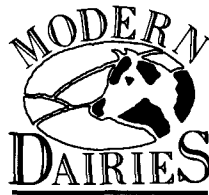


**19<sup>th</sup>**  
**ANNUAL**  
**REPORT**  
**2010-2011**



**MODERN DAIRIES LIMITED**

**BOARD OF DIRECTORS**

Chairman (Non Executive)

Prof. Satish Kapoor

Dr. Bhupendra Nath Mathur

Dr. A.K. Vashisht

Mrs. Kalpana Gupta, Nominee Director

Mr. Ashwani Kumar Aggarwal, Executive Director

Dr. P. K. Jain, Director (Admn. & Milk Procurement)

**COMPANY SECRETARY**

Ms. Anubha Garg

**AUDITORS**

M/s. Walker, Chandiook & Co.

Chartered Accountants

**BANKERS**

Punjab National Bank

State Bank of India

Canara Bank

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**CORPORATE OFFICE**

SCO 98-99, Sub City Centre,

Sector 34, Chandigarh-160 022, India

**REGISTERED OFFICE & WORKS**

136 KM, G.T. Road,

Karnal - 132 001 (Haryana)

**REGISTRARS & SHARE TRANSFER AGENTS**

M/s MCS Limited

F- 65, 1st Floor, Okhla Industrial Area

Phase I, New Delhi - 110 020

## NOTICE

Notice is hereby given that the 19<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 Friday, the 30<sup>th</sup> September, 2011 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, 2011, 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 Dr. Bhupendra Nath Mathur, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration. The retiring Auditors M/s. Walker, Chandio & Co., Chartered Accountants, are eligible for reappointment.

### 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 Dr. Pradeep Kumar Jain, 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 Dr. Pradeep Kumar Jain 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 Dr. Pradeep Kumar Jain, as Director (Admn. & Milk Procurement) of the Company as per the provisions of the Companies Act, 1956 and Articles of Association of the Company for a period of three years w.e.f. 20<sup>th</sup> May, 2011 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 and the Board of Directors 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 Dr. Pradeep Kumar Jain subject to the conformity with the provisions of the Companies Act, 1956."

6. **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 and 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 revision in the terms and conditions of appointment including remuneration of Mr. Ashwani Kumar Aggarwal."

"RESOLVED FURTHER THAT Mr. Ashwani Kumar Aggarwal shall be the Chief Executive Officer of the Company redesignated as Executive Director 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 and the Board of Directors 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: 13<sup>th</sup> August, 2011

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.
- ii) The explanatory statement u/s 173(2) of the Companies Act, 1956, regarding item no. 4 to 6 of the notice is annexed hereto.
- iii) The Register of Members and share transfer books of the Company will remain closed from 26<sup>th</sup> September, 2011 to 30<sup>th</sup> September, 2011 (both days inclusive) for Annual General Meeting purpose.
- (iv) Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their addresses, bank details, mandate etc., to their respective Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better services to the members.
- (v) Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31<sup>st</sup> March, 2011, may send their queries at least 10 days before the Annual General Meeting to the Company Secretary at Company's Office at SCO 98-99, Sub-City Centre, Sector 34,

Chandigarh - 160 022.

- (vi) Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of Directors seeking appointment/reappointment at the Annual General Meeting, is annexed hereto.

By order of the Board

Place : Chandigarh  
Dated: 13<sup>th</sup> August, 2011

Anubha Garg  
Company Secretary

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

### ITEM NO. 4 & 5

Dr. Pradeep Kumar Jain was co-opted as Additional Director designated as Director (Admn. & Milk Procurement) by the Board of Directors of the Company w.e.f. 20<sup>th</sup> May, 2011. In terms of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he holds office upto the conclusion of 19<sup>th</sup> Annual General Meeting. A notice has been received from a shareholder u/s 257 of the Companies Act, 1956, signifying his intension of proposing the name of Dr. Pradeep Kumar Jain as Director of the Company.

Dr. Pradeep Kumar Jain, aged 61 years is a Veterinary Doctor and has got a special training in Milk Procurement Technical Inputs from N.D.D.B. Anand. He has about 40 years of experience especially in the field of Milk Procurement & Administration.

Your Board of Directors feel that his rich knowledge shall be highly beneficial to the Company and hence has appointed Dr. Pradeep Kumar Jain as Director (Admn. & Milk Procurement) of the Company for a period of three years w.e.f. 20<sup>th</sup> May, 2011. The Board of Directors while approving appointment of Dr. Pradeep Kumar Jain 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:-

#### 1. SALARY:

₹ 1,00,000 (Rupees One Lac 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 (Admn. & Milk Procurement) of the Company 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 is 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, therefore, recommend the resolution No. 4 & 5 for your approval.

**MEMORANDUM OF INTEREST**

None of the Directors except Mr. Pradeep Kumar Jain himself is either concerned or interested in the aforesaid resolution.

**ITEM NO. 6**

Mr. Ashwani Kumar Aggarwal was appointed as Director (Operations) of the Company for a period of 3 years w.e.f. 16<sup>th</sup> November, 2009. Your Board of Directors in their meeting held on 20<sup>th</sup> May, 2011 appointed Mr. Ashwani Kumar Aggarwal as Chief Executive Officer of the Company redesignated as Executive Director of the Company for the remaining period of his tenure. Keeping in view his responsibilities, the Board of Directors also approved the following revised remuneration payable to him as such by way of salary & perquisites for the remaining period of his tenure.

**1. SALARY:**

₹ 1,15,000 (Rupees One Lac Fifteen Thousand 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





## MODERN DAIRIES LIMITED

**List of outside Directorship held :**

- i) Modern Dairyfarms Limited
- ii) Nabha Finance Private Limited

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

Allotment Committee - Member

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

**Holding in the Company :** As on 31<sup>st</sup> March, 2011, Dr. Jain holds 800 Equity Shares of the Company.

**3. Name of the Director : Mr. Ashwani Kumar Aggarwal**

**Date of Birth : 02.10.1954**

**Date of Appointment : 02.01.1993**

**Expertise in specific functional area:** 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.

Mr. Aggarwal, aged 56 years was last appointed as Director (Operations) of the Company. The Board of Directors appointed him as Chief Executive Officer of the Company, redesignated as Executive Director w.e.f 20<sup>th</sup> May, 2011.

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

**List of outside Directorship held :**

- i) Modern Dairyfarms Ltd.

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

Audit Committee - Member

Banking & Finance Committee - Member

Allotment Committee - Member

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

**Holding in the Company:** As on 31<sup>st</sup> March, 2011, Mr. Aggarwal holds 400 Equity Shares of the Company.

## DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 19<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

### FINANCIALS

	₹ in Lacs	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Net Sales and other Income	47096	44684
Operating Profit/ (Loss)	(1995)	1409
Interest	1169	1001
Cash Profit/ (Loss)	(3164)	408
Depreciation & Amortisation	723	710
(Loss) before Tax	(3887)	(302)
Net (Loss)	(4107)	(177)

### PERFORMANCE

During the year under review, the net sales and other income is ₹ 470.96 crores against ₹ 446.84 crores in the previous year. The operating losses in the year are ₹ 19.95 crores as against profit of ₹ 14.09 crores last year. The Company's exports are ₹ 56.35 crores against ₹ 45.83 crores in the previous year.

The dismal performance of the Company was on account of many reasons. On the domestic front, the availability and price of the milk was an issue. The demand for the Company's products remained firm but the margins remained under pressure as the rise in the selling price was not in proportion to the increase in milk prices.

Further on the exports front, though the markets continued to recover slowly from the effects of global recession with increase in prices and demand, but the rise in input prices of milk was much higher than the appreciation in export prices, thereby resulting in very thin margin on export operations of the Company.

The Govt. of India as a regulatory measure during the year first withdrew the exports incentives available on Casein exports and thereafter prohibited export of Casein affecting the exports of the Company resulting into huge financial losses.

During the year, the Company's Writ Petition challenging the milk cess imposed by the Govt. of Haryana was dismissed. The Company filed a Special Leave Petition with the Hon'ble Supreme Court. The Company had to provide for all its outstanding liability.

The Networth of the Company as on 31<sup>st</sup> March, 2011 was negative, therefore the Company made a reference to the Board for Industrial & Financial Reconstruction under section 15 of Sick Industrial Companies (Special Provisions) Act, 1985.

### PROHIBITION ON CASEIN EXPORT

As the members are aware, the Company had put up a separate unit (Unit No. II) for manufacturing of milk based nutritional ingredients with a huge capital investment, which is an export dependent unit. During the year, the Govt. of India as a regulatory measure first withdrew the export incentives available on Casein exports and thereafter prohibited exports of Casein which has affected the Company very badly and has halted the operations of Unit No. II. The Company itself and through association of Casein manufacturers is following continuously with the Central Govt., but till date, there is no relief.

### MILK CESS

The Company had filed a Writ Petition with the Hon'ble Punjab & Haryana High Court challenging imposition of Milk Cess by the Govt. of Haryana. The said Writ Petition was dismissed by the Hon'ble Punjab & Haryana High Court. The Company has filed a Special Leave Petition with the Hon'ble Supreme Court against the judgement of Hon'ble Punjab & Haryana High Court. The Hon'ble Supreme Court has issued notice to the Govt. of Haryana in the matter and the matter is pending before the Hon'ble Supreme Court.

### CURRENT OPERATIONS

The milk availability situation in the Country continues to be difficult. The Company achieved net sales and other operating income of ₹ 109.66 crores during the quarter ending 30<sup>th</sup> June, 2011 as against ₹ 98.78 crores during the same period last year. The export sales during the quarter are ₹ 6.58 crores as against ₹ 14.50 crores during the same period last year. Due to withdrawal of incentives and further blanket ban on export of Casein imposed by the Government of India, Unit No. II is virtually closed since February, 2011. Although the demand in domestic market remains encouraging and the operations at Unit No. 1 continue to be normal.

### QUALITY, FOOD SAFETY & ENVIRONMENT STANDARDS

(ISO 9001, ISO 14001, ISO 22000 and HACCP Certifications)

In its commitment to maintain best of the management practices, your Company's manufacturing facilities continue to maintain ISO 9001:2008, ISO 14001:2004, ISO 22000:2005 and HACCP Certification by DNV Netherlands.



**DIRECTORS**

Mr. A.K. Loomba was appointed as Nominee Director of Punjab National Bank in place of Mr. V. Srinivasan on the Company's Board w.e.f. 14<sup>th</sup> February, 2011. Mr. Loomba's nomination stood withdrawn w.e.f. 12<sup>th</sup> May, 2011.

Mr. Amarjit Goyal, Director, resigned from the Board of Directors of the Company w.e.f. 20<sup>th</sup> May, 2011. The Board placed on record its appreciation for the assistance and guidance provided by Mr. Amarjit Goyal during his long tenure with the Company.

Mrs. Alka Goyal, Director, resigned from the Board of Directors of the Company w.e.f. 20<sup>th</sup> May, 2011. The Board placed on record its appreciation for the assistance and guidance provided by Mrs. Alka Goyal during her long tenure with the Company.

The Board of Directors have appointed Dr. P.K. Jain as Additional Director w.e.f. 20<sup>th</sup> May, 2011, designated as Director (Admn. & Milk Procurement), subject to approval of the shareholders in the forthcoming Annual General Meeting.

Mr. Krishan Kumar Goyal, Chairman & Mg. Director of the Company resigned from the Board of Directors of the Company w.e.f. 20<sup>th</sup> May, 2011. The Board placed on record its appreciation for the guidance provided by Mr. Goyal and leading the Company ably throughout and bringing it to the place of eminence during his tenure as Chairman and Managing Director of the Company.

Prof. Satish Kapoor, Director of the Company was unanimously elected as the new Chairman (Non-Executive) of the Company w.e.f. 20<sup>th</sup> May, 2011.

Mr. A.K. Aggarwal, Director (Operations) of the Company was appointed as Chief Executive Officer (CEO) redesignated as Executive Director w.e.f. 20<sup>th</sup> May, 2011.

Mrs. Kalpana Gupta was appointed as Nominee Director by Punjab National Bank and was taken on the Board of Directors as member w.e.f. 25<sup>th</sup> July, 2011.

Dr. B. N. Mathur, Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

**CHAIRMAN EMERITUS**

In recognition of the invaluable contribution by Mr. Krishan Kumar Goyal to the Company's affairs over the last two decades and the progress and

success made by the Company during his tenure, the Board of Directors appointed Mr. Goyal as the Chairman Emeritus of the Company.

**AUDITORS**

M/s. Walker Chandio & Co., Statutory Auditors of the Company hold office until the conclusion of forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Your Directors have appointed M/s V. Kumar & Associates as Cost Auditors of the Company for the year 2011-12, 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.

**FIXED DEPOSITS**

Your Company did not invite or accept any fixed deposit pursuant to provisions of Section 58A of the Companies Act, 1956, during the year.

**CORPORATE GOVERNANCE & 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.

There were no employees employed throughout the financial year or part thereof drawing remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Disclosure of Particulars in the Report of Board of Directors Rules, 1988, as amended.

**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 'A' 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, 2011, 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, 2011 and loss of the Company for the year ended 31<sup>st</sup> March, 2011.
- (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

Satish Kapoor

Dated: 13<sup>th</sup> August, 2011

Chairman

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

India is the largest producer of milk in the World. In the year 2009-10, there was production of 112 million tonnes of milk. In the year 2010-11, it is estimated that India produced 117 million tonnes of milk, registering a growth of around 4%.

India has not been able to keep pace with the demand of milk and milk products at home. The demand for milk and value-added dairy products in the domestic market has been growing because of increasing income, rising aspirations and consequently there is growth in per capita milk consumption.

The pre budget economic survey for 2010-11 noted that the demand for milk and milk products is growing @ 5.5% emphasizing that there is a gap in demand

and supply of milk and milk products in the Country. As the Indian economy continues to grow, the shortage in supply of milk is likely to stay, rendering the milk more and more expensive. In urban areas, the demand for processed and packaged dairy products will grow in consonance with a growing population with higher disposable income and higher health consciousness.

A rising demand for milk and milk products had led to an increase in its prices even during the winter months, when production of milk is at its peak. The trend for increase in demand is likely to continue and put more pressure on milk prices.

To bridge this gap in demand and supply, milk output must go up by 6%+ per annum, compared with the current growth rate of 4%.

Till the time, measures taken by the Government are inadequate to bridge the demand and supply mismatch, the shortage of milk and rise in milk prices is likely to continue.

**OPPORTUNITIES AND THREATS**

The domestic market continues to be strong and the industry expects good opportunities for marketing its dairy products in the domestic market.

The impact of global economic recession is still being felt in developed nations, there by resulting in low demands and prices of dairy products in the International market. The Indian dairy exports continued to be adversely affected due to technical barriers to trade like restrictions on export of Edible Grade Dairy Products from India into the EU nations. There are other countries too like Russia, Mexico, Malaysia, Brazil, where Indian products cannot 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 9001:2008 (Quality Management System Standard), ISO

14001:2004 (Environmental Management System Standard), ISO 22000:2005 (Food Safety Standard) 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 ₹ 470.96 crores as against ₹ 446.84 crores in previous year. It has net loss of ₹ 41.07 crores as compared to net loss of ₹ 1.77 crores during the previous year. The Company exported products worth ₹ 56.35 crores during the year as compared to ₹ 45.83 crores during the last year. As reported in the Directors Report on the domestic front, availability of milk, its prices and the margins remained an issue during the year. On the export front, the mismatch of the increase in the milk prices and the international prices of Casein coupled with the Central Govt.'s regulatory measures

prohibiting the export of Casein resulted into closure of Unit No. II of your Company affecting the performance of the Company.

#### **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

Dated: 13<sup>th</sup> August, 2011

Satish Kapoor

Chairman

**Annexure 'A' 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, 2011

**FORM 'A'**

<b>A) POWER AND FUEL CONSUMPTION</b>	<b>Current year 2010-11</b>	<b>Previous Year 2009-10</b>
<b>POWER</b>		
<b>a) Electricity Power</b>		
Purchase Units (Kwh)	1,63,24,599	1,39,51,301
Total Amount ₹	8,01,15,631	6,21,28,989
Rate per Unit ₹	4.91	4.45
<b>b) Other Generation Through Diesel Generator</b>		
Unit (Kwh)	9,66,666	13,58,328
Total Amount ₹	95,47,215	1,22,56,282
Unit per litre of Diesel Oil	3.43	3.50
Cost / Unit ₹	9.88	9.02
<b>FUEL</b>		
Quantity (MT)	25,527	23,441
Total Amount ₹	8,40,34,390	6,84,48,000
Rate / Unit ₹ per MT	3291.98	2,932.52

**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)	87.32	77.63
Fuel Quantity (Kgs.)	128.92	112.26

**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 & DEVELOPMENT AND TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company is regularly working on the continual improvement of its products looking at its customers / market requirements.

**2. 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 : 13<sup>th</sup> August, 2011

Satish Kapoor  
Chairman

## 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, 2011 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<sup>1,3</sup></b>	Chairman & Managing Director-Non Independent (Promoter) Director	4	3	-	1	Yes
<b>Dr. Bhupendra Nath Mathur</b>	Non Executive Independent Director	2	-	-	2	Yes
<b>Mr. Amarjit Goyal<sup>1</sup></b>	Non Executive Non Independent (Promoter) Director	4	1	-	-	Yes
<b>Mrs. Alka Goyal<sup>1</sup></b>	Non Executive Non Independent (Promoter) Director	1	1	-	-	-
<b>Prof. Satish Kapoor<sup>2</sup></b>	Non Executive Independent Director	4	-	2	-	Yes
<b>Dr. A. K. Vashisht</b>	Non Executive Independent Director	2	-	-	1	Yes
<b>Mrs. Kalpana Gupta<sup>4</sup></b>	Non Executive Independent (Nominee) Director	N.A.	3	-	-	N.A.
<b>Mr. A.K. Loomba<sup>4</sup></b>	Non Executive Independent (Nominee) Director	N.A.	3	-	-	N.A.
<b>Mr. V. Srinivasan<sup>4</sup></b>	Non Executive Independent (Nominee) Director	2	-	-	-	-
<b>Mr. A. K. Aggarwal<sup>5</sup></b>	Executive Non Independent Director (Operations)	4	1	-	1	Yes
<b>Dr. P.K. Jain<sup>6</sup></b>	Executive Non Independent Director (Admn. & Milk Procurement)	N.A.	1	-	-	N.A.

1 Mr. Krishan Kumar Goyal, Mr. Amarjit Goyal and Mrs. Alka Goyal resigned from the Board of Directors of the Company w.e.f. 20<sup>th</sup> May, 2011.

2 Prof. Satish Kapoor was appointed as the Chairman of the Board of Directors of the Company w.e.f. 20<sup>th</sup> May, 2011.

3 The Board of Directors appointed Mr. Krishan Kumar Goyal as the Chairman Emeritus of the Company w.e.f. 20<sup>th</sup> May, 2011.

4 Mr. A.K. Loomba was appointed as Nominee Director of Punjab National Bank in place of Mr. V. Srinivasan on the Company's Board

w.e.f. 14<sup>th</sup> February, 2011. Mr. Loomba's nomination stood withdrawn w.e.f. 12<sup>th</sup> May, 2011. Mrs. Kalpana Gupta was appointed as Nominee Director by Punjab National Bank and was taken on the Board of Directors as member w.e.f. 25<sup>th</sup> July, 2011.

5. Mr. A. K. Aggarwal was appointed as the Chief Executive Officer of the Company, redesignated as Executive Director w.e.f. 20<sup>th</sup> May, 2011 for his remaining tenure.
6. Dr. P. K. Jain was appointed as Whole Time Director of the Company, designated as Director (Admn. & Milk Procurement) for a period of three years. w.e.f. 20<sup>th</sup> May, 2011.

### B. Board Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2011, four 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
15 <sup>th</sup> May, 2010	7	5
30 <sup>th</sup> July, 2010	7	7
2 <sup>nd</sup> November, 2010	8	5
14 <sup>th</sup> February, 2011	8	6

### 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. Prof. Satish Kapoor, Dr. Bhupendra Nath Mathur and Mr. A.K. Aggarwal are the members of the Committee.
  - (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.
- b. The Committee met 4 times during the year on 15<sup>th</sup> May 2010, 30<sup>th</sup> July 2010, 2<sup>nd</sup> November 2010 and 14<sup>th</sup> February 2011. The status of attendance of members at the Audit Committee was as under:

Name of Director	No. of meeting held	No. of Meetings attended
Prof. Satish Kapoor	4	4
Dr. Bhupendra Nath Mathur	4	2
Mr. A. K. Aggarwal	4	4

- 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 the 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 Whole time Directors. 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 Whole time Directors to the Board.

All members of the Remuneration 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:

Name of the Director	Member / Chairman
Dr. Bhupendra Nath Mathur	Chairman
Prof. Satish Kapoor	Member
Dr. A.K. Vashisht*	Member

\* Dr. A.K. Vashisht has been appointed as a member of the Remuneration Committee by the Board of Directors in their meeting held on 14<sup>th</sup> February, 2011.

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

**Remuneration Policy**

The Whole time Directors are paid remuneration as per the terms approved by the Board of Directors and confirmed by the shareholders of the Company and in confirmation 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, 2011**

Amount in ₹

Name of the Director	Salary	Perquisites & other benefits	Performance bonus/ commission	Stock Option	Sitting Fee	Total
Mr. Krishan Kumar Goyal	24,00,000	30,169	-	-	-	24,30,169
Dr. Bhupendra Nath Mathur	-	-	-	-	45,000	45,000
Mr. Amarjit Goyal	-	-	-	-	25,000	25,000
Mrs. Alka Goyal	-	-	-	-	5,000	5,000
Prof. Satish Kapoor	-	-	-	-	85,000	85,000
Dr. A. K. Vashisht	-	-	-	-	15,000	15,000
Mr. V. Srinivasan	-	-	-	-	10,000	10,000
Mr. A. K. Aggarwal	17,79,960	-	-	-	-	17,79,960



**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 members and the chairman of the Committee is as follows:

<b>Name of the Director</b>	<b>Member/Chairman</b>
Prof. Satish Kapoor	Chairman
Dr. Bhupendra Nath Mathur	Member
Dr. A.K. Vashisht *	Member

\* Dr. A. K. Vashisht has been appointed as member of Investors' Grievances Committee in place of Mr. A. K. Aggarwal w.e.f. 14<sup>th</sup> February, 2011.

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 15<sup>th</sup> May 2010, 30<sup>th</sup> July 2010, 2<sup>nd</sup> November 2010 and 14<sup>th</sup> February 2011.

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 members and the chairman of the Committee is as follows:

<b>Name of the Director</b>	<b>Member/Chairman</b>
Prof. Satish Kapoor	Chairman
Mr. A.K. Aggarwal *	Member
Mr. Krishan Kumar Goyal**	Member
Dr. P. K. Jain **	Member

\* Mr. A.K. Aggarwal has been appointed as member of the Allotment Committee w.e.f 14<sup>th</sup> February, 2011.

\*\* Dr. P. K. Jain replaced Mr. Krishan Kumar Goyal as member of the Allotment Committee w.e.f 20<sup>th</sup> May, 2011.

The Committee approves the allotment of Securities i.e Shares / Debentures / Warrants etc. from time to time. No Meeting of this Committee was held during the year.

**F. Banking & Finance Committee**

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

<b>Name of the Director</b>	<b>Member/Chairman</b>
Prof. Satish Kapoor	Chairman
Mr. A.K. Aggarwal	Member
Dr. A.K. Vashisht *	Member

\* Dr. A.K. Vashisht has been appointed as member of the Banking & Finance Committee w.e.f. 14<sup>th</sup> February, 2011 in place of Mr. Krishan Kumar Goyal

During the year, one Meeting of the Committee was held on 4<sup>th</sup> March, 2011.

**3. Ms. Anubha Garg, Company Secretary is the Compliance Officer of the Company.**

**4. Details of last three Annual General Meetings (AGMs)**

<b>Financial Year</b>	<b>Location</b>	<b>Date</b>	<b>Time</b>
2007 - 08	Registered office : 136 KM, G.T. Road, Karnal 132 001 (Haryana)	29 <sup>th</sup> September, 2008	11.00 A.M.
2008 - 09	Registered office : 136 KM, G.T. Road, Karnal 132 001 (Haryana)	23 <sup>rd</sup> December, 2009	11.00 A.M.
2009 - 10	Registered office : 136 KM, G.T. Road, Karnal 132 001 (Haryana)	29 <sup>th</sup> November, 2010	11.00 A.M.

During the year no Extraordinary General Meeting of the Company was held.

Special Resolutions passed in previous three AGMs:

- (i) 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.
- (ii) In the 17<sup>th</sup> AGM dated 23<sup>rd</sup> December, 2009, Special Resolution passed for approval of appointment & remuneration of Mr. A. K. Aggarwal as Director (Operations) of the Company for a period of 3 years w.e.f. 16<sup>th</sup> November, 2009.

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 Financial Express (all editions)/ Financial World and 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 : Friday, the 30<sup>th</sup> September, 2011 at 11:00 a.m.  
 Venue : 136 K.M., 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, 2011	13 <sup>th</sup> August, 2011 (already held)
30 <sup>th</sup> September, 2011	November, 2011 (2 <sup>nd</sup> week)
31 <sup>st</sup> December, 2011	February, 2012 (2 <sup>nd</sup> Week)
31 <sup>st</sup> March, 2012	May, 2012 (2 <sup>nd</sup> Week)
Annual General Meeting	By September, 2012

**3. Book Closure Date :-**

From 26<sup>th</sup> September, 2011 to 30<sup>th</sup> September, 2011 (both days inclusive)

**4. Listing on Stock Exchanges :-**

Your Company's shares are listed at Bombay Stock Exchange Limited.

**5. Stock Code :-**

BSE : 519287  
 ISIN No. in NSDL & CDSL : INE617B01011

**6. Stock Data:-**

Month	MODERN DAIRIES LTD. ON BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
<b>2010</b>							
April	49.90	41.55	43.80	3,23,011	18,047.86	17,276.80	17,558.71
May	44.95	33.15	37.45	3,02,742	17,536.86	15,960.15	16,944.63
June	51.05	35.90	43.60	6,04,253	17,919.62	16,318.39	17,700.90
July	50.40	43.00	46.60	6,35,093	18,237.56	17,395.58	17,868.29
August	45.80	35.00	36.40	5,47,641	18,475.27	17,819.99	17,971.12
September	40.00	34.00	34.90	3,64,061	20,267.98	18,027.12	20,069.12
October	37.90	28.85	30.20	3,40,059	20,854.55	19,768.96	20,032.34
November	36.50	23.00	27.05	5,23,138	21,108.64	18,954.82	19,521.25
December	30.00	22.50	28.25	2,76,142	20,552.03	19,074.57	20,509.09
<b>2011</b>							
January	31.70	21.00	22.45	2,57,584	20,664.80	18,038.48	18,327.76
February	23.75	16.40	20.30	2,36,521	18,690.97	17,295.62	17,823.40
March	21.50	17.05	17.55	1,87,473	19,575.16	17,792.17	19,445.22

**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 M/s. MCS Limited at 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, 2011:-**

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	315000	1.35
4. Foreign Financial Institution	4639620	19.90
5. Bodies Corporate (not included above)	805143	3.45
6. Indian Public	6736447	28.89
7. NRIs/OCBs	159272	0.68
8. Trust & Foundations	200	0.00
<b>TOTAL</b>	<b>23319861</b>	<b>100.00</b>

**9. Distribution of Shareholding as on 31<sup>st</sup> March, 2011:-**

SHAREHOLDING (IN ₹)		SHAREHOLDERS		NO OF SHARES	
From	To	Number	% of total	No. of Shares	% of total
upto	5000	2808345	12.04	12732	85.62
5001	10000	1044833	4.48	1305	8.78
10001	20000	710449	3.05	458	3.08
20001	30000	299092	1.28	117	0.78
30001	40000	178069	0.77	49	0.33
40001	50000	219954	0.94	46	0.31
50001	100000	599569	2.57	81	0.54
100001	and above	17459550	74.87	83	0.56
<b>TOTAL</b>		<b>23319861</b>	<b>100.00</b>	<b>14871</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, 2011.

No. of Shares: 17500086	75.04 % of the total equity.
-------------------------	------------------------------

**11. Plant Locations of the Company**

136 KM, G.T.Road, Karnal 132 001(Haryana), Tel. : +91-1745-242901-03, Fax : +91-1745-242900



## MODERN DAIRIES LIMITED

### 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<br>SCO 98-99, Sub City Centre,<br>Sector 34, Chandigarh-160 022.<br>Tel.:+91-172-2609001,2609002,2609003<br>Fax.: +91-172- 2609000<br>E-mail: secretarial@moderndairies.com<br>Company's Website:www.moderndairies.com | ii) M/s. MCS Limited<br>F-65, 1st Floor, Okhla Industrial Area<br>Phase-I, New Delhi 110 020<br>Tel.No. : +91-11- 41406149<br>Fax No.: +91-11- 41709881<br>E-mail : admin@mcsdel.com<br>Website : www.mcsdel.com |
|--|--|

### **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, A. K. Aggarwal, Executive 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 : 13<sup>th</sup> August, 2011

Sd/-  
A. K. Aggarwal  
Executive 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 the Modern Dairies Limited for the year ended 31<sup>st</sup> March, 2011 as stipulated in Clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange Limited.

The compliance of conditions of the Corporate Governance is the responsibility of the management. Our examination has been limited to the review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor complaint is pending for a period exceeding one month as on 31<sup>st</sup> March, 2011 against the Company, as per records maintained by the Investors Grievances Committee of the Company.

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

**FOR SHARMA SARIN & ASSOCIATES**  
Company Secretaries

Place : Chandigarh  
Date : 13<sup>th</sup> August, 2011

**P.D. SHARMA**  
Partner  
C.P. No. 2692

**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, 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. 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;
  - c. The financial statements dealt with by this report are in agreement with the books of account;
  - d. On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
- e. Without qualifying our opinion, we report the following:
  - i) We draw attention to note 3 of schedule 23 to the financial statements which indicates that the Company incurred a net loss of ₹ 41,07,16 thousand during the year ended March 31, 2011 and, as of that date, the Company's accumulated losses amount to ₹ 57,84,79 thousand which has resulted in erosion of the net worth of the Company. These conditions, along with other matters as set forth in the note, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.
  - ii) We draw attention to note 19 on schedule 23 to the financial statements regarding the fact that entire shareholding in the Company held by the Promoters, including fresh equity to be brought, is required to be pledged with Corporate Debt Restructuring (CDR) lenders on pari passu basis. This pledging is subject to approval from International Finance Corporation (IFC) by virtue of a subscription agreement with the Promoters. We understand that IFC has not consented to this pledging.
- f. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
  - i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
  - ii) the Profit and Loss Account, of the loss for the year ended on that date; and
  - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

**for Walker, Chandiook & Co.**  
Chartered Accountants  
Firm Reg. No. : 001076N

per **B. P. Singh**  
Partner  
M.No.: 70116

Place: Chandigarh  
Date : 20<sup>th</sup> May, 2011

**Annexure to the Auditor's report of even date to the members of Modern Dairies Limited, on the Financial Statements for the year ended March 31, 2011.**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) Physical verification of inventory (except stocks lying with third parties, confirmations for which have been obtained) have been conducted at reasonable intervals by the management.
- (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. Discrepancies noticed on physical verification have been properly dealt within the books of account *except non-usable/non-movable stock of packing materials amounting to ₹ 20,74 thousand which has been recorded as good stock.*
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to (d) of the Order are not applicable.
- (e) The Company had taken interest free loan (including deposits) from five parties covered in the register maintained under section 301 of the Act. Further the Company has taken interest bearing loans (including deposits) from nine parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was ₹ 4,68,35 thousand and the year-end balance was ₹ 4,68,35 thousand.
- (f) In our opinion, the rate of interest and other terms and conditions for such loans and deposits are not, *prima facie*, prejudicial to the interest of the Company.
- (g) In respect of loans taken (including deposits), repayment of the principal amount is as stipulated. *No payment of interest has been made.*
- (iv) In our opinion, 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 and services.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has complied with the provisions of sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the 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 under section 209 (1)(d) of the Act for the maintenance of cost records in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities.

Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.

- (b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount in ₹ '000	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	25,18,63 (Amount deposited with the authorities 2,64,16)	2001-02 to 2010-11	SLP pending at Hon'ble Supreme Court of India
Central Excise Act	CENVAT credit, interest & penalty dispute	1,60,70 Including interest of 5,19 (Amount deposited under protest 82,40)	2005-06 to 2009-10	Custom Excise & Service Tax Appellate Tribunal, New Delhi
Haryana Value Added Tax Act	Credit on input disallowed	9,67 (Amount deposited under protest 7,90)	2005-06	Sales-Tax Tribunal, Chandigarh.
Haryana Tax on Entry of Goods into Local Areas Act	Entry tax	42,16	2007-08 to 2009-10	Hon'ble Supreme Court of India

- (x) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty per cent of its net worth. Further the Company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.*
- (xi) The repayment of installment to banks amounting to ₹ 2,33,15 thousand is due for payment on quarterly basis commencing January 2011 and ₹ 41,71 thousand has been paid till March 31, 2011. *The interest on loans is due on a monthly basis and the total amount of ₹ 1,62,11 thousand is outstanding for three months ended as on March 31, 2011.* The Company has no dues payable to financial institution or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) *On an overall examination of the balance sheet of the Company, we report that the Company has used funds raised on short-term basis through cash credit facilities aggregating to ₹ 3,65,24 thousands for various long term purposes.*
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company did not have any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

for **Walker, Chandiook & Co**  
Chartered Accountants  
Firm Reg. No. : 001076N

per **B. P. Singh**  
Partner  
M.No.: 70116

Place: Chandigarh  
Date : 20<sup>th</sup> May, 2011



**BALANCE SHEET AS AT MARCH 31, 2011**

	Schedule	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
<b>I SOURCES OF FUNDS</b>			
<b>1 Shareholders' Funds</b>			
a) Share capital	I	23,35,89	23,35,89
b) Reserves and surplus	II	32,47,16	32,47,16
		<u>55,83,05</u>	<u>55,83,05</u>
<b>2 Loan funds</b>			
a) Secured loans	III	1,18,15,28	98,04,81
b) Unsecured loans	IV	4,68,35	4,46,01
		<u>1,22,83,63</u>	<u>1,02,50,82</u>
Deferred tax liability (Refer note 8 on schedule 23)		2,19,83	-
<b>Total</b>		<u><u>1,80,86,51</u></u>	<u><u>1,58,33,87</u></u>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross block	V	1,40,84,08	1,40,63,27
b) Less: Accumulated depreciation and amortisation		40,32,34	33,11,31
c) Net block		<u>1,00,51,74</u>	<u>1,07,51,96</u>
d) Capital work-in-progress		5,00	13,14
		<u>1,00,56,74</u>	<u>1,07,65,10</u>
<b>2 Investments</b>			
	VI	76	10,76
<b>3 Current assets, loans &amp; advances</b>			
a) Inventories	VII	38,16,02	36,64,28
b) Sundry debtors	VIII	15,90,57	18,31,59
c) Cash & bank balances	IX	7,22,67	41,78
d) Other current assets	X	1,69,10	1,75,75
e) Loans and advances	XI	7,71,66	6,87,57
		<u>70,70,02</u>	<u>64,00,97</u>
Less:			
<b>4 Current liabilities and provisions</b>			
a) Current liabilities	XII	22,30,28	26,14,80
b) Provisions	XIII	25,95,52	4,05,79
		<u>48,25,80</u>	<u>30,20,59</u>
<b>Net Current Assets</b>		<u>22,44,22</u>	<u>33,80,38</u>
<b>Profit and Loss Account</b>		<u>57,84,79</u>	<u>16,77,63</u>
<b>Total</b>		<u><u>1,80,86,51</u></u>	<u><u>1,58,33,87</u></u>
<b>Significant Accounting Policies</b>	XXII		
<b>Notes to the Financial Statements</b>	XXIII		

The schedules referred to above form an integral part of the Financial Statements

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

for **Walker, Chandio & Co**  
Chartered Accountants

For and on behalf of the Board of Directors

per **B P Singh**  
Partner  
Place: Chandigarh  
Dated :20<sup>th</sup> May, 2011

**A K Aggarwal**  
Director  
  
**Mukesh Sehgal**  
General Manager (Corporate Finance)

**Satish Kapoor**  
Director  
  
**Anubha Garg**  
Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	For the year ended March 31, 2011 Amount in ₹ 000's	For the year ended March 31, 2010 Amount in ₹ 000's
<b>INCOME</b>			
Operating income	XIV	4,68,06,94	4,38,78,14
Less : Excise duty on sales (refer note 13 on schedule 23)		<u>1,00,22</u>	<u>83,41</u>
		4,67,06,72	4,37,94,73
Other income	XV	3,89,01	8,89,53
<b>Total</b>		<u>4,70,95,73</u>	<u>4,46,84,26</u>
<b>EXPENDITURE</b>			
Material cost	XVI	4,32,56,42	4,07,61,43
Personnel cost	XVII	6,57,18	6,23,98
Operating and other expenses	XVIII	35,02,35	25,62,62
(Increase)/Decrease in Stocks	XIX	<u>(20,37)</u>	<u>(7,55,46)</u>
<b>Total</b>		<u>4,73,95,58</u>	<u>4,31,92,57</u>
Profit/(loss) before interest, depreciation, amortisation, prior period adjustment & exceptional items		(2,99,85)	14,91,69
Finance cost	XX	12,21,65	10,83,52
Depreciation and amortisation	V	7,23,12	7,10,44
Exceptional items (refer note 7 on schedule 23)		<u>16,42,71</u>	<u>-</u>
		<u>35,87,48</u>	<u>17,93,96</u>
<b>Loss Before Tax</b>		(38,87,33)	(3,02,27)
Tax expense	XXI	<u>2,19,83</u>	<u>21</u>
Loss after tax		(41,07,16)	(3,02,48)
Prior period adjustments (refer note 20 on schedule 23)		-	1,24,97
Loss after tax and prior period adjustments		<u>(41,07,16)</u>	<u>(1,77,51)</u>
Balance brought forward from previous year		(16,77,63)	(15,00,12)
Balance carried to balance sheet		(57,84,79)	(16,77,63)
Loss per share (₹) (refer note 10 on schedule 23)			
Basic		(17.61)	(0.76)
Diluted		(17.61)	(0.76)
<b>Significant accounting policies</b>	XXII		
<b>Notes to the financial statements</b>	XXIII		

The schedules referred to above form an integral part of the Financial Statements  
This is the Profit & Loss Account referred to in our report of even date

for **Walker, Chandio & Co**  
Chartered Accountants

For and on behalf of the Board of Directors

per **B P Singh**  
Partner  
Place: Chandigarh  
Dated :20<sup>th</sup> May, 2011

**A K Aggarwal**  
Director

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

**Satish Kapoor**  
Director

**Anubha Garg**  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
<b>A. Cash flow from operating activities</b>		
<b>Net loss before taxes and prior period adjustment</b>	<b>(38,87,33)</b>	<b>(3,02,27)</b>
Adjustments for:		
Depreciation/amortisation	7,23,12	7,10,44
Loss on sale of fixed assets	1,69	1,20
Provision/(reversal of provision) for loss on derivative contracts	-	(3,52,47)
Loss/(profit) on sale of investment	(2,68)	(62,73)
Interest expense	11,69,21	10,01,38
Dividend income	-	(1,32)
Provision/(reversal of provision) for diminution of current investments	-	(22,95)
Unrealised foreign exchange gain	-	(35,37)
Retirement benefits	24,85	3,95
Prior period adjustments	-	1,24,97
Interest income	-	(42)
	<b>19,16,19</b>	<b>13,66,68</b>
Operating profit (loss) before working capital changes	<b><u>(19,71,14)</u></b>	<b><u>10,64,41</u></b>
Adjustments for changes in working capital :		
(Increase)/decrease in inventories	(1,51,72)	(7,62,79)
Decrease in sundry debtors	2,41,02	3,32,47
(Increase)/decrease in other current assets	6,66	(52,61)
Decrease in loans and advances	(84,08)	1,29,94
Increase/(decrease) in current liabilities and provision	<b><u>17,73,02</u></b>	<b><u>5,01,15</u></b>
	<b>17,84,90</b>	<b>1,48,16</b>
Cash generated from operating activities	<b><u>(1,86,24)</u></b>	<b><u>12,12,57</u></b>
Direct taxes paid	-	21
<b>Net cash generated from operating activities</b>	<b><u>(1,86,24)</u></b>	<b><u>12,12,36</u></b>
<b>B Cash flow from investing activities :</b>		
Purchase of fixed assets	<b>(25,29)</b>	<b>(1,34,82)</b>
Dividend received	-	1,32
Interest received	-	42
Short term deposits	7,73	23,67
Proceeds from sale of fixed assets	8,85	1,55
Proceeds from sale of investment	<b>12,68</b>	<b>1,37,39</b>
<b>Net cash generated from/(used in) investing activities</b>	<b><u>3,97</u></b>	<b><u>29,53</u></b>
<b>C Cash flow from financing activities</b>		
Proceeds from long-term borrowings	<b>1,03,29</b>	<b>9,71,25</b>
Repayment of long-term borrowings	<b>(14,57)</b>	<b>-</b>
Repayment of cash/export credit facilities	<b>19,21,76</b>	<b>(13,22,52)</b>
Proceeds (repayment) of unsecured loan	<b>22,33</b>	<b>1,05,23</b>
Interest paid	<b><u>(11,61,92)</u></b>	<b><u>(9,94,72)</u></b>
<b>Net cash used in financing activities</b>	<b><u>8,70,89</u></b>	<b><u>(12,40,76)</u></b>
<b>Net increase (decrease) in cash and cash equivalents (A+B+C)</b>	<b>6,88,62</b>	<b>1,13</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>34,05</b>	<b>32,92</b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>7,22,67</u></b>	<b><u>34,05</u></b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	<b>23,65</b>	<b>16,31</b>
<b>Balances with scheduled banks</b>		
Current accounts	<b>6,99,02</b>	<b>17,74</b>
Fixed deposit accounts	-	<b>7,73</b>
	<b><u>7,22,67</u></b>	<b><u>41,78</u></b>
Less: fixed deposits pledged and not considered as cash equivalents	-	<b>7,73</b>
<b>Cash &amp; Cash Equivalents in Cash Flow Statement:</b>	<b><u>7,22,67</u></b>	<b><u>34,05</u></b>

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.

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

for **Walker, Chandiook & Co**

For and on behalf of the Board of Directors

Chartered Accountants

per **B P Singh**  
Partner

**A K Aggarwal**  
Director

**Satish Kapoor**  
Director

Place: Chandigarh  
Dated :20<sup>th</sup> May, 2011

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

**Anubha Garg**  
Company Secretary

**SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE : I**

<b>SHARE CAPITAL</b>	<b>As at March 31, 2011 Amount in ₹ 000's</b>	<b>As at March 31, 2010 Amount in ₹ 000's</b>
<b>Authorised</b>		
3,00,00,000 (previous year 3,00,00,000) equity shares of ₹10 each.	<u>30,00,00</u>	<u>30,00,00</u>
<b>Issued and subscribed</b>		
2,33,96,761 (previous year 2,33,96,761) equity shares of ₹ 10 each fully paid up	<u>23,39,68</u>	<u>23,39,68</u>
<b>Paid Up</b>		
2,33,19,861 (previous year 2,33,19,861) equity shares of ₹ 10 each fully paid up (refer note 4 on schedule 23)	23,31,99	23,31,99
Add : forfeited shares (amount paid-up) [76,900 (previous year 76,900) partly paid equity shares of ₹ 10 each forfeited on October 23, 2000]	3,90	3,90
	<u>23,35,89</u>	<u>23,35,89</u>

**SCHEDULE : II**

<b>RESERVES &amp; SURPLUS</b>	<b>As at March 31, 2011 Amount in ₹ 000's</b>	<b>As at March 31, 2010 Amount in ₹ 000's</b>
Capital subsidy	25,00	25,00
Capital reserve	1,48,74	1,48,74
Securities premium account	30,73,42	30,73,42
	<u>32,47,16</u>	<u>32,47,16</u>

**SCHEDULE : III**

**SECURED LOANS**

<b>Loans from banks</b>	<b>As at March 31, 2011 Amount in ₹ 000's</b>	<b>As at March 31, 2010 Amount in ₹ 000's</b>
- Term loans	66,10,30	65,21,58
- Cash/export credit facilities	52,04,98	32,83,23
	<u>1,18,15,28</u>	<u>98,04,81</u>

(refer note 5 on schedule 23)

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

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
Fixed deposit (from relative of directors and related entities)	63,77	58,64
Other loans (other than banks)		
Director	1,38,88	1,28,54
From others	2,65,70	2,58,83
	<u>4,68,35</u>	<u>4,46,01</u>

**SCHEDULE : V**
**FIXED ASSETS**

Amount in ₹ 000's

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION AND AMORTISATION				NET BLOCK		
	As at 1-Apr-10	Additions	Deletions/ adjustments	As at 31-Mar-11	As at 1-Apr-10	For the Year	Deletions/ adjustments	As at 31-Mar-11	As at 31-Mar-11	As at 31-Mar-10
<b>Tangibles</b>										
Land - freehold	1,89,93	-	-	1,89,93	-	-	-	-	1,89,93	1,89,93
Land - leasehold	1,74,24	8,59	-	1,82,83	3,52	1,81	-	5,33	1,77,50	1,70,72
Building	17,81,89	-	-	17,81,89	3,01,79	58,06	-	3,59,85	14,22,04	14,80,10
Plant & machinery	1,17,33,67	9,01	-	1,17,42,68	29,21,61	6,47,95	-	35,69,56	81,73,12	88,12,06
Furniture, fixtures & office equipments	83,12	2,05	-	85,17	36,64	4,68	-	41,32	43,85	46,48
Vehicles	70,85	1,01	4,49	67,37	36,44	5,73	2,09	40,08	27,29	34,41
<b>Intangibles</b>										
Softwares	29,57	4,64	-	34,21	11,31	4,89	-	16,20	18,01	18,26
<b>TOTAL</b>	1,40,63,27	25,30	4,49	1,40,84,08	33,11,31	7,23,12	2,09	40,32,34	1,00,51,74	1,07,51,96
Previous Year	1,38,48,67	2,19,69	5,09	1,40,63,27	27,28,18	7,10,44	1,27,31	33,11,31	1,07,51,96	

**SCHEDULE : VI**
**INVESTMENTS**

Current Investments (At lower of cost or market value) (Other than trade) - Unquoted

Particulars	Amount in ₹ 000's	
	March 31, 2011	March 31, 2010
<b>Units of Mutual Fund</b>		
<b>Principal PNB Long Term Equity Fund</b> (100000 units (previous year 100000) in 3 year plan series ii growth plan)	-	10,00
<b>Investment In Equity Shares</b>		
<b>Aricent Technologies ( Holdings ) Limited</b> (1069 Equity shares (previous year 1069) of ₹10 each fully paid up)	76	76
	<b>76</b>	<b>10,76</b>

Aggregate value of	2011		2010	
	Book value	Market value	Book value	Market value
Unquoted investment	76	76	10,76	11,78
	<u>76</u>	<u>76</u>	<u>10,76</u>	<u>11,78</u>

## SCHEDULE : VII

### INVENTORIES

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
Raw materials	96,83	60,62
Work in progress	66,60	1,10,03
Finished goods	30,80,65	30,18,94
Stores and spare parts	4,32,80	3,46,96
Packing materials	1,39,14	1,27,73
	<u>38,16,02</u>	<u>36,64,28</u>

## SCHEDULE : VIII

### SUNDRY DEBTORS

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
(Unsecured, considered good unless otherwise specified)		
i. Debts outstanding for a period exceeding six months		
- Considered good	11,67	-
- Considered doubtful	27,68	27,68
ii. Other debts:		
- Considered good	15,78,90	18,31,59
	<u>16,18,25</u>	<u>18,59,27</u>
Less: provision for doubtful debts	27,68	27,68
	<u>15,90,57</u>	<u>18,31,59</u>

## SCHEDULE : IX

### CASH AND BANK BALANCES

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
Cash in hand	23,65	16,31
Balances with scheduled banks in		
Current accounts	6,99,02	17,74
Deposits accounts*	-	7,73
	<u>7,22,67</u>	<u>41,78</u>

\* Fixed deposits of ₹ nil (previous year ₹ 7,73 thousand) are pledged with various government authorities

## SCHEDULE : X

### OTHER CURRENT ASSETS

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
(Unsecured, considered good)		
Accrued export incentives	1,61,06	1,72,52
Other current assets	8,04	3,23
	<u>1,69,10</u>	<u>1,75,75</u>

**SCHEDULE : XI**
**LOANS AND ADVANCES**

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
(Unsecured, considered good)		
Advance recoverable in cash or in kind or for value to be received	6,11,42	4,63,09
Security deposits	64,22	49,13
Balance with central excise & customs	92,88	1,72,30
Prepaid tax (net of provision)	3,14	3,05
	<u>7,71,66</u>	<u>6,87,57</u>

**SCHEDULE : XII**
**CURRENT LIABILITIES\***

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
Sundry creditor		
Dues to micro & small & medium enterprises (Refer note 12 on schedule 23)	6,49	12,44
Others	19,60,74	22,34,18
Interest accrued but not due on loans	7,28	6,66
Security deposits	12,95	31,86
Advances from customers	75,52	1,73,93
Book overdraft	9,03	1,29
Other liabilities	1,58,27	1,54,44
	<u>22,30,28</u>	<u>26,14,80</u>

\*There is no amount payable to investor education and protection fund

**SCHEDULE : XIII**
**PROVISIONS**

	As at March 31, 2011 Amount in ₹ 000's	As at March 31, 2010 Amount in ₹ 000's
Gratuity (refer note 15 on schedule 23)	76,89	52,04
Contingencies (refer note 7 on schedule 23)	25,18,63	3,53,75
	<u>25,95,52</u>	<u>4,05,79</u>

**SCHEDULE : XIV**
**OPERATING INCOME**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
Sale of milk and milk products	4,64,21,81	4,35,27,39
Export benefits under export incentive schemes	3,85,13	3,50,75
	<u>4,68,06,94</u>	<u>4,38,78,14</u>

**SCHEDULE : XV**

**OTHER INCOME**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
Dividend income on current investment - non trade	-	1,32
Interest from fixed deposit (gross)	-	42
[tax deducted at source ₹ nil (previous year ₹ 6 thousand)]		
Profit on sale of current investment	2,68	62,73
Exchange gain/ (loss) (net)	43,12	66,42
Exchange gain on foreign currency contracts	2,04,85	6,86,89
Reversal of provision for diminution in value of long term investment	-	22,95
Unclaimed balances and excess provision written back	87,94	-
Miscellaneous income	50,42	48,80
	<u>3,89,01</u>	<u>8,89,53</u>

**SCHEDULE : XVI**

**MATERIAL COST**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
Consumption of raw materials	4,20,78,98	3,98,58,83
Consumption of packing materials	11,77,44	9,02,60
	<u>4,32,56,42</u>	<u>4,07,61,43</u>

**SCHEDULE : XVII**

**PERSONNEL COST**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
Salaries, wages and bonus	6,04,48	5,89,80
Contribution to provident and other funds	21,75	20,66
Gratuity expenses (refer note 15 on schedule 23)	28,71	10,45
Workmen and staff welfare expenses	2,24	3,07
	<u>6,57,18</u>	<u>6,23,98</u>



**SCHEDULE : XVIII**
**OPERATING AND OTHER EXPENSES**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
Consumption of stores and spare parts	4,62,26	5,23,64
Power and fuel	17,44,04	14,28,32
Travelling and conveyance	85,47	52,22
Rent (refer note 9 on schedule 23)	6,52	6,44
Insurance	25,17	21,24
Legal and professional charges	40,27	34,58
Rates and taxes	4,78	5,09
Provision for milk cess (refer note 7 on schedule 23)	5,22,17	-
Auditors remuneration		
- Audit fee	9,00	9,00
- Tax audit fee	1,00	1,00
- Out of pocket expenses	1,65	1,81
Repair & maintenance		
- Building	15,73	29,37
- Plant & machinery	53,22	63,80
- Others	3,28	3,33
Loss on sale/write off of fixed assets	1,69	1,20
Commission on sales (other than sole selling agent)	50,24	55,65
Freight and forwarding charges	2,24,16	1,58,63
Miscellaneous expenses	2,51,70	1,67,30
	<u>35,02,35</u>	<u>25,62,62</u>

**SCHEDULE : XIX**
**(INCREASE)/DECREASE IN STOCKS**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
<b>Opening Stock</b>		
Finished goods	30,18,94	22,57,96
Work in progress	1,10,03	1,14,92
	<u>31,28,97</u>	<u>23,72,88</u>
<b>Closing Stock</b>		
Finished goods	30,80,65	30,18,94
Work in progress	66,60	1,10,03
	<u>31,47,25</u>	<u>31,28,97</u>
(increase)/decrease in stocks	(18,28)	(7,56,09)
(increase)/decrease in excise duty (refer note 13 on schedule 23)	(2,09)	63
Net decrease in stocks	<u>(20,37)</u>	<u>(7,55,46)</u>

**SCHEDULE : XX**

**FINANCE COST**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
<b>Interest</b>		
Long-term loans*	7,22,12	6,41,64
Banks	4,22,28	3,37,26
Others	24,81	22,48
<b>Bank Charges</b>	52,44	82,14
	<b>12,21,65</b>	<b>10,83,52</b>

\* Includes interest on term loans and corporate loan

**SCHEDULE : XXI**

**TAX EXPENSE/ (BENEFIT)**

	Year ended March 31, 2011 Amount in ₹ 000's	Year ended March 31, 2010 Amount in ₹ 000's
Deferred tax charge (refer note 8 on schedule 23)	2,19,83	-
Income tax for earlier years	-	21
	<b>2,19,83</b>	<b>21</b>

**SCHEDULE XXII****SIGNIFICANT ACCOUNTING POLICIES****1. Basis of preparation**

The financial statements of Modern Dairies Limited ('the Company') have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of Section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

**2. Use of Estimates**

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**3. Fixed Assets***Tangible*

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable costs of bringing the assets to their working condition for their intended use.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalized.

*Intangible*

Software which is not an integral part of the related hardware is classified as an intangible asset.

**4. Depreciation and amortisation**

Depreciation on fixed assets is provided on 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 Act. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed off. Assets costing individually ₹ 5,000 or less are fully depreciated in the year of purchase.

Software is being amortised, using the straight-line method, over a period of five years, being its estimated useful life.

**5. 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 record other than temporary diminution in the value of such investments.

Profit/Loss on sale of investments is computed with reference to their average cost.

**6. Inventories**

Inventories are valued as follows:

*Raw Materials, Packing Materials, Stores and Spare parts*

Lower of cost and net realizable value. Cost includes purchase price (those subsequently recoverable by the Company from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost is determined on first-in-first-out basis. 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.

*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.

**7. Revenue Recognition**

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

*Sale of Goods*

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer. It includes excise duty wherever applicable but excludes value added tax/sales tax and is net of sales 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 applicable rate of interest.

*Dividends*

Dividend is recognised if the right to dividend is established by the balance sheet date.

*Export Benefit/ Incentives*

Export benefit entitlements under the 'Duty Entitlement Pass Book' Scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.

**8. 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 restatement of the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except exchange differences arising in respect of liabilities for acquisition of fixed assets acquired from outside India before accounting period commencing on or after December 7, 2006, where such exchange differences have been adjusted in the cost of respective fixed assets.

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

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date. The premium or discount on such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as an income or expense for the period. The exchange difference on such a forward exchange contract is calculated as the difference between

- (i) The foreign currency amount of the contract translated at the exchange rate at the Balance Sheet date, or the settlement date where the transaction is settled during the reporting period, and
- (ii) The same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change.

## **9. Employee benefits**

### *Contributions to Provident Fund*

The Company makes contributions to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and 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 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.

### *Compensated absences*

The employees of the Company are entitled to compensated absences which are non-accumulating in nature. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

## **10. Taxes on Income**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax reflect 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.

Minimum Alternate Tax ('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 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 ('ICAI'), 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.

**11. Contingent Liabilities and Provisions**

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of the obligation can be made.

A disclosure is made for a contingent liability when there is a:

- (i) possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully within the control of the Company;
- (ii) present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- (iii) present obligation, where a reliable estimate cannot be made.

**12. 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 numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

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.

**13. Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**14. 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.

Government grants related to revenue are recognised on systematic basis in the profit and loss account over the periods necessary to match them with the related costs which they are 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.

**15. Derivative Instruments**

As per 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.

**16. 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.

**SCHEDULE XXIII**
**NOTES TO THE FINANCIAL STATEMENTS**
**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 milk powders, Cheese, Butter, Pure ghee and other milk based products like Casein, Whey protein concentrate and Lactose, etc.

**2. Contingent Liabilities exist in respect of:**
**Amount in ₹ 000's**

Particulars	As at 31st March, 2011	As at 31st March, 2010
a) Excise duty (excluding interest)	1,55,51	77,21
b) Claims not acknowledged as debts	33,73	33,73
c) Sales tax	9,67	14,62
d) Service tax	Nil	19,39
e) Entry tax	42,16	28,97
f) Milk cess (refer note 3)	-	4,21,88

**(a) Excise Duty**

In the year 2005-06, the Company had availed CENVAT credit of ₹ 77,21 thousand 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 ₹ 77,21 thousand 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 viz. Casein and Lactose. However, the Company has deposited demand of ₹ 77,21 thousand together with interest thereon of ₹ 5,19 thousand under protest. Further during the year 2007-08 & 2009-10 the Company also availed CENVAT credit of ₹ 78,30 thousand on certain steel items & other items as input used in fabrication of storage tanks. The excise authority (Panchkula) issued show cause notice for denial of the said CENVAT credit. The Company had filed a written reply in this regard and the personal hearing is pending.

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.

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

An overseas vendor claimed ₹ 33,73 thousand (previous year ₹ 33,73 thousand) for services provided to the Company in respect of capital projects. The Company has alleged that the services provided by the vendor 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.

**(c) Sales Tax**

In sales-tax assessment for the financial year 2005-06, the sales-tax department has raised demand of ₹ 7,24 thousand and interest of ₹ 7,38 thousand thereon. The Company has filed an appeal before the Sales-Tax Tribunal Chandigarh (Haryana) ('Tribunal') against this demand. The case is remanded by the Haryana Tax Tribunal to the adjudicated authority and after rectification of the assessment order the demand is reduced to ₹ 9,67 thousand for which Review & Reference is lying pending in Haryana Tax Tribunal. The Company has deposited ₹ 7,90 thousand under protest.

**(d) Service Tax**

A penalty equal to the amount of service tax was imposed by the Central Excise and Customs Department ('Department') for default in timely deposit of service tax levied on import services. The Company has filed an appeal before the Commissioner (Appeals). The Company has deposited 25% of the penalty amounting to ₹ 4,85 thousand in the year 2009-10. The Commissioner (Appeals) in their order set-aside the whole of the penalty and ordered to refund the 25% of penalty deposited by us. The Company has filed application before the Assistant Commissioner for refund of the said amount.

**(e) Entry Tax**

Local Area Development Tax ('LADT') was imposed in the state of Haryana with effect from April 1, 2000. In 2007-08, the LADT was quashed and declared ultra-virus by the Hon'ble High Court of Punjab and Haryana in its order dated April 1, 2008. The State Government replaced the LADT with Entry Tax and it was also declared ultra-virus by the Hon'ble High Court of Punjab and Haryana. The State Government filed an appeal in the Hon'ble Supreme Court. The Hon'ble Supreme Court passed an order dated October 30, 2009, directing all assesses to file all the returns and staying recovery of tax till final order. The final order is awaited.

**3. Company's conditions and assumptions to facilitate the going concern assessment**

- (a) The provisions of 'The Haryana Murrah Buffalo and Other Milch Animal Breed (Presentation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001 ('Act')', requires every milk processing company 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, vide its notification no.6388-AH-4-2001/16142 dated September 9, 2001, imposed a milk-cess of ten paise per litre on the registered capacity of plants.

In 2001, the Company filed a writ petition before the Hon'ble High Court of Punjab and Haryana challenging the imposition of such cess as against the Constitution of India. The Hon'ble High Court of Punjab and Haryana issued a stay order dated July 9, 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. Till 2004-05, the Company had provided milk-cess amounting to ₹ 3,53,75 thousand in the books of account. In 2004, a similar cess levied in the state of Punjab by the Government of Punjab under the Punjab Dairy Development Board Ordinance, 2000, and was upheld unconstitutional by the Hon'ble Supreme Court. Based upon this order of the Hon'ble Supreme Court, the stay order from the Hon'ble High Court of Punjab and Haryana and as per the legal advice obtained by the Company at that point of time, the Company discontinued the provision of milk-cess in the books of account as it believed that the chances of cess being levied on the Company for the period after the year 2004-2005 of ₹ 4,21,88 thousand would be remote and hence no provision against this was considered necessary.

On May 28, 2010 the Hon'ble High Court of Punjab and Haryana dismissed the Company's writ petition and upheld the levy of cess by state Government on milk plants. On August 18, 2010 the Company filed a review application with the Hon'ble High Court. On October 18, 2010 the Company also filed a special leave petition before the Hon'ble Supreme Court challenging the impugned judgement.

Subsequently the Company's review application with Hon'ble High Court of Punjab and Haryana has been dismissed. The Company has also received a notice dated April 1, 2011 from Semen Bank Officer, Haryana Livestock Development Board, Karnal demanding the payment of ₹ 21,25,75 thousand as arrears of Cess and ₹ 1,28,72 thousand towards interest on the full unpaid amount for the period January 1, 2011 to March 31, 2011.

In view of the above developments and as advised by legal attorneys, the Company has provided for Milk Cess liability amounting to ₹ 21,64,88 thousands demanded by Haryana Livestock Development Board, Government of Haryana.

The Company has made the said provision without prejudice to the special leave petition which is pending before the Hon'ble Supreme Court of India.

- (b) The Company had set up a new unit (Unit II) at Karnal in 2007, the total investment as of date is ₹ 1,10,33,35 thousand, to manufacture milk based value added products. This unit is Export Dependent Unit and its main product is Casein which is for International market and is well accepted in the market. During the year the



Company faced significant pressures as input costs could not be fully passed on to the customers due to prevailing conditions in the global markets. The Government of India disincentivised exports by sudden withdrawal of Duty Entitlement Pass Book Scheme "DEPB" benefits, available on the export of Casein, vide notification dated January 24, 2011. The sudden withdrawal has affected Company's international business. Further, the Government of India vide notification No. 23 (RE-2010)/2009-2014 dated February 18, 2011 has prohibited export of Casein. Consequently, the operation in the Unit-II, an Export Dependent Unit has come to standstill. The export of Casein constituted a significant percentage of the total turnover of the Company. The abrupt stoppage of this high value added line of operation has resulted in severe financial losses for the Company and disrupted its cash flows.

- (c) The Company is of firm opinion that Government action on prohibition on export of Casein is grossly unjustified. The Indian Casein Manufacturers Association has approached Government to immediately lift prohibition and allow the manufacture to export the Casein.

The Company has explained its position to the Government of India that prohibition on Casein is unjustified. Casein industry is Export-Dependent Industry with virtually non-existent domestic market. Further, the Company explained that only small quantity of milk is being used for manufacturing of Casein against milk availability in India. The Company has requested the Government to allow liberal import of milk solids in the country on zero/lower import duty to stabilize the domestic milk market.

- (d) The unjust levy of Milk cess and prohibition on export of Casein has completely eroded the net worth of the Company and has cast doubts about the Company's ability to continue as going concern. In view of the complete erosion of the net worth, the Company has prima facie become a sick industrial company in terms of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985. The Company is perusing its special leave petition filed before the Hon'ble Supreme Court and is hopeful of a favorable outcome in view of settled litigation in similar case relating to Punjab Dairy Development Board. The Company has worked out a business plan which is based on the following major assumptions:

- (i) The Company firmly believes that Export of Casein is not responsible for milk situation in the country. The Company is hopeful that Government will understand the position of Casein manufacturers. The Company along with other Casein manufactures is vigorously following up with the Government of India on lifting of prohibition of export of Casein. The Company is hopeful that the Government shall understand the position of export dependent company and shall lift the ban on export of Casein.
- (ii) The Company which was already under Corporate Debt Restructuring (CDR) has again approached the CDR lenders for the further restructuring of term loans which has become due on March 31, 2011, funding of interest and other fiscal reliefs due to weak financial health of the Company.

By taking above steps the Company is hopeful of coming out of difficult financial position and net worth of the Company shall become positive in subsequent period.

4. Paid-up equity share capital comprises 8,75,31,00 (previous year 8,75,31,00) equity shares allotted as fully paid up bonus shares by capitalization out of accumulated Profit and Loss Account.

**5. Secured Loans**

- (a) Long-term loans of ₹ 66,10,30 thousand (previous year ₹ 65,21,58 thousand) include term loans of ₹ 47,37,38 thousand (previous year ₹ 46,34,09 thousand) and corporate loans of ₹ 18,72,92 thousand (previous year ₹ 18,87,49 thousand). Term loans are secured by way of equitable mortgage of fixed assets, present and future, including land and building of the Company on first pari-passu basis and also guaranteed by managing director of the Company. Corporate loan is sanctioned by the consortium of banks as a part of Corporate Debt Restructuring scheme ('Scheme'). As per the Scheme, it is secured by way of mortgage and charge of immovable and movable assets both present and future. It is also secured by way of charge/assignment on all bank accounts. Further, it is to be secured by way of pledge of entire promoters' shareholding after obtaining approval from International Finance Corporation.
- (b) Cash credit/Export credit loans of ₹ 52,04,98 thousand (previous year ₹ 32,83,23 thousand) from banks is secured by way of hypothecation of current assets of the Company comprising of raw material, stock in process, finished goods, stores & spares, goods in transit, receivables and any other security acceptable on pari-passu

basis. 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.

(c) Term loans payable within one year amounts to ₹ 10,85,52 thousand (previous year 2,33,15).

6. During the year, the Company has incurred net losses after tax of ₹ 41,07,16 thousand (previous year ₹ 1,77,51 thousand). Due to losses in the current year, indicators of impairment as per Accounting Standard -28, Impairment of Assets, are present as at March 31, 2011. Accordingly, the Company has reviewed the fixed assets for impairment and determined that the value in use of its fixed assets exceeds its carrying value as at March 31, 2011. Concluded that the value in use of the assets is more than the recorded value of the assets and writing-down the carrying value of the fixed assets is not required as at the date of the balance sheet.

**7. Contingencies comprise of the following**

**Amount in ₹ 000's**

Particulars	Opening balance	Additions	Payment	Reversals	Closing balance
Milk cess (including interest)	3,53,75	21,64,88	-	-	25,18,63
	<i>(3,53,75)</i>	<i>(-)</i>	<i>(-)</i>	<i>(-)</i>	<i>(3,53,75)</i>

*Figures in italics represent previous year figure*

The Company has received a notice dated April 1, 2011 from Semen Bank Officer, Haryana Livestock Development Board, Karnal demanding the unpaid balance of ₹ 21,25,75 thousand as arrears of Cess and ₹ 1,28,72 thousand towards interest on the full unpaid amount for the period January 1, 2011 to March 31, 2011.

The Company had in the previous year deposited ₹ 2,64,16 thousand with authorities pursuant to a High Court order. In the current year, basis the advice of a legal attorney, the Company has made a provision of ₹ 21,64,88 thousand along with interest which includes ₹ 16,42,71 thousand shown as exception item and the balance ₹ 5,22,17 thousand has been shown in Schedule 18 to the financial statements.

8. **Accounting for Taxes on Income disclosure as per AS 22 : Major components of deferred tax assets and liabilities on account of timing differences are as follows:**

**Amount in ₹ 000's**

	March 31, 2011	March 31, 2010
<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	-	82,62
Provision for doubtful debts	-	8,55
Unabsorbed depreciation	<b>11,78,54</b>	7,16,70
Unabsorbed business losses	-	7,56,19
<b>Gross deferred tax assets</b>	<b>11,78,54</b>	15,64,06
<b>Deferred tax liabilities:</b>		
<b>Tax impact of timing differences leading to deferred tax liabilities:</b>		
Differences in depreciation as per tax books and financial books	<b>13,98,37</b>	12,39,12
<b>Gross deferred tax liabilities</b>	<b>13,98,37</b>	12,39,12
<b>Less:- deferred tax assets/liability</b>	<b>(2,19,83)</b>	3,24,95

The Company follows Accounting Standard-22, 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India. Since there is no convincing evidence which demonstrates virtual certainty of

realization of deferred tax assets, the Company has prudently decided not to recognise deferred tax asset other than on unabsorbed depreciation. In the previous year the Company did not recognise the net deferred tax asset.

#### 9. Leases

The Company has taken various residential and offices under operating lease agreements. In all the cases, the agreements are further renewable at the option of the Company. There is no escalation clause in the respective lease agreements. For all cases, there are no restrictions imposed by lease arrangements and the rent is not determined based on any contingency. These are not 'non-cancelable' and are renewable by mutual consent on mutually agreed terms. The total lease payments in respect of such leases recognized in the profit and loss account for the year are ₹ 6,52 thousand (previous year ₹ 6,44 thousand).

#### 10. Earning per share

Particulars	2011	2010
Numbers of equity shares at the beginning of the year	23319861	23319861
Equity shares outstanding at the end of the year	23319861	23319861
<b>Weighted average number of equity shares outstanding during the year</b>	<b>23319861</b>	<b>23319861</b>
<b>Net loss after tax available for equity shareholders (₹ 000's)</b>	<b>(41,07,16)</b>	<b>(1,77,51)</b>
Computed on the basis of losses including prior period items		
Nominal value of shares ₹ 10/- each (previous year ₹ 10/-)		
Basic and diluted loss per share (₹)	<b>(17.61)</b>	(0.76)

#### 11. Related party disclosures

##### A. Relationship

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 Shree Ganesh Investments & Industries Ltd. Smile Finvest Private Limited PHi Business Solutions Ltd. Indo Pacific Finlease Limited Kamal Leasing Limited Krishan Kumar Goyal (HUF) Amarjit Goyal (HUF)
Key Management Personnel ('KMP')	Mr. Krishan Kumar Goyal Mr. A.K. Aggarwai
Relatives of KMP (Mr. Krishan Kumar Goyal)	Mr. Amarjit Goyal, Father Mrs. Rattan Mala Goyal, Mother Mrs. Alka Goyal, Wife Mr. Aditya Goyal, Son Ms. Sonam Goyal, Daughter

## B. Transactions with Related Parties

Amount in ₹ 000's

Particulars	Key Management Personnel (KMP)		Relatives of Key Management Personnel		Enterprises owned or significantly influenced by Key Management Personnel or their Relatives	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
<b>Transaction during the year</b>						
<b>Rent Paid</b>						
Mala Builders Pvt. Ltd.	-	-	-	-	2,65	2,65
<b>Remuneration Paid</b>						
Krishan Kumar Goyal	30,28	60,47	-	-	-	-
A.K. Aggarwal	24,40	9,81	-	-	-	-
<b>Interest Expense</b>						
Amarjit Goyal	-	-	11,49	10,54	-	-
Amarjit Goyal (HUF)	-	-	4,17	3,83	-	-
Shree Ganesh Investment & Industries Ltd.	-	-	-	-	1,32	1,06
Kamal Leasing Ltd.	-	-	-	-	5,45	5,00
Others	-	-	1,53	1,33	86	71
<b>Sale of Goods</b>						
Modern Steels Ltd.	-	-	-	-	13,19	7,84
<b>Chilling Charges Received</b>						
Modern Dairyfarms Limited	-	-	-	-	3,08	3,65
<b>Purchases of Raw Material</b>						
Modern Dairyfarms Limited	-	-	-	-	66,20,11	68,66,88
<b>Sharing of Expenses (Payment)</b>						
Modern Steels Ltd.	-	-	-	-	17,93	15,02
PHI Business Solutions Ltd.	-	-	-	-	-	12
<b>Unsecured Loan taken</b>						
Chandigarh Finance Pvt. Ltd.	-	-	-	-	-	85,00
<b>Balances outstanding as at year end</b>						
<b>Remuneration Payable</b>						
Krishan Kumar Goyal	13,03	21,99	-	-	-	-
A.K. Aggarwal	1,19	1,05	-	-	-	-
<b>Loans Outstanding</b>						
Krishan Kumar Goyal	12,71	12,71	-	-	-	-
Amarjit Goyal	-	-	1,25,20	1,14,86	-	-
Alka Goyal	-	-	97	97	-	-
Times Finvest and Commerce Ltd.	-	-	-	-	5,69	5,15
Chandigarh Finance Pvt. Ltd.	-	-	-	-	85,00	35,00
Smile Finvest Private Ltd.	-	-	-	-	2,89	2,65
Indo Pacific Finlease Ltd.	-	-	-	-	1,00,00	1,00,00
Kamal Leasing Ltd.	-	-	-	-	59,41	54,50
Shree Ganesh Investment & Ind. Ltd.	-	-	-	-	12,71	11,53
<b>Fixed Deposit Outstanding</b>						
Amarjit Goyal (HUF)	-	-	45,49	41,74	-	-
Rattan Mala Goyal	-	-	10,96	10,05	-	-
Others	-	-	7,32	6,85	-	-
<b>Advance Recoverable</b>						
Modern Dairyfarms Limited	-	-	-	-	2,36,43	19,70

**12. Particulars of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

Amount in ₹ 000's

Particulars	March 31, 2011	March 31, 2010
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	<b>6,08</b>	12,15
- Interest due	<b>41</b>	29
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	<b>Nil</b>	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	<b>Nil</b>	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	<b>41</b>	29
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	<b>Nil</b>	Nil

13. In accordance with paragraph 10 of Accounting Standard-9, Revenue Recognition notified under the Companies (Accounting Standard) Rules, 2006, excise duty amounting to ₹1,00,22 thousand (previous year ₹ 83,41 thousand) on sales has been reduced from sales in profit and loss account and excise duty on increase/decrease in stock amounting to ₹ 2,09 thousand (previous year ₹ 63 thousand) has been adjusted in Schedule 19 of the financial statements.

**14. Segment Information**
**Primary Segment**

The Company 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. Management considers the risk and rewards associated with these products to be similar in nature. Accordingly, the entire operations of the Company are governed by the same set of risk and rewards and thus, it operates in a single primary segment.

**Secondary segment**

The Company's business is organized into two key geographic segments. Revenues are attributable to individual geographic segments based upon the location of the customers.

**Other information**

The accounting policies consistently used in the preparation of the financial statements are also applied to revenues and expenditure of individual segments.

Segment information disclosures as required under accounting standard on "Segment Reporting" issued by The Institute of Chartered Accountants of India.

**(a) Secondary segment information - Geographical**

Amount in ₹ 000's

Particulars	March 31, 2011		March 31, 2010	
	Within India	Outside India	Within India	Outside India
Revenue	4,05,30,56	57,91,03	3,87,50,54	46,93,44
Sundry debtors (net of provision)	14,27,01	1,63,56	13,10,03	5,21,56

(b) 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 provided.

## 15. Employee benefits

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 ₹ 10,00 thousand (previous year ₹ 3,50 thousand).

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.

**Actuarial valuation has been done with the following assumptions :**

Particulars	2011	2010
Discount rate	8%	8%
Rate of increase in compensation levels	5.5%	5.5%
Expected rate of return on assets	not applicable	not applicable
Average remaining working lives of employees (years)	22.32	22.16

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.

### Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

Amount in ₹ 000's

Particulars	2011	2010
Current service cost	9,67	7,65
Interest cost on benefit obligation	4,16	3,85
Expected return on plan assets	Nil	Nil
Net actuarial (gain)/loss recognised in the year	(3,68)	(1,04)
Past service cost	Nil	Nil
Expense recognized in the statement of profit and loss	28,71	10,45
Actual return on plan assets	Nil	Nil

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

Amount in ₹ 000's

Particulars	2011	2010
Present value of obligation as at the beginning of period	52,04	48,09
Interest cost	4,16	3,85
Current service cost	9,67	7,65
Benefits paid	(3,13)	(6,51)
Actuarial (gains)/losses on obligation	(3,68)	(1,04)
Present value of obligation as at the end of period	76,89	52,04

**Details of provision for gratuity**
**Amount in ₹ 000's**

Particulars	2011	2010
Defined benefit obligation	76,89	52,04
Fair value of plan assets*	Nil	Nil
Less: Unrecognised past service cost	Nil	Nil
Plan asset / (liability)	(76,89)	(52,04)

\* The gratuity plan of the Company is unfunded

**Amounts for the current and previous year are as follows:**
**Amount in ₹ 000's**

Particulars	2011	2010
Defined benefit obligation	76,89	52,04
Plan assets	Nil	Nil
Surplus/(deficit)	(76,89)	(52,04)
Experience adjustments on plan liabilities	(3,68)	62
Experience adjustments on plan assets	Nil	Nil

**16. Directors Remuneration**
**Amount in ₹ 000's**

Description	2011	2010
Salaries	41,80	69,70
Contribution to provident funds	13	14
Gratuity	12,45	14
Perquisites	30	30
<b>Total</b>	<b>54,68</b>	<b>70,28</b>

**17. Additional information pursuant to the provisions of paragraphs 3, 4, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956**
**(a) Licensed capacity and installed capacity (as certified by management)**

Class of Goods	Installed capacity in MT (per annum)	
	2011	2010
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	4400	4400

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

**(b) Consumption of raw materials (including packing materials)**

Class of Goods	Unit	Quantity		Amount in ₹ 000's	
		2011	2010	2011	2010
Milk	KG	198010775	185984582	3,86,26,86	3,53,14,84
Others		-	-	46,29,56	54,46,59
<b>Total</b>		<b>198010775</b>	<b>185984582</b>	<b>4,32,56,42</b>	<b>4,07,61,43</b>

**(c) Aggregate Consumption of Raw Material (Including packaging material)**

Class of Goods	2010-11		2009-10	
	% age of Total	Amount in ₹ 000's	% age of Total	Amount in ₹ 000's
Imported	-	-	-	-
Indigenous	100	4,32,56,42	100	4,07,61,43
<b>Total</b>	<b>100</b>	<b>4,32,56,42</b>	<b>100</b>	<b>4,07,61,43</b>

**(d) Opening Stock, Production, Sales and Closing Stock**

Class of Goods	Production Qty. in KG	Opening Stock		Closing Stock		Sales	
		Qty. in KG	Amount in ₹ 000's	Qty. in KG	Amount in ₹ 000's	Qty. in KG	Amount in ₹ 000's
<b>Milk Powder</b>	54,16,789 (42,15,732)	2,39,795 (8,41,081)	3,25,25 (9,83,24)	4,65,228 (2,39,795)	7,65,87 (3,25,25)	51,91,356 (48,17,018)	82,23,82 (66,65,99)
<b>Milk Fat (Pure Ghee)</b>	56,74,731 (49,37,780)	2,08,873 (1,48,528)	4,43,85 (2,50,41)	3,14,647 (2,08,873)	7,09,26 (4,43,85)	55,68,957 (48,77,433)	1,21,71,41 (10,73,197)
<b>Packaged Liquid Milk</b>	6,29,94,405 (7,48,29,368)	- (-)	- (-)	- (-)	- (-)	6,29,94,405 (7,48,29,368)	1,45,08,53 (1,61,26,47)
<b>Milk Fat (Butter)</b>	6,87,246 (8,78,777)	52,993 (44,010)	95,49 (59,29)	94,035 (52,993)	1,82,29 (95,49)	6,46,204 (8,69,794)	11,65,43 (15,05,65)
<b>Milk Proteins Fractions</b>	29,44,195 (36,03,777)	8,11,310 (4,25,795)	20,37,45 (9,03,15)	3,77,645 (8,11,310)	12,62,12 (20,37,45)	33,77,860 (32,18,262)	76,81,61 (65,04,79)
<b>Others</b>	25,50,567 (13,88,179)	66,927 (42,598)	1,16,90 (61,87)	84,886 (66,927)	1,61,11 (1,16,90)	25,32,608 (13,63,850)	26,71,01 (19,92,52)
<b>TOTAL</b>	<b>8,02,67,933</b> (8,98,53,613)	<b>13,79,898</b> (15,02,012)	<b>30,18,94</b> (22,57,96)	<b>1,33,64,41</b> (1,37,98,98)	<b>30,80,65</b> (30,18,94)	<b>8,03,11,390</b> (8,99,75,725)	<b>4,64,21,81</b> (4,35,27,39)

\*Including inter unit transfer. Figures in brackets represent previous year figures.



**(e) Aggregate Consumption of Stores and Spares Parts**

Class of Goods	2010-11		2009-10	
	% age of Total	Amount in ₹ 000's	% age of Total	Amount in ₹ 000's
Imported	3	11,96	13.32	69,74
Indigenous	97	4,50,30	86.68	4,53,90
<b>Total</b>	<b>100</b>	<b>4,62,26</b>	<b>100.00</b>	<b>5,23,64</b>

**(f) CIF Value of Imports (on Accrual Basis)**
**Amount in ₹ 000's**

Description	2011	2010
Store and spares	11,96	69,74
<b>Total</b>	<b>11,96</b>	<b>69,74</b>

**(g) Expenditure in Foreign Currency (on Accrual Basis)**
**Amount in ₹ 000's**

Description	2011	2010
Legal and professional fee	Nil	7,79
Commission on sales	14,13	18,11
Others	21,92	69,74
<b>Total</b>	<b>36,05</b>	<b>95,64</b>

**(h) Earning in Foreign Currencies**
**Amount in ₹ 000's**

Description	2011	2010
<b>FOB Value of Exports:</b>		
Milk protein fractions	51,46,11	44,75,98
Others	4,88,75	1,07,32
<b>Total</b>	<b>56,34,86</b>	<b>45,83,30</b>

18. The details of Foreign-Currency Exposures that are not hedged by derivative instruments or otherwise are as mentioned below:

Particulars		2011		2010	
		Forex Amount	Amount*	Forex Amount	Amount**
Included in	Foreign Currency	(in USD '000)	(in ₹ '000)	(in USD '000)	(in ₹ '000)
Debtors	USD	3,67	1,63,56	11,61	5,21,56

\* Conversion rate applied : 1USD = ₹ 44.59

\*\* Conversion rate applied : 1USD = ₹ 44.93

19. The Corporate Debt Restructuring (CDR) empowered group vide its letter dated March 24, 2009, which was further revised vide letters dated March 30, 2009 and June 25, 2009, had approved the loan restructuring scheme for the Company. One of the conditions of the Master Restructuring Agreement is that entire shareholding in the Company held by the Promoters shall be pledged with the CDR lenders on pari-passu basis. This pledging is subject to approval from International Finance Corporation ('IFC') by virtue of its subscription agreement with promoters. The IFC has disapproved this pledging. The Company has taken up matter with lenders.

**20. Prior period adjustments**

Prior period adjustment includes reversal of excess depreciation (net) erroneously charged during the earlier years to the extent of ₹ Nil (previous year 1,24,97 thousand)

21. In the opinion of the board of directors, current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amounts at which they are stated and provision for all known liabilities have been made in the accounts.

22. Previous year figures have been regrouped/reclassified wherever considered necessary to make them comparable with those of the current year.

for **Walker, Chandio & Co**  
Chartered Accountants

**For and on behalf of the Board of Directors**

per **B P Singh**  
Partner  
Place: Chandigarh  
Dated :20<sup>th</sup> May, 2011

**A K Aggarwal**  
Director

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

**Satish Kapoor**  
Director

**Anubha Garg**  
Company Secretary





**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 Venue

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 19<sup>th</sup> Annual General Meeting of the Company held on Friday, the 30<sup>th</sup> September, 2011 at 11:00 a.m. at the Regd. Office of the Company at 136 KM, GT Road, Karnal 132001 (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 19<sup>th</sup> ANNUAL GENERAL MEETING of the Company to be held on  
Friday, the 30<sup>th</sup> September, 2011 at 11:00 a.m and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

**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.