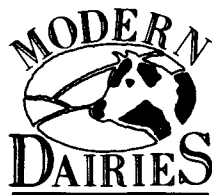


21st
ANNUAL
REPORT
2012-2013



MODERN DAIRIES LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Prof. Satish Kapoor

Dr. A.K. Vashisht

Mr. R. K. Goyal, Nominee Director

Mr. Mohan Lal Sharma, 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

INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 18TH SEPTEMBER, 2013 PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

1. Name of the Director : Prof. Satish Kapoor

Date of Birth : 22nd October, 1946

Date of Appointment : 27th July, 2002

Expertise in specific functional area : Prof. Satish Kapoor has rich knowledge in International Marketing and Logistic. He has retired as Chairman of University Business School, Panjab University, Chandigarh and was Dean of Faculty of Business Management & Commerce.

Qualification: Engineering graduate from I.I.T. Madras, M.B.A. from State University of New York and Doctorate from Panjab University, Chandigarh.

List of outside Directorships held : NIL

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

Audit Committee	- Chairman
Shareholders/Investors Grievances Committee	- Chairman
Allotment Committee	- Chairman
Banking & Finance Committee	- Chairman
Remuneration Committee	- Member

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

Shareholding in the Company: As on 31st March 2013, Prof. Kapoor holds Nil Equity Shares of the Company.

2. Name of the Director : Dr. Bhupendra Nath Mathur

Date of Birth : 17th October, 1943

Date of Appointment : 18th August, 1993

Expertise in specific functional area : Dr. Mathur has over 40 years of experience in Dairy field. He has served as Director of National Dairy Research Institute, Karnal and has retired as Director of National Academy of Agricultural Research and Management, Hyderabad. He has represented India in many International Forums including International Dairy Federations & Codex Alimentarius Commission. He possesses a vast experience in Management and Administration.

Qualification: PhD in Dairy Technology from NDRI, Karnal

List of outside Directorships held : NIL

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

Audit Committee	- Member
Shareholders/Investors Grievances Committee	- Member
Remuneration Committee	- Chairman

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

Shareholding in the Company: As on 31st March 2013, Dr. Mathur holds Nil Equity Shares of the Company.

DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 21st Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2013.

FINANCIALS

₹ in Lacs

	Year Ended 31.03.2013	Year Ended 31.03.2012
Net Sales and other Income	58547	49403
Operating Profit/ (Loss)	2611	275
Interest	1848	1618
Cash Profit/ (Loss)	763	(1343)
Depreciation & Amortisation	663	697
Profit/(Loss) before Tax	100	(2040)
Net (Loss)	(103)	(1820)

PERFORMANCE

During the year under review, your Company was able to improve its sales performance. Members may recall that the Company's product Casein was under export ban. The said ban was lifted by the Government w.e.f. 1st May, 2012. This has shown a positive impact on the sales of the Company and the net sales and other income for the year ended 31st March, 2013 stood at ₹ 585.47 crores as against ₹ 494.03 crores previous year. The Company's export turnover increased to ₹ 102.66 crores as compared to last year's of ₹ 14.74 crores.

CURRENT OPERATIONS

During the quarter ending 30th June, 2013, the Company has achieved net sales and other operating income of ₹ 147.36 crores as against ₹ 122.86 crores during the same period last year.

On the export front, the demand was good and the export sales during the 1st quarter are ₹ 24.28 crores as against ₹ 10.84 crores during the same period last year. With the onset of good Monsoon in the Country the milk availability is expected to be good during the year.

MILK CESS

As the members are aware that the Company has filed a Special Leave Petition with the Hon'ble Supreme Court against the judgment of Hon'ble Punjab & Haryana High Court challenging imposition of Milk Cess by the Govt. of Haryana. The Hon'ble Supreme Court on 7th Sept, 2012, directed an interim stay of the High Court judgment and order subject to the Company depositing 50% of the cess levied as demanded by the Government of Haryana. The same has been deposited with the Government.

ALLOTMENT OF OPTIONALLY CONVERTIBLE DEBENTURES (OCDS)

In terms of the rework package, your Company allotted 49,65,30,325 Optionally Convertible Debentures of ₹ 1 each, in favour of the lenders on 3rd April, 2013.

UPDATE ON BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR)

Your Company has submitted Draft Rehabilitation Scheme (DRS) to PNB being the operating agency and the said DRS is under their consideration.

QUALITY, FOOD SAFETY & ENVIRONMENT STANDARDS

The Company is committed to maintain best of the management practices in its plant. In pursuit of its commitment, the Company's systems have been certified by DNV Netherlands for Quality Management Systems, Food Safety Systems and Environment Management Systems. The manufacturing facilities continue to maintain ISO 9001:2008, ISO 14001:2004, HACCP Certification and Food Safety Systems certification i.e. FSSC 22000:2011.

DIRECTORS

During the year Mr. Mohan Lai Sharma was appointed as BIFR nominee on the Company's Board w.e.f. 8th February, 2013.

During the year the nomination of Mrs. Kalpana Gupta was withdrawn by Punjab National Bank, accordingly she ceased to be a Director w.e.f. 30th May, 2013. Your Directors place on record their high appreciation for the contribution made by Mrs. Kalpana Gupta, Nominee Director during her tenure as Director of the Company.

Punjab National Bank nominated Mr. R. K. Goyal as its nominee on the Company's board. Accordingly Mr. Goyal was appointed as a Nominee Director on the Board w.e.f. 30th May, 2013.

Prof. Satish Kapoor, Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

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.

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. Aggarwal Vimal & Associates as Cost Auditors of the Company for the year 2013-14, 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 require 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 31st March, 2013, 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 31st March, 2013 and Profit/ Loss of the Company for the year ended 31st March, 2013.
- (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
Dated: 13th August, 2013

Krishan Kumar Goyal
Chairman & Mg. Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

India continue to retains its leadership position as world's largest milk producing nation with an estimated milk production of 133 million tons during the fiscal 2012-13.

The industry is slated to witness the boom in demand for milk & milk products in the coming years owing to growing population with high income levels & rising aspirations and fast urbanization.

The consumer is shifting to the branded products. This is resulting into increase in the demand of Pasteurized Liquid Milk and other fresh dairy products through the organized sector.

OPPORTUNITIES AND THREATS

The changing life styles, better affordability and ever increasing exposure to global markets, there is a huge potential for sale of fresh dairy products, dairy based nutritional formulations and allied products.

With the onset of good monsoon in the country, the milk availability is expected to be good during the year.

The continuous increase in Raw Milk Prices is a matter of concern for the industry.

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) and HACCP (Food Safety System) by DNV, Netherlands. Further the plant has obtained Food Safety Systems certification i.e. FSSC 22000 : 2011 in January, 2012 from 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 net sales and other income is ₹ 585.47 crores against ₹ 494.03 crores in the previous year. The operating profit in the year is ₹ 26.11 crores as against profit of ₹ 2.75 crores last year. The sales turnover of the Company in the domestic market was ₹ 481.63 crores as compared to last year sales of ₹ 478.04 crores. With the restarting of exports from May, 2012 onwards, the Company was able to increase its sales and performance.

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: 13th August, 2013

Krishan Kumar Goyal
Chairman & Mg. Director

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 31st March, 2013

FORM 'A'**A) POWER AND FUEL CONSUMPTION**

	Current Year 2012-13	Previous Year 2011-12
POWER		
a) Electricity Power		
Purchase Units (Kwh)	1,92,03,960	1,33,28,400
Total Amount ₹	11,87,26,000	6,82,57,917
Rate per Unit ₹	6.18	5.12
b) Other Generation Through Diesel Generator		
Unit (Kwh)	7,05,258	1,12,603
Total Amount ₹	95,65,000	12,31,347
Unit per litre of Diesel Oil	3.35	3.28
Cost / Unit ₹	13.56	10.94
FUEL		
Quantity (MT)	28,528	23,335
Total Amount ₹	11,09,33,000	7,07,15,243
Rate / Unit ₹ per MT	3,888.57	3,030.43

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)	88.35	74.67
Fuel Quantity (Kgs.)	122.47	109.39

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 note of the Balance Sheet.

For & on behalf of the Board

Place : Chandigarh
Dated : 13th August, 2013

Krishan Kumar Goyal
Chairman & Mg. Director

CORPORATE GOVERNANCE REPORT

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

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Modern Dairies Limited is committed in adopting the best practices of Corporate Governance. The Company endeavours to act on the principles of transparency, accountability, trusteeship, integrity and passion. The ultimate objective 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 31st March, 2013 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	
Mr. Krishan Kumar Goyal	Chairman & Mg. Director Non Independent (Promoter) Director	5	3	-	1	Yes
Dr. Bhupendra Nath Mathur	Non Executive Independent Director	4	-	-	2	No
Prof. Satish Kapoor	Non Executive Independent Director	4	-	2	-	Yes
Dr. A. K. Vashisht	Non Executive Independent Director	5	-	-	1	Yes
Mrs. Kalpana Gupta*	Non Executive Independent (Nominee) Director	2	4	-	-	No
Mr. Mohan Lal Sharma**	Non Executive Independent (Nominee) Director	1	2	-	-	NA
Mr. A. K. Aggarwal	Non Independent Executive Director	5	1	-	1	Yes
Dr. P.K. Jain	Executive Non Independent Director (Admn. & Milk Procurement)	4	1	-	-	Yes

* During the year the nomination of Mrs. Kalpana Gupta, Nominee Director was withdrawn by Punjab National Bank, accordingly she ceased to be a Director w.e.f. 30th May, 2013. Punjab National Bank nominated Mr. R. K. Goyal as its nominee on the Company's board. Accordingly he was appointed as a Nominee Director on the Board w.e.f. 30th May, 2013.

** During the year Mr. Mohan Lal Sharma was appointed as BIFR nominee on the Company's Board w.e.f. 8th February, 2013.

B. Board Meeting and Attendance

During the financial year ended 31st March, 2013, five meetings of Board of Directors were held. The details of Board Meetings held during the year are as under:-

Date of Board Meeting	Board's Strength	No of Directors Present
25 th May, 2012	7	7
16 th July, 2012	7	4
31 st July, 2012	7	6
10 th November, 2012	7	6
8 th February, 2013	8	7

C. Board's Processes

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

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

2. COMMITTEES OF THE BOARD

A. Audit Committee

- a. i. The Company has an 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 Chairman of the Audit Committee 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 25th May, 2012, 31st July, 2012, 10th November, 2012, and 8th February, 2013. The status of attendance of members at the Audit Committee was as under:

Name of Director	No. of Meetings held	No. of Meetings attended
Prof. Satish Kapoor	4	3
Dr. Bhupendra Nath Mathur	4	4
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 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 and 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 the financial conditions and results of operations,
- 2) Statement of significant related party transaction (as defined above), as submitted by management,
- 3) Management letters/letters of internal control weakness issued by the Statutory Auditors,
- 4) Internal Audit Reports relating to internal control weakness and
- 5) The appointment, removal and terms of remuneration of the chief internal auditors shall be subject to review by the Audit Committee.

B. Remuneration Committee

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

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. 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 Director	Member / Chairman
Dr. Bhupendra Nath Mathur	Chairman
Prof. Satish Kapoor	Member
Dr. A.K. Vashisht	Member

During the year, two meetings of the Remuneration Committee were held on 16th July, 2012 and 31st July, 2012.

Remuneration Policy

The Executive 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 31st March, 2013

Amount in ₹

Name of the Director	Salary	Perquisites & other benefits	Performance bonus/ commission	Stock Option	Sitting Fee	Total
Mr. Krishan Kumar Goyal*	--	--	--	--	10000	10000
Dr. Bhupendra Nath Mathur	--	--	--	--	130000	130000
Prof. Satish Kapoor	--	--	--	--	140000	140000
Dr. A. K. Vashisht	--	--	--	--	130000	130000
Mrs. Kalpana Gupta**	--	--	--	--	20000	20000
Mr. Mohan Lal Sharma***	--	--	--	--	10000	10000
Mr. A. K. Aggarwal	1995000	118703	--	--	--	2113703
Dr. P.K. Jain	1825419	108612	--	--	--	1934031

* Mr. Krishan Kumar Goyal has not drawn any remuneration as Chairman & Managing Director of the Company since his appointment as such w.e.f. 16th July, 2012.

** During the year the nomination of Mrs. Kalpana Gupta, Nominee Director was withdrawn by Punjab National Bank, accordingly she ceased to be a Director w.e.f. 30th May, 2013. Punjab National Bank nominated Mr. R. K. Goyal as its nominee on the Company's board. Accordingly he was appointed as a Nominee Director on the Board w.e.f. 30th May, 2013.

*** During the year Mr. Mohan Lal Sharma was appointed as BIFR nominee on the Company's Board w.e.f. 8th February, 2013.

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:

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

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 25th May, 2012, 31st July, 2012, 10th November, 2012, and 8th February, 2013.

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:

Name of Director	Member / Chairman
Prof. Satish Kapoor	Chairman
Mr. A.K. Aggarwal	Member
Dr. P. K. Jaip	Member

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:

Name of Director	Member / Chairman
Prof. Satish Kapoor	Chairman
Mr. A.K. Aggarwal	Member
Dr. A.K. Vashisht	Member

During the year, two Meetings of the Committee were held on 4th February, 2013 and 26th March, 2013.

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

Financial Year	Location	Date	Time
2009-10	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	29 th November, 2010	11.00 A.M.
2010-11	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	30 th September, 2011	11.00 A.M.
2011-12	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	26 th September, 2012	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 19th AGM dated 30th September, 2011, Special Resolution passed for:-
 - (a) Approval of appointment & remuneration of Dr. Pradeep Kumar Jain as Director (Admn. & Milk Procurement) of the Company for a period of 3 years w.e.f. 20th May, 2011.
 - (b) Approval of change in designation & revised remuneration of Mr. Ashwani Kumar Aggarwal as Executive Director of the Company for his remaining tenure.
- (ii) In the 20th AGM dated 26th September, 2012, Special Resolution passed for
 - (a) Approval to create, offer, issue and allot Optionally Convertible Debentures (OCDs) carrying a coupon rate of 0.001% to the CDR Lenders in terms of the CDR rework package.
 - (b) Approval of appointment & remuneration of Mr. Krishan Kumar Goyal as Chairman & Managing Director of the Company for a period of 3 years w.e.f 16th July, 2012.
 - (c) Approval of reappointment & revised remuneration of Mr. Ashwani Kumar Aggarwal as Executive Director for a period of 3 years w.e.f 16th November, 2012.

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 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 : Wednesday, the 18th September, 2013 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 th June, 2013	13 th August, 2013 (already held)
30 th September, 2013	November, 2013 (2 nd week)
31 st December, 2013	February, 2014 (2 nd Week)
31 st March, 2014	May, 2014
Annual General Meeting	By September, 2014

3. Book Closure Date :-

From 14th September, 2013 to 18th September, 2013 (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.
 Equity: INE617B01011
 Optionally Convertible Debentures (OCDs): INE617B08016

6. Stock Data:-

Month	MODERN DAIRIES LTD. ON BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
2012							
April	22.87	12.70	18.17	9,49,519	17,664.10	17,010.16	17,318.81
May	19.40	14.25	17.90	2,13,674	17,432.33	15,809.71	16,218.53
June	18.25	15.00	16.65	75,314	17,448.48	15,748.98	17,429.98
July	16.95	14.65	15.30	1,54,703	17,631.19	16,598.48	17,236.18
August	16.00	9.70	10.70	5,68,616	17,972.54	17,026.97	17,429.56
September	13.50	10.50	12.01	1,44,501	18,869.94	17,250.80	18,762.74
October	18.27	11.30	15.47	5,32,113	19,137.29	18,393.42	18,505.38
November	17.65	13.80	14.40	2,99,953	19,372.70	18,255.69	19,339.90
December	15.05	13.37	13.63	1,48,335	19,612.18	19,149.03	19,426.71
2013							
January	15.45	13.10	13.89	2,01,969	20,203.66	19,508.93	19,894.98
February	14.55	9.50	9.62	2,13,889	19,966.69	18,793.97	18,861.54
March	10.28	6.99	7.82	2,66,833	19,754.66	18,568.43	18,835.77

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 31st March, 2013:-

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 Financial Institution	4639620	19.90
4. Bodies Corporate (not included above)	667111	2.86
5. Indian Public	7174816	30.76
6. NRIs/OCBs	173935	0.75
7. Trust & Foundations	200	0.00
TOTAL	23319861	100.00

9. Distribution of Shareholding as on 31st March, 2013:-

SHAREHOLDING		SHAREHOLDERS		NO OF SHARES	
From	To	Number	% of total	Number	% of total
upto	5000	12146	84.72%	2675402	11.47%
5001	10000	1312	9.15%	1054539	4.52%
10001	20000	461	3.22%	727345	3.12%
20001	30000	136	0.95%	344027	1.48%
30001	40000	58	0.40%	208317	0.89%
40001	50000	57	0.40%	269935	1.16%
50001	100000	72	0.50%	515743	2.21%
100001	and above	95	0.66%	17524553	75.15%
Total		14337	100.00%	23319861	100.00%

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 31st March, 2013.

No. of Shares : 17634584	75.62% of the total equity
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11. Plant Location of the Company

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

12. Investors Correspondence:-

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

Modern Dairies Limited
 S.C.O. 98-99, Sub City Centre,
 Sector 34, Chandigarh-160 022.
 Tel.:+91-172-2609001,2609002,2609003
 Fax.: +91-172- 2609000
 E-mail: secretarial@moderndairies.com
 Company's Website:www.moderndairies.com

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



MODERN DAIRIES LIMITED

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

The Shareholders,

I, 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 : 30th May, 2013

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 Modern Dairies Limited for the year ended 31st March, 2013 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 was limited to procedures and implementations thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

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

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

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

For Sharma Sarin & Associates

Company Secretaries

Place : Chandigarh

Date: 13th August, 2013

P.D. SHARMA

Partner

C.P. No. 2692

AUDITORS' REPORT

To
The Members of Modern Dairies Limited

1. We have audited the accompanying financial statements of Modern Dairies Limited, ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
 - ii) in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to Note 29(b) and 29(c) to the financial statement which describes the pending litigation matter in connection with milk cess, and the basis on which provision for such cess and interest thereon has been recorded in terms with a legal opinion obtained by the Company. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, 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 purpose 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. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
 - e. on the basis of written representations received from the Directors, as on 31st March, 2013 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker, Chandok & Co**
Chartered Accountants
Firm Reg. No.: 001076N

per **Atul Seksaria**

Place : New Delhi
Date: 14th June, 2013

Partner
M. No.: 086370

Annexure to the Independent Auditors' Report of even date to the members of Modern Dairies Limited, on the financial statements for the year ended 31st March, 2013

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 program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years which, in our opinion, 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) The management has conducted physical verification of inventory at reasonable intervals during the year, except for stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained 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 and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (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 4(iii) (d) of the Order are not applicable.
- (e) The Company has taken unsecured loans from five parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was ₹ 5,51.45 lacs and the year-end balance was ₹ 5,50.98 lacs.
- (f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount and the interest is regular.
- (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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (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) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.
- (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 for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act 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 cost records with a view to determine whether they are accurate or complete.
- (ix) (a) 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, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. 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 became 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 Lacs	Amount Paid Under Protest (₹ in lacs)	Period to which the amount relates	Forum where dispute is pending
The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001	Milk cess	24,07.78	5,91.00	2001-02 to 2012-13	Hon'ble Supreme Court of India*
Central Excise Act, 1944	CENVAT credit, interest	82.40	82.40	2005-06	Custom Excise & Service Tax Appellate Tribunal, New Delhi
Central Excise Act, 1944	CENVAT credit, interest & penalty	1,78.85	-	2007-08 to 2009-10	Custom Excise & Service Tax Appellate Tribunal, New Delhi
Haryana Value Added Tax, 2008	Credit on input	9.67	7.90	2005-06	Punjab & Haryana High Court Chandigarh
Haryana Tax on Entry of Goods into Local Areas Act, 2003	Entry Tax	76.04	-	2007-08 to 2012-13	Hon'ble Supreme Court of India
The Finance Act, 1994	Service Tax	1.39	-	2009-10	Commissioner (Appeals), Gurgaon
Income Tax Act, 1961	Income Tax	6.46	-	AY 2006-07 and 2008-09	Income Tax Appellant Tribunal, New Delhi

*The Hon'ble Supreme Court in its order dated 7th September, 2012 granted an interim stay on impugned judgment passed by The Hon'ble High Court of Punjab & Haryana.

- (x) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash loss during the year. In the immediately preceding financial year the Company had incurred cash loss.*
- (xi) Based on the approval granted by the Corporate Debt Restructuring Empowered Group and the respective banks within the consortium for restructuring of its loan repayments and interest thereon, the Company has not defaulted in repayment of its dues to any bank during the year.

- (xii) The Company has no dues payable to a financial institution or debenture-holders during the year. 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, provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing 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 these loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties 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 has neither issued nor had 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, Chandio & Co
Chartered Accountants
Firm Reg. No.: 001076N

per **Atul Seksaria**

Partner

Place : New Delhi
Date : 14th June, 2013

M. No.: 086370

BALANCE SHEET AS AT MARCH 31, 2013

	Notes	As at March 31, 2013 Amount in ₹ Lacs	As at March 31, 2012 Amount in ₹ Lacs
I EQUITY & LIABILITIES			
1 Shareholders' Funds			
a) Share capital	III	23,35.89	23,35.89
b) Reserves and surplus	IV	(44,10.97)	(43,07.74)
		<u>(20,75.08)</u>	<u>(19,71.85)</u>
2 Non-current liabilities			
a) Long-term borrowings	V	1,15,56.65	1,06,44.19
b) Deferred tax liabilities (net)	VI	2,03.29	-
c) Long-term provisions	VII	58.57	54.62
		<u>1,18,18.51</u>	<u>1,06,98.81</u>
3 Current liabilities			
a) Short-term borrowings	VIII	40,54.45	24,84.48
b) Trade payables	IX	40,96.85	21,17.33
c) Other current liabilities	X	7,11.62	2,32.48
d) Short-term provisions	XI	24,30.68	32,37.16
		<u>1,12,93.60</u>	<u>80,71.45</u>
Total		<u><u>2,10,37.03</u></u>	<u><u>1,67,98.41</u></u>
II ASSETS			
1 Non-current assets			
a) Fixed assets	XII		
Tangible assets		90,19.79	91,77.08
Intangible assets		6.89	12.45
b) Non-current investments	XIII	1.29	0.99
c) Long-term loans and advances	XIV	1,07.49	1,07.18
		<u>91,35.46</u>	<u>92,97.70</u>
2 Current assets			
a) Inventories	XV	75,51.48	51,56.03
b) Trade receivables	XVI	31,64.71	15,47.12
c) Cash and bank balances	XVII	1,40.63	2,50.13
d) Short-term loans and advances	XVIII	10,39.75	5,42.43
e) Other current assets	XIX	5.00	5.00
		<u>1,19,01.57</u>	<u>75,00.71</u>
Total		<u><u>2,10,37.03</u></u>	<u><u>1,67,98.41</u></u>

Notes I to XXXX form an integral part of these Financial Statements.

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

for **Walker, Chandiook & Co.**
Chartered Accountants

For & on behalf of the Board of Directors

per **Atul Seksaria**
Partner

A K Aggarwal
Director

Satish Kapoor
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Anubha Garg
Company Secretary

Place: New Delhi
Dated: 14th June, 2013

Place: Chandigarh
Dated: 14th June, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

	Notes	For the year ended March 31, 2013 Amount in ₹ Lacs	For the year ended March 31, 2012 Amount in ₹ Lacs
REVENUE			
Revenue from operations (gross)	XX	5,89,10.05	4,94,99.67
Less : Excise duty		<u>3,92.05</u>	<u>1,69.51</u>
Revenue from operations (net)		5,85,18.00	4,93,30.16
Other Income	XXI	29.22	72.84
Total		<u>5,85,47.22</u>	<u>4,94,03.00</u>
EXPENSES			
Cost of materials consumed	XXII	5,40,98.63	4,69,31.80
Changes in inventories of finished goods, work-in-progress and traded goods	XXIII	<u>(20,64.02)</u>	<u>(14,29.56)</u>
Employee benefit expenses	XXIV	6,23.38	5,61.25
Finance costs	XXV	19,13.24	16,63.80
Depreciation and amortisation expense	XXVI	6,63.06	6,96.73
Other expenses	XXVII	43,20.58	30,18.92
Prior period expenses	XXVIII	<u>(11,07.71)</u>	<u>-</u>
Total		<u>5,84,47.16</u>	<u>5,14,42.94</u>
Profit/(Loss) before tax		1,00.06	(20,39.94)
Tax expense			
Deferred tax		<u>2,03.29</u>	<u>(2,19.83)</u>
Loss for the year		<u>(1,03.23)</u>	<u>(18,20.11)</u>
Loss per equity share	XXXIII		
Basic		(0.44)	(7.80)
Diluted		(0.44)	(7.80)
Notes I to XXXX form an integral part of these Financial Statements.			

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

For & on behalf of the Board of Directors

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

per **Atul Seksaria**
Partner

A K Aggarwal
Director

Satish Kapoor
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Anubha Garg
Company Secretary

Place: New Delhi
Dated: 14th June, 2013

Place: Chandigarh
Dated: 14th June, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	Year ended March 31, 2013 Amount in ₹ Lacs	Year ended March 31, 2012 Amount in ₹ Lacs
A Cash flow from operating activities		
Loss before tax and after exceptional items	1,00.06	(20,39.94)
Adjustments for :		
Depreciation and amortisation	6,63.06	6,96.73
Loss on sale/discard of fixed assets	2.01	12.57
Provision for milk cess	14,14.86	6,96.63
Liabilities written back	(20.03)	(38.67)
Interest expense	18,47.84	16,18.31
Employee benefits	4.95	(0.37)
Amount written off	18.88	-
	<u>39,31.57</u>	<u>29,85.20</u>
Operating profit before working capital changes	<u>40,31.63</u>	<u>9,45.26</u>
Adjustments for :		
Increase in long-term loans and advances	(0.31)	(42.96)
Increase /(decrease) in long-term provisions	3.95	(14.68)
Increase in trade payables	19,99.55	1,88.78
Increase /(decrease) other current liabilities	1,63.18	(30.58)
(Decrease)/Increase in short-term provisions	(22,26.29)	14.68
Increase in inventories	(23,95.45)	(13,40.02)
(increase)/Decrease in trade receivables	(16,36.46)	43.45
(Increase)/Decrease in short term loans and advances	(4,97.36)	3,58.92
	<u>(45,89.19)</u>	<u>(8,22.42)</u>
Cash (used in)/from operations	<u>(5,57.56)</u>	<u>1,22.84</u>
Net cash (used in)/from operating activities	<u>(5,57.56)</u>	<u>1,22.84</u>
B Cash flow from Investing activities :		
Purchase of fixed assets	(5,06.25)	(10.27)
Purchase of non-current investments	(0.30)	-
Movement in restricted fixed deposits	0.75	(0.75)
Proceeds from sale of fixed assets	4.03	1,63.16
Net cash (used in) /from investing activities	<u>(5,01.77)</u>	<u>1,52.14</u>
C Cash flow from financing activities		
Receipt of grant	-	25.00
Repayment of long-term borrowings	(64.61)	(3,35.21)
Proceeds from/(Repayment) of cash/export credit facilities	15,69.97	(67.51)
Amount raised from unsecured loans	57.93	24.71
Interest paid	(6,12.71)	(3,95.27)
Net cash from/(used in) financing activities	<u>9,50.58</u>	<u>(7,48.28)</u>
Net decrease in cash and cash equivalents (A+B+C)	<u>(1,08.75)</u>	<u>(4,73.30)</u>
Cash and cash equivalents at the beginning of the year	<u>2,49.38</u>	<u>7,22.67</u>
Cash and cash equivalents at the end of the year	<u>1,40.63</u>	<u>2,49.38</u>
Components of cash and cash equivalents		
Cash on hand	25.14	24.35
Balances with Scheduled Banks		
In current accounts	1,15.49	2,25.03
On fixed deposit accounts (restricted)	-	0.75
	<u>1,40.63</u>	<u>2,50.13</u>
Less: fixed deposits not considered as cash equivalents	-	0.75
Cash & cash equivalents in cash flow statement :	<u>1,40.63</u>	<u>2,49.38</u>

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

b) Negative figures have been shown in brackets.

Notes I to XXXX form an integral part of these Financial Statements.

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

For & on behalf of the Board of Directors

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

A K Aggarwal
Director

Satish Kapoor
Director

per **Atul Seksaria**
Partner

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Anubha Garg
Company Secretary

Place: New Delhi
Dated: 14th June, 2013

Place: Chandigarh
Dated: 14th June, 2013

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

NOTE : I

BACKGROUND AND NATURE OF OPERATIONS

Modern Dairies Limited ('the Company') was incorporated in 1992 and is primarily engaged in 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.

NOTE : II

SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

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

(ii) 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 recognized prospectively in current and future periods.

(iii) Fixed assets

Tangible assets

Fixed assets are stated at historic cost less accumulated depreciation and amortization and impairment losses (if any). 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 substantial period of time to get ready for their intended use, are capitalized.

Intangible assets

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

(iv) Depreciation and amortization

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 ready to use 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.

(v) 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 of investments.

(vi) Inventories

Inventories are valued as follows:

a) Raw materials, packing materials, store and spare parts

Lower of cost and net realizable value. Cost includes purchase price, taxes (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.

b) 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

c) By-Products

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

(vii) 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 income

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

(viii) Foreign exchange transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction and monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the statement of profit and loss.

Forward exchange contracts not covered under Accounting Standard 11 'Effect of change in Foreign Exchange Rates', that are entered to hedge the foreign currency risk of highly probable forecast transactions and unrecognized firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

The premium or discount arising at the inception of the forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

(ix) Employee benefits

Contribution 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 statement of profit and loss 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 the statement of profit and loss 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 recognized in the period in which the absence is occurring.

(x) 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 the 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 tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized 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 unorganized deferred tax assets. It recognise 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 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 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 right-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 statement of profit and loss 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.

(xi) 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.

(xii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity share holders (after deducting preference dividends and at 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.

(xiii) 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 statement of profit and loss. If at the balance sheet date there is an indication that if 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.

(xiv) 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 statement of profit and loss over the periods necessary to match them with the related cost 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.

(xv) 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.

**NOTE : III
SHARE CAPITAL**

	As at March 31, 2013		As at March 31, 2012	
	Number	Amount in ₹ Lac	Number	Amount in ₹ Lac
Authorised share capital				
Equity shares of ₹ 10 each	30000000	30,00.00	30000000	30,00.00
	<u>30000000</u>	<u>30,00.00</u>	<u>30000000</u>	<u>30,00.00</u>
Issued, subscribed and fully paid up				
Equity shares of ₹ 10 each	23319861	23,31.99	23319861	23,31.99
	<u>23319861</u>	<u>23,31.99</u>	<u>23319861</u>	<u>23,31.99</u>
Total	<u>23319861</u>	<u>23,31.99</u>	<u>23319861</u>	<u>23,31.99</u>
Forfeited shares				
Amount originally paid up	76900	3.90	76900	3.90
	<u>23396761</u>	<u>23,35.89</u>	<u>23396761</u>	<u>23,35.89</u>
<p>a) The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.</p>				
b) Reconciliation of share capital (Equity)	Number	Amount in ₹ Lac	Number	Amount in ₹ Lac
Balance at the beginning of the year	23396761	23,35.89	23396761	23,35.89
Add : Issued during the year	-	-	-	-
Balance at the end of the year	<u>23396761</u>	<u>23,35.89</u>	<u>23396761</u>	<u>23,35.89</u>
c) Shareholders holding more than 5% of the shares	Number	Amount in ₹ Lac	Number	Amount in ₹ Lac
Equity shares of ₹10 each				
International Finance Corporation	4639620	4,63.96	4639620	4,63.96
Chandigarh Finance Private Limited	3572292	3,57.23	3572292	3,57.23
Krishan Kumar Goyal	1255943	1,25.59	1255943	1,25.59
Alka Goyal	1248972	1,24.90	1248972	1,24.90
	<u>10716827</u>	<u>10,71.68</u>	<u>10716827</u>	<u>10,71.68</u>
<p>d) Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issues and brought back during the last 5 years to be given for each class of shares.</p> <p>During the last five years the Company has not issued any equity shares pursuant to a contract without payment being received in cash. The Company issued 8753100 bonus equity shares in the year 2007-2008 in the ratio of 1:1. There has been no buy-back of shares in the current year and preceding five years. On 23rd July, 2008, 1163661 equity shares were issued to the Promoters and Promoters Group on conversion of warrants (on 29th November, 2007 the Company had allotted 3000000 convertible share warrants to Promoters and Promoters Group companies on preferential basis at a price of ₹ 81 per share).</p>				

NOTE :IV
RESERVES AND SURPLUS

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Capital reserves		
Balance at the beginning of the year	2,23.74	1,73.74
Add : Additions during the year	-	50.00
Balance at the end of the year	<u>2,23.74</u>	<u>2,23.74</u>
Securities premium reserve		
Balance at the beginning of the year	30,73.42	30,73.42
Balance at the end of the year	<u>30,73.42</u>	<u>30,73.42</u>
Deficit in the statement of profit and loss		
Balance at the beginning of the year	(76,04.90)	(57,84.79)
Add : Transferred from the statement of profit and loss	(1,03.23)	(18,20.11)
Balance at the end of the year	<u>(77,08.13)</u>	<u>(76,04.90)</u>
Total	<u>(44,10.97)</u>	<u>(43,07.74)</u>

NOTE :V
LONG-TERM BORROWINGS

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
From banks (Secured)		
-Term loans	42,92.70	45,18.54
-Corporate loans	17,10.73	18,00.77
-Working capital term loans (WCTL)	26,53.00	26,53.00
-Funded interest term loans (FITL)	23,49.24	11,78.82
From related parties (unsecured)	<u>5,50.98</u>	<u>4,93.06</u>
	<u>1,15,56.65</u>	<u>1,06,44.19</u>

a) Details of security for term loans from banks

Term loans from banks are secured by way of equitable mortgage of fixed assets both present and future including land & building of the Company on first pari-passu basis and are also guaranteed by the promoter of the Company.

b) Details of security for corporate loans

Corporate loans are secured by way of mortgage and charge of immovable and movable assets both present and future and it is also secured by way of charge/assignment on all bank accounts.

c) Terms of repayment

Pursuant to the rework proposal approved under the corporate debt restructuring (CDR) scheme by CDR Empowered Group duly sanctioned by respective banks under the consortium, following interest rates and schedules of repayment have been agreed with the Company:

i) Term loans:(Included in long term borrowings and other current liabilities.)

Amount in ₹ Lac

Bank	Amount Outstanding	Financial Years Rate of Interest No. of Instal. in a year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
			13.75%	14.50%	15.50%	16.50%	16.50%	17.00%	
Punjab National Bank	20,29.85	Annual instalment amt.	1,01.49	2,02.99	4,05.97	4,05.97	4,05.97	5,07.46	20,29.85
State Bank of India	10,38.69	Annual instalment amt.	51.93	1,03.87	2,07.74	2,07.74	2,07.74	2,59.67	10,38.69
Canara Bank	14,50.00	Annual instalment amt.	72.50	1,45.00	2,90.00	2,90.00	2,90.00	3,62.50	14,50.00

ii) Corporate loans (included in long term borrowings and other current liabilities):

Amount in ₹ Lac

Bank	Amount Outstanding	Financial Years						Total	
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19		
		Rate of Interest	13.25%	13.75%	13.75%	14.00%	14.00%		14.00%
	No. of Instal. in a year	4	4	4	4	4	2	22	
Punjab National Bank	10,79.03	Annual instalment amt.	53.95	1,07.90	2,15.81	2,15.81	2,15.81	2,69.76	10,79.03
State Bank of India	6,28.74	Annual instalment amt.	31.44	62.87	1,25.75	1,25.75	1,25.75	1,57.19	6,28.74
Canara Bank	93.00	Annual instalment amt.	4.65	9.30	18.60	18.60	18.60	23.25	93.00

iii) Working capital term loans(WCTL):

At the end of two years viz on 1st April, 2013, the outstanding balance of WCTL shall be converted into Optionally Convertible Debentures (OCD) at a coupon rate of 0.001%. Holders of OCD shall have the right to convert the said OCD into fully paid equity shares of the Company during 18th month from the date of issuance of such OCD as per the then applicable SEBI guidelines. In the event of OCD not being converted into equity, the same will be redeemable at the end of restructuring package i.e. in financial year 2019 in one bullet payment. Interest rate for such loan is 16.50%.

iv) Funded interest term loans(FITL):

At the end of two years viz on 1st April, 2013, the outstanding of FITL shall be converted into Optionally Convertible Debentures (OCD) at a coupon rate of 0.001%. Holders of OCD shall have the right to convert the said OCD into fully paid equity shares of the Company during 18th month from the date of issuance of such OCD as per the then applicable SEBI guidelines. In the event of OCD not being converted into equity, the same will be redeemable at the end of restructuring package i.e. in financial year 2019 in one bullet payment. Interest rate for such loan is 12.50%.

v) From related parties (unsecured):

Loans taken from others have interest rate ranging from 10% to 14% (Refer note XXXI). All these loans along with interest are due for repayment in the financial year 2014-15.

NOTE: VI

DEFERRED TAX LIABILITIES (NET)

Deferred tax (assets)/liabilities	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Difference on depreciation and amortisation of tangible and intangible assets	14,20.17	13,84.18
Unabsorbed depreciation (for previous year, the deferred tax asset was restricted to the extent of deferred tax liability)	(12,16.88)	(13,84.18)
Deferred tax liabilities (net)	<u>2,03.29</u>	<u>-</u>

NOTE : VII
LONG-TERM PROVISIONS

Provisions for gratuity (refer note (a) below)

As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
<u>58.57</u>	<u>54.62</u>

a) The following table set out the status of the plan for gratuity as required under Accounting Standard (AS) - 15 - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Change in projected benefit obligation

Projected benefit obligation at the beginning of the year*	76.52	76.89
Service cost	8.32	8.07
Interest cost	6.12	6.55
Actuarial (gain) / loss	2.44	0.50
Benefits paid	(11.93)	(15.48)
Projected benefit obligation at the end of the year*	81.47	76.52

Reconciliation of present value of obligation on the fair value of plan assets

Present value of projected benefit obligation at the end of the year*	81.47	76.52
Liability / (asset) recognised in the balance sheet*	81.47	76.52

Components of net gratuity costs are

Service cost	8.32	8.07
Interest cost	6.12	6.55
Recognized net actuarial (gain)/ loss	2.44	0.50
Net gratuity costs	16.88	15.12

Assumptions used

Discount rate	8.0%	8.5%
Long-term rate of compensation increase	5.5%	6.0%
Rate of return on plan assets	N.A.	N.A.
Average remaining life (years)	20.86	22.32

The disclosure for current year and previous five years is as follows:

	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010	As at 31 March 2009
Defined benefit obligation	81.47	76.53	76.89	52.04	48.09

*This includes short term portion of ₹ 22.90 lacs (previous year ₹ 21.90 lacs) as disclosed under note XI.

NOTE VIII
SHORT TERM BORROWINGS

Working capital borrowing from banks (secured)

As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
<u>40,54.45</u>	<u>24,84.48</u>

Cash credit/export credit 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 & building of the Company on pari-passu basis with other banks and is also guaranteed by the promoter of the Company.

NOTE : IX

TRADE PAYABLES

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Dues to micro and small enterprises (refer note (a) below)	5.32	3.79
Dues to others	40,91.53	21,13.54
	<u>40,96.85</u>	<u>21,17.33</u>

a) Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

Principal amount remaining unpaid	5.01	3.43
Interest accrued and remaining unpaid as at 31 st March	0.31	0.36

Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year

- -

Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006

- -

Interest accrued and remaining unpaid as at 31st March

0.67 0.36

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 MSMED Act, 2006.

- -

NOTE : X

OTHER CURRENT LIABILITIES

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Interest accrued but not due on borrowings	25.15	12.61
Statutory dues	81.32	54.88
Employee related payables	66.24	55.29
Other payables		
Book overdraft	14.37	12.79
Advance from customers	2,06.12	89.66
Security deposits	2.45	7.25
Current maturities of long term borrowings	<u>3,15.97</u>	-
	<u>7,11.62</u>	<u>2,32.48</u>

NOTE : XI

SHORT-TERM PROVISIONS

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Provision for gratuity (Also, refer note VII (a) above)	22.90	21.90
Provision for milk cess(including interest of ₹ 11,44.36 lacs (previous year ₹ 22,70.88 lac)	<u>24,07.78</u>	<u>32,15.26</u>
	<u>24,30.68</u>	<u>32,37.16</u>

NOTE : XII
FIXED ASSETS

 For the year ended 31st March, 2013

Particulars	Gross Block			Accumulated depreciation and amortisation				Net block		
	As at 1 April 2012	Add. during the year	Sales/ Adj. during the year	As at 31 March 2013	As at 1 April 2012	For the year	Sales/ Adj. during the year	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible assets										
Freehold land	1,89.93	-	-	1,89.93	-	-	-	-	1,89.93	1,89.93
Buildings	17,81.89	88.37	-	18,70.26	4,17.91	58.11	-	4,76.02	13,94.24	13,63.98
Plant and equipment	1,17,52.18	3,72.23	-	1,21,24.41	41,91.64	5,88.90	-	47,80.54	73,43.87	75,60.54
Office equipments	48.10	2.04	-	50.14	22.31	2.81	-	25.12	25.02	25.79
Furniture and fixture	37.05	1.35	-	38.40	22.45	1.75	-	24.20	14.20	14.60
Vehicles	67.37	42.26	15.65	93.98	45.13	5.93	9.61	41.45	52.53	22.24
Total	1,38,76.52	5,06.25	15.65	1,43,67.12	46,99.44	6,57.50	9.61	53,47.33	90,19.79	91,77.08
Intangible assets										
Computer software	34.21	-	-	34.21	21.76	5.56	-	27.32	6.89	12.45
Total	34.21	-	-	34.21	21.76	5.56	-	27.32	6.89	12.45

 For the year ended 31st March, 2012

Particulars	Gross Block			Accumulated depreciation and amortisation				Net block		
	As at 1 April 2011	Add. during the year	Sales/ Adj. during the year	As at 31 March 2012	As at 1 April 2011	For the year	Sales/ Adj. during the year	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible assets										
Freehold land	1,89.93	-	-	1,89.93	-	-	-	-	1,89.93	1,89.93
Leasehold land	1,82.83	-	(1,82.83)	-	5.33	1.82	(7.15)	-	-	1,77.50
Buildings	17,81.89	-	-	17,81.89	3,59.85	58.06	-	4,17.91	13,63.98	14,22.04
Plant and equipment	1,17,42.68	9.50	-	1,17,52.18	35,69.56	6,22.08	-	41,91.64	75,60.54	81,73.12
Office equipments	48.12	0.77	(0.78)	48.10	20.55	2.49	(0.73)	22.31	25.79	27.57
Furniture and fixture	37.05	-	-	37.05	20.77	1.67	-	22.45	14.60	16.29
Vehicles	67.37	-	-	67.37	40.08	5.05	-	45.13	22.24	27.29
Total	1,40,49.87	10.27	(1,83.61)	1,38,76.52	40,16.15	6,91.17	(7.88)	46,99.44	91,77.08	1,00,33.74
Intangible assets										
Computer software	34.21	-	-	34.21	16.20	5.56	-	21.76	12.45	18.01
Total	34.21	-	-	34.21	16.20	5.56	-	21.76	12.45	18.01

NOTE : XIII
NON CURRENT INVESTMENTS

Non trade investments (at cost, unquoted)

Investment in equity shares (unquoted)

 Aricent Technologies (Holdings) Limited
 (1069 equity shares (Previous year 1069) of ₹ 10 each fully paid up)

Government securities

National savings certificates (pledged with sales tax authorities)

 As at
March 31, 2013
 Amount in ₹ Lac

 As at
March 31, 2012
 Amount in ₹ Lac

0.76

0.76

0.53

1.29

0.23

0.99

NOTE : XIV
LONG-TERM LOANS AND ADVANCES

(unsecured considered good, unless otherwise stated)

Security deposits

 As at
March 31, 2013
 Amount in ₹ Lac

 As at
March 31, 2012
 Amount in ₹ Lac

1.07.49

1.07.49

1.07.18

1.07.18

NOTE : XV

INVENTORIES

(valued at lower of cost and net realisable value)

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Raw materials	2,02.19	88.87
Work-in-progress	88.22	1,05.69
Finished goods	66,18.54	44,77.65
Stores and spares	4,59.97	3,51.44
Packing materials	1,82.56	1,32.38
	75,51.48	51,56.03

NOTE : XVI

TRADE RECEIVABLES

(Unsecured)

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Debts outstanding for a period exceeding six months from the date they are due for payment		
Considered good	0.91	1.49
Considered doubtful	27.68	27.68
	28.59	29.17
Less: Allowance for bad and doubtful debts	27.68	27.68
	0.91	1.49
Other debts - considered good	31,63.80	15,45.63
	31,64.71	15,47.12

NOTE : XVII

CASH AND BANK BALANCES

Cash & cash equivalents

- Cash in hand

- Balances with banks in current account

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
	25.14	24.35
	1,15.49	2,25.03
Other bank balances		
Deposits with maturity more than three months but less than twelve months	-	0.75
	1,40.63	2,50.13

NOTE : XVIII

SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good)

Advances to suppliers

Loans and advances to employees

Prepaid expenses

Balances with statutory and government authorities

Security deposits

Milk cess paid under protest

Grant recoverable

Advance tax (including tax deducted at source and wealth tax)

Others

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
	1,81.35	36.40
	2.81	0.93
	29.39	28.10
	1,57.91	1,48.93
	10.00	-
	5,91.00	2,64.17
	25.00	25.00
	4.91	4.84
	37.38	34.06
	10,39.75	5,42.43

NOTE : XIX
OTHER CURRENT ASSETS

	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Assets held for disposal	5.00	5.00
	<u>5.00</u>	<u>5.00</u>

NOTE : XX
REVENUE

	Year ended March 31, 2013 Amount in ₹ Lac	Year ended March 31, 2012 Amount in ₹ Lac
Revenue from operations		
Sale of products		
Export	1,02,65.91	14,74.40
Domestic	4,85,55.91	4,79,73.64
Other operating revenue	88.23	51.63
Revenue from operations (Gross)	5,89,10.05	4,94,99.67
Less : Excise duty	3,92.05	1,69.51
Revenue from operations (Net)	5,85,18.00	4,93,30.16

Details of products sold (contributing more than 10% of the total revenue)
Manufactured goods (inclusive of excise duty)

Milk	1,71,51.59	2,03,90.89
Ghee	53,34.39	51,94.34
SMP	71,37.64	77,61.85
Casein	1,05,91.38	15,21.21
Others	1,86,06.82	1,45,79.75
	<u>5,88,21.82</u>	<u>4,94,48.04</u>

NOTE : XXI
OTHER INCOME

	Year ended March 31, 2013 Amount in ₹ Lac	Year ended March 31, 2012 Amount in ₹ Lac
Interest income		
- from banks	0.01	16.59
- others	6.19	3.62
Exchange fluctuation (net)	-	9.24
Liabilities written back	20.03	38.67
Miscellaneous Income	2.99	4.72
	<u>29.22</u>	<u>72.84</u>

NOTE : XXII
COST OF MATERIALS CONSUMED

	Year ended March 31, 2013 Amount in ₹ Lac	Year ended March 31, 2012 Amount in ₹ Lac
Opening stock		
- Raw materials	88.87	1,19.17
- Packing materials	1,32.38	1,39.14
	<u>2,21.25</u>	<u>2,58.31</u>

Add : Purchases of raw materials during the year	5,28,27.87	4,57,64.05
Add : Purchases of packing materials during the year	<u>14,34.26</u>	<u>11,30.70</u>
	5,42,62.13	4,68,94.75
Less : Closing stock		
- Raw materials	2,02.19	88.87
- Packing materials	<u>1,82.56</u>	<u>1,32.38</u>
	3,84.75	2,21.25
	<u>5,40,98.63</u>	<u>4,69,31.80</u>
a. Details of raw materials		
Milk	<u>5,27,14.55</u>	<u>4,57,94.35</u>
Total	<u>5,27,14.55</u>	<u>4,57,94.35</u>
NOTE : XXIII	Year ended	Year ended
	March 31, 2013	March 31, 2012
	Amount in ₹ Lac	Amount in ₹ Lac
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS		
Opening stock		
- Manufactured goods	44,77.65	30,80.65
- Work-in-progress	<u>1,05.69</u>	<u>66.60</u>
	45,83.34	31,47.25
Closing stock		
- Manufactured goods	66,18.54	44,77.65
- Work-in-progress	<u>88.22</u>	<u>1,05.69</u>
	67,06.76	45,83.34
Excise duty on change in stocks	<u>59.40</u>	<u>6.53</u>
	<u>(20,64.02)</u>	<u>(14,29.56)</u>
NOTE : XXIV	Year ended	Year ended
	March 31, 2013	March 31, 2012
	Amount in ₹ Lac	Amount in ₹ Lac
EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and bonus	6,00.75	5,42.15
Contribution to provident and other defined contribution funds	21.12	18.01
Staff welfare expenses	<u>1.51</u>	<u>1.09</u>
	<u>6,23.38</u>	<u>5,61.25</u>
NOTE : XXV	Year ended	Year ended
	March 31, 2013	March 31, 2012
	Amount in ₹ Lac	Amount in ₹ Lac
FINANCE COSTS		
Interest expenses		
- to banks	17,75.67	15,86.89
- others	72.17	31.41
Other borrowing costs	65.40	45.50
	<u>19,13.24</u>	<u>16,63.80</u>

NOTE : XXVI
DEPRECIATION AND AMORTISATION EXPENSE

	Year ended March 31, 2013 Amount in ₹ Lac	Year ended March 31, 2012 Amount in ₹ Lac
Depreciation of tangible assets (refer note XII)	6,57.50	6,91.17
Amortisation of intangible assets (refer note XII)	<u>5.56</u>	<u>5.56</u>
	<u><u>6,63.06</u></u>	<u><u>6,96.73</u></u>

NOTE : XXVII
OTHER EXPENSES

	Year ended March 31, 2013 Amount in ₹ Lac	Year ended March 31, 2012 Amount in ₹ Lac
Consumption of stores and spare parts (refer note XXX(d))	6,97.77	3,32.93
Power and fuel	23,92.24	14,07.33
Rent	6.73	5.64
Repairs to		
- building	28.31	16.10
- machinery	54.77	42.80
- others	6.38	4.32
Insurance	26.93	21.51
Legal and Professional expenses	1,03.98	1,08.83
Rates and taxes	8.17	15.56
Travelling and conveyance	84.48	66.61
Provision for Milk Cess (refer note XXIX(b))	3,00.23	6,96.63
Loss on sale/write off of fixed assets	2.01	12.57
Commission on sale	49.80	40.91
Freight and forwarding charges	2,86.88	92.92
Loss on foreign exchange fluctuation (net)	40.36	-
Miscellaneous expenses	<u>2,31.53</u>	<u>1,54.26</u>
	<u><u>43,20.58</u></u>	<u><u>30,18.92</u></u>

NOTE : XXVIII
PRIOR PERIOD EXPENSES

	Year ended March 31, 2013 Amount in ₹ Lac	Year ended March 31, 2012 Amount in ₹ Lac
Milk cess expense (refer note below)	1,99.25	-
Interest on milk cess [refer note XXIX(c)]	<u>(13,06.96)</u>	-
	<u><u>(11,07.71)</u></u>	<u><u>-</u></u>

Note:

From 23rd August, 2006 registered capacity of Company was revised to 3.5 lacs liters milk per day, but the Company continued to provide its milk cess liability based on capacity of 2.5 lacs liters milk per day. During the year, the Company has provided milk cess liability upto 31st March, 2012 of ₹ 1,99.25 lacs as prior period item.

NOTE : XXIX

CONTINGENT LIABILITIES AND PROVISIONS	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
Particulars		
i) Contingent liabilities:		
a) Claims against the Company not acknowledged as debts;	3,45.14	3,21.60
(i) Excise duty	2,61.25	2,56.06
(ii) Service tax	1.39	1.39
(iii) Entry tax	76.04	57.69
(iv) Income tax	6.46	6.46
<p>(i) Excise duty: During 2005-06, the Company had availed CENVAT credit of ₹ 77.21 lacs 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 lacs 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 lacs together with interest thereon of ₹ 5.19 lacs under protest. The case is pending in CESTAT and is awaited for regular hearing.</p> <p>Further during the year 2007-08 to 2009-10 the Company also availed CENVAT credit of ₹ 78.30 lacs 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 filed an appeal before Commissioner and commissioner confirmed a demand of CENVAT Credit amounting to ₹ 78.30 lacs along with a penalty of amount equal to the Cenvat Credit, interest of ₹ 4.57 lacs and ₹ 17.68 lacs of CENVAT Credit wrongly taken and reversed. The Company had filed appeal before CESTAT and hearing on stay application was fixed on 14th October, 2012 which was adjourned to 11th December, 2012 and thereafter on the request of department representative the same was adjourned to 12th February, 2013. On this date, CESTAT ordered to deposit ₹ 15 lacs as predeposit within 12 weeks which was deposited by Company on 15th May, 2013.</p> <p>Based upon the legal advise obtained by the Company, the management believes that the Company has reasonably good chances of winning the case and hence currently no provision has been recorded.</p>		
<p>(ii) Service tax: A show cause notice was received from The Assistant Commissioner Central Excise Division (Ambala) for denial of exemption under notification no.18/2009 dated 7th July, 2009. The case is pertaining to the period from 1st April, 2010 to 30th September, 2010. The service tax involved in this case is ₹ 1.39 lacs. The Assistant Commissioner Customs & Central Excise Division (Ambala) had passed an Order vide Original No. 7/ST/AC/Amb/2012 dated 27th July, 2011. The Company has filed Appeal before Commissioner (Appeals), Gurgaon. The case is awaiting for personal hearing.</p> <p>Based upon the legal advise obtained by the Company, the management believes that the Company has reasonably good chances of winning the case and hence currently no provision has been recorded.</p>		
<p>(iii) Entry tax: Local Area Development Tax ('LADT') was imposed in the state of Haryana with effect from 1st April, 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 1st April, 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 30th October, 2009, directing all assesses to file all the returns and staying recovery of tax till final order. The final order is still awaited.</p>		
<p>(iv) Income tax: During the year ended 31st March, 2012, the Income Tax Department carried out assessment for assessment years 2006-07 and 2008-09 and issued a notice of demand u/s156 of the Income Tax Act, 1961 for ₹ 6.06 lacs and ₹ 0.40 lacs respectively. The Company has filed an appeal with ITAT, New Delhi against the order of Commissioner (Appeals).</p>		
b) Milk cess liabilities:		
Milk cess liability (including interest of ₹ 11,44.36 lacs (previous year ₹ 22,70.88 lacs)	24,07.78	32,15.26

The provisions of 'The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation 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 liter 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 9th September, 2001, imposed a milk-cess of ten paise per liter 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 9th July, 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 lacs in the books of account. In 2004, a similar cess was 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 was believed that the chances of cess being levied on the Company for the period after the year 2004-2005 of ₹ 4,21.88 lacs would be remote and hence no provision against this was considered necessary.

On 28th May, 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 18th August, 2010 the Company filed a review application with the Hon'ble High Court. Subsequently, the Company's review application with Hon'ble High Court of Punjab and Haryana has been dismissed. On 18th October, 2010 the Company also filed a special leave petition before the Hon'ble Supreme Court challenging the impugned judgment. The matter was listed before the Hon'ble Supreme Court on 5th August, 2011. The Hon'ble Supreme Court has issued a notice to the Govt. of Haryana on Special Leave Petition filed by the Company as well as on the application for interim stay. On 20th April, 2012, the Government of Haryana filed its reply and The Hon'ble Supreme Court has ordered the case to be put before the Hon'ble Bench.

The Company had also received a notice dated 1st April, 2011 from Semen Bank Officer, Haryana Livestock Development Board, Karnal demanding the payment of ₹ 21,25.75 lacs as arrears of Cess and ₹ 1,28.72 lacs towards interest on the full unpaid amount for the period 1st January, 2011 to 31st March, 2011.

Further, The Hon'ble Supreme Court in its order dated 7th September, 2012 granted an interim stay on impugned judgment passed by The Hon'ble High Court, subject to petitioners depositing 50% of the cess levied and demanded by the State Government for expedited the hearing in this case.

Based on the order of The Hon'ble Supreme Court, the Company has deposited 50% of milk cess liability amounting to ₹ 5,91 lacs till 7th September, 2012 (date of the order) and after that there is no hearing held in the Supreme Court till date.

c) Other matters incidental to milk cess related litigation

Based upon a legal opinion obtained by the Company from an independent law firm in connection with the method in which the Company had been computing and recognizing the liability on account of interest on milk cess in terms with the provisions of The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001, the Company has, during the year ended 31st March, 2013, written back the interest of ₹ 13,06.96 lacs being provided in excess in prior years.

d) In the opinion of the management, the unjust levy of milk cess has completely eroded the net worth of the Company. In view of the complete erosion of the net worth, the Company has become a sick industrial company in terms of section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 in the hearing held on 8th February, 2012. The Company has worked out a business and debt restructuring plan which is based on the following major assumptions:

- i) During the year, Government of India lifted ban on export of casein, since then the Company is continuously exporting casein to various countries across the world and the casein sales contributes good margin.
- ii) In opinion of the management, the milk cess imposed by the Government of Haryana on the plant shall be waived off along with interest and other dues there on.

In view of the above, the management of the Company is hopeful of turning around and expects that the net worth of the Company shall become positive in near future.

e) Particulars of unhedged foreign currency exposure as at the reporting date:

Unhedged foreign currency exposure as at year end

Particulars	Currency	As at	As at
		March 31, 2013	March 31, 2012
Trade receivables	USD	20.75	-

NOTE : XXX

The Information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per revised schedule VI of Companies Act, 1956

Particulars	As at March 31, 2013 Amount in ₹ Lac	As at March 31, 2012 Amount in ₹ Lac
a) Earnings in foreign currency (accrual basis)		
Export value of goods on FOB basis	1,00,92.86	14.49.53
b) Expenditure in foreign currency (cash basis)		
Professional and consultation fees	20.17	4.50
Export Selling Commission	2.19	6.19
Others	7.24	0.02
c) Value of jmports (Calculated on C.I.F basis)		
Raw materials	-	1.12
Components and spare parts	85.30	23.31
Total	85.30	24.43
d) Imported and indigenous consumption		
Raw materials and packing materials		
Imported		
- Amount	-	1.12
- Percentage	-	0.01%
Indigenous		
- Amount	5,40,98.63	4,69,30.68
- Percentage	100.00%	99.99%
Total		
- Amount	5,40,98.63	4,69,31.80
- Percentage	100%	100%
Stores and spares		
Imported		
- Amount	85.30	23.31
- Percentage	12.22%	7.00%
Indigenous		
- Amount	6,12.47	3,09.62
- Percentage	87.78%	93.00%
Total		
- Amount	6,97.77	3,32.93
- Percentage	100.00%	100.00%

NOTE : XXXI
RELATED PARTY DISCLOSURES
a) Disclosure of related parties and relationship between the parties
Nature of relationship

Entities in which Directors of the Company are able to exercise control or have significant influence

Name of related party

Modern Steels Limited
 Chandigarh Finance Private Limited
 Mala Builders Private Limited
 Modern Dairyfarms Limited
 Times Finvest & Commerce Limited
 Shree Ganesh Investments & Industries Limited
 Smile Finvest Private Limited
 Nabha Commerce Private Limited
 Bharat Forgings Private Limited
 PHi Business Solutions Limited
 Modern Automotives Limited
 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. Aggarwal
 Dr. P.K. Jain

Relatives of KMP

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

Companies in which directors of the Company are able to exercise control or have significant influence	Year Ended March 31, 2013 Amount in ₹ Lac	Year Ended March 31, 2012 Amount in ₹ Lac
Rent paid		
Mala Builders Private Limited	2.70	2.65
Interest expense		
Shree Ganesh Investments & Industries Limited	4.60	1.85
Smile Finvest Private Limited	30.93	20.32
Times Finvest & Commerce Limited	22.36	2.53
Modern Automotives Limited	-	0.39
Kamal Leasing Limited	1.82	5.96
Chandigarh Finance Private Limited	4.65	-

Unsecured loan taken		
Shree Ganesh Investments & Industries Limited	-	21.00
Chandigarh Finance Private Limited	52.75	1,00.00
Modern Automotives Limited	-	35.00
Times Finvest & Commerce Limited	-	1,86.00
Smile Finvest Private Limited	-	2,02.66
Unsecured loan repaid		
Times Finvest & Commerce Limited	-	22.00
Chandigarh Finance Private Limited	-	1,85.00
Smile Finvest Private Limited	-	2.89
Indo Pacific Finlease Limited	-	1,00.00
Modern Automotives Limited	-	35.35
Kamal Leasing Limited	52.75	-
Sale of goods		
Modern Steels Limited	9.41	11.20
Chilling charges received		
Modern Dairyfarms Limited	-	1.91
Purchases of raw material		
Modern Dairyfarms Limited	64,91.24	45,68.21
Sharing of expenses (payment)		
Modern Steels Limited	12.34	17.22
Loans payable outstanding:		
Times Finvest & Commerce Limited	1,92.08	1,71.96
Chandigarh Finance Private Limited	56.94	-
Smile Finvest Private Limited	2,48.78	2,20.95
Kamal Leasing Limited	13.66	64.77
Shree Ganesh Investments & Industries Limited	39.52	35.38
Sundry creditors		
Modern Dairyfarms Limited	1,54.19	(84.85)
Key Management Personnel (KMP)		
Remuneration Paid		
A.K. Aggarwal	21.23	20.20
P.K. Jain	19.43	15.49
Relatives of KMP		
Salary		
Sonam Goyal	3.47	3.96
Unsecured loan repaid		
Krishan Kumar Goyal	-	12.71
Alka Goyal	-	0.97
Aditya Goyal	-	1.26
Rattan Mala Goyal	-	10.96
Sonam Goyal	-	1.48
Amarjit Goyal (HUF)	-	45.49
Krishan Kumar Goyal (HUF)	-	4.57
Amarjit Goyal	-	1,25.20

NOTE : XXXII
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, Premix 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 customers.

Other information

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

Segment information disclosures as required under Accounting Standard-17 "Segment Reporting" issued by Companies (Accounting Standard) Rules, 2006 as prescribed by Institute of Chartered Accountant of India.

Secondary segment information- Geographical

Amount in ₹ Lac

Particulars	31 March, 2013		31 March, 2012	
	Within India	Outside India	Within India	Outside India
Revenue	4,85,55.91	1,02,65.91	4,79,73.64	14,74.40
Trade Receivables(net of provisions)	20,38.18	11,26.53	15,47.12	-

NOTE : XXXIII
LOSS PER SHARE

The calculation of Earning Per Share (EPS) as disclosed in the statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 on "Earning Per Share" issued by Companies (Accounting Standards) Rules, 2006.

Particulars	Year Ended	Year Ended
	31 March, 2013	31 March, 2012
Net loss after tax (A)	(1,03.23)	(18,20.11)
Net loss attributable to equity shareholders (B)	(1,03.23)	(18,20.11)
Weighted average number of equity shares (No. in lacs) (C)	2,33.20	2,33.20
Loss per share (₹) (B/C) - Basic and Diluted	(0.44)	(7.80)
Face value per equity share (₹)	10.00	10.00

Pursuant to the approval for debt restructuring obtained from the Corporate Debt Restructuring Empowered Group (CDREG) and the respective banks within the consortium, Working capital term loan (WCTL) and Funded interest term loan (FITL) are convertible into Optionally Convertible Debentures (OCD) at a coupon rate of 0.001% from the year 2013-14. Since the Company has incurred losses during the year, these potential equity shares (0.001% OCD) are anti dilutive, hence these are not considered for computation of loss per share.

NOTE : XXXIV
LEASES

The Company has leased facilities under cancellable operating leases arrangements with a lease term ranging from one to three years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognized during the year amounts to ₹ 6.73 lacs (Previous year ₹ 5.64 lacs).

NOTE : XXXV

PAYMENTS TO AUDITORS

	Year Ended March 31, 2013 Amount in ₹ Lac	Year Ended March 31, 2012 Amount in ₹ Lac
As auditor		
Statutory audit	5.30	3.40
Limited review	5.70	5.60
Tax audit	1.00	1.00
	12.00	10.00
 Reimbursement of expenses	 1.60	 2.23
	13.60	12.23

NOTE : XXXVI

Pursuant to the reference filed by the Company with BIFR under section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 the BIFR vide its order dated 8th February, 2012 declared the Company as sick and appointed Punjab National Bank being the Lead Bank as authorised agency to formulate rehabilitation plan for the Company. As per the meeting held on 15th April, 2013 Company has submitted Debt Restructuring Scheme (DRS) on 25th February, 2013.

NOTE : XXXVII

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 accounts.

NOTE : XXXVIII

As per the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, the Company is required to use certain specific methods in computing arm's length prices of transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of appointing independent consultants for conducting a Transfer Pricing Study (the 'Study') to confirm that the transactions with associate enterprises undertaken during the financial year are on an "arms length basis". Management is of the opinion that the Company's transactions are at arm's length and that the results of the proposed study will not have any impact on the financial statements and that they do not expect any transfer pricing adjustments.

NOTE : XXXIX

SUBSEQUENT EVENTS

In pursuance to the CDR rework package sanctioned to the Company vide Letter No. BY.CDR (SKK)No./5874/2011-12 dated 19th October, 2011 by CDREG, the Allotment Committee of the Company in its meeting held on 3rd April, 2013 allotted 496530325 Optionally Convertible Debentures (OCDs) of ₹ 1 each for an aggregate amount of ₹ 49,65,30,325 at par, carrying a coupon rate of 0.001% to the lenders upon conversion of outstanding amount of Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL).

NOTE : XXXX

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

For & on behalf of the Board of Directors

per Atul Seksaria
Partner

A K Aggarwal
Director

Satish Kapoor
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Anubha Garg
Company Secretary

Place: New Delhi
Dated: 14th June, 2013

Place: Chandigarh
Dated: 14th June, 2013