)	(48,09)	(38,23)
Experience adjustments on plan liabilities	(31)	Nil
Experience adjustments on plan assets	Nil	Nil

**21. Additional information pursuant to the provisions of paragraphs 3, 4, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956**

**21.1 Licensed Capacity and Installed Capacity (As Certified by Management)**

Class of Goods	Installed capacity in MT (per annum)	
	2008-09	2007-08
Milk Powder	6500	6500
Milk Fat	16900	16900
Packaged Liquid Milk	91250	91250
Milk Protein Fractions		
A. Milk Proteins	6700	6700
B. Whey Solids	7800	7800
Total (A+B)	14500	14500
Cultured Product	1100	1100

\* Licensed Capacity has not been disclosed as the Company is not required to obtain license for these products

**21.2 Consumption of Raw Materials (including packing materials)**

Class of Goods	Unit	Quantity		Amount [in Rs.000's]	
		2008-09	2007-08	2008-09	2007-08
Milk	KG	215385688	231269479	3,57,55,49	3,48,11,51
Others		-	-	32,74,45	15,76,61
<b>Total</b>		<b>215385688</b>	<b>231269479</b>	<b>3,90,29,94</b>	<b>3,63,88,12</b>

**21.3 Aggregate Consumption of Raw Material (including Packaging Material)**

Class of Goods	2008-09		2007-08	
	% age of Total	Amount [in Rs.000's]	% age of Total	Amount [in Rs.000's]
Imported	0%	-	0%	-
Indigenous	100%	3,90,29,94	100%	3,63,88,12
<b>Total</b>	<b>100%</b>	<b>3,90,29,94</b>	<b>100%</b>	<b>3,63,88,12</b>

**21.4 Opening Stock, Production, Sales and Closing Stock**

Class of Goods	Production Qty. in KG	Opening Stock		Closing Stock		Sales	
		Qty. in KG	Amount [in Rs.000's]	Qty. in KG	Amount [in Rs.000's]	Qty. in KG	Amount [in Rs.000's]
<b>Milk Powder</b>	5855362 (4366775)	319107 (343554)	3,89,35 (3,83,90)	841081 (319107)	9,83,24 (3,89,35)	5333388 (4391222)	69,67,59 (60,83,42)
<b>Milk Fat (Pure Ghee)</b>	4892019 (7626189)	327219 (539511)	4,17,52 (7,31,47)	148528 (327219)	2,50,41 (4,17,52)	5070710 (7838481)	84,51,66 (1,09,74,81)
<b>Packaged Liquid Milk</b>	80969849 (33653043)	-	-	-	-	80969849 (33653043)	1,56,43,68 (67,81,11)
<b>Milk Fat (Butter)</b>	1608058 (1613756)	8624 (152505)	10,46 (1,79,27)	44010 (8624)	59,29 (10,46)	1572672 (1757637)	21,27,53 (20,25,41)
<b>Milk Proteins Fractions</b>	3857801 (7038500)	1711975 (484705)	32,92,26 (10,10,02)	425795 (1711975)	9,03,15 (32,92,26)	5143981 (5811230)	1,08,67,54 (1,28,72,95)
<b>Others</b>			1,20,02 (56,77)		61,87 (1,20,02)		17,06,81 (13,16,73)
<b>TOTAL</b>			<b>42,29,61</b> (23,61,43)		<b>22,57,96</b> (42,29,61)		<b>4,57,64,81</b> (4,00,54,43)

Note: Figures in brackets represent previous year figures.

**21.5 Aggregate Consumption of Stores and Spares Parts\***

Class of Goods	2008-09		2007-08	
	% age of Total	Amount [in Rs.000's]	% age of Total	Amount [in Rs.000's]
Imported	16%	1,21,69	23%	1,24,39
Indigenous	84%	6,21,94	77%	4,09,52
<b>Total</b>	<b>100%</b>	<b>7,43,63</b>	<b>100%</b>	<b>5,33,91</b>

\* Consumption of some spare parts of Rs.90,00 thousands (Previous Year Rs.Nil) is also included in respective heads of Repair & Maintenance.

**21.6 Directors Remuneration\***
**[Amount in Rs.000's]**

Description	2008-09	2007-08
Salaries	76,72	57,41
Contribution to Provident funds	19	16
Gratuity	6,60	6,49
Perquisites	30	30
<b>Total</b>	<b>83,81</b>	<b>64,36</b>

\*As per approval from Central Government dated March 9, 2009 and shareholders' approval taken on August 27, 2007.

**21.7A CIF Value of Imports (on accrual basis)**

[Amount in Rs.000's]

Description	2008-09	2007-08
Store and Spares	1,21,69	1,24,39
Capital Goods	33,88	1,27,54
<b>Total</b>	<b>1,55,57</b>	<b>2,51,93</b>

**21.7B Expenditure in Foreign Currency (on accrual basis)**

[Amount in Rs.000's]

Description	2008-09	2007-08
Legal and Professional Fee	31,75	55,33
Commission on sales	44,93	36,51
Others	1,91,37	1,76,24
<b>Total</b>	<b>2,68,05</b>	<b>2,68,08</b>

**21.8 Earning in Foreign Currencies (on accrual basis)**

[Amount in Rs.000's]

Description	2008-09	2007-08
<b>FOB Value of Exports:</b>		
Milk Protein Fractions	89,42,33	1,14,74,64
Others	5,83,84	11,84,47
<b>Total</b>	<b>95,26,17</b>	<b>1,26,59,11</b>

**22. Previous Year Comparatives**

The figures of previous year were audited by a firm of Chartered Accountants other than S.R.Batliloi & Co. Previous year figures have been regrouped / rearranged wherever necessary to confirm to the classification adopted for the current year

**Schedules I to XVI form an integral part of accounts**

As per our report of even date

S.R.Batliloi & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

**Per Rajiv Goyal**  
Partner  
Membership No.:94549  
Place: Gurgaon  
Dated : 1<sup>st</sup> September, 2009

**Krishan Kumar Goyal**  
Chairman & MD

**Satish Kapoor**  
Director

**Mukesh Sehgal**  
General Manager (Corporate Finance)

**Anubha Garg**  
Company Secretary



# MODERN DAIRIES LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details	3 2 9 9 8	State Code	0 5
Registration No.			
Balance Sheet Date	3 1 0 3 2 0 0 9		
II. Capital Raised during the year (Amount in Rs.Thousand)	Public Issue N I L	Right Issue N I L	
	Bonus Issue N I L	Private Placement 5 8 1 3 7	
III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousand)	Total Liabilities 1 8 9 8 6 7 9	Total Assets 1 8 9 8 6 7 9	
Sources of Funds	Paid-up Capital 2 3 3 5 8 9	Reserves & Surplus 3 0 9 8 4 2	
	Secured Loans 1 0 2 0 1 6 6	Unsecured Loans 3 4 0 7 8	
	Deferred Tax Liabilities N I L	Convertible Share Warrant 1 4 8 7 4	
Application of Funds	Net Fixed Assets 1 1 3 4 3 4 5	Investments 6 2 4 6	
	Net Current Assets 3 2 1 9 4 6	Misc. Expenditure N I L	
	Accumulated Losses 1 5 0 0 1 2		
IV. Performance of Company (Amount in Rs.Thousand)	Turnover (Gross Revenue) 4 5 9 8 3 2 9	Total Expenditure 4 9 0 9 0 4 5	
	+/- Profit / Loss Before Tax - 3 1 0 7 1 6	+/- Profit/Loss After Tax - 2 6 0 0 0 1	
	Earning per Share in Rs. - 1 1 9 8	Dividend Rate % N I L	
V. Generic Name of Three principle Production / Services of Company (as per monetary terms)			
Item Code No. (ITC Code)	0 4 0 1 2 0 0 0	Item Code No. (ITC Code):	0 4 0 5 9 0 0 2
Product Description	Liquid Milk	Product Description	Pure Ghee
Item Code No. (ITC Code)	3 5 0 1 1 0 0 0		
Product Description	Milk Protein Fractions		



## MODERN DAIRIES LIMITED

### ATTENDANCE SLIP MODERN DAIRIES LIMITED

Regd. Office: 136 KM, G.T.Road, Karnal 132 001 (Haryana)

Please complete the attendance slip and handover at the entrance of the Meeting Hall

NAME OF THE SHARE HOLDER(S) / PROXY\*

Regd. Folio No./ Client I.D. No.:

ADDRESS

NO. OF SHARES HELD

I hereby record my presence at the 17th ANNUAL GENERAL MEETING of the Company held on Wednesday, the 23<sup>rd</sup> December, 2009 at 11:00 am. at the Regd. Office of the Company at 136 KM, G.T. Road, Karnal 132 001 (Haryana).

\*Strike out whichever is not applicable

SIGNATURE OF THE SHAREHOLDER/PROXY\*

### PROXY

### MODERN DAIRIES LIMITED

Regd. Office: 136 KM, G.T.Road, Karnal 132 001 (Haryana)

Regd. Folio No./ Client I.D. No.

I/We, \_\_\_\_\_

of \_\_\_\_\_ being a member/ members of

MODERN DAIRIES LIMITED hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or

failing him/her \_\_\_\_\_

of \_\_\_\_\_ as my/our proxy to vote

for me/us and on my / our behalf at the 17th ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 23<sup>rd</sup> December, 2009 at 11:00 am. at the Regd. Office of the Company at 136 KM, G.T. Road, Karnal 132 001 (Haryana) and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

**NOTE:** The proxy form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.

Shareholders are requested to bring their copy of the Annual Report alongwith them at the Annual General Meeting as copies of the same will not be distributed at the meeting.