



30th September, 2016

To, Compliance Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Fort, Mumbai- 400001	To, Compliance Department, National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G-Block, Bandra-Kurla Complex Bandra-(E), Mumbai-400051
Code No:- 539889	Code No. PARAGMILK

Dear Sir(s)/Madam

Sub:- Submission of the Annual Report of the 24th Annual General Meeting of the Company Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is to inform that the 24th Annual General Meeting (“AGM”) of the Company was held on Thursday, 29th September, 2016 at 11.30 am at Navalmal Firodia Seminar Hall, Mahratta Chamber of Commerce, Industries and Agriculture, MCCIA Trade Tower, A-Wing, 5th Floor, Senapati Bapat Road, Pune- 411016-Maharashtra .

We attach herewith the soft copy of the Annual Report for the financial year 2015-2016 duly approved and adopted by the members of the Company at the AGM.

We request you to kindly take the same on record.

Thanking You.

For Parag Milk Foods Limited

Rachana Sangneria
Company Secretary and Compliance Officer
ACS No. 10280



Parag Milk Foods Ltd.,
CIN - U15204MH1992PLC070209

Regd. Office: Flat No. 1 Plot No. 19, Nav Rajasthan Co-Op Housing Society, Behind Ratna Memorial Hospital,
Senapati Bapat Road, Shivaji Nagar, Pune - 411016. Ph.:(020) 25674761/62/63.

Corporate Office: 20th floor, Nirmal building, Nariman point, Mumbai - 400021 Tel.: 022-43005555 Fax: 022-43005580

Website: www.paragmilkfoods.com



PARAG MILK FOODS LIMITED

Corporate Identity Number (CIN): U15204MH1992PLC070209

Regd. Office: Flat No.1, Plot No-19, Nav Rajasthan CHS. Shivaji Nagar, Pune-411016

Tel.No. (020) 41314444 Visit us at: www.paragmilkfoods.com, Email- investors@paragmilkfoods.com

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **TWENTY FOURTH ANNUAL GENERAL MEETING** of the Members of **PARAG MILK FOODS LIMITED** will be held on **Thursday, 29th of September 2016 at 11.30 A.M.** at Navalmal Firodia Seminar Hall, Mahratta Chamber of Commerce, Industries and Agriculture, MCCA Trade Tower, A-Wing, 5th Floor, Senapati Bapat Road, Pune-411016-Maharashtra, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Standalone Financial Statements of the Company for the Financial Year ended 31st March, 2016, together with the Reports of the Board of Directors and the Auditors thereon.
2. To receive, consider and adopt the Audited Consolidated Financial Statements for the Financial Year ended 31st March, 2016 together with the Report of the Auditors thereon.
3. To appoint a Director in place of Mr. B.M. Vyas (DIN-00043804), who retires by rotation and being eligible, offers himself for re-appointment.
4. To ratify the appointment of M/s Haribhakti & Co., LLP, Statutory Auditors and fix their remuneration and in this regard, to consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (the Act) and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and pursuant to the resolution passed by the members at the Annual General Meeting held on 26th June, 2015, the appointment of M/s Haribhakti & Co., LLP, Chartered Accountants, (Firm Registration No. 103523W) as the Statutory Auditors of Company to

hold office from the conclusion of this Annual General Meeting of the Company till the conclusion of Annual General Meeting of the Company, to be held for the Financial Year 2019- 2020, be and is hereby ratified on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

5. Appointment of Mr. Ramesh Chandak (DIN: 00026581) as an Independent Director.

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

RESOLVED THAT pursuant to Sections 149, 150, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or enactment thereof, for the time being in force), Mr. Ramesh Chandak, (DIN: 00026581) who was appointed as an Additional Director in the capacity of Independent Director of the Company by the Board of Directors effective June 24, 2016 and who holds office till the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. Ramesh Chandak, (DIN.00026581) as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company with effect from June 24, 2016 to June 23, 2021 and the term shall not be subject to retirement by rotation";

6. Ratification of remuneration of Cost Auditor.

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

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being force), M/s Harshad S Deshpande & Associate, Pune, Cost Accountants (Firm Registration Number 00378) appointed by the Board of Directors of the Company as cost auditors for the financial year ending 31st March, 2017, be paid a remuneration of Rs 90,000 /-(Rupees Ninety Thousands Only) per annum

plus out of pocket expenses, at actuals and applicable taxes.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary to give effect to this resolution."

**By Order of the Board of Directors
For Parag Milk Foods Limited**

Sd/-

Rachana A.Sanganeria

Company Secretary and

Compliance Officer

Place:- Mumbai

Date:- June 24, 2016

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING ("AGM"/ "MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/ HER AND THAT THE PROXY NEED NOT BE A MEMBER.**

The instrument appointing the proxy in order to be effective should be duly stamped, completed and signed and should be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.

2. Pursuant to Section 105 of the Companies Act 2013, a person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other member.
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company

5. Only bonafide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Pursuant to Section 101 and Section 136 of the Companies Act, 2013 read with relevant provisions of Companies (Management and Administration) Rules, 2014, companies can serve Annual Reports and other communications through electronic mode to those Members who have registered their e-mail address either with the Company or with the Depository. Members who have not registered their e-mail address with the Company are requested to submit their request with their valid e-mail address to M/s Karvy Computershare Private Limited. Members holding shares in demat form are requested to register/update their e-mail address with their Depository Participant(s) directly. Members of the Company, who have registered their email address, are entitled to receive such communication in physical form upon request. For Members who have not registered their e-mail address, hard copy of the Annual Report is being sent in the permitted mode.
8. A statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the special businesses to be transacted at the Annual General Meeting is annexed

hereto. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during business hours except on holidays, up to and including the date of the Annual General Meeting.

9. Pursuant to Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, details of Directors seeking appointment/re-appointment at the Annual General Meeting of the Company to be held on September 29, 2016 are provided in Annexure A of this Notice. The Company has received the consents / declarations for their appointments / re-appointments under the Companies Act, 2013 and the rules thereunder.
10. The register of Directors and Key Managerial Personnel and their Shareholding, maintained under Sec 170 of the Companies Act, 2013, will be available for inspection by the members at Annual General Meeting.
11. Members desiring any information as regards the financial statements are requested to write to the Company at least seven days before the date of the meeting.
12. Members who are holding shares in more than one folio are requested to intimate to the Registrar and Share Transfer Agent, the details Registrar and Share Transfer Agent, the details of all folio numbers for consolidation into a single folio.
13. You are requested to please carry copy of your annual report at the AGM.
14. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company or its Registrar and Transfer Agent, M/s Karvy Computershare Private Limited.
15. The Annual Report for 2015-16 is also available on the Company's website for download. The route map to reach the venue of the Annual General Meeting is annexed and the same is also hosted on the web site of the Company
16. **Voting through electronic means :**
Information and other Instructions relating to e-voting are as under:
 1. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of

the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to its Members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting ("AGM") by electronic means and the business may be transacted through e-voting services arranged by Karvy Computershare Private Limited ("Karvy"). The Members may cast their votes using an electronic voting system from a place other than the venue of the AGM ("remote e-voting").

2. The facility for voting through ballot paper / electronic voting shall be made available at the AGM and the Members attending the AGM who have not cast their vote by remote e-voting shall be able to exercise their right at the AGM.
3. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
4. The remote e-voting period commences on Monday, 26th September, 2016 (9.00 a.m. IST) and ends on Wednesday, 28th September, 2016 (5.00 p.m. IST). During this period, Members of the Company may cast their vote by remote e-voting. The remote e-voting module shall be disabled by Karvy for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

The process and manner for remote e-voting are as under:

- A. In case a Member receives an e-mail from Karvy (for Members whose e-mail addresses are registered with the Company/ Depository Participants):
 - (i) Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - (ii) Enter the login credentials (i.e. User ID and Password). Your Folio No./ DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and Password for casting your vote.
 - (iii) After entering these details appropriately, Click on "LOGIN".

- (iv) You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
- (v) You need to login again with the new credentials.
- (vi) On successful login, the system will prompt you to select the "EVENT" i.e., Parag Milk Foods Limited.
- (vii) On the voting page, enter the number of shares (which represents the number of votes) as on the Cut Off date under "FOR/ AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/ AGAINST" taken together should not exceed your total shareholding as mentioned hereinabove. You may also choose the option ABSTAIN. If the shareholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
- (viii) Shareholders holding multiple folios/demat accounts shall choose the voting process separately for each folio / demat account.
- (ix) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
- (x) You may then cast your vote by selecting an appropriate option and click on "Submit".
- (xi) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not

be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

- (xii) Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at e-mail ID: aabid@aac.s.in and with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_ EVENT NO."

- B. In case a Member receives physical copy of the Notice of AGM (for Members whose email IDs are not registered with the Company/ Depository Participant or requesting physical copy):

- 1. Initial Password is provided, as below, at the bottom of the Attendance Slip for the AGM.

User ID	Password/PIN

- 2. Please follow all steps from Sr. No. (i) to Sr. No. (xii) above in (A), to cast your vote.

- C. Other Instructions:

- I. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM.
- II. The voting rights of Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date i.e. Thursday, 22nd September, 2016.
- III. Any person who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 22nd September, 2016 may obtain

the User ID and Password in the manner as mentioned below:

- a. If the mobile number of the Member is registered against Folio No. / DP ID Client ID, the Member may send SMS: MYEPWD<SPACE>E-voting Event Number + Folio No. or DP ID Client ID to +91 99 12993399

Example for NSDL :MYEPWD < SPACE> XXXXIN12345612345678

Example for CDSL : MYEPWD<SPACE>XXX1402345612345678

Example for Physical : MYEPWD <SPACE>XXXX1234567890
 - b. If e-mail address of the Member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the Member may click "Forgot password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
 - c. Members may call Karvy's toll free number 1-800-3454-001.
 - d. Members may send an e-mail request to: evoting@karvy.com. If the Member is already registered with Karvy e-voting platform then such Member can use his/her existing User ID and password for casting the vote through remote e-voting.
- IV. The Board of Directors has appointed Mr. Aabid & Co., Company Secretaries, as a Scrutinizer to scrutinize the remote e-voting process and voting at the AGM in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for the said purpose.
- V. At the AGM, at the end of discussion on the resolutions on which voting is to be held, the Chairman shall with the assistance of the Scrutinizer order voting for all those Members who are present but have not

cast their vote electronically using the remote e-voting facility.

- VI. The Scrutinizer shall after the conclusion of voting at the AGM, first count the votes at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of atleast two witnesses, not in employment of the Company, and make, not later than 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman in writing, who shall countersign the same and declare the result of the voting forthwith.
- VII. The results declared along with the Scrutinizer's report shall be placed on the Company website www.paragmilkfoods.com and on the website of Karvy www.evoting.karvy.com immediately after the result declared by the Chairman or any other person authorised by the Chairman and the same shall be communicated to BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.
- VIII. In case of any queries, please visit Help and Frequently Asked Questions (FAQs) section available at Karvy's website www.evoting.karvy.com.
- IX. The members are requested to note the following contact details for addressing e-voting grievances.

Mohd Mohsin Uddin, *Senior Manager*
M/s Karvy Computershare Private Limited
Karvy Selenium Tower-B, Plot No. 31&32
Gachibowli, Financial District
Nanakramguda, Serilingampally
Hyderabad-500 032

Phone No: 040-67161562 /67161583
Toll Free No. 1800 345 4001
Email:evoting@karvy.com/
mohsin.mohd@karvy.com

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013:

ITEM NO. 5

The Board of Directors vide its resolutions dated June 24, 2016 appointed Mr. Ramesh Chandak (DIN : 00026581) as Additional Director of the Company in the capacity of Independent Director with effect from June 24, 2016 pursuant to Section 161 of the Companies Act read with the Articles of Association of the Company. In terms of section 160 of the Companies Act, 2013, the Company has received notice in writing from member proposing the candidature of Mr. Ramesh Chandak for appointment as Independent Director. As per the provisions of sections 149 and 152 of the Companies Act, 2013. Mr. Ramesh Chandak has given declaration to the Board of Directors of the Company that he meets the criteria of Independence as required under Section 149 of the Companies Act, 2013. In the opinion of the Board of Directors, Mr. Chandak fulfil the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as Independent Director of the Company and he is independent of the management. Mr. Chandak is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013.

Except Mr. Ramesh Chandak, none of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise, in the resolution set out at item No. 5 of the Notice.

The Board of Directors recommend the resolution at Item No.5 for approval by the Members as an Ordinary Resolution.

ITEM NO. 6

The Board, on the recommendation of the Audit Committee, has approved the appointment of M/s Harshad S Deshpande, Cost Accountants, as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year 2016-2017 at a remuneration of Rs 90,000/-per annum (Rupees Ninety Thousand Only) plus service tax as

applicable and out of pocket expenses, if any M/s. Harshad S Deshpande, Cost Accountants, have furnished a certificate regarding their eligibility for appointment as Cost Auditor of the Company and confirmed that they are not disqualified under the provisions of Sections 148(5) read with Section 139 and Section 141(3) of the Act and their appointment would be within the limits prescribed under Section 141(3) (g) of the Act.

In accordance with the provisions of Sec 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

The Board recommends the resolution set forth at Item No. 6 for the approval by the members as an Ordinary Resolution.

None of the Directors, Key Managerial Personnel or their relatives are concerned or interested in the Resolution.

**By Order of the Board of Directors
For Parag Milk Foods Limited**

Sd/-

Rachana A.Sanganeria
*Company Secretary and
Compliance Officer*

Place:- Mumbai
Date:- June 24, 2016

Registered Office:
Flat No.1, Plot No.19,
Nav Rajasthan CHs,
Shivijai Nagar,
Pune-411016- Maharashtra

ANNEXURE A

Details of Directors seeking appointment/re-appointment at the Annual General Meeting scheduled to be held on 29th September, 2016 (pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

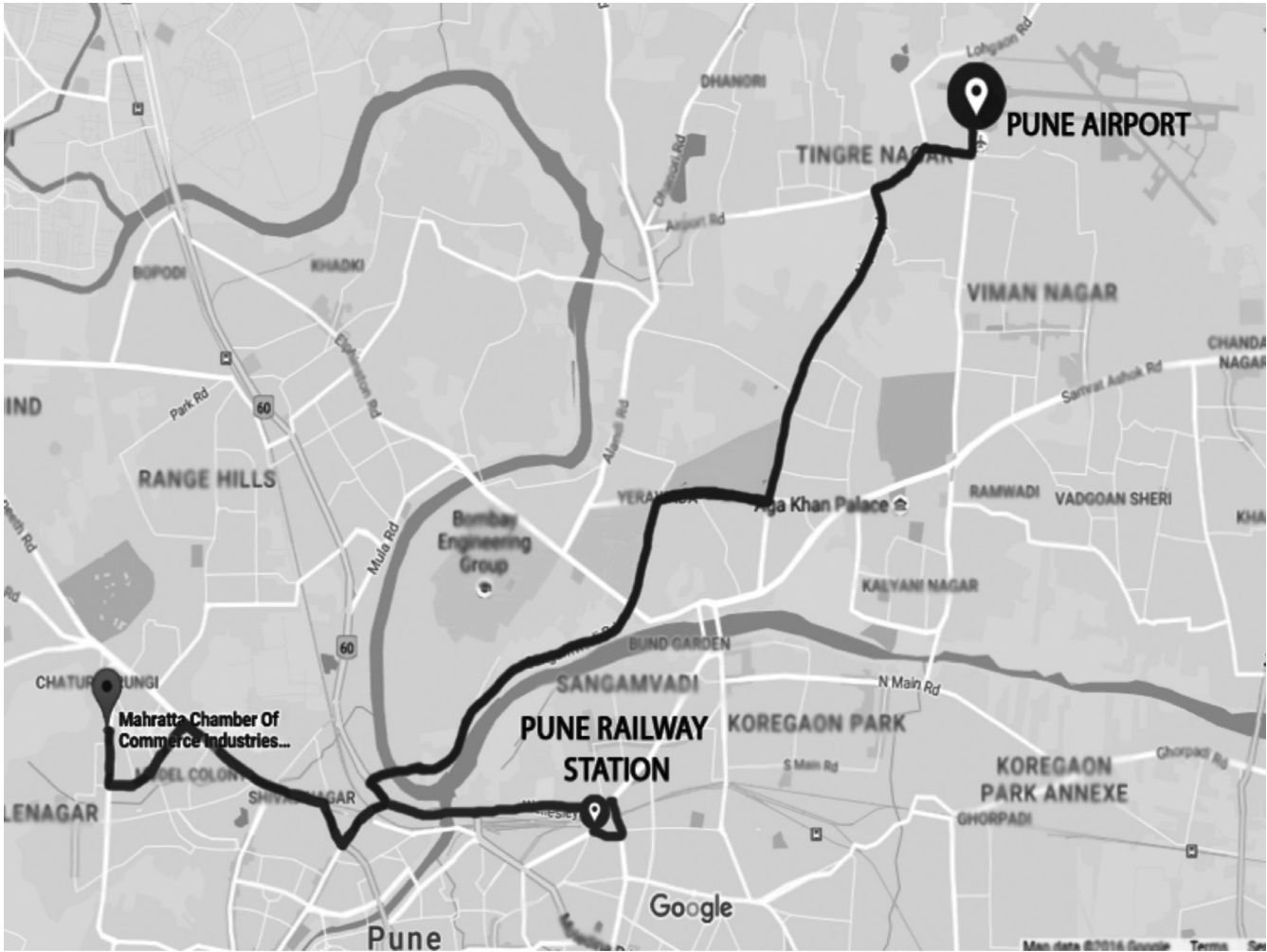
Name of Director	Shri. Bharatkumar Mahendrabhai Vyas	Shri. Ramesh Chandak
Director Identification Number (DIN)	00043804	00026581
Date of Birth	May 5, 1950	November 7, 1946
Date of Appointment	July 22, 2010	June 24, 2016 as an Additional Director in capacity of Independent Director
Relationship with Directors and Key Managerial Personnel	None	None
Expertise in specific functional area	He has an experience of 44 years in the dairy industry and has associated with GCOMMFL (Amul) for majority of his career. He is currently an independent dairy consultant.	He is an Advisor to CEOs and Corporate Boards. Growth Strategist and Turnaround Specialist with over 40 years of experience. He has 20 years as a CEO and 18 years as CFO experience.
Qualification	He holds a bachelor's degree in mechanical engineering from Sardar Patel University.	He holds a master's degree in commerce from Nagpur University and is also a fellow member of the Institute of Chartered Accountants of India since May 12, 1976. and has done an Advanced Management Programme at Harvard Business School
Board Membership of other listed companies on March 31, 2016	1. M/s. Manpasand Beverages Limited 2. Rudi Multi Trading Company Limited	1. KEC International Limited 2. Summit Securities Limited 3. Ushdev International Limited
Chairman/Member of the Committee of the Board of Directors as on March 31, 2016: (M-Member) (C- Chairman)	-	-
a) Audit Committee	-	-
b) Stakeholders Committee	Parag Milk Foods Limited (M)	KEC International Limited (M)
c) Nomination & Remuneration Committee		1. Parag Milk Foods Limited(M)
d) CSR Committee	Parag Milk Foods Limited(C)	1. KEC International Limited(M)
e) Other Committee	-	1. KEC International Limited(M) 2. Parag Milk Foods Limited (M)
Number of Board Meetings of the Company attended	8 /8 Board Meetings attended	4/8 Board Meetings attended as a Nominee Director
Number of shares held in the Company as on March 31, 2016	NIL	NIL
Terms and conditions of appointment	Non-Executive Director (Non Independent), liable to retire by rotation	Independent Director, not liable to retire by rotation

Note:

- The Directorships, Committee Memberships and Chairmanships do not include positions in foreign companies, unlisted companies and private companies, position as an advisory board member and position in companies under Section 8 of the Companies Act, 2013.
- The proposal for appointment/re-appointment of Directors has been approved by the Board pursuant to the recommendation of the Nomination and Remuneration Committee considering their skills, experience and knowledge and positive outcome of performance evaluation.

ROAD MAP TO THE AGM VENUE

VENUE: Navalmal Firodia, Seminar Hall, Maharashtra Chamber of Commerce Industries & Agriculture, MCCIA Trade Tower, 'A' Wing, 5th Floor, Senapati Bapat Road, Pune – 411016



Landmark: Near J W Marriott Hotel Pune

Distance from **Pune Railway Station:** around 7 km

Distance from **Pune Airport:** around 14 km



PARAG MILK FOODS LIMITED

Corporate Identity Number (CIN): U15204MH1992PLC070209

Regd. Office: Flat No.1, Plot No-19, Nav Rajasthan CHS. Shivaji Nagar, Pune-411016

Tel.No. (020) 41314444 Visit us at: www.paragmilkfoods.com,Email- investors@paragmilkfoods.com

ATTENDANCE SLIP

Venue of the meeting	Navalmal Firodia Seminar Hall, Mahratta Chamber of Commerce, Industries & Agriculture, MCCIA Trade Tower, A-Wing, Senapati Bapat Road, Pune - 411016
Day, Date & Time	Thursday, September 29, 2016, at 11.30 A.M

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

Name	
Address	
DP ID.*	
Client ID*	
Folio No. /	
No. of shares held	

* Applicable for investors holding shares in Electronic form.

I, certify that I am the registered shareholders/proxy for the shareholder of the Company. I, hereby record my presence at the :
Navalmal Firodia Seminar Hall, Mahratta Chamber of Commerce, Industries & Agriculture, MCCIA Trade Tower, A-Wing, Senapati Bapat Road, Pune - 411016
Mehrratta Chamber of Commerce, Industries & Agriculture, MCCIA Trade Tower, A-Wing, Senapati Bapat Road, Pune - 411016.

Signature of Member/Proxy

Notes:

1. Electronic copy of the Annual Report for 2016 and Notice of the Annual General Meeting along with Attendance Slip and Proxy Form is being sent to all the members whose email address is registered with the Company/Depositary Participant unless any member has requested for a hard copy of the same. Shareholders receiving electronic copy and attending the Annual General Meeting can print copy of this Attendance Slip.
2. Physical copy of the Annual Report for 2016 and Notice of the Annual General Meeting along with Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email ids are not registered with the Company or have requested for a hard copy.
3. The electronic voting particulars are set out below :

ELECTRONIC VOTING PARTICULARS		
EVEN (Electronic Voting Event Number)	User ID	Password
2754	-	-

Please refer the attached AGM Notice for instructions on E -Voting.

E- Voting facility is available during the following voting period:

Commencement of E-Voting	End of E-Voting
26th September, 2016 from 9.00 am	28th September, 2016 till 5.00 pm.



PARAG MILK FOODS LIMITED

Corporate Identity Number (CIN): U15204MH1992PLC070209

Regd. Office: Flat No.1, Plot No-19, Nav Rajasthan CHS. Shivaji Nagar, Pune-411016

Tel.No. (020) 41314444 Visit us at: www.paragmilkfoods.com,Email- investors@paragmilkfoods.com

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014]

Venue of the meeting	Navalmal Firodia Seminar Hall, Mahratta Chamber of Commerce, Industries & Agriculture, MCCIA Trade Tower, A-Wing, Senapati Bapat Road, Pune - 411016
Day, Date & Time	Thursday, September 29, 2016, at 11.30 A.M.

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

Name	
Address	
DP ID.*	
Client ID*	
Folio No. /	
No. of shares held	

* Applicable for investors holding shares in Electronic form.

I/We, _____ of _____being the member/members of Parag Milk Foods Limited holding _____ equity shares of ₹ 10/- each of Parag Milk Foods Limited, hereby appoint the following as my /our Proxy to attend and vote on a poll (for me/us and on my/our behalf at the 24th Annual General Meeting of the Company, to be held on 29th September, 2016 at 11.30 am. and at any adjournment thereof) in respect of such resolutions as are indicated below.

1.

Name	
Registered address	
E-mail Id	
Signature	
Or failing him/her	

2.

Name	
Registered address	
E-mail Id	
Signature	
Or failing him/her	

3.

Name	
Registered address	
E-mail Id	
Signature	
Or failing him/her	

** I/WE direct my/our Proxy to vote on the Resolutions in the manner as included below:

Sl.No.	Resolutions	Number of Shares held	For	Against
Ordinary Business				
1	Consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2016, together with the Reports of the Directors and Auditors thereon			
2	Consider and adopt the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2016, together with the Report of the Auditors thereon			
3	Re-appointment of Mr. B.M.Vyas (DIN: 00043804) Director who retires by rotation			
4	Ratification of appointment of M/s. H Haribhakti & Co., LLP, Chartered Accountants, (Firm Registration No. 103523W) as Statutory Auditors of the Company.			
Special Business				
5	Appointment of Mr. Ramesh Chandak (DIN: 00026581) as an Independent Director of the Company			
6	Ratification of Remuneration of Harshad S Deshpande & Associate, Pune, Cost Accountants (Firm Registration Number 00378).			

This is optional. Please put a tick mark (✓) in the appropriate column against the resolutions indicated in the box. If a member leaves the "For" or "Against" column blank against any or all the Resolutions, the proxy will be entitled to vote in the manner he/she thinks appropriate. If a member wishes to abstain from voting on a particular resolution, he/she should write "Abstain" across the boxes against the Resolution.

Signature (s) of Member(s)

Affix Revenue Stamp

1. _____ 2. _____

Signed this day of 2016

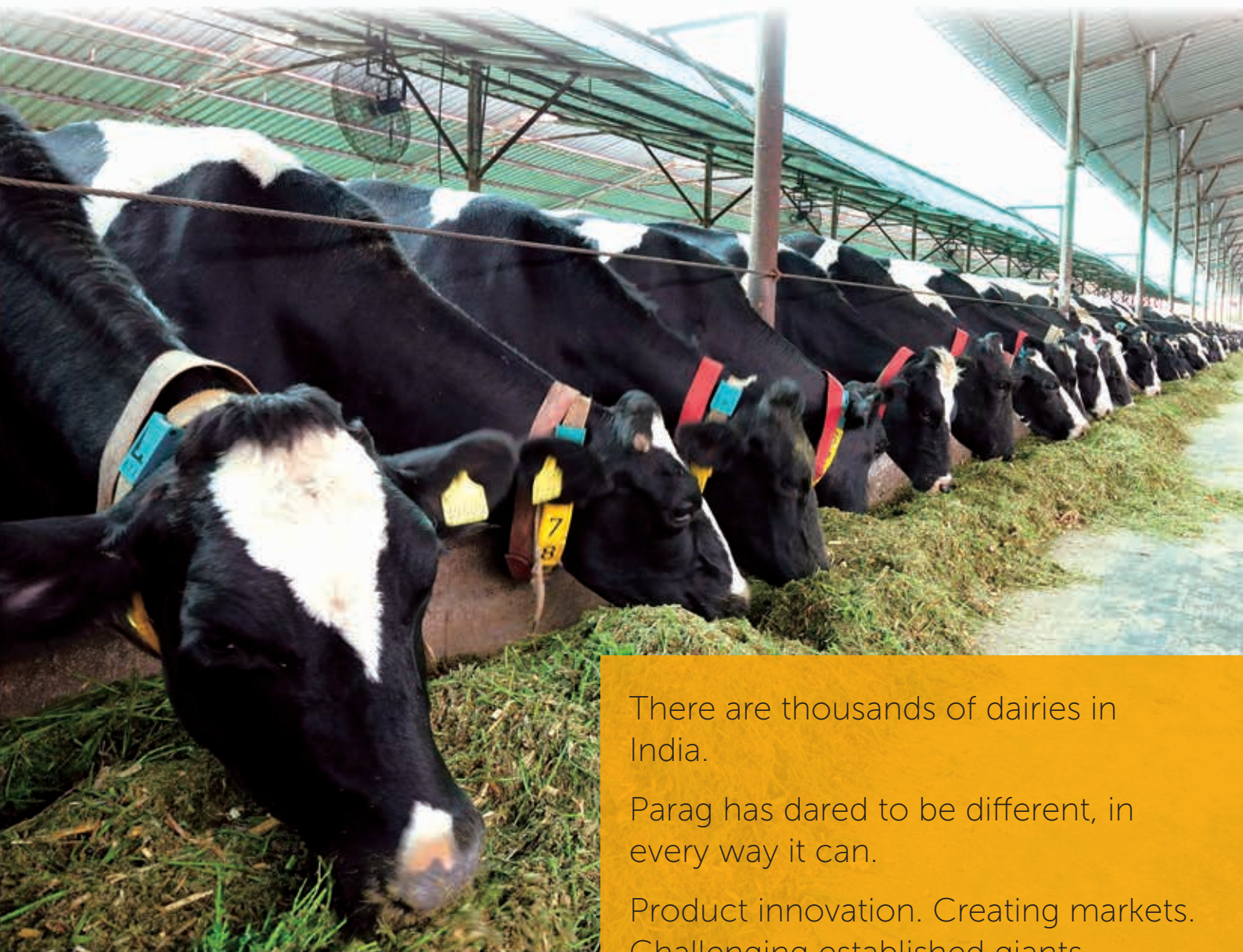
Note:

1. The Proxy to be effective should be deposited at the Registered office of the company not less than FORTY EIGHT HOURS before the commencement of the Meeting.
2. A Proxy need not be a member of the Company.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.



Ideas for a new day

Parag Milk Foods Limited | Annual Report 2015-16



There are thousands of dairies in India.

Parag has dared to be different, in every way it can.

Product innovation. Creating markets. Challenging established giants. Addressing unmet consumer needs.

The result: Parag is more than just another dairy player; it is catalyzing the country's milk products revolution.

When you dare, it shows up.



Forward looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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The conventional understanding of India is a market of nearly 1.3 bn people.



At Parag, we see this as a market for nearly 4 bn meals a day.



When seen from this perspective, we believe that our possibilities are endless.



It is with this underlying optimism that we present our first annual report to shareholders following our IPO.



40
Parag's cheese
making capacity
(TPD)



BOLDNESS

THE SINGLE
LARGEST
CHEESE-MAKING
CAPACITY IN
ANY INDIAN
COMPANY.

IN A MATURE INDIAN DAIRY SECTOR, PARAG MILK FOODS STANDS FOR ENTREPRENEURIAL VISION.

And nowhere has this boldness been more visibly showcased than in the decision of the Company to invest in its cheese manufacturing capacity.

In 2010, when India was consuming less than an aggregate 40 tonnes per day (TPD) of cheese, Parag Milk Foods made a game-changing decision.

The Company selected to invest 40 TPD in cheese making capacity from scratch.

The single largest cheese-making capacity in any Indian company.

Equivalent to the consumption of the entire Indian market.

Observers said this was suicidal. Financial analysts predicted disaster.

Parag thought otherwise.

The Company inspired the optimism among downstream cheese consumers of adequate quantity. It emphasised product freshness arising from the use of cow milk.

Parag Milk Foods did more than cater to an existing market; it enlarged the market instead.

Significantly.

DECISIVE

AT PARAG MILK FOODS, WE HAVE DEMONSTRATED A CAPABILITY IN BEING ABLE TO IDENTIFY UNMET OPPORTUNITIES. Addressing them with relevant products. Branding judiciously. Marketing appropriately. Take whey for instance.

Parag Milk Foods recognised that most cheese makers disposed their byproduct whey due to their inability to utilise it.

Parag Milk Foods countered convention. The Company launched high grade whey protein for the first time in India in February 2015.

Whey protein is considered the best protein form for the body to digest and use. The product is rich in glutamine and branched chain amino acids (BCAAs). These are considered essential amino acids for anyone who trains by providing an energy source to counteract muscle breakdown and support recovery. Whey protein can be used in several biochemical processes and is essential for muscle contraction, growth and repair. Whey protein is also used for maintaining several metabolic processes and controlling body composition.

Emphasising the point that where others see waste, Parag Milk Foods perceives value.

Distinctively.

THE COMPANY
LAUNCHED
WHEY PROTEIN
FOR THE FIRST
TIME IN INDIA IN
FEBRUARY 2015.



NESS

>150

Parag's product basket (SKUs), one of the highest in India's dairy sector

COMPETITI

AT PARAG MILK FOODS, A COMPETITIVE MOAT HAS BEEN DERIVED FROM OUR EXTENSIVE BUSINESS INTEGRATION.

We are not just another sectoral player; we are an end-to-end dairy products FMCG company.

Our extensive procurement chain aggregates milk from more than 3000 village level collection centers, managing 730 procurement cycles a year.

Our facilities competently process a product that can stale within 48 hours - a management more complex than just managing the market.

Our innovation capability makes it possible to extend from abundant milk availability to the ability to innovate new downstream products, creating multi-brand revenue opportunities.

Our pan-India product distribution model makes it possible to extend our reach to consumers across the country, generating branding efficiencies that make it possible for the Company to recruit and retain better.

Our comprehensive infrastructure makes it possible to address industry opportunities with speed. This has made it possible to scale the organisation with nominal incremental investments leading to de-risked sustainable growth.

In a sector, where most companies address one or few segments of this extensive chain, we have prudently selected to diversify our product portfolio allowing us to tap a larger market.

Decisively.



OUR
COMPREHENSIVE
INFRASTRUCTURE
MAKES IT POSSIBLE
TO ADDRESS
INDUSTRY
OPPORTUNITIES
WITH SPEED.

VE MOAT



730

Number of Parag's
annual milk
procurement
cycles

PARAG MILK FOODS.

AMONG INDIA'S
LARGEST DAIRY
PRODUCT
COMPANIES.

THE ONLY PRIVATE
INDIAN DAIRY
PRODUCTS COMPANY
INTEGRATED FROM
GRASS TO GLASS.

UNIQUE.

Business

- One of the leading manufacturers and marketers of dairy-based branded products in India
- Cow milk-based branded consumer products company with an integrated business model

Products

- Engaged in the manufacture of a diverse products range (cheese, ghee, UHT, milk, whey proteins, paneer, curd, yoghurt, milk-based beverages and milk powders)
- Flagship brands 'Gowardhan' and 'Go' are among the leading ghee, cheese and value-added milk product manufacturers in India.

Brands

- Gowardhan is the flagship brand for traditional dairy products such as ghee
- Go is the flagship brand for western lifestyle dairy products such as cheese
- Premium milk is sold under the 'Pride of Cows' brand
- Topp Up is the brand under which flavoured milk is marketed

Facilities

- Manufacturing facilities strategically located in Manchar (Pune district) and Palamaner (Chittoor district) with a high population of dairy cows
- Aggregate milk processing capacity of 2 million litres per day; largest Indian raw cheese production capacity of 40 MT per day in one single unit.

Sourcing

- Fully-automated dairy farm in Manchar (subsidiary Bhagyalaxmi Dairy Farm); the farm houses over 2,000 Holstein Friesian breed of cows

delivering higher yields of superior milk quality

- Supplies farm-to-home premium fresh milk in Mumbai and Pune through its 'Pride of Cows' brand

Reach

Created extensive pan-Indian sales and distribution network - 15 depots, 104 super-stockists and more than 3,000 distributors

Customers

Leading institutional customers like Yum! Restaurants (India) Private Limited (for Pizza Hut, Taco Bell and KFC), Jubilant Foodworks Limited (for Domino's Pizza) and Sankalp Recreation Private Limited (for Sam's Pizza)

Recognition

- Gowardhan brand was ranked among the top 25 most trusted brands in the food products category by Economic Times in 2014
- Go Cheezooz was awarded the 'Best Children's Dairy Product' in the product innovation category at Dairy Innovation Awards, 2012
- Go Cheese was recognised as Indias most promising brand in the FMCG category by World Consulting and Research Corporation, 2015

Product diversification

- The Company has a product basket comprising more than 150 SKUs – the highest product offering in the Indian dairy industry
- The Company enjoys a presence in wider segment of the dairy industry – one of the very few players with a presence across the entire dairy value chain

61.13%

Promoters and Promoter Group holding (March 31, 2016)

1637

Team size (March 31, 2016)

16467.49

Total Revenue in 2015-16 (₹ Million)

1492.19

EBITDA as on March 31, 2016 (₹ Million)

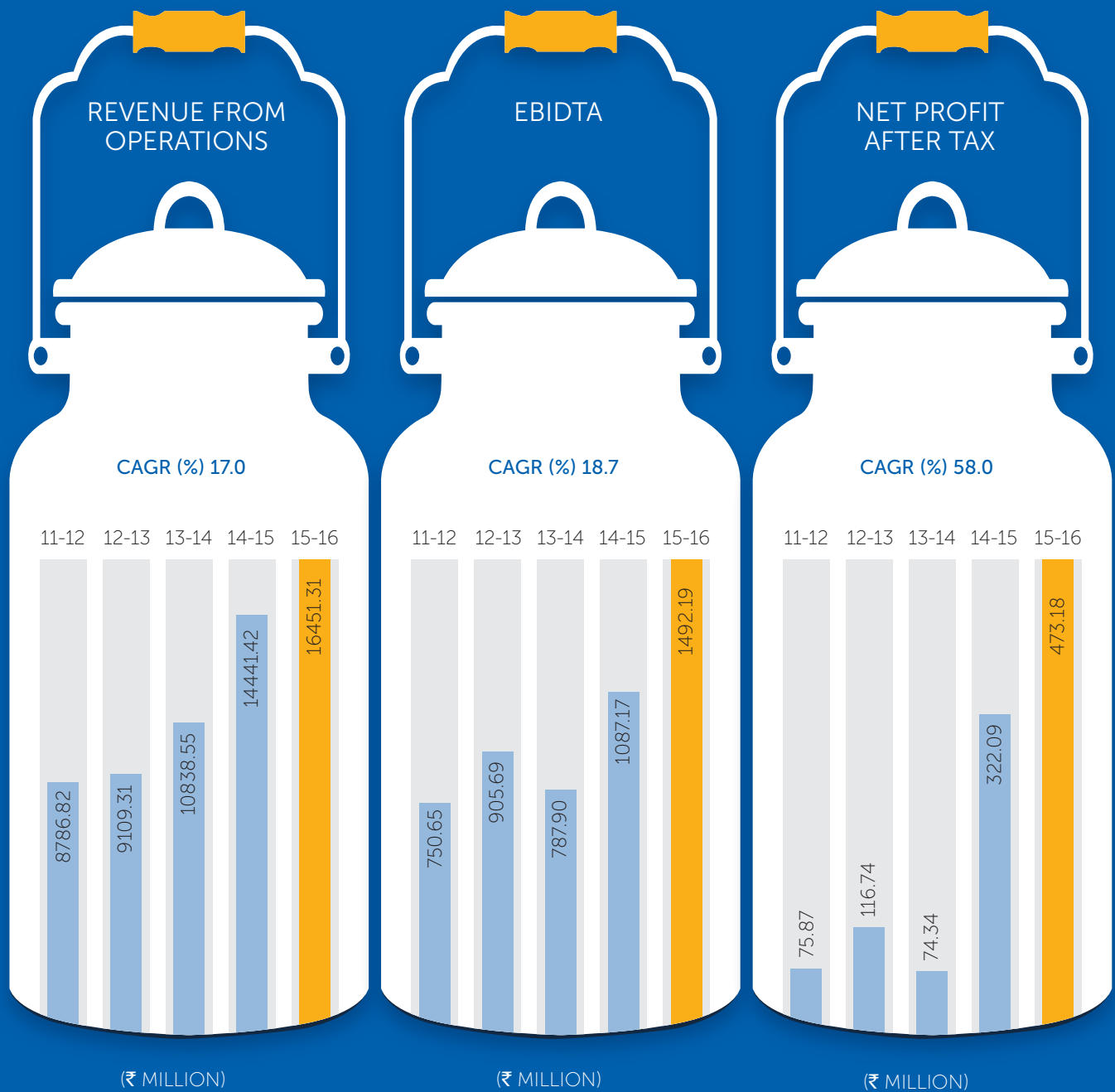
13.08%

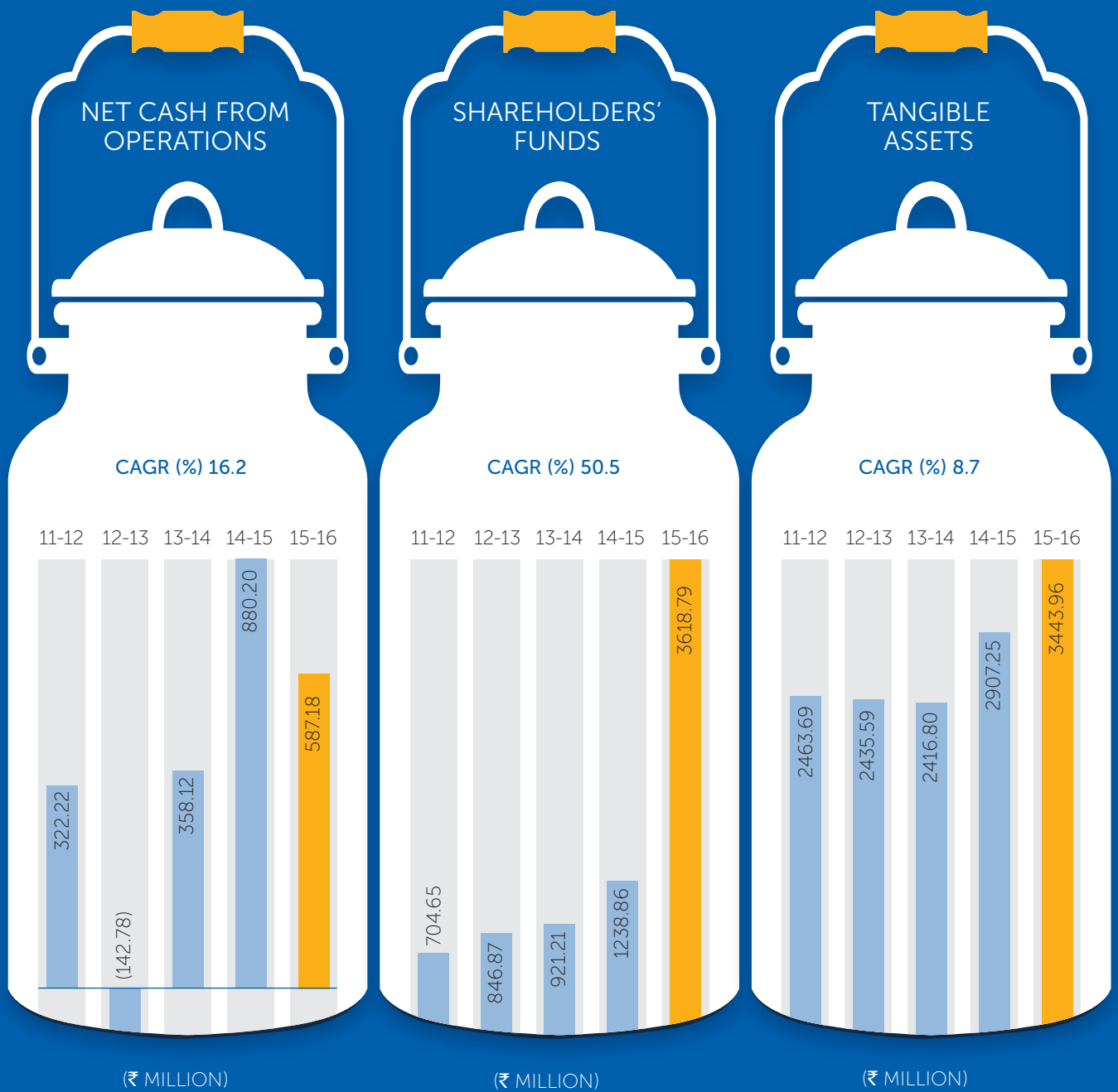
ROE (March 31, 2016)

(Based on consolidated financials)

PARAG'S FLAGSHIP BRANDS 'GOWARDHAN' AND 'GO' ARE AMONG THE LEADING GHEE, CHEESE AND VALUE-ADDED MILK PRODUCTS IN INDIA.

THE GROWTH IN OUR NUMBERS







"I AM
OPTIMISTIC
ABOUT
COUNTRY,
SECTOR AND
PARAG MILK
FOODS."

Dear friends,

I welcome shareholders to the first annual report following our going public on May 19, 2016 – the most significant event in our business journey, transforming our identity from a privately-held entity into a publicly-listed organisation.

The big message that I wish to send out to you is that India is one of the most attractive global opportunities from a consumption perspective, the country's dairy sector is one of its most attractive lifestyle FMCG sectors and Parag Milk Foods is the dairy industry's most complete proxy.

The country, sector and company are driven by national GDP growth, evolving lifestyles and transforming eating habits, inspiring the optimism that we are indeed at the bottom-end of a large and enduring J-curve.

PARAG MILK
FOODS FEATURED
IN THE FORTUNE
INDIA NEXT 500
LIST.

The India argument

India is the fastest growing major economy, catching up with the lost potential of the last few decades. The country is investing extensively in agricultural reform with the objective to strengthen incomes for millions of farmers. One of the principal objectives is enhanced proportion of non-farmer revenues, strengthening perennial incomes and reducing their complete dependence on monsoon-induced crop cycles.

There is attractive operating growth headroom in this regard. Even as India accounts for the largest cattle head count in the world, its average cattle yield is less than 7 litres per day, which is a mere 30% of the corresponding yield in a country like The Netherlands (25 Litres). My estimation is that with enhanced awareness, scientific breeding practices and health security, India's cattle yield should trend upwards. Even a 1% increase in cattle yield could increase India's milk output by a sizable 4 million litres per day, which widens our access to an abundant raw milk resource, the bedrock of our organisational sustainability.

The point I am attempting to make is that India is sitting at the cusp of an unprecedented opportunity where even a moderate increase in cattle efficiency or headcount could translate into a sizable 'milk bank'. In the language of dairy professionals, this potential opportunity represents attractive operating leverage, triggered by only reasonable increases in income, exposure and aspirations.

The basic sectoral play

It is imperative that for any country with a sizable milk bank there should be a corresponding milk processing capacity and a large downstream consuming population.

India is distinctively fortunate in this

regard. The country has the largest cattle count in the world and the second largest consumption population.

India's milk consumption of 97 litres per capita compares poorly with the United States consumption average of 285 litres per capita (Source: IMARC Report) - not because Indians do not desire to drink milk (quite the reverse as milk-drinking is embedded into the national psyche) but because of a paucity of milk processing and packing centres.

The writing on the wall is clear: India represents an attractive dairy product opportunity for companies with long-term seriousness.

The value-added argument

In India, it is not just the milk processing opportunity that appears attractive. There is a growing interest in productising milk into value-added downstream products.

Interestingly, as India's disposable income moves towards the ₹100,000 mark (expected to be cross in FY17), a higher proportion of India's spending on food is evolving from loose products to packaged products – staples to brands.

INDIA IS THE FASTEST GROWING MAJOR ECONOMY, CATCHING UP WITH THE LOST POTENTIAL OF THE LAST FEW DECADES. THE COUNTRY IS INVESTING EXTENSIVELY IN AGRICULTURAL REFORM WITH THE OBJECTIVE TO STRENGTHEN INCOMES FOR MILLIONS OF FARMERS.

4

Increase India's milk output (million litres per day) by a 1% increase in cattle yield.

PARAG MILK FOODS
INVESTED IN
HOLSTEIN FRIESIAN
BREED, A CATTLE
BREED WITH AMONG
THE WORLD'S HIGH
YIELDS.

OUR STRATEGY

- 🔦 Grow our product reach
- 🔦 Increase our milk procurement
- 🔦 Continue to focus on strengthening our brands
- 🔦 Increase, through innovation, our value-added products portfolio and focus on health and nutrition
- 🔦 Increase operational efficiencies

This is most visible in the country's dairy sector where a staple like milk is being evolved into branded and packaged downstream products like flavoured milk, yogurt, ghee, cheese, paneer and milk powder. There is a quicker consumption of these packaged products for good reasons – traditional preferences are evolving from loose to packaged alternatives; there is a declining availability of domestic assistants, a growing incidence of working women and health and hygiene of packaged products are catalysing the use of packaged foods; there is an increasing propensity to buy off modern retail formats driving the offtake of packaged foods and the growing availability of refrigerators enhancing product longevity.

The message is clear: India's dietary consumption is evolving and the dairy sector is expected to significantly capitalise on the transition.

Top-down to Parag Milk Foods

I am pleased to state that Parag Milk Foods (a cow milk company) is positioned to capitalise most extensively on emerging opportunities.

The Company possesses one of the largest private milk collection franchises in India

The Company possesses one of the most extensive value chains within its sector in India that makes it possible to absorb sectoral shocks better and report relatively stable performance year-on-year better than peers who do not possess this encompassing presence.

The Company is essentially a value-added play with 2/3rd of its revenues derived from non-milk and non-SMP

streams).

The Company innovates in niche categories, as a result of which a sizeable proportion of its 2015-16 revenues were derived from products launched in just the preceding three years.

Overview

The important message to communicate is that Parag Milk Foods is transforming with speed. In early 2015, the Company rebranded its corporate image to live its values. Over the decade, the Company invested consistently in proactive capacity creation, stretching its gearing to a peak. Two developments have helped address this reality; the IPO and an additional investment by IDFC Spice helped grow revenues and moderate debt during the financial year and bring gearing down to what is considered safe and reasonable.

Going ahead, Parag Milk Foods expects to maintain its annual revenue growth on account of wider milk procurement, stronger portfolio and a higher utilisation of its attractive operating leverage in its Andhra Pradesh facility. The Company intends to strengthen margins through the enhanced proportion of value-added products and operating efficiencies.

I am optimistic that a combination of an increase in revenues, steady margins, relatively low capital expenditure, high level of corporate governance and a healthy Balance Sheet will graduate us to a position of financial robustness that enhances value in a sustainable way for all those associated with our Company.

Devendra Shah, Chairman

Operational review by the Managing Director



“THE YEAR 2015-16 WAS AN IMPORTANT YEAR IN THE COMPANY’S EXISTENCE”

Pritam Shah, *Managing Director*

Were you pleased with the working of the Company in 2015-16?

The year 2015-16 was an important year in the Company’s existence, reflected in a revenue growth of 14% and a profit after tax growth of 47%. This profitable growth is a reflection of the Company’s preparedness to capitalise on opportunities and outperform the national dairy sector growth. This record performance was achieved despite economic sluggishness, weak rural incomes and lower demand for milk powders, validating the robustness of the Company’s integrated business model.

What were some of the reasons that contributed to the record performance?

The record performance was the result of a long-term direction of the Company’s business, which comprised wider milk procurement, larger products portfolio, innovative branding and advertisement campaigns and a higher proportion of value-added products in our overall revenues mix. A number of years ago, the Company

THE COMPANY CONTINUED TO BENEFIT FROM A SALES TAX EXEMPTION BY THE VIRTUE OF BEING LOCATED IN THE D ZONE OF BACKWARD AREAS IN MAHARASHTRA



recognised that a large opportunity lay in converting a larger proportion of milk into packaged branded products. This strategy was validated during the year under review; 71% of its material consumption cost was on account of raw milk; however close to 67% of the Company's revenues were derived from value-added products.

What were some of the prominent features of the Company's working?

There was a 11.7% decline in the cost of milk procurement, which strengthened our competitiveness to price our packed fresh milk more competitively and widen market share. The result was a decline in raw material costs from 73.5% of revenues in 2014-15 to 71.6% in 2015-16, which helped correspondingly strengthen our EBIDTA margin from 7.4% in 2014-15 to 9.0% in 2015-16.

I must take this occasion to caution readers that in a business that touches millions of farmers and rural intermediaries, a persistent decline in the price of raw milk should not be seen as a window for opportunistic profit-making but as a weakening of the eco-system. I am pleased to state that the core of our profits were not derived from a decline in raw milk realisations at the expense of thousands of farmers but through patient asset investments in downstream value-addition. In fact, through our willingness to buy every drop of milk offered by farmers and provide immediate remuneration, we proved to be a customer of first resort for thousands of farmers who passed through yet another challenging monsoon marked by weak farmer incomes. I am proud that through our robust procurement chain, we made

it possible for farmers to capitalise on this alternative non-farm livelihood that kept their home fires burning.

What are some of the other reasons behind the Company's growth in 2015-16?

The Company selected to grow the business at both ends – procurement and portfolio. On the procurement side, the Company increased the number of collection centres whose impact will only be progressively visible. We believe that the Company has arrived at a critical mass (financial, logistical and managerial) from which it will be able to scale sales depots faster that will strengthen our presence in the lesser penetrated semi-urban markets.

On the other hand, the Company widened its portfolio through the launch of products like cheese Chutni slices, cheese toppings for pizzas, spiced buttermilk in UHT, fresh cream in UHT, spiced butter milk in finopack and sachet packs of ghee. The result is that we have emerged as one of the most broad-based packaged and branded milk-based product companies in India.

We believe that this combination - scale in procurement and downstream value-addition – makes us unique in the country's dairy products private sector.

What were some of the other product-related developments during the last financial year?

The Company continued to strengthen its portfolio expansion with the objective of aligning itself with evolving consumer preferences. One of the principal product developments was whey protein. Among the other product related developments, the Company launched and scaled the



offtake of newly launched product like GO buttermilk in Southern India, Teastar milk pouch (addressing tea vendors) and cream (in UHT packaging).

In what other ways did the Company strengthen its business that could have a sustainable impact?

One of the most decisive initiatives of the Company was the rightsizing of the Balance Sheet. Over the last few years, the Company continued to invest in its business through the debt route.

This preference was the result of weak equity markets. The result was that the Company's debt-equity ratio increased to 3.4 as on March 31, 2015, which was considered unsustainable.

The Company embarked on the exercise to right-size its debt and strengthen its Balance Sheet. The principal rightsizing initiative was the Company's decision to make a public issue of its equity shares and seek listing on the stock exchanges. The Company mobilised ₹3000 million from the IPO which was used to repay ₹1000 million of borrowings. Besides, the Company converted ₹1250 million of compulsory convertible debentures on its books into net worth. The Company also attracted ₹600 million investment from IDFC Spice, which reinforced the equity side of the Balance Sheet. The result is that the Company's debt size declined from ₹4197.7 million to ₹3606.7 million; net worth increased from ₹1238 million to ₹3618.8 million; gearing strengthened from 3.4 to 1.1 as on March 31, 2016.

Going ahead, what provides optimism to the management?

There are two features of optimism.

One, our Palamaner plant in Andhra

Pradesh reported a capacity utilisation of only around 50% and possesses attractive operating leverage to be able to scale production over the coming years without any substantial capital expenditure. As we scale this unit, we expect our overall profitability to rise.

Two, we expect to utilise this growing resource access for the most profitable use. Our business of value-added downstream products grew at 33% in 2015-16 compared to ~13% growth for the organised industry segment.

We believe this combination – growing capacity utilisation in our one plant and ability to grow our value-added business faster than the industry average – should translate into attractive shareholder value over across the foreseeable future.

THE YEAR 2015-16 WAS AN IMPORTANT YEAR IN THE COMPANY'S EXISTENCE, REFLECTED IN A REVENUE GROWTH OF 14% AND A PROFIT AFTER TAX GROWTH OF 47%. THIS PROFITABLE GROWTH IS A REFLECTION OF THE COMPANY'S PREPAREDNESS TO CAPITALISE ON OPPORTUNITIES AND OUTPERFORM THE NATIONAL DAIRY SECTOR GROWTH.



OUR BUSINESS MODEL



POSITIONING:
PARAG MILK FOODS IS THE LARGEST INDIAN PRIVATE, COW MILK-BASED DAIRY COMPANY WITH END-TO-END FACILITIES.

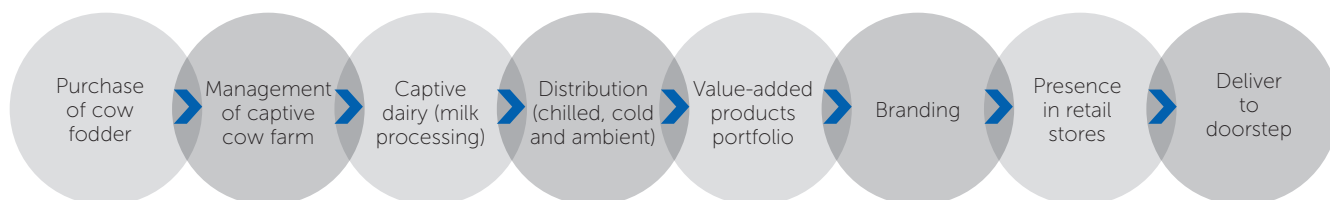
End-to-end: Parag Milk Foods is a unique end-to-end dairy Indian home-grown dairy company. The Company's business model (grass to glass) extends from the purchase of cow fodder to the management of its captive cow farm to its captive dairy (milk processing) to distribution (chilled, cold and ambient) to the branded manufacture of downstream dairy products. The Company's uniqueness is drawn from the reality that some of its competitors are either milk aggregators with no downstream branding, or are largely brand-driven who leverage their brand

value by assigning products on job work to others. Since Parag Milk Foods is engaged in cow farming, aggregation, processing and branding (value-added products), it possesses one of the longest value chains, which makes it possible to grow sustainably, absorb sectoral shocks, enhance strategic flexibility, widen margins and export products, thereby building a domestic and international personality.

Cow milk-based: Parag Milk Foods has selected to specialise in the area of cow milk (as distinct from buffalo milk) on the grounds of nutritive value. The



Grass to glass model



Company's optimism is also based on the reality that a preference for cow milk over buffalo is an international trend that will increasingly reflect in India and the demand for cow milk is growing faster than buffalo milk in India in percentage terms (for nutritive reasons).

Scale: Parag Milk Foods is in business to not just address an existing demand and carve out a large share of an existing market, but is in business to create markets and account for a large share of those markets. One of the ways in which the Company has focused on market creation has been the commissioning of production capacities larger than peer capacities (in some cases, larger than the aggregate market size), translating into superior economies of scale, inflation-proofing and the ability to service unexpected spikes in consumer demand.

Multi-product: Parag Milk Foods has progressively de-risked through consistent portfolio expansion. Using its foundation of milk aggregation, the Company has extended into downstream productisation. The result is that at Parag Milk Foods, the proportion of value-added downstream products has increased from 58% in 2014-15 to 67% in 2015-

16. No downstream value-added SKU accounted for more than 4% of the Company's 2015-16 revenue. Besides, the proportion of revenues derived from value-added branded products in the last three years accounted for an attractive 45% of the revenues for 2015-16 emphasising the Company's capability in rejuvenating its revenue profile.

Geographic presence: In a business where the freshness of milk is an important sales driver, the Company has selected to create milk collection centres within rich catchment areas.

Relationship-driven: Parag Milk Foods' milk aggregation model is relationship-based, spreading across thousands of farmers across its respective catchment areas. The growing year-on-year procurement represents a validation of the Company's growing relationships – the Company's farmer relationship is also marked by the fact that farmer attrition has been minimal and milk procured per farmer has progressively increased, indicating a growing role of the Company in the country's rural fabric.

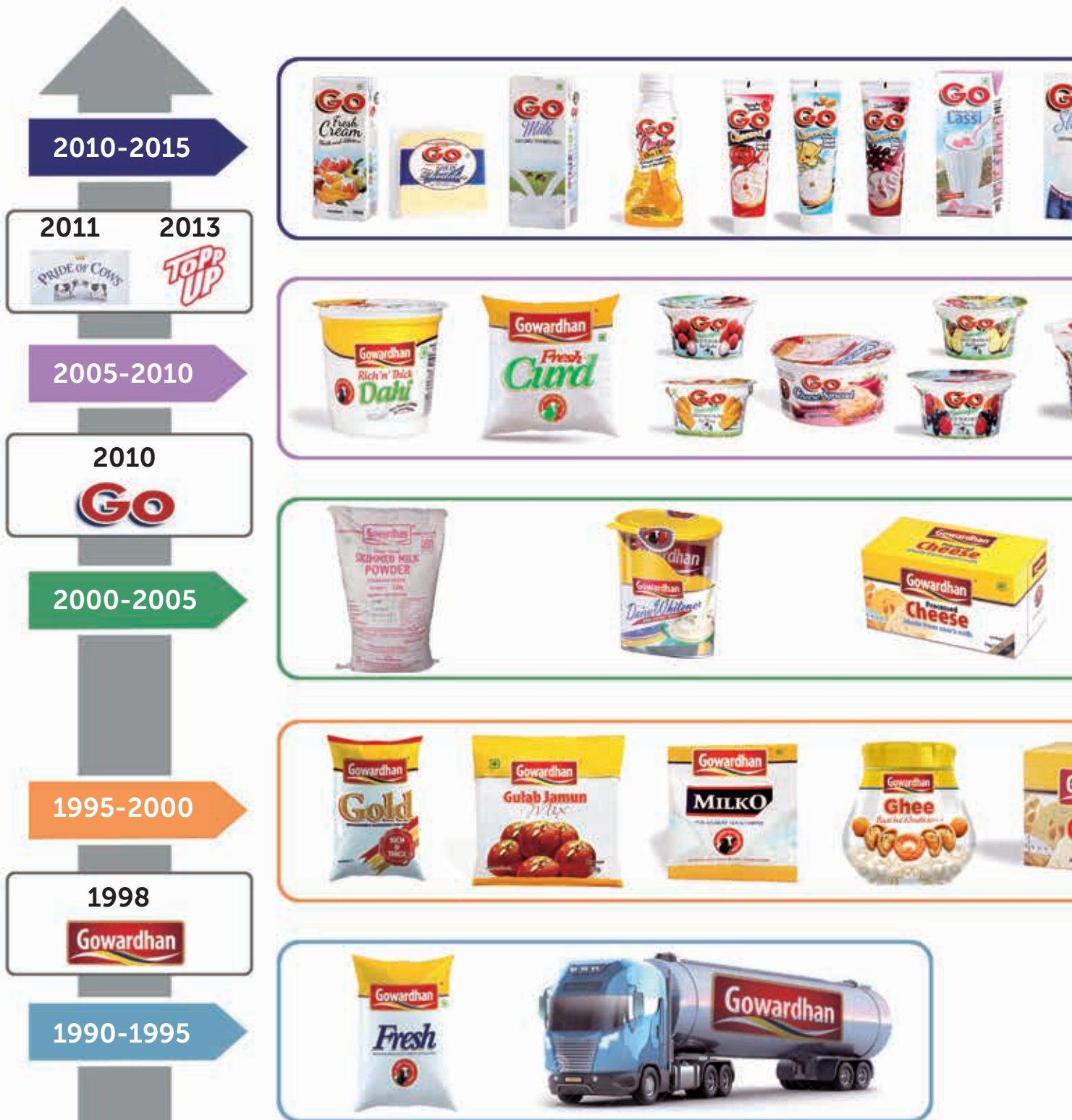
Value-addition: Parag Milk Foods has invested consistently in value-addition, graduating it from a

singular dependence on milk sales. The Company derived nearly 67% of its revenues from value-added downstream dairy products in 2015-16, strengthening it against the volatility of milk prices. The value-added products were derived from a portfolio of branded products, graduating the Company from commodity to aspirational products.

Branding: Parag Milk Foods has consistently invested in the creation of branded dairy products, which represent nutritive value, convenience, lifestyles and product integrity. Over the last five years leading to 2015-16, the Company had invested an aggregate ₹604.8 million in brand building. The Company's investment of ₹191.9 million in 2015-16 represented 1.2% of the Company's revenues. In addition to brand spending, the Company demonstrated capabilities in brand building, reflected in the creation of distinctive brands (Gowardhan, Go, Topp Up and Pride of Cows) that address diverse consumers, lifestyles and age profiles. It is the Company's conviction that progressive branding and packaging will help evolve consumers from products manufactured by the unorganised sector, a national trend that appears irreversible.

Increased productisation

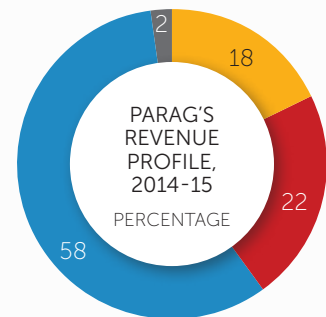
Continuous focus on new launches resulting in an unmatched product portfolio.



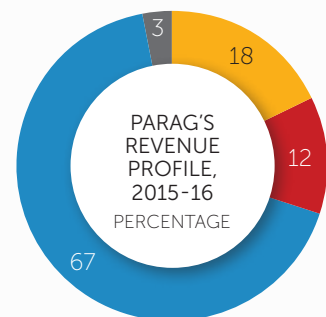


PARAG HAS A LONG STANDING REPUTATION AS A CATEGORY INNOVATOR/PIONEER

- 🔑 COW GHEE (TRANSPARENT JAR)
- 🔑 FRUIT YOGURT (FIRST IN THE SEGMENT)
- 🔑 CHEESE PRODUCTS (MANY FIRST-OF-ITS-KIND IN INDIA)
- 🔑 UHT MILK (FLIP TOP PACKAGING)
- 🔑 TOPP UP (RING-PULL CAP)
- 🔑 FRESH PANEER (75 DAY SHELF LIFE)
- 🔑 FARM-TO-HOME MILK (FIRST-OF-ITS-KIND PREMIUM MILK)



— Fresh milk — Skimmed milk powder — Milk products — Others



— Fresh milk — Skimmed milk powder — Milk products — Others

BHAGYALAXMI DAIRY FARM

AT BHAGYALAXMI DAIRY FARM WE TAKE THE UTMOST CARE OF OUR COWS WITH ONLY ONE PURPOSE IN MIND: TO PRODUCE NUTRITIOUS, WHOLESOME MILK THAT IS FULL OF NATURAL GOODNESS. WE HAVE MORE THAN 2,000 HOLSTEIN FRIESIAN CATTLE WHICH ARE KNOWN AS THE WORLD'S MOST PRODUCTIVE DAIRY ANIMALS. WE CONSIDER THAT COW COMFORT IS THE CORNERSTONE TO A LONGER PRODUCTIVE LIFESPAN. A HEALTHY COW WILL PRODUCE MORE MILK AND LIVE LONGER. COW COMFORT HAS A DIRECT INFLUENCE ON HOW LONG OUR COWS STAY HEALTHY AND PRODUCTIVE.

🔦 We at Bhagyalaxmi take a long-term perspective when caring for our hard working cows. The rationale behind this is quite simple really; cows that are healthy and that are housed in a comfortable environment produce more milk and generally live healthier, longer lives. Hence, each and every cow on our farm has her own bed which is kept in perfect condition.

🔦 Cows like cool temperatures. When it gets warmer than 25°C in the barns they begin using their energies to cool themselves down rather than to produce milk. At the same time, if the air quality is poor, the milk quality can be affected. So, apart from shady green areas to rest and ruminate, they are kept cool with abundant water sprinklers and fans.

🔦 A good feeding regime is the foundation for profitable dairy farming. Feeds are also the largest cost in the dairy business. The balance between the benefits and the costs of high quality feedstuff makes feeding a challenge for dairy farms. Nevertheless, our cows get a planned, wholesome meal every day, which include fresh seasonal crops. This 'total meal ration' is designed to keep the cows in the pink of their health.

🔦 Our 50-point mechanised rotary parlour and stringent processes ensure that milk is procured in a manner that is both hygienic and humane. In fact, every cow undergoes an electronic health check-up after being milked. This ensures that the maximum milk is produced and instances of mastitis are minimised. And rest assured that the fresh milk that is dispatched from the dairy is antibiotic-free.

Bhagyalaxmi is more than just a 26-acre farm. It is the hotbed of a new 'white revolution'. Why? Because, we raise awareness regarding the importance of cow comfort, we introduce local dairy farmers to state-of-the-art technology and we educate farmers in how to breed, feed and manage herds better – leading to improved productivity. Above all, we practice what we preach. And what we preach is this: 'the better a cow feels, the more readily she gives milk and the healthier she remains'.

Bhagyalaxmi Dairy Farms is a model cow farm which is showcased to farmers across territories to reflect on best practices to improve yield.





PARAG MILK FOODS IS ONE OF INDIA'S MOST COMPETITIVE DAIRY COMPANIES

AT THE CORPORATE LEVEL

Knowledge: The Company's two-decade industry experience is reflected in rich knowledge (manufacturing, marketing, branding, finance, sectoral cycles) and enduring stakeholder relationships, translating into consistent growth in revenues, profits and profitability.

Growth: The Company has emerged as one of the fastest growing dairy brands in India. It grew revenues by 17% in five years (CAGR); profit after tax grew by 58% during the same period.

Scale: The Company is focused 100% on cow's milk (aggregate milk processing capacity 2 million litres per day); its cheese plant is the largest in India (cheese capacity 40 MT per day at a single unit).

Senior management: The Company's management team comprises qualified and experienced professionals, translating into quicker opportunity identification, revenue growth and robust de-risking. The Company's CFO Mr. Bharat Kedia featured among the top 100 CFOs in India as selected by CFO 100.

Integrated: The Company's integrated business model encompasses a range of activities (procurement, manufacturing and processing to branding and distribution) across a variety of products. The Company is present across the value chain of dairy products.

AT THE MARKET PLACE

Brand: The Company invested in its brands, creating a recall of trust and quality. The Company is amongst the leading manufacturers and marketers of dairy-based branded foods in India. With products being sold under our 'Gowardhan', 'Go', 'Pride of Cows' and 'Topp Up' brands, its 'Gowardhan' brand was ranked among the top 25 most trusted brands in the food products category by The Economic Times in 2014. 'Go Cheese' was awarded as India's most promising brand in the FMCG category by World Consulting and Research Corporation.

Packaging innovation: The Company introduced innovative packaging for UHT milk, the first with a flip-top opening, enhancing usage convenience.

Product range: The Company addressed diverse demand segments through the manufacture of cheese, ghee (clarified butter), fresh milk, whey proteins, paneer, curd and yoghurt. A significant portion of the Company's product portfolio constituted long shelf-life food products.

Pan-India presence: The Company's pan-India distribution network comprised 15 depots, 104 super-stockists and 3000-plus distributors.

Sales force: The Company has about 30% of its team as its sales force.



AT THE OPERATIONAL LEVEL

Strategically located: The Company's manufacturing facilities are strategically located at Manchar (Pune, Maharashtra) and Palamaner (Chittoor, Andhra Pradesh) enjoying a high population of dairy cows.

Quality focus: The Company emphasised quality control and product safety across its manufacturing process (from raw milk procurement until product packaging and distribution). Its dedicated quality assurance team comprised over 100 trained personnel.

The Company's manufacturing facilities were certified by the Food Safety and Standards Authority of India and BS OHSAS 18001:2007. Its Manchar facility was certified by ISO 9001:2008 and USFDA. This facility operated as per HACCP principles.

Research-driven: The Company's research and development team comprised experienced professionals to catalyse product and process development to address evolving consumer preferences.

Strong customer base: The prominent institutional customers included Nestle India Limited, McCain Foods India Private Limited, MTR Foods Private Limited, Mother Dairy Fruit & Vegetable Private Limited and leading restaurant and cafe chains such as Yum! Restaurants (India) Private Limited (for Pizza Hut, Taco Bell and KFC), Jubilant Foodworks Limited (for Domino's Pizza) and Sankalp Recreation Private Limited (for Sam's Pizza).

AT THE STRATEGIC LEVEL

Multi-revenue streams: The Company's products were marketed across customer categories – consumers at home, retail, hotels, restaurants, institutional customers, quick service restaurants and caterers - mitigating client concentration risks.

Multiple distribution channels: The Company's distribution strategy for each product category enhanced its category focus. The Company leveraged modern trade channels (supermarkets and hypermarkets) and general trade channels (smaller retail stores). The fresh milk and fresh milk products, on account of their short shelf-life, were largely marketed in western and southern India proximate to manufacturing facilities. It established a separate route-to-market to focus on the distribution of low unit price products in Tier-3 cities and rural areas in India. The institutional customers, QSR, hotels, restaurants and caterers were addressed directly through distributors.

Strong procurement: The Company possessed a strong supply chain for milk procurement from 29 districts (Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu) through more than 3,000 village level milk collection centres. The Company enjoyed long-term relationships with milk farmers and chilling centres. The robust and growing network made it possible for the Company to procure an average 10.4 lakh litres daily for 2015-16

OUR BRANDS

The core of success of Parag Milk Foods lies in its ability to increasingly graduate its commodity end (milk and powder) into value-added products.

Over the years, the proportion of value-added products increased. Correspondingly, the increased revenues derived from value-added products were backed by growing brand investments.

Strategy

The Company addressed emerging opportunities through the creation of brands in specific consumer segments on the one hand and prudent investments in these brands in response to dynamic realities on the other.

The Company marketed products under four brands - 'Gowardhan', 'Go', 'Pride of Cows' and 'Topp Up' brands – that addressed diverse dairy-based food segments. These consumer-centric brands owned distinctive attributes addressing consumer needs. During the year under review, the Company invested 1.2% of revenues in branding.

In the mass category (milk and powder), the Company created a 'class in mass' recall. The Company enhanced recall through thematic campaigns, enhancing a customer-connect in the print, electronic and social media.

BRANDING IT RIGHT

THE COMPANY'S NICHE PRIDE OF COWS BRAND (LAUNCHED 2011) ADDRESSED THE FRESH MILK NEEDS OF RESIDENTIAL CONSUMERS IN PUNE AND MUMBAI. THE BRAND IS GROWN THROUGH WORD-OF-MOUTH AND SOCIAL MEDIA AWARENESS.

Products launched

2013-2014

April, 2013	Consumer packs of mozzarella cheese
May, 2013	Yogurt in three new flavours of saffron, pink guava and vanilla
June, 2013	Topp up in four flavours
July, 2013	Cheese spread in six flavours
October, 2013	Cheezlets, Vital milk in all markets
February, 2014	New flavours in Topp up of pistachio and butterscotch

2014-2015

April, 2014	Cheese sandwich slices	December, 2014	Spiced buttermilk in Fino pack
July, 2014	Cheese toppings for pizzas	February, 2015	Whey proteins
October, 2014	Buttermilk in UHT	March, 2015	Sachet packs of ghee
November, 2014	Fresh cream in UHT		

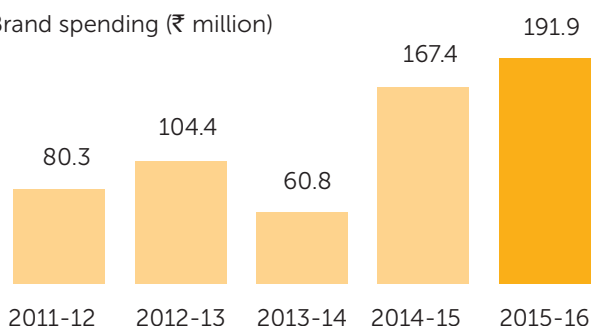
2015-2016

April 2015	Buttermilk in southern spices variant
October 2015	Go Badam Milk
November 2015	Go Almette Creamed Cottage Cheese in two flavours
November 2015	Go Chutney cheese slices

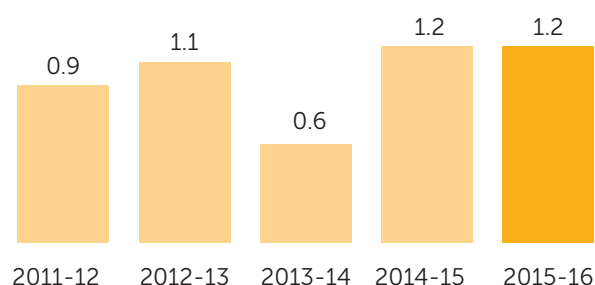
The focus on branding

At Parag Milk Foods, branding is critical to the Company's success, reflected in growing investments in branding and marketing. (consolidated financials)

Brand spending (₹ million)



Brand spending as percentage of revenues (%)



Our product portfolio

Brands	Attribute	Products
Gowardhan	Flagship brand; targeted at traditional house-hold consumers; product used as cooking ingredient.	<p>Fresh milk in variants</p> <ul style="list-style-type: none"> Vital, Gold, Fresh and T-Star Curd products (curd, trim curd and buttermilk) Ghee Paneer Butter Milk powder (Dairy whitener, Skimmed milk powder and Whole milk powder) Whey proteins and whey powders Gulabjamun mix
Go	Flagship brand; targeted at children and vibrant youth; primarily for direct consumption.	<p>Cheese products</p> <ul style="list-style-type: none"> Processed cheese blocks, pizza cheese, cheese spreads, cheese wedges, cheese angles, cheese slices, cheezoo tubes, nacho sauce, filler cheese, shredded natural cheese, mozzarella, cheddar, mild cheddar, orange cheddar, gouda, emmental, parmesan, colby and monterey jack cheese <p>UHT milk</p> <ul style="list-style-type: none"> Go Milk, Go Slim Milk and Go Supremo Milk <p>Fresh milk</p> <ul style="list-style-type: none"> Fruit yoghurts in six flavours Fresh cream <p>Beverages</p> <ul style="list-style-type: none"> Lassi, badam milk and buttermilk in two flavours
Pride of Cows	Farm-to-home milk, delivered from farm to homes; subscription-based model; addressing premium cow milk needs.	Premium cow milk
Topp Up	Targeted at the youth and travellers; positioned as a source of instant nourishment.	Flavoured milk; six flavours

STRENGTHENING THE CONSUMER CONNECT



Cheese meets savoury.

Culinary proof that opposites attract.

Go Cheese Chutney Slice is an Indianised combination of green chutney & cheese slice. Removing the hassles of making green chutney & giving your paratha, sandwich & cheese pakoras an authentic taste. We hope you will love this cheese souvenir from Go Cheese.

Says Chef Ranveer Brar...

"Cheese has now become the common ingredient in an Indian household. The Cheese Chutney Slice brings the Indian taste into this ingredient along with the convenience that's much needed in a modern kitchen."

MADE FROM COW'S MILK, PARAG MARKETS ITS PRODUCTS UNDER FOUR BRANDS NAMELY, GOWARDHAN, GO, TOPP UP AND PRIDE OF COWS AND THEREBY EFFICIENTLY CATERS TO THE NEED FOR DAIRY-BASED FOODS AND BEVERAGES EMANATING FROM DIFFERENT SOCIOECONOMIC STRATA. CASE IN POINT:

🔑 Gowardhan markets every day dairy products to traditional Indian families residing in both urban and rural areas.

🔑 Go is an offshoot of the Gowardhan brand and embodies an energetic spirit and is targeted at young working couples and their children – espousing cosmopolitan mindsets and leading active lives.

🔑 Pride of Cows is a first-of-its-kind

concept of delivering fresh milk to the tables from India's most modern dairy farms. This brand has carved a niche for itself by leveraging a 'by invitation only' mode of marketing. This is largely driven via a digital platform and focuses on generating a positive word-of-mouth among the tech-savvy, health-conscious, high quality and elite section of the society.

🔑 Topp Up is a brand of flavoured milk loaded with wholesome proteins. It is available in six distinctively Indian flavours – elaichi, mango, rose, strawberry, pista and butterscotch. They help beat the heat, replenish the body with vital nutrients and enjoy long shelf lives even at room temperature.



Generating a stronger Brand recall

A strong and recognisable brand is a prerequisite for success in the dairy products industry. It is the management's firm conviction that a brand that is capable of earning the consumer's confidence plays a key role in influencing purchase decisions. In keeping with this belief, Parag roped in celebrity chef Ranveer Brar as a brand ambassador for Go Cheese and launched a full-fledged digital campaign. The marketing team enhanced consumer pull by coming up with various instore execution and long lasting brand positioning campaigns for Gowardhan products.

Go cheese: The Company enjoys the reputation of being a disruptive innovator in the realm of cheese resulting in out-of-home and in-home cheese products. Similar products launched during FY2015-16 included Go Cheese Slice in Green Chutney flavour and the Go Almette brand of gourmet cheese. This launch has allowed Parag to cement its identity as marketer of nutritive products and embark upon a relationship with the globally-respected Hochland Group. The Company also initiated marketing campaigns centred on 'Cheese Lover's Day' to stitch thicker ties with its consumers across India in a celebration of cheese lovers. And also through 'Make It Amazing' campaign, promoted international cuisine using

cheese through digital media.

Gowardhan Ghee: Parag has been at the forefront of capitalising on the evolving consumer preferences and palates when it comes to the ghee segment – from unbranded ghee and from buffalo/cow milk-based to pure cow milk-based ghee. The Company's marketing campaign revolving around the tagline of '**Baat hai khushiyon ki**' and primarily propagated via TVCs managed to make a significant impact.

Go Buttermilk: This product has been positioned as a thirst quencher with low salt and almost zero fat and no sugar content - a perfect alternative to colas. Go Buttermilk incorporates the distinctive taste of Indian spices. Additionally, the marketing team increased its advertorial spend, running full page advertisements and detailed articles on national dailies and popular magazines.

Gowardhan Milk: The team worked on strengthening our existing markets and widening our product presence across states. To strengthen consumer pull innovative offers like weekend offers of cookies, among others, were introduced which received a heartening response.





THE DAIRY INDUSTRY

Global

There was a global meltdown in the agricultural commodity prices during the year extending to milk. As per FAO annual food price indices, the dairy price index slumped by 28% in 2015, highest among all agricultural commodity prices. The Food Price index declined by 19%.

Between December 2014 and December 2015, international price of SMP slumped by 20% to USD 1800 per ton from a high of USD 2850 per ton in March 2015. The comparative price (over the same period) of AMF fell by 10% and stood at USD 3485 per ton.

The slump in international prices was essentially due to a reduction in imports by few major consuming countries. China, the world's biggest dairy importer, imported 40% as it exhausted stockpiled milk powder and faced a macroeconomic slowdown. The traditional large importer, Russia, reduced imports by 30%. Reduction in the world trade of dairy commodities had a cascading effect on major exporting countries, leading to a reduction in milk producer prices.

Credible data sources indicate that in New Zealand, milk prices paid to milk producers declined by 40% during past two years and in EU milk prices to producers fell by 25%.

The record global milk price in 2014 induced farmers to produce more milk and world milk production increased to 805 million tonnes in 2015, a growth rate almost double compared to 2013. Milk production in the US continued to rise for the fifth consecutive year. In the EU, removal of past 30 years' quota increased

3800

Milk produced by India (LLPD),
Crisil Research estimates.

production, particularly in Ireland, the UK and the Netherlands.

Indian industry

In India, milk procurement by the cooperatives increased at a healthy pace over the previous year. In absolute terms, cooperatives received 50 LLPD additional milk, while they could sell only 10 LLPD. This excess milk supply came from dairy farmers abandoned by commodity players. Since they found milk collection and conversion into commodities uneconomic, milk product manufacturers became the only saviour of milk producers. But even as they suffered constraints like capacity, finite market for liquid milk and involuntary stock build up, they did not let their members down, a value system reinforced by producer centric organisations.

The All India Debt Investment Survey (NSSO 70th Round) indicates that 44% of the rural households own bovine animals and for about a quarter of the rural households in Tamil Nadu, Kerala (22%), AP (20%), Haryana (15%), Punjab (15%), Rajasthan (11%) and Gujarat (18%) dairying is the chief source of livelihood. The survey also suggests that about 50% of bovine owning households have bank accounts. With a push for Jan Dhan Yojana, this will move to above 90% in areas with a

805

Global milk production (million tonnes) in 2015.

strong milk procurement structure.

According to NDDDB and Crisil Research estimates, the country produces around 3,800 LLPD of milk, accounting for a fifth of the global output. About 40% of this is retained by producers (farmers) for household consumption; another 41% share is with the unorganised segment. Only 19% is procured, processed and sold through organised dairies.

An estimated 15.75 crore rural women in India were engaged in domestic duties out of which 5.29 crore women were willing to undertake additional work (*Source: www.nddb.org*).

Out of these, about 1 crore are willing to take up dairy as their preferred work over tailoring, poultry and spinning /weaving. A majority of these women are inclined to initiate dairying as an income-generating activity belonging to lower income strata and facing significant entry barriers. However, the potential for additional employment generation, especially among women, and incremental milk production are substantial.

Around 85% of rural women were engaged in livestock rearing and agriculture-related activities. In villages, it is women who cared for, fed and milked the animals. However, in most instances, their contribution

ACCORDING TO NDDDB AND CRISIL RESEARCH ESTIMATES, THE COUNTRY PRODUCES AROUND 3,800 LLPD OF MILK, ACCOUNTING FOR A FIFTH OF THE GLOBAL OUTPUT. ABOUT 40% OF THIS IS RETAINED BY PRODUCERS (FARMERS) FOR HOUSEHOLD CONSUMPTION; ANOTHER 41% SHARE IS WITH THE UNORGANISED SEGMENT.

INCREASED ORGANISED DAIRY SECTOR ROLE IN INDIA

16.7%

India's dairy revenues from the organised sector, 2010

20.04%

India's dairy revenues from the organised sector, 2015

A GROWING PREFERENCE FOR COW MILK IN INDIA

43%

cow milk offtake as a proportion of all milk marketed by organised sector in India, 2010

45%

cow milk offtake as a proportion of all milk marketed by organised sector in India, 2015

PARAG MILK FOODS' OUTPERFORMANCE

2.3%

growth of the global dairy industry (2010-15)

20.7%

growth of India's organised dairy sector (2010-15)

17%

revenue growth (CAGR) of Parag Milk Foods (2011-16)

was never highlighted. Raising their participation was essential to the long-term dairy movement. We need to reach out to them as they can carry the message of breeding, feeding and veterinary care. Payments directly to women through their bank account will ensure economic freedom and equitable social and economic growth.

Recent government initiatives

NDDDB implemented National Dairy Plan Phase I (NDP I), a scientific multi-state initiative to increase the productivity of milch animals and increase milk production to meet the rapidly growing demand for milk through scientific breeding and feeding and provide rural milk producers with greater access to the organised milk processing sector. Under NDP, NDDDB strengthened A & B grade semen stations to produce disease-free quality semen from high genetic merit bulls. These were evaluated through a scientifically-planned program to determine the best bulls ; the semen of such bulls was used to produce off-springs. The semen doses produced will be used for artificial insemination AI improving the genetic potential of animals maintained by the farmers.

Future

India's organised dairy sector will see a 'Cream run' through 2018 with special focus on value-added products. The sector could see capacity augmentation to around 1,050 lakh litres per day (LLPD) with an overall capex infusion of around

₹15,000 crore in three years, ratings agency Crisil highlighted in its latest report on organised dairy players.

Increased disposable income and quality consciousness among consumers, along with greater preference for branded milk and milk products, would drive the growth for organised dairy players, who would see faster growth in next three years as against the historical average during the last five years.

"These expansions will be strategically planned to ensure geographical diversification that strengthens milk procurement. The revenue share from the organised segment could rise to 25% by 2018 from 19% in 2015," the report stated.

Crisil rated 84 firms comprising 60% of the organised dairy capacity in India. The organised segment generated revenues of ₹75,000 crore.

The sector is increasingly becoming attractive for private equity players, ranked among the top 10 sectors monitored closely by PE players. From accounting for just 2% of total PE investment a decade ago, the Indian dairy sector is attracting over 6% on a larger base. Over ₹900 crore was invested in the sector since 2010.

Growth drivers: The growth of the dairy industry was dovetailed with the changing trends of the Indian demography, affluence and aspirations.

Rising middle-class and working population:

The number of middle-class households is expected to significantly increase from 255 million in 2015 to 586 million in 2025 at



a CAGR of 8.7%. India's increasing working population, aged between 15 to 64 years, is expected to increase from 826 million in 2015 to 988 million in 2030. The rise in working population and disposable incomes from the increasing number of middle-class households is expected to drive growth in the dairy industry.

Increasing urbanisation: India experienced rapid urbanisation in recent years, with the percentage of urban population increasing from 27.8% in 2001 to 31.2% in 2011. The percentage of population in urban India is expected to increase to 34.5% of the total population in India by 2021. High urbanisation is expected to drive growth in the organised dairy industry as a result of urban consumers preferring clean, hygienic and ready-to-eat milk and dairy products.

Changing dietary patterns: Greater per capita income and urbanisation

changed food consumption patterns in Indian households, particularly from consuming lesser cereals and increasing consumption of milk and dairy products. In 2012, urban and rural households spent approximately 16.4% and 15.2%, respectively, out of total their total monthly income on milk and dairy products.

Milk is considered a perfect health food in India: Milk has traditionally been an important source of proteins, fats, carbohydrates and vitamins, especially for India's vegetarian population, which make up approximately 31% of India's people. It is expected that a strong demand for milk and dairy products will continue over the medium-term.

Consumer shift towards packaged milk to drive organised market: Increasing safety and quality concerns are expected to drive consumers to shift from loose liquid milk to pasteurised packaged milk.

OUR EXPANSIONS WILL BE STRATEGICALLY PLANNED TO ENSURE GEOGRAPHICAL DIVERSIFICATION THAT STRENGTHENS MILK PROCUREMENT. THE REVENUE SHARE FROM THE ORGANISED SEGMENT COULD RISE TO 25% BY 2018 FROM 19% IN 2015

MANAGING BUSINESS UNCERTAINTIES

Risk management at Parag Milk Food is an essential part of the business model, concerned with moderating the adverse influence of risks and threats on the Company's business goals. The Company uses its rich experience to strengthen shareholder confidence in business growth prospects.

The Company adopts an intensive and well formulated risk management approach in tandem with prudential standards, well-thought-out reporting and effective control mechanisms.

The strength of this framework has been enhanced by a combination of centrally issued policies and procedures which have been

developed divisionally.

Our senior management team intermittently analyses the risk management framework to keep abreast with the contemporary standards and be well prepared to tackle incipient challenges.



01 Procurement Risk

The Company's operations are dependent on the supply of large amounts of cow's raw milk. Inability to procure adequate amounts of good quality raw milk, at competitive prices, may have an adverse effect on our business, results of operations and financial condition.

Risk mitigation

Our manufacturing operations are dependent on the supply of large amounts of cow's raw milk on a daily basis, which is the primary raw material used in the manufacture of all our dairy products. Our manufacturing facilities are located at Manchar, Maharashtra and Palamaner, Andhra Pradesh, and our supply chain network includes procurement presence in 29 districts across Maharashtra,

Andhra Pradesh, Karnataka and Tamil Nadu. The Company procures milk from milk farmers/intermediaries via chilling centres and bulk coolers, with whom it enjoys healthy relations. Besides, the Company increased the number of collection centres during the year under review whose impact will be progressively visible. Also alternative source of raw material such as semi-processed milk products is evaluated to mitigate the procurement risk.



02 Operations risk

Milk, our primary raw material, is a perishable product. Consequently, any malfunction or break-down of our machinery or equipment resulting in the slowdown or stoppage of our operations may adversely affect the quality of products.

Risk mitigation

Since inception, the Company has not experienced any significant disruptions at our manufacturing facilities in the past even as operational scale has increased multi-fold and the product basket widened significantly. This is primarily

due to the Company's it has strictly adhered to a preventive maintenance schedule resulting in maximum equipment uptime. The effectiveness of this discipline is the increased y-o-y production over the last five years.

03 Quality risk

The improper handling, processing or storage of our raw materials or products, or their spoilage/damage/contamination to such raw materials and products could have an adverse effect on our business.

Risk mitigation

The Company emphasises quality control and product safety. This focus is reflected in the following realities.

- The manufacturing facilities are certified by the Food Safety and Standards Authority of India and BS OHSAS 18001:2007.
- The Manchar facility is certified by ISO 9001:2008 and USFDA; it operates as per HACCP principles.

- Raw milk is tested at collection centers and thereafter extensively tested at our facilities; the Company has institutionalised multiple quality checks across the manufacturing line to ensure quality products for its consumers
- The Company has a dedicated quality assurance team comprising more than 100 trained personnel.

04 Distribution risk

Inability to expand or effectively manage our growing distribution network may have an adverse effect on our business, results of operations and financial condition.

Risk mitigation

The Company has an extensive distribution network comprising about 15 depots, 104 super-stockists and over 3,000 distributor, spread across most states and union territories in India. To sell products to our end consumers, the Company uses modern trade channels comprising

super-markets and hyper-markets and general trade channels that include smaller retail stores. The marketing team continuously seeks opportunities to increase the penetration of the Company's products by appointing new distributors targeted at different customer groups.

05 Funding risk

Risks arising from the lack of adequate and cost-effective funding.

Risk mitigation

As on the 31st of March, 2016 the Company had long-term debt of ₹1528.5 million and working capital borrowings of ₹2358.2 million. The Parag Milk Foods brand enjoys market goodwill that ensures offtake. The Company is in a growth

stage and investing in growing its business. The Company enjoys healthy relationships with banks and lending institutions and does not envisage any significant risks from the non-availability of funding at reasonable costs.

06 Geographic concentration risk

Any over-dependence on a particular geography can hamper the Company's prospects.

Risk mitigation

The Company's manufacturing facilities are located in Manchar, Maharashtra, and Palamaner, Andhra Pradesh, with milk procurement across 29 districts in Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. During 2015-

16, the Company generated close to 57% of its revenues from the sale of products in the western regions of India. The Company enjoys significant product penetration and marketing capabilities in western India and is continuously working at improving its product penetration across India.

BOARD OF DIRECTORS



Mr. Devendra Shah, *Chairman*

He has taken Parag Milk Foods to new heights and under his leadership, the Group's revenues have grown manifold. Apart from promoting one of India's largest cow farm called Bhagyalaxmi Dairy farm, he also holds reputed positions in various ventures like Director- Bhimashankar Sahakari Sakhar Karkhana, Pargaon, Secretary of National centre for Rural Development, Chairman, Sharad Sahakari Bank and Director, NDRI. He is well known for his visionary and innovative abilities.



Mr. Pritam Shah, *Managing Director*

In his current role, Mr. Shah is responsible for the overall growth strategy of the company and consolidating the market presence. He brought in the best manufacturing technology for the company so as to compete globally and his strong understanding in procurement and production has helped Parag Milk Foods enhance their overall performance.



Mr. B.M. Vyas, *Director*

In his current role, Mr. Vyas is responsible for advising the top management in making efficient and effective growth strategies for the company. He is closely involved with monitoring the entire gamut of the business processes from the perspective of sales and distribution, getting them streamlined and efficient. He advises the Chairman on various avenues to bring in internal and external development.



Mr. Sunil Goyal, *Director*

He was appointed on our Board on January 15, 2008. He holds a bachelor's degree in commerce from Seth Motilal College, University of Rajasthan and is also qualified as a chartered accountant. He is currently an Independent Director on our Board and Chairman of Audit Committee and member of Stakeholders' Relationship Committee.



Mr. Narendra Ambwani, *Director*

He was appointed on our Board on May 26, 2015. He holds a bachelor's degree in electrical engineering from the Indian Institute of Technology, Kanpur. He has also served as managing director of Johnson & Johnson's consumer group. He has an experience of 39 years in the consumer product industry. He was ex-Chairman of Advertising Council of India (ASCI). He is currently an Independent Director on our Board and Chairman of Stakeholders' Relationship Committee and member of Audit Committee.



Mr. Nitin Dhavalikar, *Director*

He was appointed on our Board on July 28, 2015. He holds a bachelor's and a master's degree in commerce from Pune University. He is also a qualified chartered accountant. He is currently an Independent Director on our Board and Chairman of Nomination and Remuneration Committee and member of Audit Committee.



Mrs. Radhika Pereira, *Director*

She was appointed to the Board on May 26, 2015. She holds a Bachelor's degree in law from Harvard University. After her articleship with M/s Mulla & Mulla and Craigie Blunt & Caroe, Mrs. Pereira completed her Post-graduation from Cambridge and Harvard. On returning to India she worked for some time with Arthur Andersen and in the year 1996, she set up Dudhat Pereira & Associates. After a brief break taken to work with an eminent law firm, she was a partner of M/s Udwardia & Udeshi, Solicitors & Advocates until 2005. She restarted Dudhat Pereira & Associates in April 2005 and continued her practice until she joined as a Partner at Shardul Amarchand Mangaldas & Co at its Mumbai Office



Mr. Ramesh Chandak, *Director*

Mr. Ramesh Chandak is the fellow member of the Institute of Chartered Accountants of India, Masters in Commerce and has completed the Advanced Management Programme at Harvard Business School. Mr. Chandak is closely working with the Company on Growth Strategies and Cost Reduction Initiatives. He was awarded the 'CA Business Leader of the Year – 2008' by The Institute of Chartered Accountants of India.

MANAGEMENT TEAM

Mr. Bharat Kedia, *Chief Financial Officer*



In his current role, he is responsible for the overall management of the financial function of the company. Mr. Kedia is a Chartered Accountant and Company Secretary by qualification and his rich experience of working in Nerolac Paint and Coco Cola Hellenic within India and abroad, he has demonstrated an ability to drive profitable business growth in a consumer product company. He is amongst one of the top 100 CFO's in India as per CFO-100 ranking. He is essentially taking care of the Financial Reporting, Budgeting, Forecasting, Information Technology, Taxation, Business Finance, Treasury, Process Mapping, Legal and Secretarial issues of the company.

Mr Mahesh Israni, *Chief Marketing Officer*



In his current role, Mahesh leads the Sales and Marketing for the Company and also handles the overall company marketing strategy, brand development and RTM Strategy. He also closely works with the team to create selling and distribution strategy for the existing brands of Parag Milk Foods. Mahesh brings in over 25 years' experience in sales and customer marketing in the FMCG sector and has worked with some of the biggest brands in the industry.

Mrs. Rachana Sanganeria, *Company Secretary & Compliance Officer*



She holds a bachelor's degree in commerce from Mumbai University and a bachelor's degree in law from Mumbai University. She is a member of the Institute of Company Secretaries of India. She was appointed as our company secretary with effect from December 2, 2013. She holds over 11 years of experience as a company secretary and has worked for various companies throughout her career. Before joining Parag Milk Foods Limited, she has worked with Raymond Limited, Elixir Netcom Solutions Private Limited, Parle International limited and Bailey Beverages Limited.



Mr. H S Oberoi, *President - Cheese manufacturing*

In his current role, he advises the leadership team on strategic business initiatives and the overall company development at large. Mr. Oberoi is a B. Tech and a Mozzarella Cheese Manufacturing Expert with over 51 years of intensive experience in the dairy industry. In his career, he has worked with leading dairy and food companies like Modern Dairies Ltd., Road Master Food Ltd, Milk Federation, Indodan Milk Products, Dalmia Dairy Industries and Haryana Milk foods. Mr. Oberoi has travelled across the world to study and implement the best practices in the field of dairy industry.



Mr. Sachin Shah, *Vice President - Southern operations*

He is a science graduate with over two decades of professional experience and is responsible for carrying out operations in Palamner. He has travelled across the world to study and implement the best practices in the field of dairy industry.



Mr. Sanjay Mishra, *General Manager, Works*

Sanjay has over two decades of experience and is a Specialist in Process Cheese Recipes. He has a deep understanding of the evolving Indian palate and can develop various products to suit the Indian Taste. He also heads the Liquid Milk Procurement in the company. In his career, he has worked with the renowned dairy firms like Vadilal Dairy International Ltd. and Gokul Dairy. His academic accomplishment includes a bachelor's degree in Science, followed by a Diploma in Dairy. Currently he heads Manchar plant management.



Mr. Sanjay Nakra, *General Manager, Operations*

Sanjay is a Dairy Technologist with experience of over 25 years in Dairy Plant level Manufacturing. His lustrous career includes stints across key companies like Glaxo Smith Kline, Himachal Milk Product, Foremost Industries and Modern Dairies. Sanjay travels across the world, to track global practices and advancements in the dairy sector. Currently he heads Palamner plant management.



Miss Akshali Shah, *VP - Strategic Marketing*

Akshali joined the company as Management trainee and has been working with the organisation for the past 6 years. In her current role, she, being the youngest leader in the management team, is responsible for strategies on the 4 brands and working on the next horizon product categories. Along with this, she heads the Pride of Cows business and works very closely on the marketing campaigns, to drive executional excellence. She has a post graduate degree in FMB from SP Jain Institute.

DIRECTORS' REPORT 2015-2016

Dear members

Your Directors are pleased to present the Twenty Fourth Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended March 31, 2016. The summarised results for Standalone & Consolidated accounts for the year ended March 31, 2016 are as under.

FINANCIAL HIGHLIGHTS

The comparable financial performance of the Company (Standalone & Consolidated) for the Financial 2015-2016 is summarized as under:

Particulars	Standalone		Consolidated	
	FY 2015-2016	FY 2014-2015	FY 2015-2016	FY 2014-2015
Total Revenue	16,243.85	14,270.45	16,467.49	14,456.69
Earnings before interest, Depreciation and Tax	1,498.56	1,078.08	1492.19	1087.18
Less :- Depreciation	317.25	254.17	333.89	275.33
Less:- Interest	481.84	454.34	490.41	469.20
Profit before Tax	699.47	369.57	667.89	342.65
Less:- Tax expenses	174.38	3.93	194.71	20.56
Profit After Tax (PAT)	525.09	365.64	473.18	322.09
Balance brought forward from previous year	1,068.56	719.65	959.38	655.16
Less:- Appropriations	-	-	-	-
a) Proposed Dividend (including tax on dividend)	-	-	-	-
b) Transfer to General Reserve	-	-	-	-
c) Accumulated Depreciation	-	(3.22)	-	(4.44)
d) Transfer to Debenture Redemption reserve	(4.50)	(13.50)	4.50	(13.50)
e) Bonus share issued	(341.35)	-	(341.35)	-
f) Minority Interest	-	-	-	0.07
Balance carried forward to Balance-Sheet	1247.80	1068.56	1086.70	959.38
Earnings per Share				
-Basic	8.01	6.29	7.22	5.54
-Diluted	8.01	5.30	7.22	4.67

OVERVIEW OF COMPANY PERFORMANCE

In the current economic environment, wherein revenue growth in the FMCG sector has slowed down, your Company achieved a sales growth of 13.84% during the year; your Company registered a total income of ₹16,243 Million in the Financial Year 2015 -2016 as compared to ₹14,270 Million of the previous year. The Company has made Profit

before tax (PBT) of ₹699.47 Million on standalone basis for the year under review as compared to ₹369.57 Million for the previous year registering an increase of 89.26%, this was mainly due to increased sale of value added products and favourable raw material price which enhanced the margins despite the pressure of reduction in selling price of Skimmed Milk Powder (SMP).

Your Company has successfully listed itself on BSE Limited (BSE) and National Stock Exchange of India Limited on 19th May, 2016 and raised ₹3,000 Million through fresh issue of 136.99 Million equity shares, which will be mainly utilized towards CAPEX amounting to ₹1,500.0 Million and ₹1,000 Million will be utilized for part repayment of working capital facilities taken from the existing bankers. Your Company has issued shares based on the Issue price given below.

1. Issue price for HNIs and QIBs (excluding anchor investors): ₹215 per Equity Share, including a share premium of ₹205 per Equity Share (the "Issue Price");
2. Issue price for eligible employees: ₹203 per Equity Share (post discount of ₹12 to the Issue Price), including a share premium of ₹193 per Equity Share;
3. Issue price for retail individual investors: ₹203 per Equity Share (post discount of ₹12 to the Issue Price), including a share premium of ₹193 per Equity Share; and
4. Anchor investor issue price: ₹227 per Equity Share, including a share premium of ₹217 per Equity Share

BUSINESS OVERVIEW

Your Company is a leading manufacturer and marketer of dairy-based branded foods in India. Your Company commenced business in 1992 with collection and distribution of milk and has now developed into a dairy based branded consumer products Company with an integrated business model, manufacturing a diverse range of products including cheese, ghee, fresh milk, whey proteins, paneer, curd, yoghurt, milk powder and dairy based beverages targeting a wide range of consumer groups through several brands under the flagship brands "GOWARDHAN" "GO" "TOPP UP" and "PRIDE OF COWS".

Our manufacturing facilities are strategically located at Manchar in the Pune district of Maharashtra and Palamaner in the Chittoor district of Andhra Pradesh, which have a high population of dairy cows, with milk processing capacities of 1.2 million litres per day and 0.8 million litre per day, respectively.

During the year, your Company focused on product innovations, brand building and distribution to grow faster than the market. Your Company's brands have become iconic over time due to combination of superior products and enduring communication. Your Company has good supply chain network which includes procurement from 29 districts across Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu, through over 3400 village level milk collection centres. The Company procures milk from milk farmers and through chilling centres and bulk coolers. The average daily milk procurement for the financial year 2015-2016 is 10.40 lakhs litres. We have an extensive sales and distribution network which covers 15 depots, 104 super-stockists and over 3000 distributors as on 31st March, 2016, spread across most states and union territories in India. We also have dedicated sales and marketing team comprising more than 500 personnel based in the key distribution centres. Some of our leading institutional customers include leading restaurant and café chains such as 'Yum!' Restaurant, (for 'Pizza Hut', 'Taco Bell' and 'KFC') Jubilant Foodworks Limited (for 'Domino's Pizza') and Sankalp Recreation Private Limited (for 'Sam's Pizza').

Your Company's new capabilities and robust pipeline of innovations resulted in new launches in the form of "GO Badam Milk", "GO Cheese Chutney Slice" and "Go Almette" and other innovative products. Coupled with leading edge route to market strategy, while building brand differentiation and relevance.

DIVIDEND

In order to conserve resources for working capital and new projects your Directors' do not recommend any dividend for the Financial Year 2015-2016.

TRANSFER TO RESERVES

No amount has been transferred to general reserves for the Financial Year 2015-2016.

SHARE CAPITAL

The Paid Up Capital of the Company as on 31st March 2016 stood at ₹704,158,870. During the year your Company has issued new Compulsorily Convertible Debentures and converted all Compulsorily Convertible Debentures into Equity Shares. The Company issued 227,000 equity shares of ₹10/- each aggregating to ₹56.75 Million under the Employee Stock Option Plan during the year, in addition your Company has issued 42,135,038 bonus shares of ₹10/- each to the existing shareholders of the Company in the proportion of two (2) shares for every one(1) share held in accordance with the provisions of section 63 of the Companies Act, 2013 read with Rule 14 of the Companies (Share Capital and Debentures), Rules 2014

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENT RELATE AND THE DATE OF THE REPORT

The following commitments material changes occurred subsequent to close of the financial year and the date of this report

1. The Company successfully came out with its Initial Public Offer (IPO) and raised ₹3,000.00 Million by way of fresh issue of equity shares and ₹4,505.37 Million through offer for sale (OFS). The Paid up capital of the company as on date is ₹841,145,820/-
2. The Equity Shares of the Company are listed on the BSE Limited (BSE) with scrip code No. 539889 and on the National Stock Exchange of India Limited (NSE) with scrip code of PARAGMILK. The Company confirms that the annual listing fees to both the stock exchanges for the financial year 2016-17 have been paid.

FIXED ASSETS & CAPITAL EXPENDITURES

Your Company has significantly enhanced the built up capacity by way of capital expenditure in plant and machinery at Manchar and Palamaner plant from time to time. Additions made during the year amounted to ₹891.26 Million as on March 31, 2016 as against additions of ₹761.73 Million in the previous year ended March 31, 2015.

Your Company has made a significant capital expenditure over the period of 5 years in Plant & Machinery:

RESPONSIBILITY STATEMENT

Pursuant to clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, the Directors hereby confirm that;

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the Company for the year ended March 31, 2016 ;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts for the financial year ended March 31, 2016 on a going concern basis; and
- (e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the performance evaluation of the Board, its Committees and Individual Directors and Independent Directors conducted and the same was based on questionnaire and feedback from all the Directors on the Board as a Whole, its Committees and self-evaluation.

The Chairperson of the Nomination and Remuneration Committee (NRC) held separate discussion with each of the Director's of the Company and obtained their feedback on

overall Board effectiveness as well as on each of the other Director.

Based on the Questionnaires and feedback, the performance of the every Director was evaluated by the NRC.

Some of the key criterias for the performance evaluation, as laid down by the NRC were as follows:-

- Contribution at Board / Committee meetings
- Guidance / Support to Management outside Board/ Committee Meetings.

Performance evaluation of Board and Committees:

- Board Structure and Composition
- Degree of Fulfillment of key responsibilities
- Establishment and delineation of responsibilities to Committees
- Effectiveness of Board Process, Information and Functioning
- Board Culture and Dynamics
- Quality of relationship between the Board and Management
- Efficacy of Communication with External Stakeholders
- Committees- strengths and areas of improvement

INDEPENDENT DIRECTOR

A separate meeting of the Independent Directors ("Annual ID Meeting") was convened on June 24, 2016, which reviewed the performance of the Board (as a whole), the non-independent director and the Chairman. Post the Annual ID Meeting, the Collective feedback of each of the Independent Directors was discussed by the Chairperson of NRC with the Board, covering performance of the Board as a whole, performance of the non-independent directors and performance of the Board Chairman.

EXPORT MARKET

Your Company has presence in the international markets like UAE, Hong Kong, Singapore, Oman, Kuwait, Mauritius, New Zealand, Australia, Congo, Iraq. Company has extensive Cheese demand from international market and supplies bulk Cheese to Philippines, Sri Lanka, UAE and Bangladesh. During the year the Company's export of consumer products decreased by 36.70% as compared to the year 2014-15. The total export sale for financial year was ₹318.09 Million against ₹467.38 Million last year. The drop in export sale was

due to almost no sale of SMP, as the prices of SMP fell in international market making Indian SMP non-competitive.

Company's UHT facility at Palamner plant is now approved by Export Inspection Agency (EIA), which enables the Company to export UHT to international Markets.

FUTURE PROSPECTS

The distribution expansion plans have been prepared with focus on quality of distribution in top 25 cities and distribution expansion with focus in North and South India. The route to market (RTM) strategy focuses on building capability, distribution along with strengthening of the sales team.

In terms of brand building, holistic 360 degree approach which was initiated last year with Cheese (Make it Amazing – with world cuisines) will be the way forward. In brand marketing, higher degree of focus is planned in social media marketing. Capability building of the regional sales team will be focus for building distribution strength.

The Company has not only continued its efforts in developing more and more products for the Indian ethnic community abroad but also targeted the local population in the target markets.

The above initiatives being dovetailed with focus on operational efficiencies being built at plant level, marketing initiatives to build brands and focus on quality distribution expansion and capability building of the sales team would help build the consumer business with accelerated pace.

SUBSIDIARY COMPANY & CONSOLIDATED FINANCIAL STATEMENTS

Bhagyalaxami Dairy Farms Private Limited (BDFPL) is wholly owned subsidiary of the Company. Which is located at Manchar, Pune District, BDFPL which is a fully automated cow farm, housing over 2000 Holstein breed cows with superior quality yield. BDFPL was established with the aim to educate farmers about best practice of breeding, feeding, animal management and improving productivity.

The Gross Revenue of the BDFPL for FY 2016 stood at ₹442.05 Million (Previous Year ₹844.55 Million). The company incurred a loss of ₹52.76 Million (Previous Year: ₹42.70 Million).

Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 the statement containing salient features of the financial

statements of the Company's subsidiary in Form - AOC-1 is attached as Annexure 1.

Bhagalaxmi produces "Farm-to-Home" premium quality milk under brand name of "Pride of Cows" with sales at Pune and Mumbai, the pride of cow dairy is fully automated without any human intervention to ensure quality and purity of milk.

As required under Rule 8(1) of the Companies (Accounts) Rules, 2014, the Board's Report has been prepared on standalone financial statements and a report on performance and financial position of its Subsidiary Company is included in the financial statements

Your Company has prepared Consolidated Financial Statements in accordance with Accounting Standard 21 (AS 21) issued by the Institute of Chartered Accountants of India. The Consolidated Statements reflect the results of the Company and those of its Subsidiary Company. The Audited Consolidated Financial Statements are provided in the Annual Report.

DIRECTORS & KEY MANAGERIAL PERSONNEL (KMP)

The Company has received resignation of Mr. Ramesh Chandak from Directorship as Nominee Director on behalf of IDFC Alternatives. The Company has pursuant to Section 149 and 152 of Companies Act, 2013 received notice and declaration of Independence from Mr. Ramesh Chandak, (DIN.00026581) towards his appointment as Independent Director of the Company. The Board has appointed Mr. Ramesh Chandak as Additional Independent Director for a term of five consecutive years with effect from 24th June, 2016 subject to confirmation by the members in the forthcoming Annual General Meeting of the Company. The Board recommends your approval to the above appointment in the forthcoming Annual General Meeting.

During the Financial Year 2015-2016 Mr. Vishal Tulsyan-Nominee Director resigned with effect from July 28, 2015 and Mr. Girish Nadkarni Nominee Director resigned with effect from August 14, 2015 and Dr. Thorat Nominee Director resigned with effect from September 8, 2015. The Board placed on record their sincere appreciation for the valuable contribution made by them during their tenure as Directors with the Company. Ms. Radhika Pereira (DIN: 00016712) and Mr. Narendra Ambwani (DIN: 00236658) and Mr. Sunil Goyal (DIN: 00503570) were appointed as Independent Directors

with effect from May 26, 2015 and Mr. Nitin Dhavalikar (DIN: 07239870) was appointed as an Independent Director with effect from July 28, 2015 and Mr. Ramesh Chandak (DIN.00026581) was appointed as Nominee Director on September with effect from September 9, 2015.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mr. Bharat Kedia has been appointed as the Chief Financial Officer of the Company w.e.f. January 01, 2015. Further, Mr. Pritam Shah as the Managing Director of the Company and Ms. Rachana Sanganeria as the Company Secretary are Key Managerial Personnel of the Company as on March 31, 2016.

RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Risks are events, situations or circumstances which may lead to negative consequences on the Company's businesses. Risk management is a structured approach to manage uncertainty. A formal enterprise wide approach to Risk Management is being adopted by the Company and key risks will now be managed within a unitary framework.

The Company has appointed M/s. KPMG in India, as Internal Auditor. The Company has in place an elaborate internal control system commensurate with the size and nature of its business and size and complexity of its operations. The primary objective of the Internal control systems comprising of policies and procedures are designed to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, applicable laws and regulations, to ensure proper authorization and accounting of transactions as also for safeguarding and protecting Company's assets and that all assets and resources are acquired economically, used efficiently & adequately protected to prevent any revenue leakage and losses to the Company. The internal auditors' reports are periodically reviewed by the management and the Audit Committee and necessary corrective actions are taken from time to time.

MEETINGS OF THE BOARD:

The Board meets at regular intervals to discuss and decide on Company business policies and strategy apart from

other Board businesses. A notice of the Board Meeting is circulated well in advance with the agenda which includes the detailed annexure/ notes to be discussed to enable the Board to take an informed decision. The Board met 8 (eight) times during the year, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "SEBI (LODR) Regulations, 2015".

Audit committee:

Audit Committee comprises of

1. Mr. Sunil Goyal - Chairman,
2. Mr. Pritam Shah - Member
3. Mr. Nitin Dhavalikar - Member
4. Mr. Narendra Ambwani - Member

5 (Five) Audit Committee Meetings were held during the financial year under review and the gap between two Meetings did not exceed 120 days. These Meetings were held on May 26, 2015, July 28, 2015, August 6, 2015 December 23, 2015 and March 21, 2016, the details are given in the Corporate Governance Report.

Nomination and Remuneration Committee

Nomination and Remuneration Committee comprises of

1. Mr. Nitin Dhavalikar - Chairman,
2. Mr. Devendra Shah - Member
3. Mrs. Radhika Pereira - Member
4. Mr. Ramesh Chandak - Member

2 (Two) Nomination and Remuneration Committee Meetings were held during the financial year under review. These Meetings were held on May 26, 2015 and September 4, 2015, details of which are reproduced in the appropriate section of the Corporate Governance Report.

Stakeholders' Relationship Committee

The Stakeholders Relationship Committee was constituted by the Board of Directors at their meeting held on July 28, 2015

The Composition of the Stakeholders' Relationship Committee is as follows:

1. Mr. Narendra Ambwani - Chairman
2. Mr. Pritam Shah - Member
3. Mr. Sunil Goyal - Member
4. Mr. B.M. Vyas - Member

EMPLOYEE STOCK OPTION SCHEME, 2015 ("ESOS 2015")

The Company has instituted ESOP Trust in the name of "Parag Milk Foods Employees Stock Option Trust" and the "Parag Milk Foods Limited - Employee Stock Option Scheme 2015" (ESOS 2015) in April, 2015 pursuant to resolutions dated February 27, 2015 and April 21, 2015 passed by the Board of Directors and the resolutions dated April 3, 2015 and May 16, 2015 passed by the Shareholders. The ESOS 2015 is compliant with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the relevant provisions of the Companies Act, 2013 along with the Rules made thereunder including any amendments made thereto or notifications thereof. The purpose of the ESOS 2015 was to inter alia, enable the company to attract, retain and reward appropriate human talent.

The ESOS 2015 is administered by the ESOP Trust 227,000 Equity Shares were allotted to the ESOP Trust on September 3, 2015. The Options were granted to the eligible employees pursuant to the Nomination & Remuneration Committee meeting held on 4th September, 2015. The vesting of the options granted will be in the Financial Year 2016-2017.

EXTRACT OF THE ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and administration) Rules, 2014 is furnished in Annexure II and is attached to this Report.

LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION-186 OF THE COMPANIES ACT 2013

The particulars of Loans, guarantees or investments made under Section 186 are furnished in Annexure III and is attached to this report.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Section 177(9) of the Companies Act, 2013 and Regulation 22 of the SEBI (LODR) Regulations, 2015 for employees to report genuine concerns or grievances. The Whistle Blower Policy has been posted on the website of the Company.

REMUNERATION AND NOMINATION POLICY

The Board of Directors have framed a policy in accordance with Section 178 of the Companies Act, 2013 and SEBI

Listing Regulations which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members, Key Managerial Personals and Senior Management. The Remuneration and Nomination policy has been uploaded on the website of the Company.

PREVENTION OF SEXUAL HARASSMENT AT WORK PLACE

The company has zero tolerance policy in case of sexual harassment at workplace and has adopted a policy on prevention, prohibition, and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules there under. The company also has an anti sexual harassment committee which carries out its functions with great diligence. During the year under review no complaint on sexual harassment was received.

HEALTH SAFETY AND ENVIRONMENT PROTECTION

The company is operating its plant in a manner which endeavors protection of health/ safety of workers and environment. All necessary measures are taken in relation to safety and sanitation, drinking water, quality of food provided in the canteen etc for employees and workers of the company. "Eco friendly green" initiatives are taken by the company at its plant to ensure safety. The company is in compliance with all labour and environmental laws.

CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES- SECTION 188 OF THE COMPANIES ACT 2013

All related party transactions that were entered into during the financial year 2015-16 were in the ordinary course of business and at an arm's length basis. All Related Party Transactions are placed before the Audit Committee and the Board as also to the Board for approval. Omnibus approval was obtained for transactions which are of repetitive nature. Further, there are no material related party transactions during the year under review with the Promoters, Directors or Key Managerial Personnel.

The particulars of contracts or arrangements with related parties referred to in Section 188(1), as prescribed in Form AOC - 2 of the rules prescribed under Chapter IX relating to Accounts of Companies under the Companies Act, 2013, is appended as Annexure IV.

The policy on Related Party Transactions as approved by the Board of Directors has been uploaded on the website of the Company.

INFORMATION TECHNOLOGY

Parag Milk Foods Limited has been leveraging the Information Technology and IT enabled services for business process automation and transformation across various functions, internal and external stakeholders.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your company always believed in and worked towards "inclusive growth"- improving the quality of life of the people we touch and in the communities where we operate. The CSR committee was constituted by the Board of Directors of the Company at its meeting held on 23rd June, 2014 and re-constituted on 26th May, 2015 and 28th July, 2015.

The CSR Committee of the Board of Directors of the Company Consists of the following Members viz.

1. Mr. Devendra Shah - Chairman
2. Mr. B. M. Vyas - Member
3. Mrs. Radhika Pereira - Member
4. Mr. Girish Nadkarni - resigned on August 14, 2015

The following CSR Activities have been conducted during the financial year: 2015-16.

Corporate Social Responsibility (CSR) activities for the financial year 2015-16

1	A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs and the Composition of CSR Committee.	CSR Policy is Available for inspection by Members of the Company
2	Average net profit of the Company for last three financial years	257.62 Million
3	Prescribed CSR expenditure (two percent of the amount mentioned in item 2 above)	2%
4.	Details of CSR spent during the financial year:	0.72 Million
5	Total amount to be spent for the financial year	5.15 Million
6	Amount unspent-	4.43 Million

Details of amount spent on CSR Activities during the Financial Year 2015-16

Sr. No.	CSR Projected or Activity Identified	Sector in which the projects is covered	Project of Program	Amount outlay (Budget) project wise (₹ In Million)	Amount spent on the projects of programs (₹ In Million)	Cumulative Expenditure up to the Reporting period i.e. FY 15-16 (₹ in Million)	Amount spend direct or through implementing agency
1	Medical camp organized at Manchar	Health Care	Maharashtra	0.72	0.72	0.72	Direct

The Company had already budgeted to spend ₹5.15 Million towards health care, medical camp organized at Manchar-village and has already spent ₹0.72 Million and the balance amount of ₹4.43 Million has been carried forward in the current year 2016-17 for the budgeted spend.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pursuant to Regulation 34 read with Schedule V of the SEBI (LODR) Regulations, 2015, detailed review of operations, performance and future outlook of the Company is covered separately in this Annual Report.

CORPORATE GOVERNANCE

As per Regulation 34 (3) read with Schedule V of the SEBI (LODR) Regulations, 2015, a separate section on corporate governance practices followed by the Company, together with a certificate obtained from N.L. Bhatia & Associates a firm of Company Secretaries in Practice confirming compliance forms an integral part of this Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure V. The Company was awarded a state level award for excellence in Energy Conservation and Management by the Maharashtra Energy Development Agency on February 18, 2016.

DEPOSITS

The Company has neither accepted nor renewed any deposits during the year ended 31st March 2016.

BUY BACK

The Company has not bought back any of its securities during the year ended 31st March 2016.

DETAILS OF SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL:

No significant material orders have been passed by the Regulators or courts or tribunals which would impact the going concern status of the Company and its future operations.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

Information as required under the provisions of Section 197(12) of the Companies Act, 2013 read together with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended herewith as Annexure VI to this report. The information required pursuant to Section 197(12) of the Companies Act, 2013 read with Rules 5(2) & 5(3) of the Companies (Appointed and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, is appended herewith as Annexure forming part of this Report.

No commission was paid during the year to the Managing Director/Whole Time Director from the Company or from its subsidiary company.

AUDITORS' REPORT

There are no qualifications, reservations or adverse remarks made by the Auditors in their report.

STATUTORY AUDITORS

The Statutory Auditor, M/s Haribhakti & Co, LLP, Chartered

Accountants, Pune (Firm Registration No. 103523W) who were appointed to hold office from the conclusion of this Annual General Meeting until the conclusion of the Annual General Meeting of the Company to be held in the FY 2019-2020, subject to ratification by members at every Annual General Meeting. The Company has received under Section 139(1) of the Companies Act, 2013 and the Rules framed thereunder, a certificate of their eligibility and consent for re-appointment. Accordingly, the appointment of M/s Haribhakti & Co. LLP, Chartered Accountants as Statutory Auditors of the Company is placed for ratification by the Members.

COST AUDITORS

M/s Harshad S. Deshpande & Associates, Cost Accountants were appointed as the Cost Auditors of the Company for the year ending March 31, 2016. On recommendation of the Audit Committee the Board of Directors propose the appointment of M/s. Harshad S. Deshpande as the Cost Auditors of the Company for the Financial Year 2016 -2017. The Cost Auditors have confirmed that they are not disqualified for such re-appointment within the meaning of Section 148 of the Companies Act 2013.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and

Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. N.L. Bhatia & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the Financial Year 2015-16. The Secretarial Audit Report is given as Annexure VII forming part of this Report.

ACKNOWLEDGEMENTS

Your company takes pride in its highly motivated employees who have been contributing their best for the success and growth of your Company to aspire to achieve new heights. Your Directors thank and express their gratitude for the support and co-operation received from State Government / regulatory authorities and stakeholders, vendors, Financial Institutions, Banks, Investors and service providers.

The Directors thank the Company's valued and esteemed customers for their continued patronage.

FOR AND ON BEHALF OF THE BOARD

Sd/-

DEVENDRA SHAH

CHAIRMAN

DIN: 01127319

Place: Mumbai

Date: June 24,2016

ANNEXURE - I

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures.

**STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF
SUBSIDIARIES/ASSOCIATES/JOINT VENTURE AS PER THE COMPANIES ACT, 2013
FOR THE YEAR ENDED MARCH 31, 2016**

(Amount in Millions)

Particulars	Details
Name of the subsidiary	Bhagalaxmi Dairy Farms Private Limited
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	01st April, 2015 to 31st March, 2016
Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Indian Rupees
Share capital	57.85
Reserves & surplus	361.72
Total assets	592.40
Total Liabilities	172.83
Investments	Nil
Turnover	422.05
Profit before taxation	(31.59)
Provision for taxation	21.17
Profit after taxation	(52.76)
Proposed Dividend	Nil
% of shareholding	100.00%

Notes:

The Company do not have any associates/joint Venture

For and on behalf of the Board of Directors

Place: Mumbai

Date: June 24, 2016

Devendra Shah

Director

DIN: 01127319

Pritam Shah

Director

DIN: 01127247

ANNEXURE - II

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i)	CIN:	U15204MH1992PLC070209
ii)	Registration Date:	29/12/1992
iii)	Name of the Company:	Parag Milk Foods Limited
iv)	Category / Sub-Category of the Company	Public Limited
v)	Address of the Registered office and contact details:	Flat No 1, Nav Rajasthan CHS, Shivaji Nagar, Pune-411016, Ms. Rachana Sanganeria (Company Secretary & Compliance Officer) Contact No.- 022-43005555
vii)	Whether listed company :	Unlisted as on 31st March, 2016, listed on 19th May, 2016
viii)	Name, Address and Contact details of Registrar and Transfer:	Karvy Computershare Private Limited Karvy Selenium, Tower- B, Plot No 31 & 32, Financial District, Gachibowli, Hyderabad - 500032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Value added Milk products	1050	67%
2	Liquid Milk	1050	18%
3	Milk Powder	1050	12%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

Sl. No.	Name and Address of the Company	CIN/GLN	HOLDING / SUBSIDIARY / ASSOCIATE	% of shares held	Applicable Section
1	M/s Bhagyalaxmi Dairy Farms Private Limited	U01211PN2003PTC018624	Wholly Owned Subsidiary	100.00%	

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
2) Individual/ HUF	77,18,334	56,75,860	133,94,194	88.70	407,31,622	-	407,31,622	57.84	-26.03
3) Central Govt.	-	-	-	-	-	-	-	-	-
4) State Govt.(s)	-	-	-	-	-	-	-	-	-
5) Bodies Corp.	-	7,71,400	7,71,400	4.83	23,14,200	-	23,14,200	3.29	-1.54
6) Banks / FI	-	-	-	-	-	-	-	-	-
7) Any Other	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-
(A) (1)	77,18,334	64,47,260	141,65,594	88.70	430,45,822	-	430,45,822	61.13	-27.57
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (2)	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	77,18,334	64,47,260	141,65,594	88.70	430,45,822	-	430,45,822	61.13	-27.57

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	6,36,815	-	6,36,815	3.99	164,51,028	-	164,51,028	23.36	19.37
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (Other foreign Investor)(specify)	40	-	40	0.00	43,59,749	-	43,59,749	6.19	6.19
Sub-total (B)(1)	6,36,855	-	6,36,855	3.99	208,10,777	-	208,10,777	29.55	25.57
2. Non- Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	9,65,198	24,000	9,89,198	6.19	44,18,870	-	44,18,870	6.28	0.08
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakh	120	23,200	23,320	0.15	15,600	-	15,600	0.02	-0.12
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	1,54,497	Nil	1,54,497	0.97	18,97,818	-	18,97,818	2.70	1.73
c) Others -ESOP-Trust	-	-	-	-	2,27,000	-	2,27,000	0.32	0.32
Sub-total (B)(2)	11,19,815	47,200	11,67,015	7.31	65,59,288	-	65,59,288	9.32	2.01
Total Public Shareholding (B)=(B)(1)+ (B)(2)	17,56,670	47,200	18,03,870	11.30	273,70,065	-	273,70,065	38.87	27.57
TOTAL (A)+(B)	94,75,004	64,94,460	159,69,464	100.00	704,15,887	-	704,15,887	100.00	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	94,75,004	64,94,460	159,69,464	100.00	704,15,887	-	704,15,887	100.00	-

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Mr. Devendra Shah	4,856,944	30.41%	3.76%	14,570,832	20.69%	19.00%	NIL
2	Mr. Pritam Shah	3,053,296	19.12%	-	9,159,888	13.01%	-	-
3	Mr. Parag Shah	1,631,096	10.21%	-	100,000	0.14%	-	-
4	Mr. Prakash Shah	2,239,112	14.02%	-	100	0.00%	-	-
5	Mrs. Rajni Shah	192,004	1.20%	-	100	0.00%	-	-
6	Mrs. Priti Shah	496,940	3.11%	2.33%	3,322,820	4.72%	3.08%	-
7	Mrs. Netra Shah	924,802	5.79%	5.53%	10,272,782	14.59%	-	-
8	Iris Business Solutions Pvt. Ltd. Solutions	771,400	4.83%	-	2,314,200	3.29%	-	-
9	Mr. Poojan Shah	-	-	-	3,295,000	4.68%	-	-
10	Ms. Shabdali Desai	-	-	-	10,000	0.01%	-	-
11	Mr. Stavan Shah	-	-	-	100	0.00%	-	-

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl No.	Name of Shareholder	Shareholding at the beginning of the year		Date	Reason	Increase / Decrease in Shareholding	% Change in shareholding during the year	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Mr. Devendra Shah	4,856,944	30.41%	26-May-15	Bonus	9,713,888	14,570,832	20.69%
2	Mr. Pritam Shah	3,053,296	19.12%	26-May-15	Bonus	6,106,592	9,159,888	13.01%
3	Mr. Parag Shah	1,631,096	10.21%	26-May-15	Bonus	3,262,192	4,893,288	6.95%
				28-Jul-15	Transfer	-4,793,288	100,000	0.14%
4	Mr. Prakash Shah	2,239,112	14.02%	26-May-15	Bonus	4,478,224	6,717,336	9.54%
				28-Jul-15	Transfer	-6,717,236	100	0.00%
5	Mrs. Rajni Shah	192,004	1.20%	26-May-15	Bonus	384,008	576,012	0.82%
				28-Jul-15	Transfer	-575,912	100	0.00%
6	Mrs. Priti Shah	496,940	3.11%	26-May-15	Bonus	993,880	1,490,820	2.12%
				28-Jul-15	Transfer	1,832,000	3,322,820	4.72%
7	Mrs. Netra Shah	924,802	5.79%	26-May-15	Bonus	1,849,604	2,774,406	3.94%
				28-Jul-15	Transfer	6,949,336	9,723,742	13.81%
				27-Aug-15	Transfer	900,000	10,623,742	15.09%
				29-Mar-16	Transfer	-350,960	10,272,782	14.59%
8	Iris Business Solutions Pvt. Ltd. Solutions	771,400	4.83%	26-May-15	Bonus	1,542,800	2,314,200	3.29%
9	Mr. Poojan Shah	-	-	28-Jul-15	Transfer	3,295,000	3,295,000	4.68%
10	Ms. Shabdali Desai	-	-	28-Jul-15	Transfer	10,000	10,000	0.01%
11	Mr. Stavan Shah	-	-	28-Jul-15	Transfer	100	100	0.00%

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Date	Reason	Increase / Decrease in Shareholding	% Change in shareholding during the year	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	IDFC Private Equity Fund III	636,775	3.99%	21-Apr-15	Conversion of CCDs	3,047,846	3,684,621	5.23%
				26-May-15	Bonus Shares issued	7,369,242	11,053,863	15.70%
				2-Sep-16	Conversion of CCDs	1,653,718	12,707,581	18.05%
				14-Jan-16	Conversion of CCDs	1,426,581	14,134,162	20.07%
2	India Business Excellence Fund 1	40	0.00%	21-Apr-15	Conversion of CCDs	1,111,184	1,111,224	1.58%
				26-May-15	Bonus Shares issued	2,222,448	3,333,672	4.73%
				2-Sep-15	Conversion of CCDs	583,566	3,917,238	5.56%
				14-Jan-16	Conversion of CCDs	442,511	4,359,749	6.19%
3	IDFC SPICE FUND	0	0.00%	14-Jan-16	Conversion of CCDs	2,060,910	2,060,910	2.93%
				29-Mar-16	Purchase	350,960	2,411,870	3.43%
4	IL&FS Trust Company Ltd (Trustee of Business Business Excellence Trust - IBEF Fund)	40	0.00%	21-Apr-15	Conversion of CCDs	598,312	598,352	0.85%
				26-May-15	Bonus Shares issued	1,196,704	1,795,056	2.55%
				2-Sep-15	Conversion of CCDs	314,229	2,109,283	2.99%
				14-Jan-16	Conversion of CCDs	207,583	2,316,866	3.29%
5	Placid Ltd.	745,000	4.67%	26-May-16	Bonus Shares issued	1,490,000	2,235,000	3.17%
				27-Aug-15	Transfer	-900,000	1,335,000	1.90%
6	Mrs. Suneeta Agarwal	40	0.00%	21-Apr-15	Conversion of CCDs	170,377	170,417	0.24%
				26-May-15	Bonus Shares issued	340,834	511,251	0.73%
				2-Sep-15	Conversion of CCDs	89,496	600,747	0.85%
				14-Jan-16	Conversion of CCDs	59,122	659,869	0.94%
7	Ladderup Finance Ltd	200,000	1.25%	26-May-15	Bonus Share issued	400,000	600,000	0.85%
8	Mrs. Vimla Oswal	40	0.00%	21-Apr-15	Conversion of CCDs	85,168	85,208	0.12%
				26-May-15	Bonus Share issued	170,416	255,624	0.36%
				2-Sep-15	Conversion of CCDs	44,748	300,372	0.43%
				14-Jan-16	Conversion of CCDs	29,560	329,932	0.47%
9	Mr. Pratik Oswal	40	0.00%	21-Apr-15	Conversion of CCDs	85,168	85,208	0.12%
				26-May-15	Bonus Share issued	170,416	255,624	0.36%
				2-Sep-15	Conversion of CCDs	44,748	300,372	0.43%
				14-Jan-16	Conversion of CCDs	29,560	329,932	0.47%
10	ESOP Trust	-	-	03-Sep-15	Allotment	-	227,000	0.32%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Date	Increase / Decrease in Shareholding	% Change in shareholding during the year	
		No. of Shares	% of total shares of the Company			No. of Shares	% of total shares of the Company
1	Mr.Devendra Shah (Chairman)	4,856,944	30.41%	26th May, 2015	9,713,888	14,570,832	20.69%
2	Mr. Pritam Shah (Managing Director)	3,053,296	19.12%	26th May, 2015	6,106,592	9,159,888	13.01%
	At the End of the year	7,910,240	49.53%			23,730,720	33.70%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(In Million)

	Secured Loans (TL)excluding deposits	Secured Loans (WC)	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year					
i) Principal Amount	1,370.16	2,469.56	98.77	-	3,938.48
ii) Interest due but not paid	-	-	-	-	-
iii) Interest accrued but not due	19.40	6.73	-	-	26.13
Total (i+ii+iii)	1,389.56	2,476.28	98.77	-	3,964.61
Change in Indebtedness during the financial year					
• Addition	-	-	-	-	-
• Reduction	61.86	112.55	98.77	-	273.18
Net Change	-61.86	-112.55	-98.77	-	-273.18
Indebtedness at the end of the financial year					
i) Principal Amount	1,308.29	2,357.01	-	-	3,665.31
ii) Interest due but not paid	-	-	-	-	-
iii) Interest accrued but not due	17.49	6.32	-	-	23.81
Total (i+ii+iii)	1,325.78	2,363.33	-	-	3,689.11

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

(In Million)

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Devendra Shah	Pritam Shah	
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	12.00 P.A.	11.40 P.A.	23.40 P.A.
	(b) Value of perquisites u/s 17(2) Income-Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income- Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	i) As % of profit	-	-	-
	ii) Others, specify	-	-	-
5	Others, please specify	-	-	-
	Total	12.00 P.A.	11.40 P.A.	23.40 P.A.
	Ceiling as per the Act			

B. Remuneration payable to other Directors:*(In Million)*

Sl. no.	Particulars of Remuneration	Name of Directors			Total Amount
		Mrs. Radhika Pereira	Mr. Narendra Ambwani	Mr. Nitin Dhalavikar	
	Independent Directors				
1	Sitting Fee for attending board /committee meetings	0.8	0.8	0.9	2.5
2	Commission	-	-	-	-
3	Others, (please specify)	-	-	-	-
	Total (1)	0.8	0.8	0.9	2.5
	Other Non-Executive Directors	Mr. B. M. Vyas			
	Fee for attending board committee meetings	-			
	Commission	-			
	Others, (please specify)	9.10 P.A. as consultancy fees			
	Total (2)	9.10			9.10
	Total (B)=(1+2)	11.10			11.6
	Whether Total Managerial Remuneration under the Ceiling as per the Act	Yes			

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD*(Amount in Million)*

Sl. no.	Particulars of Remuneration			Total
		Company Secretary	CFO	
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	1.38	9.79	11.17
	(b) Value of perquisites u/s 17(2) Income-Tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income-Tax Act, 1961			
2	Stock Option	1,250	14,380	15,630
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	i) As % of profit	-	-	-
	ii) Others, specify	-	-	-
5	Others, please specify			

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

(Amount in Million)

Type	Section of Companies Act	Brief description	Details of penalty/ punishment/ Compounding fees imposed	Authority [RD/ NCTL/Court/ if any (give details)]	Appeal made, if any give details
A. COMPANY					
Penalty			N.A.		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			N.A.		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			N.A.		
Punishment					
Compounding					

Annexure III

Particulars of Loans, Guarantees Or Investments Under Section-186 of The Companies Act 2013

(Amount in Million)

Sr. No.	Name of entity	Relation	Amount	Particulars of loans/ Guarantees and Investment	Purpose of which loan/guarantees and investment are proposed to be utilized
1	Bhagalaxmi Dairy Farms Private Limited	Wholly owned subsidiary	300.00	Corporate Guarantee	Corporate/Terms Loan
2	Bhagalaxmi Dairy Farms Private Limited	Wholly owned subsidiary	67.27	Advance	Against J & K loan
3	Bhagalaxmi Dairy Farms Private Limited	Wholly owned subsidiary	40.00	Investment	Purchase of Equity Shares
4	RBL Bank	Milk supplier	200.00	Corporate Guarantee	Against Milk Supply
5	UBI	Milk supplier	20.33	Corporate Guarantee	Farmers Crop Loan
6	IDBI Bank (Poojan Foods Pvt. Ltd)	Milk supplier	10.00	Corporate Guarantee	Bill Discounting
7	IDBI Bank (Radha Krishna Dairy)	Milk supplier	10.00	Corporate Guarantee	Against Milk Supply
8	IDBI Bank (Southern Traders)	Milk supplier	50.00	Corporate Guarantee	Against Milk Supply
9	IDBI Bank (Murugesu Dairy)	Milk supplier	50.00	Corporate Guarantee	Against Milk Supply
10	IDBI Bank (Shri Ganesh Dairy)	Milk supplier	50.00	Corporate Guarantee	Against Milk Supply
11	IDBI Bank (Shri Godawari Agencies)	Milk supplier	50.00	Corporate Guarantee	Against Milk Supply

Annexure IV

FORM NO. AOC-2

(Pursuant to clause (h) of sub section (3) of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for disclosure of particulars of contracts/ arrangements entered into by the Company with the related parties referred to in sub-section (1) of section 188 of the Companies Act 2013 including certain arms-length transactions under third proviso –thereto.

i. Details of material contracts or arrangement or transactions not at arm's length basis:

There were no contracts or arrangements or transaction entered into during the year ended 31st March, 2016, which were not at arm's length basis.

ii. Details of material contracts or arrangement or transactions in ordinary course of Business at arm's length basis:

The details of material contracts or arrangement or transaction conducted on arm's length basis for the year ended March 31, 2016 are as follows:

Sr. No.	Name of the related party and nature of Relationship	Nature of Transactions	Duration of the Transactions	Salient terms of the arrangements or transactions including the value (per month)	Justification for entering into such contracts	Amount paid as Advances
	(a)	(b)	(c)	(d)	(e)	(g)
1	Mr. Devendra Shah	Office Rent Paid	On going	₹12,500	Promoter Property	-
2	Mr. Devendra Shah	Car Rental	On going	1) ₹20,000 2) ₹250,000	Promoter Property	-
3	Mr. Pritam Shah	Office Rent Paid	On going	₹25,000	Promoter Property	-
4	Mr. Pritam Shah	Guest House Rent paid	On going	₹12,500	Promoter Property	-
5	Ms. Preeti Shah	Office Rent Paid	On going	₹20,000	Relative of Promoter	-
6	Ms. Preeti Shah	Guest House	On going	₹12,500	Relative of Promoter	-
7	Ms. Netra Shah	Office Rent Paid	On going	₹20,000	Relative of Promoter	-
8	Ms. Netra Shah	Guest House Rent Paid	On going	₹12,500	Relative of Promoter	-
9	Bhagalaxmi Dairy farms Pvt. Ltd. (Wholly owned Subsidiary)	Purchase of raw Material (Milk)	On going	₹30-40/Ltr	Get premium quality milk	₹67.27 million
10	Bhagalaxmi Dairy farms Pvt. Ltd. (Wholly owned Subsidiary)	Rent Received	On going	₹5,50,000	Towards Chilling Centre	-

Appropriate approval have been taken for all related party transactions.

Annexure V

Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988

The information pertaining to conservation of energy, technology absorption, Foreign exchange Earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014.

A. Conservation of Energy

Since the company is engaged in processing of milk the consumption of energy per unit is not significant, hence total energy consumption during the year is given in the Form A as below :-

Sr. No.	Power and Fuel Consumption	Total Units
1	Electricity Consumption (Total No. of Units)	214,76,421
2	Own Generator through T.G. Set (Units)	242,11,699
3	D.G Unit	1,08,031
4	Diesel / SKO consumed (LTR)	36,403
5	Furnace Oil Consumed (LTR)	99,404
6	Coal (Kg)	242,11,699

B. Research and Development

Directors have nothing significant to report as required on research and development.

C. Foreign Exchange Earnings and Outgo

Particulars regarding Foreign Exchange Earnings and Outgo are as follows:-

(₹ in Million)

Particulars	2015-16	2014-15
CIF Value of Imports	32.07	–
Raw materials	140.97	–
Trade goods	9.11	29.41
Capital goods(including CWIP)	52.94	18.12
Foreign Exchange Outgo		
Foreign Travel	2.51	1.37
Sales Promotion	0.33	0.83
Finance cost	49.06	60.48
Bank Charges –	0.10	4.05
Professional Fees	14.89	–
Foreign Exchange Earnings (Export Sales)	318.09	467.38

D. Technology Absorption, Adaptation and Innovation

Since the company is engaged in milk activity, which will not require any tie-up for any technology or absorption thereof. However the company is actively involved in modern technology in processing of milk.

Annexure VI-A

Details pertaining to remuneration as required under Sec 197 (12) of Companies Act, 2013 read with Rule (5) (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

- I. The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-2016:

Name	Designation	Ratio to median remuneration
1.	Mr. Devendra Shah	71.43
2.	Mr. Pritam Shah	67.86
3.	Mr. B.M. Vyas	54.93

- II. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2015-2016:

Name	Designation	Ratio to median remuneration
1.	Mr. Devendra Shah	71.43
2.	Mr. Pritam Shah	67.86
3.	Mr. B.M. Vyas	54.93
4.	Mr. Bharat Kedia	58.27
5.	Ms. Rachana Sanganeria	8.21

- III. The percentage increase in the median remuneration of employees in the financial year 2015-16 is 9.3%
- IV. Number of permanent employees on the rolls of the Company as on 31st March, 2016: 1637
- V. The explanation on the relationship between average increase in remuneration and company performance:
- The revenue growth during financial year 2015-2016 over financial year 2014-2015 was 13.8%
 - Profit before tax for the financial year 2015-16 increase by 89.3% as compared to financial year 2014-2015.
 - Profit after tax for the financial year 2015-2016 increased by 43.6% as compared to financial year 2014-2015.
 - The average increase in remuneration during the financial year 2015-2016 was 10.2% and was in line with market trend and industry benchmark.

- VI. Comparison of Remuneration ratio of Key Managerial Personnel(s) against the performance of the Company are as under:

Aggregate remuneration of Key Managerial Personnel (KMP)	11.17 Million
Remuneration of KMP (as % of Revenue)	0.1%
Remuneration of KMP (as % of PBT)	1.6%
Remuneration of KMP (as % of PAT)	2.1%

- VII. The average annual increase excluding the managerial personnel in the financial year 2015-2016 was 7.8%. The increase in the average managerial remuneration for the financial year 2015-2016 was 113.2%.

- VIII. Comparison of Remuneration of each Key Managerial Personnel (KMP) against the performance of the Company as under:

Name	Designation	Remuneration in ₹ In Million	Remuneration as % of Revenue	Remuneration as % of PBT	Remuneration as % of PAT
1.	Mr. Devendra Shah	12.00	0.1%	1.7%	2.3%
2.	Mr. Pritam Shah	11.40	0.1%	1.6%	2.2%
3.	Mr. B.M. Vyas	9.23	0.1%	1.3%	1.8%
4.	Mr. Bharat Kedia	9.79	0.1%	1.4%	1.9%
5.	Ms. Rachana Sanganeria	1.38	0.0%	0.2%	0.3%

- IX. The Key parameters for any variable components of remuneration availed by the directors are approved by the Board of Directors based on the recommendation of Nomination and Remuneration Committee.
- X. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year :- Not applicable
- XI. It is affirmed that the remuneration is as per the Remuneration Policy of the Company.

Annexure VI-B

Information furnished in pursuance to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 in connection to employees drawing in excess of ₹0.5 million per month or ₹6.0 Million per annum for the year ended 31st March, 2016.

Sr. No.	Designation	Age	Designation/ Nature of Duties	Gross Remuneration during the year	Qualification(s)	Experience in years	Commencement of Employment	Particulars of Previous Employment
1.	Mr Bharat Kedia	47	Chief Financial Officer	₹9.79 Million	Chartered Accountant	24 years	01-Jan-15	TLG India
2	Mr Mahesh Israni	48	Chief Marketing Officer	₹7.00 Million	Graduate	25 years	16-Oct-12	Pidilite Industries Limited

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date: June 24, 2016

Sd/-
DEVENDRA SHAH
CHAIRMAN
DIN: 01127319

Annexure- VII

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule

No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Parag Milk Foods Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Parag Milk Foods Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder; Not Applicable for this financial year
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 ("FEMA") and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. During the period under review the Company was converted from Private Company to Public Company on July 7, 2015 and subsequently got listed in BSE Limited and National Stock Exchange of India Limited on May 19, 2016. The Company is complying with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above. During the transitional phase the company was in the process of complying with the Secretarial Standards.

Further, prior to the listing of the shares of the Company, the Company was in compliance with the Listing agreement and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):- **Not Applicable for this financial year**

- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;-
- d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

Amongst the various laws which are applicable to the Company, following are the laws which are specifically applicable to the Company:

1. Food Safety and Standard Act, 2006
 - Food Safety and Standards Rules, 2011
 - Food safety and Standards (Licensing and Registration of Food businesses) regulation, 2011
 - Food Safety and standards (Packaging and Labelling) regulation, 2011
 - Food safety and standards (Food product standards and Food Additives) regulation, 2011
 - Food safety and standards (Prohibition and Restriction on sales) regulation, 2011
 - Food safety and standards (contaminants, toxins and residues) regulation, 2011
 - Food Safety and Standards (Laboratory and sampling analysis) regulation, 2011
2. Petroleum and Explosive Act
3. Legal Metrology Laws
4. The States Shops and Establishment Act
5. Inflammable Substances Act, 1952
6. Factories Act, 1948
7. Environment (Protection) Act, 1986
8. Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981
9. The Standards of Weight & Measures Act 1976
10. Water (Prevention and Control of Pollution) Cess Rules, 1977 & 2003
11. The Hazardous Wastes (Management and Handling) Rules, 1989 (as amended, May, 2003) Rules, 2008
12. The Noise Pollution (Regulation and Control) Rules, 2000
13. The Public Liability Act, 1991, Rules 1991
14. The Energy Conservation Act, 2010
15. Biological Diversity Act, 2002
16. The Public Liability Act, 1991 AND The Public Liability Insurance (Amendment) Rules, 2007
17. The Manufacture, Use, Import, Export, and Storage of hazardous Microorganisms/ Genetically Engineered Organisms or Cells Rules, 1989
18. The Environment (Protection) Act, 1986 & Rules and notifications issued under the Act
19. Hazardous Waste (Management and Handling) Rules, 1989
20. Monopolies and Restrictive Trade Practices Act, 1969
21. Consumer Protection Act, 1986
22. Tax Laws:
 - Value Added Tax (VAT) Act
 - The Finance Act, 1994 (Service Tax)
 - Income Tax Act, 1961
23. Employee Laws:
 - Payment of Gratuity Act, 1972 and Payment of Gratuity (Central) Rules, 1972;
 - The Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975;
 - The Payment of Wages Act, 1936;
 - The Minimum Wages Act 1948;
 - The Employees' Provident Fund and Miscellaneous Provisions Act, 1952, and Scheme framed thereunder;
 - The Employees' State Insurance Act 1948;
 - The Maternity Benefit Act, 1961;

- The Contract Labour (Abolition and Regulation) Act, 1970 & Rules;
- Equal Remuneration Act, 1976;
- Workmen's Compensation Act, 1923;
- Employment Standing Orders Act, 1946;
- Child Labour (Prohibition and Regulation) Act, 1986;
- The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- Labour Welfare Fund Act

24. Indian Stamp Act, 1899 and the State Stamp Acts;

25. The Labour Welfare Fund, Act, 1953;

26. Indian Contract Act, 1872

27. Negotiable Instruments Act, 1881

28. Information Technology Act, 2000

29. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI)
- ii. The Listing Agreements entered into by the Company with the Stock Exchanges: **Not Applicable for this financial year**

We further report that The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board and Committee Meetings. Agenda and detailed notes on agenda were sent adequately in advance of the meetings, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes where applicable. All the decisions have been taken unanimously and no dissent recorded in Board Meetings.

We further report that Company is in the process of establishing adequate systems and processes to commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, Rules, Regulations and Guidelines.

We further report that during the period under review the Company was converted from Private Company to Public Company.

For N L Bhatia & Associates
UIN:S1996MH016600

N.L.Bhatia
(Managing Partner)
FCS No: 1176
C P No.: 422

Place: Mumbai
Date: June 24, 2016

Date: June 24, 2016

To,

The Members,

Parag Milk Foods Limited

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Secretarial Records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in the Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of Laws, Rules and Regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable Laws, Rules, Regulations, standards is the responsibility of the Management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For N L BHATIA & ASSOCIATES

UIN: S1996MH016600

N L BHATIA

(Managing Partner)

Membership No.1176

CP No.422

Date: Mumbai

Date: June 24, 2016

CORPORATE GOVERNANCE REPORT

Effective Corporate Governance practice is about commitment to values, ethical business conduct and constitutes strong fundamentals on which a successful commercial enterprise is built to last.

The Corporate philosophy of Parag is to promote corporate fairness, transparency and accountability with the objective of maximising long term value for all stakeholders.

At Parag Milk Foods Limited, we consider maintaining valuable relationship and trust with all stakeholders. We consider stakeholders as partners in our success, and we remain committed to maximising stakeholders' value, be it shareholders, employees, suppliers, customers, investors, communities or policy makers. This approach to value creation emanates from our belief that sound governance system, based on relationship and trust, is integral to creating enduring value for all. We have a defined policy framework for ethical conduct of businesses. We believe that any business conduct can be ethical only when it rests on the Customer Value, Ownership Mindset, Respect, Integrity, One Team and Excellence.

Parag Milk Foods Limited listed its shares on National Stock Exchange India of India Limited (NSE) and BSE Limited (BSE) on 19th May, 2016. Your Company is in compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. A report on Corporate Governance in accordance with the SEBI Listing Regulations is outlined below.

BOARD OF DIRECTORS

(a) Board Leadership

At Parag Milk Foods Limited it is our belief that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably elevating the Company's value

creation. The Company has defined guidelines and an established framework for the meetings of the Board and Board Committees. These guidelines seek to systematize the decision-making process at the meeting of the Board and Board Committees in an informed and efficient manner.

(b) Composition of Board of Director

The Company is fully compliant with the Corporate Governance norms in respect of constitution of the Board of Directors ("the Board"). The Board at Parag Milk Foods represents an optimum mix of professionalism, knowledge, gender and experience.

Presently, the Board comprises of 4 Non-Executive Independent Directors Mr. Sunil Goyal, Mr. Narendra Ambwani, Mr. Nitin Dhavalikar and Mrs. Radhika Pereira (Woman Independent Director), 1 Non-Executive Non-Independent Director Mr. B. M. Vyas, 2 Executive Directors Mr. Devendra Shah and Mr. Pritam Shah who are brothers and Mr. Ramesh Chandak who has been appointed as Additional Director (in the capacity of Independent Director).

The Board meets at least once every quarter to review the quarterly results and other items of the Agenda and if necessary, additional meetings are held. The gap between two Board Meetings does not exceed 120 days. The Board critically evaluates the Company's strategic direction, management policies and their effectiveness. The agenda for the Board reviews include strategic review from each of the Board committees, a detailed analysis and review of annual strategic and operating plans and capital allocation and budgets. Additionally, the Board reviews related party transactions, possible risks and risk mitigation measures, financial reports from the CFO and business reports from each of the sector heads. Frequent and detailed interaction sets the agenda and provides the strategic roadmap for the Company's future growth.

The Board is apprised and informed of all the important information relating to the business of the Company

including Part A of Schedule II to the Regulation 17 (7) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (referred to as "SEBI (LODR) Regulations, 2015") applicable effective from December 1, 2015. The Chairman of the Board, the Managing Director, Chief Financial Officer of the Company and Company Secretary discuss the items to be included in the Agenda and the Agenda is sent in advance to the Directors along with the draft of the relevant documents and explanatory notes wherever required, to enable the Board to discharge its responsibilities effectively and take informed decisions. The Company is in compliance with the provisions of the Secretarial Standards on the Meetings (SS-2) of the Board of Directors.

Eight Board Meetings were held during the financial year under review. These Meetings were held on April 21, 2015, May 26, 2015, July 28, 2015, August 27, 2015, September 16, 2015, December, 23, 2015, January 14, 2016, and March 21, 2016. The details of composition of the Board, number of Board Meetings held, attendance there at and at the last Annual General Meeting ("AGM"), and the number of other Directorships, Memberships and/or Chairmanships held by each Director of the Board as on March 31, 2016, are set out below:

Name	Category of Directorship	No. of Board Meetings held	No. of Board Meetings Attended	Attendance at the Last AGM	No. of other Directorships held	No. of other Committees of which Member	No. of other Committees of which Chairman
Mr. Devendra Shah (Chairman)	Executive Director	8	8	Yes	-	0	-
Mr. Pritam Shah (Managing Director)	Executive Director	8	8	Yes	-	-	-
Mr. Sunil Goyal	Independent Director	8	5	No	3	2	1
*Mr. Girish Nadkarni	Nominee Director	8	3	No	5	3	-
*Mr. Vishal Tulsyan	Nominee Director	8	3	Yes	1	-	-
*Mr. Narendra Ambwani	Independent Director	8	6	No	7	8	-
*Mr. Nitin Dhavalikar	Independent Director	8	5	No	-	-	-
*Mrs. Radhika Pereira	Independent Director	8	7	No	4	4	2
Mr. B.M. Vyas	Non-Executive Director	8	8	Yes	2	-	-
*Mr. Ramesh Chandak	Nominee Director	8	4	N.A.	5	2	-

*Mr. Girish Nadkarni, resigned on August 14, 2015, *Mr. Vishal Tulsyan, resigned on July 28, 2015, *Mr. Narendra Ambwani, appointed on May 26, 2015, *Mr. Nitin Dhavalikar, appointed on July 28, 2015, *Mrs. Radhika Pereira appointed on May 26, 2015, *Mr. Ramesh Chandak, appointed on September 9, 2015.

Notes:

- Number of Directorships / Memberships held in other companies excludes Directorships/Memberships in private limited companies, foreign companies, companies under Section 8 of the Companies Act, 2013 ("the Act"), membership of managing committees of chambers / bodies and alternate directorships.
- The necessary disclosures regarding Committee positions have been made by all the Directors. None of the Directors are Members of more than 10 Committees and Chairman of more than 5 Committees across all public limited companies in which they are a Director. Number of Chairmanships / Membership of Committees covers Chairmanships/Memberships of Audit Committee and Stakeholders' Relationship Committee.

BOARD COMMITTEES

During the financial year under review, the Board had 4 (four) Committees viz. Audit Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee, and Nomination and Remuneration Committee. The Board decides the terms of references of these Committees and assignment of its Members thereof.

Audit Committee:

The Audit Committee was constituted by a meeting of the Board at their meeting held on June 17, 2011 and reconstituted on October 3, 2012, February 27, 2015, May 26, 2015 and July 28, 2015.

Presently, the Audit Committee comprises of

1. Mr. Sunil Goyal as Chairman,
2. Mr. Pritam Shah, Member
3. Mr. Nitin Dhavalikar, Member
4. Mr. Narendra Ambwani, Member

Mr. Sunil Goyal, Mr. Nitin Dhavalikar and Mr. Narendra Ambwani are the Chartered Accountant

5 (Five) Audit Committee Meetings were held during the financial year under review and the gap between two Meetings did not exceed 120 days. These Meetings were held on May 26, 2015, July 28, 2015, August 6, 2015, December 23, 2015 and March 21, 2016. The details of the composition of the Audit Committee and the attendance of the Members at the Audit Committee Meetings are as under:

Name	Category of Directorship	No. of Audit Committees held	No. of Audit Committees Attended
Mr. Sunil Goyal	Chairman	5	4
Mr. Pritam Shah	Member	5	5
*Mr. Nitin Dhavalikar	Member	5	3
**Mr. Narendra Ambwani	Member	5	2
***Mr. Girish Nadkarni	Member	5	3
#Mr. Vishal Tulsyan	Member	5	1

* Appointed on July 28, 2015,

** Appointed on May 26, 2015

*** Ceased to be Director w.e.f. August 14, 2015

Ceased to be a Director w.e.f. July 28, 2015

The terms of reference of the Audit Committee includes the matters specified under Part C of Schedule II to Regulation 18 (3) of the SEBI (LODR) Regulations, 2015 as well as Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor and Statutory Auditors are invitees to the Meeting. The Minutes of the Audit Committee Meetings are noted at the Board Meetings. The Company Secretary of the Company acts as the Secretary of the Committee.

Stakeholders' Relationship Committee:

The Stakeholders Relationship Committee was constituted By the Board of Directors at their meeting held on July 28, 2015.

The Composition of the Stakeholders' Relationship Committee is as follows:

1. Mr. Narendra Ambwani, Chairman,
2. Mr. Pritam Shah, Member
3. Mr. Sunil Goyal, Member
4. Mr. B.M. Vyas, Member

The terms of reference of the Stakeholders' Relationship Committee covers the matters specified under Part D of Schedule II to Regulation 20 (4) of the SEBI (LODR) Regulations, 2015 as well as under Section 178 of the Companies Act, 2013.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was constituted by the Board of Directors at their meeting held on June 23, 2014 (with effect from April 1, 2014) and was reconstituted on May 26, 2015 and July 28, 2015.

Presently, the Corporate Social Responsibility Committee comprises of

1. Mr. B. M. Vyas, Chairman,
2. Mr. Devendra Shah, Member
3. Mrs. Radhika Pereira, Member

Mrs. Rachana Sangneria the Company Secretary, acts as the Secretary to the Committee.

1 (One) Corporate Social Responsibility Committee meeting was held during the financial year under review. The Meeting was held on May 26, 2015. The details of composition of the Corporate Social Responsibility Committee and attendance

of the Members at the Corporate Social Responsibility Meetings are as under:

Name	Position	No. of CSR Meetings held	No. of CSR Meeting Attended
Mr. B. M. Vyas	Chairman	1	1
Mr. Devendra Shah	Member	1	1
Mr. Girish Nadkarni*	Member	1	1
Mrs. Radhika Pereira**	Member	-	-

* Ceased to be Director on August 14, 2015

** Appointed on May 26, 2015

The terms of reference of the Corporate Social Responsibility Committee includes the matters specified in the Section 135 of the Companies Act, 2013, Schedule VII to the Act and Rules made thereunder. The Minutes of the Corporate Social Responsibility Committee Meetings were noted at the Board Meetings.

Based on the recommendation of the Corporate Social Responsibility Committee, the Board of Directors have formulated and adopted a Policy on Corporate Social Responsibility, which is uploaded on the website of the Company. A Report on Corporate Social Responsibility activities carried out by the Company during the year under review and details thereof are given in the Board of Directors Report.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted as the "Remuneration Committee" by the Board of Directors at their meeting held on October 3, 2012 and was reconstituted on February 27, 2015, May 26, 2015, July 28, 2015, August 27, 2015 and September 9, 2015.

Presently, the Nomination and Remuneration Committee comprises of:

1. Mr. Nitin Dhavalikar, Chairman,
2. Mr. Devendra Shah, Member
3. Mrs. Radhika Pereira, Member
4. Mr. Ramesh Chandak, Member

Mrs. Rachana Sangneria, the Company Secretary, acts as the Secretary to the Committee.

2 (Two) Nomination and Remuneration Committee Meetings were held during the financial year under review. These Meetings were held on May 26, 2015 and September 4, 2015

The details of composition of the Nomination and Remuneration Committee and attendance of the Members at the Nomination and Remuneration Committee Meetings are as under:

Name	Position	No. of NRC Meetings held	No. of NRC Meeting Attended
Mr. Nitin Dhavalikar	Chairman	2	1
Mr. Devendra Shah	Member	2	1
Mr Girish Nadkarni	Member	2	1
Mrs. Radhika Pereira	Member	2	1
Mr. Ramesh Chandak	Member	N.A.	N.A.

* Mr Girish Nadkarni, resigned on August 14, 2015, Mr. Ramesh Chandak, appointed on September 9, 2015.

The Nomination and Remuneration Committee, inter alia, reviews and recommends to the Board, remuneration including the Bonus/Performance Linked Incentive of Managing Director, Whole-time Directors, Key Managerial and Senior Management Personnel based on the performance parameters for the executives and the Company, subject to the limits approved by the Members and as permitted by law. The terms of reference of the Nomination and Remuneration Committee include the matters specified under Part D of Schedule II to Regulation 19 (4) of the Listing Regulations as well as under Section 178 of the Companies Act, 2013.

IPO Committee:

The Board had constituted an IPO Committee on August 27, 2015 and was reconstituted on December 23, 2015. The Committee was authorized to approve and decide upon all activities in connection with the Initial Public offer, including but not limited to approving the Draft Red Herring Prospectus, to decide the terms and conditions of the offer, including the Price Band and the Offer Price, to appoint various intermediaries, negotiating and executing the offer related agreement and to submit applications and documents to relevant statutory and other authorities from time to time.

SUBSIDIARY COMPANY

The Company does not have any material non-listed Indian Subsidiary as defined under Regulation 24 of SEBI Regulations.

The Company's Audit Committee reviews the Consolidated Financial Statements of the Company as well as the Financial

Statements of the Subsidiaries, including the investments made by the Subsidiaries, if any.

The Company has formulated a policy for determining Material Subsidiaries and the policy is disclosed on the website of the Company.

SHAREHOLDING PATTERN AS ON 31ST MARCH, 2016

Sr. No	Category of Shareholders	Total Holding	% of Total Holding
1.	Promoters and Promoters Group	430,45,822	61.13%
2.	Venture Capital	16,451,028	23.36%
3.	Bodies Corporate	44,18,870	6.28
4.	Foreign holding	43,59,749	6.19%
5.	Residential Individual	19,13,418	2.72%
6.	Trust	2,27,000	0.32%
	Total	704,15,887	100.00%

OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS DATE AND LIKELY IMPACT ON EQUITY

The Company has not issued any GDRs/ADRs/Warrants in the financial year 2015-2016. The Company had issued Compulsory Convertible Debentures to M/s IDFC Spice Fund which were fully converted to Equity Shares in the year under review. The Company does not have any outstanding GDRs/ADRs/Warrants or any convertibles instruments as on date.

PLANT LOCATION

The Company has 2 plants as follows:

Sr. No	Plant	Locations
1.	Plant 1	Manchar: At Awasari Phata, Post Manchar, Tal. Ambegoan Dist. Pune Maharashtra
2.	Plant 2	Andhra Pradesh Plant; 149/1, Samudra Palli (Vi), Pengaragunta (P.O.), Palamaner (Mdl), Chittoor (Dist), A.P. - 517408

REMUNERATION OF DIRECTOR

The following table gives details of remuneration paid to Executive Directors for the financial year under review:

(₹ in Million)

Name of Director	Salary (In Million)	Benefits and Perquisites	Performance Linked Incentivise	Total
Mr. Devendra Shah	12.00	–	–	12.00
Mr. Pritam Shah	11.40	–	–	11.40
Mr. B.M. Vyas*	9.10			9.10

Being paid as consultancy Fees.

DETAILS OF SITTING FEES PAID TO THE INDEPENDENT DIRECTOR FOR 2015-2016

(₹ in Million)

Name of the Directors	Sitting fees (in ₹)
Mr. Nitin Dhavalikar	0.9
Ms. Radhika Pereira	0.8
Mr. Narendra Ambwani	0.8

Service Contracts, Severance Fees and Notice Period

The appointment of the Managing Director and Whole-time Director(s) is governed by the Articles of Association of the Company and the Resolutions passed by the Board of Directors and the Members of the Company. These cover the terms and conditions of such appointment read with the service rules of the Company.

The appointment of Managing Director/Whole-time Director(s) are by way of Board Resolution and service/employment contracts. There is no separate provision for payment of severance fee under the resolutions/contracts governing the appointment of Managing Director and Whole-time Director(s).

Employee Stock Option Scheme

In order to motivate, incentivize and reward employees, your Company has instituted ESOP Trust in the name of "Parag Milk Foods Employees Stock Option Trust and

Employee Stock Option Scheme, 2015 ("ESOS 2015") which is in compliance with the SEBI (Share Based and Employee Benefits) Regulations, 2014 and the Companies Act, 2013 duly approved by the Board of Directors and the Shareholders of the Company. The ESOS 2015 is governed is administered by the ESOP Trust.

Performance Linked Incentive criteria

The Company has internal norms for assessing the performance of its management including senior executives.

MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

A certificate of the Managing Director and Chief Financial Officer of the Company confirming the correctness of the financial statements and cash flow statements, adequacy of the internal control measures and reporting of matters to the Audit Committee, is also annexed.

GENERAL BODY MEETING

(a) The details of the last 3 Annual General Meetings (AGM) held are as follows

Date	Financial Year	Date and Time	Venue of the AGM	Details of Special Resolution Passed
June 26, 2015	2014- 2015	11.30 A.M.	Awasari Phata, Manchar, District Pune	1. Appointment of Mr. Narendra Ambwani, Ms. Radhika Pereira and Mr. Sunil Goyal as an Independent Director of the Company.
September 30, 2014	2013-2014	11.00 A.M.	Flat No.1, Plot No.19, Nav Rajasthan, CHS. behind Ratna Memorial Hospital, S.B. Road, Shivaji Nagar, Pune-411016- Maharashtra	None
September 30, 2013	2012-2013	11.00 A.M.	Flat No.1, Plot No.19, Nav Rajasthan, CHS. behind Ratna Memorial Hospital, S.B. Road, Shivaji Nagar, Pune-411016- Maharashtra	1. Approval for the overall Borrowing Limits as prescribed under Sec 180 (1) (c) of the Companies Act, 2013 2. Approval to create Mortgage/ Charge as prescribed under Sec 180 (1) (a) of Companies Act, 2013.

All the resolutions set out in the respective Notices were passed by the requisite majority of the members.

Code of Conduct

The Company is committed to conducting its business in conformity with ethical standards and applicable laws and regulations. This commitment stands evidenced by the Model Code of Conduct adopted by the Board of

Directors at their meeting held on January 14, 2016 which is applicable to each member of the Board of Directors and Senior Management of the Company.

The Company has received confirmations from all the Directors and Senior Management of the Company regarding

compliance with the said Code for the financial year under review. A certificate from Mr. Pritam Shah., Managing Director to this effect forms part of this Report. The said Code is also displayed on the website of the Company.

Whistle Blower / Vigil Mechanism

The Company has established a Whistle Blower / Vigil Mechanism through which its Directors, Employees and Stakeholders can report their genuine concerns about unethical behavior(s), actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The said Mechanism provides for adequate safeguards against victimization and also direct access to the higher levels of supervisors. The policy is available on Company's website.

Risk Management framework

The Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework.

Management Discussion and Analysis

The Management Discussion and Analysis forms a part of the Annual Report. All matters pertaining to industry structure and developments, opportunities and threats, segment-wise/team-wise performance, outlook, risks and concerns, internal control systems and adequacy, discussion on financial and operational performance and material developments in human resources are discussed in the said Report.

Adherence to Accounting Standards

The Financial Statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Account) Rules, 2014 and other relevant provision of the Companies Act, 1956 to the extent applicable.

Board Diversity

The Company recognizes that a Board composed of appropriately qualified members with a broad range of experience relevant to the business is important for effective corporate governance and sustained commercial success. The Company believes that it has a truly diverse Board which leverages on the skills and knowledge, industry or related professional experience, age and gender, which helps the

Company to retain our competitive advantage. The Board has adopted the Board Diversity Policy to recognize the benefits of a diverse Board and to further enhance the quality of participation and performance.

CODE FOR PREVENTION AND INSIDER TRADING

Company has formulated a comprehensive policy on Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information in compliance with Regulation 8(1) of the SEBI (Prohibition of Insider Trading) Regulations, 2015.

Familiarization Program for Independent Directors

The Company has in place a Familiarization Program for Independent Directors to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company's success. The Executive Directors / Senior Management makes presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company. The Company also circulates news and articles related to the industry and provides specific regulatory updates to the Independent Directors on a regular basis. The Company has devised and adopted a policy on Familiarization Program for Independent Directors and has uploaded the same on the Company's website.

Induction programme for new employees:

At Parag Milk Foods Ltd appointment of a new person on the rolls of any unit of the Company starts with his induction into a complex system of business enterprise with its own "philosophy", "values" and "norms". This helps the employees to get accustomed with company values, ethics and policies. The Company Considers induction to be a vital event for both the person and the company and the H.R team leaves no stones unturned to give them the best induction training. The process entails not only of the new employee's getting acquainted with the people, process systems, procedures, infrastructure along with the values, work culture and environment in the Group, but more important than that, his assimilation into the Group as an integral part. The process is both continuous and complementary.

Working towards the 3 P's : People, Planet and Profit:

At Parag Milk Foods Ltd we give equal importance to our society- our natural human capital and mother earth. We strive to reduce company's negative impacts and increase the positive impacts on people as well as on the environment.

In addition to making a positive economic contribution to the nation and society at large, it also focuses its energies on identifying specific impact areas. It intends to increase penetration in semi urban and rural areas of our nation. It endeavors to alleviate the underprivileged and marginalized sections of the society and has an active engagement with them to ensure their holistic development.

It aims to develop innovative milk products and processes to sustain its growth momentum, to serve the current and emerging needs of growth and efficiency of its business

Compliance with Mandatory Requirements.

The Company as on March 31, 2016 was an unlisted public Company and became a listed entity on May 19, 2016. The Company has complied with the mandatory requirements to the extent applicable to the Company.

MEANS OF COMMUNICATION

I. Quarterly Results:

The quarterly and yearly financial results of the Company are submitted to the Stock Exchanges immediately after they are approved by the Board.

II. Website:

Financial Results, Annual Results, other disclosure are updated on the website of the Company www.paragmilkfoods.com.

III. Official News Releases:

The Company displays official news releases as and when the situation arises.

IV. Presentations:

The Company makes Investors Presentation, Earning calls, Presentation to institutional investors or the analysts when found appropriate.

GENERAL SHAREHOLDERS INFORMATION:

(a) AGM Date, Time and Venue:

Annual General Meeting will be held on **Thursday 29th September, 2016 at 11.30 a.m.** at Navalmal Firodia Seminar Hall, Mahrattha Chamber of Commerce Industries & Agriculture, MCCIA Trade Tower, 'A' Wing, 5th Floor, Senapati Bapat Road, Pune - 411016.

(b) Financial Year:

The Financial Year is from 01st April, 2016 to 31st March, 2017.

STOCK MARKET DATA

As on 31st March, 2016 the Company was not listed hence the details for the share market data is not applicable.

NAME & DESIGNATION OF COMPLIANCE OFFICER

Rachana Sanganeria

Company Secretary and Compliance Officer

REGISTRAR AND TRANSFER AGENT:

Name of Registrar and Transfer Agent:	Karvy Computershare Private Limited
Address:	Karvy Selenium, Tower B, Plot number 31 & 32 Financial District, Gachibowli Hyderabad 500 032
Tel. No.:	+91 040 6716 1583 / 6716 1562
E-mail id:-	murali.m@karvy.com / mohsin.mohd@karvy.com

SHARE TRANSFER SYSTEM WITH NUMBER OF SHARES TRANSFERRED

The transfer of shares in physical form is processed and completed by Registrar & Transfer agent within period of seven days from the receipt thereof provided all the documents are in order. In case of shares in electronic form the transfers are processed by NSDL/CDSL through respective Depository Participants.

(h) Dematerialization of Shares and Liquidity: Yes

LISTING ON STOCK EXCHANGE

The Company has listed its Equity Shares on following Stock Exchanges, on 19th May, 2016.

BSE Limited 01st Floor, P.J. Towers, Dalal Street, Fort, Mumbai- 400001	National Stock Exchange of India Ltd. Exchange Plaza, 05th Floor, Plot No.1/G Block, Bandra-Kurla Complex, Bandra (E)- Mumbai- 400051
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The listing fees and other applicable fees have been paid by the Company as on date.

BSE Limited: Scrip Code **539899**

The National Stock Exchange of India Ltd.:Scrip Code : **PARGMILK**

International Securities Identification Number (ISIN)

The Company's scrip form part of the SEBI's Compulsory Demat Segment bearing ISIN **No.INE883N01014**.

For and on behalf of Board of Directors of
Parag Milk Foods Limited

Place: Mumbai
Dated: 24th June, 2016

Devendra Shah
Chairman



DECLARATION BY MANAGING DIRECTOR OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY

I hereby declare that all Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct as applicable to them for the financial year ended, March 31, 2016.

PRITAM SHAH

Mumbai, June 24, 2016

MANAGING DIRECTOR

MANAGING DIRECTOR/ CFO CERTIFICATION

To,
The Board of Directors,
Parag Milk Foods Limited

We, Pritam Shah, Managing Director and Bharat Kedia, Chief Financial Officer of Parag Milk Foods Limited, to the best of our knowledge and belief, certify that:

- 1) We have reviewed the financial statements and the cash flow Statement for the year ended March 31, 2016 and to the best of our knowledge and belief :
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- 2) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2016 are fraudulent, illegal or violative of the Company's code of conduct.
- 3) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- 4) We have indicated to the auditors and the Audit Committee that:
 - a. There has not been any significant change in internal control over financial reporting during the year under reference;
 - b. There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - c. We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Pritam Shah
Managing Director
DIN:01127247

Bharat Kedia
Chief Financial Officer

Place: Mumbai
Date: June 24, 2016

CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,
The Members of,
PARAG MILK FOODS LIMITED

We have examined all the relevant records of Parag Milk Foods Limited ("the Company") for financial year ended March 31, 2016 for the purpose of certifying compliance with the conditions of the Corporate Governance under Companies Act, 2013.

During the audit period the Company was not a listed company. The Initial Public Offer of the Company was concluded on May 11, 2016 and the Company's equity Shares were listed on BSE Limited and National Stock Exchange of India Limited on May 19, 2016.

The compliance with conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation process adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. This certificate 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 and information furnished to us, we certify that the Company has complied with all the conditions of Corporate Governance as per Companies Act, 2013.

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

For NL Bhatia & Associates

Company Secretaries

UINO: S1996MH016600

N L Bhatia

Managing Partner

FCS:1176

CP. No. 422

Place: Mumbai

Date: June 24, 2016

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Parag Milk Foods Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Parag Milk Foods Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view 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 the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31st March, 2016, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure 2";
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 31 on Contingent Liabilities to the standalone financial statements;
- (ii) The Company did not have any long-term contracts including derivative contracts. Hence, the question of any material foreseeable losses does not arise;
- (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W

Anup Mundhra

Partner

Place : Mumbai

Date : June 24, 2016

Membership No.061083

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Parag Milk Foods Limited on the financial statements for the year ended March 31, 2016]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for few assets where quantitative details are not available since inception.
- (b) During the year, the fixed assets of the Company have been physically verified by the management and as informed, no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of immovable properties recorded as fixed assets in the books of account of the Company are held in the name of the Company.
- (ii) The inventory (excluding stocks lying with third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As informed, no material discrepancies were noticed on physical verification carried out during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them.
- (iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable to the Company.
- (iv) Based on information and explanation given to us in respect of loans, investments, guarantees and securities, the Company has complied with the provisions of Section 185 and 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed there under.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (vii) (a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, however, there have been serious delays in few cases for tax deducted at source and service tax. According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, which were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues with respect to income tax, service tax, value added tax, customs duty, excise duty, which have not been deposited on account of any dispute, except in respect of sales tax as below:

Name of the statute	Nature of dues	Amount ₹ in Millions #	Period to which the amount relates	Forum where dispute is pending
Maharashtra Value Added Tax Act, 2002	VAT	0.45	F.Y. 2006-07	Joint Commissioner of Sales Tax (App) -1
Maharashtra Value Added Tax Act, 2002	VAT	46.81	F.Y. 2009-10	Joint Commissioner of Sales Tax (App) -1
Maharashtra Value Added Tax Act, 2002	VAT	1.83	F.Y. 2010-11	Joint Commissioner of Sales Tax (App) -1
Central Sales Tax Act, 1956	CST	14.45	F.Y. 2006-07	Joint Commissioner of Sales Tax (App) -1
Central Sales Tax Act, 1956	CST	21.61	F.Y. 2009-10	Joint Commissioner of Sales Tax (App) -1
Central Sales Tax Act, 1956	CST	1.76	F.Y. 2010-11	Joint Commissioner of Sales Tax (App) -1

Amount paid under protest against the disputed dues is ₹8.67 Mn.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, governments or dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, term loans have been applied for the purpose for which it was obtained during the year. The Company has not raised any money by way of initial public issue offer / further public offer (including debt instruments) during the year.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.
- (xi) According to the information and explanations given to us, managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanation given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of Act, where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- (xiv) The Company has made private placement of compulsorily convertible debentures during the year under review and in our opinion and according to the information and explanations given to us, the requirement of Section 42 of the Act have been complied with and the amount raised have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year.
- (xvi) According to the information and explanation given to us the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W

Anup Mundhra

Partner

Place : Mumbai

Date : June 24, 2016

Membership No.061083

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Parag Milk Foods Limited on the financial statements for the year ended March 31, 2016]

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Parag Milk Foods Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under section 143(10) of the Act to the

extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1)

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate

because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W

Anup Mundhra

Partner

Place : Mumbai

Date : June 24, 2016

Membership No.061083

Balance Sheet as at 31 March 2016

₹ in Millions

	Note No.	As at March 31, 2016	As at March 31, 2015
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share capital	3	704.16	159.69
(b) Reserves and surplus	4	3,072.71	1,185.33
		3,776.87	1,345.02
(2) Non-current liabilities			
(a) Long-term borrowings	5	1,242.73	1,682.71
(b) Deferred tax liabilities (Net)	6	137.34	107.35
(c) Other long term liabilities	7	180.78	211.56
(d) Long term provisions	8	5.71	4.30
		1,566.56	2,005.92
(3) Current liabilities			
(a) Short-term borrowings	9	2,358.23	2,474.92
(b) Trade payables			
- Dues of micro and small enterprises	10	42.43	14.94
- Dues of others	10	1,578.75	1,865.20
(c) Other current liabilities	11	625.35	1,550.53
(d) Short-term provisions	12	41.72	5.16
		4,646.48	5,910.75
TOTAL		9,989.91	9,261.69
II. ASSETS			
(1) Non-current Assets			
(a) Fixed Assets			
(i) Tangible assets	13	2,950.49	2,376.69
(ii) Intangible assets	13	2.42	2.30
(iii) Capital work in progress		232.68	236.08
(iv) Intangible assets under development		45.06	46.24
		3,230.65	2,661.31
(b) Non-current investments	14	577.70	180.70
(c) Long-term loans and advances	15	149.83	656.77
(d) Other non-current assets	16	11.00	18.20
		3,969.18	3,516.98
(2) Current Assets			
(a) Inventories	17	2,710.51	2,097.09
(b) Trade receivables	18	2,330.65	1,686.90
(c) Cash and bank balances	19	70.58	47.43
(d) Short-term loans and advances	20	508.84	1,409.78
(e) Other current assets	21	400.15	503.51
		6,020.73	5,744.71
TOTAL		9,989.91	9,261.69
Summary of significant accounting policies followed by the Company	2.0		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

For Haribhakti & Co. LLP

 Chartered Accountants
 ICAI FR No. 103523W

Anup Mundhra

Partner

Membership No. 061083

For and on behalf of the Board of Directors
Devendra Shah

Chairman

DIN: 01127319

Bharat Kedia

Chief Financial Officer

Pritam Shah

Managing Director

DIN: 01127247

Rachana Sanganeria

Company Secretary

Place: Mumbai

Date: June 24, 2016

Place: Mumbai

Date: June 24, 2016

Statement of Profit & Loss for the Year ended 31 March 2016

₹ in Millions

	Note No.	Year ended March 31, 2016	Year ended March 31, 2015
I. Revenue from operations	22	16,229.52	14,256.46
II. Other income	23	14.33	13.99
III. Total Revenue (I + II)		16,243.85	14,270.45
IV. Expenses:			
Cost of materials consumed	24	11,040.96	10,459.56
Purchase of stock in trade	25	1,317.48	392.36
Changes in inventories of finished goods, work in progress, stock in trade	26	(621.69)	(216.96)
Employee benefits expense	27	660.27	539.13
Other expenses	28	2,348.27	2,018.28
Finance costs	29	481.84	454.34
Depreciation and amortisation expense	13	317.25	254.17
Total Expenses		15,544.38	13,900.88
V. Profit before tax (III-IV)		699.47	369.57
VI. Tax expenses:			
Less: Current tax		178.71	40.61
Add: MAT credit availed (earlier years)		(30.58)	-
Less: MAT credit written off		-	(4.10)
Less: Deferred tax	6	29.99	(8.93)
Less: Tax adjustments (net)		(3.74)	(23.65)
VII Profit for the year (V-VI)		525.09	365.64
VIII Earnings per equity share: [Nominal value : ₹ 10/share (March 31, 2015: ₹ 10)]	30		
Basic		8.01	6.29
Diluted		8.01	5.30
Summary of significant accounting policies followed by the Company	2.0		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

For Haribhakti & Co. LLP
Chartered Accountants
ICAI FR No. 103523W

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: June 24, 2016

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Bharat Kedia
Chief Financial Officer

Place: Mumbai
Date: June 24, 2016

Pritam Shah
Managing Director
DIN: 01127247

Rachana Sanganageria
Company Secretary

Cash Flow Statement for the Year ended 31 March 2016

₹ in Millions

	Year ended March 31, 2016	Year ended March 31, 2015
A. Cash Flow from Operating Activities		
Net Profit before taxation	699.47	369.57
Add:		
Depreciation/amortisation	317.25	254.17
Depreciation adjusted to reserves	-	(3.22)
Bad debts	-	0.24
Provision for doubtful debts	32.51	69.52
Provision for doubtful advances	-	9.01
Loss on sale of fixed assets	-	0.19
Unrealised forex loss/(gain)	54.14	(3.46)
Interest expense	469.56	454.34
Less:		
Dividend income	-	0.00
Profit on sale of mutual fund	0.70	-
Interest income	4.86	4.61
Liabilities no longer required written back	-	5.28
Operating profit before working capital changes	1,567.37	1,140.47
Adjustments for :		
(Increase) in inventories	(613.42)	(226.22)
(Increase) in trade receivables	(676.33)	(97.16)
(Increase)/decrease in short term loans and advances	900.94	(835.63)
Decrease in other current assets	132.27	-
(Increase) in long term loans and advances	(27.81)	(3.23)
Increase in other current liabilities	32.73	164.76
Increase/(decrease) in other non current liabilities	(30.78)	59.88
Increase/(decrease) in trade payables	(258.78)	585.36
Increase/(decrease) in provisions	(0.08)	8.75
Cash Generated from Operations	1,026.11	796.98
Direct taxes paid (net of refunds)	(135.35)	(22.94)
Net cash flow from Operating activities	890.76	774.04
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(261.96)	(285.27)
Sale of fixed assets	0.09	0.94
Investment in subsidiary	(397.00)	-
Investment in others	-	0.32
Investment in fixed deposits	(7.48)	1.21
Proceeds from sale of mutual fund	0.70	-
Interest received	4.30	4.61
Dividend received	-	0.00
Net Cash used in Investing activities	(661.35)	(278.19)

Cash Flow Statement for the Year ended 31 March 2016

₹ in Millions

	Year ended March 31, 2016	Year ended March 31, 2015
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	602.72	335.80
Proceeds from issue of shares	56.76	-
Proceeds/(repayment) from short term borrowings (net)	(116.69)	143.81
Repayment of borrowings	(217.61)	(528.42)
Interest paid	(548.35)	(435.63)
Net cash used in Financing activities	(223.17)	(484.44)
Net increase in cash and cash equivalents (A+B+C)	6.24	11.41
Opening cash and cash equivalents		
Cash in hand	7.61	14.75
Bank balances	32.08	13.53
	39.69	28.28
Closing cash and cash equivalents		
Cash in hand	6.01	7.61
Bank balances	39.92	32.08
	45.93	39.69
Summary of significant accounting policies followed by the Company	2.0	
The accompanying notes are an integral part of the financial statements.		

As per our report of even date attached

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FR No. 103523W

Anup Mundhra

Partner

Membership No. 061083

Place: Mumbai

Date: June 24, 2016

For and on behalf of the Board of Directors

Devendra Shah

Chairman

DIN: 01127319

Bharat Kedia

Chief Financial Officer

Place: Mumbai

Date: June 24, 2016

Pritam Shah

Managing Director

DIN: 01127247

Rachana Sangneria

Company Secretary

Notes to the Financial Statements for the year ended March 31, 2016

1. Corporate Information

Parag Milk Foods Limited (formerly Parag Milk Foods Private Limited) ("the Company") was incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of procurement of cow milk mainly in western and southern region. The Company undertakes processing of milk and manufacture the various value added products namely cheese, butter, ghee, fresh cream, milk powder, flavoured milk, lassi, curd etc. which are marketed under its registered brand name "Gowardhan", "Go" and "Topp up".

The registered office of the Company is situated in the state of Maharashtra, India. The Company changed its name to Parag Milk Foods Limited effective from July 07, 2015.

2. Significant Accounting Policies

i. Basis of preparation

The financial statements have been prepared and presented on the basis of generally accepted accounting principles in India under the historical cost convention on accrual basis of accounting in accordance with Accounting Standards as specified under Section 133 of the Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant provisions of the 2013 Act, as applicable. The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

These financial statements are presented in Indian rupees and rounded off to nearest million unless otherwise stated.

ii. Use of Estimates

The preparation of restated financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

iii. Inventories

Inventories are valued at lower of cost or net realisable value. Basis of determination of cost remain as follows:

Items	Methodology of Valuation
Raw materials, components, stores and spares, Trading goods, and Packing Materials	Lower of Cost/NRV. Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress and finished goods	Lower of Cost/NRV. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
Cost is determined on FIFO basis.	
Goods in transit are valued exclusive of custom duty, where applicable.	
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.	

iv. Cash flow statement

The cash flow statement is prepared using the "indirect method" set out in Accounting Standard 3 "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Company.

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

Notes to the Financial Statements for the year ended March 31, 2016

v. Depreciation

- Depreciation on cost of fixed assets is provided on straight line method at estimated useful live, which is in line with the estimated useful life as specified in Schedule II of the Companies Act, 2013.
- Depreciation on additions is provided on a pro-rata basis from the date of ready to use and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis upto the month proceeding the month of deduction/disposal.
- Leasehold improvement includes all expenditure incurred on the leasehold premises that have future economic benefits. Leasehold Improvements are amortised over the period of lease or estimated period of useful life of such improvement, whichever is lower.

vi. Revenue Recognition

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

• Sales of goods

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer which is normally on dispatch of goods. Sales are stated net of returns and trade discount. Sales tax and VAT are excluded.

• Service Income

Service income is recognised as per the terms of the contract when the related services are rendered. It is stated net of service tax.

• Interest income

Interest income is recognised on time proportion basis.

• Dividends

Dividend income is recognised when the company's right to receive dividend is established by the reporting date.

vii. Tangible fixed assets

Fixed Assets are stated on cost less accumulated depreciation. The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the working condition for its intended use.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance.

Projects under commissioning and other capital work in progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

viii. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. The costs relating to acquisition of trademark are capitalised as 'Intangible Assets' and amortised on a straight line basis over a period of ten years, which is the management's estimate of the useful life of such trademark.

ix. Foreign Currency Transactions

• Initial recognition

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

Notes to the Financial Statements for the year ended March 31, 2016

- **Conversion**

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary foreign currency items are carried at cost.

- **Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except exchange differences on long term foreign currency monetary items related to acquisition of fixed assets, which are included in the cost of fixed assets.

x. **Government grants and subsidies**

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the company will comply with the conditions attached to them and (ii) the grant/subsidy will be received.

xi. **Investments**

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as 'current investments'. All other investments are classified as 'non-current investments'.

Investments are classified under 'non-current' and 'current categories'.

'Non-current Investments' are carried at acquisition /amortised cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

xii. **Retirement and Other Employee Benefits**

- **Short term employee benefit**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus / ex-gratia are recognised in the period in which the employee renders the related service.

- **Post-employment employee benefits**

-> **Defined Contribution schemes**

Company's contributions to the Provident Fund and Employee's State Insurance Fund 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 respective authorities.

-> **Defined benefits plans**

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Company's contribution in the case of gratuity is funded annually with Life Insurance Corporation of India.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation, carried out by an independent actuary at each Balance Sheet date, using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for

Notes to the Financial Statements for the year ended March 31, 2016

determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

-> Other long term employee benefits

Company's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss.

xiii. Borrowing cost

Borrowing cost includes interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs to the extent related/attribution to the acquisition/construction of assets that takes substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Statement of Profit and Loss in the period they occur.

xiv. Segment reporting

The Company has identified manufacturing and processing of milk & milk products as its sole operating segment and the same has been treated as primary segment. The Company secondary geographical segments have been identified based on the location of customers and are demarcated into Indian and Overseas revenue earnings.

Inter-segment transfers

The company generally accounts for intersegment sales and transfers at cost plus appropriate margins.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

xv. Leases

Where Company is the lessee

Assets taken under leases, where the company assumes substantially all the risks and rewards of ownership, are classified as Finance Leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

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

xvi. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share are calculated after adjusting effects of potential equity shares (PES). PES are those shares

Notes to the Financial Statements for the year ended March 31, 2016

which will convert into equity shares at a later stage. Profit / loss is adjusted by the expenses incurred on such PES. Adjusted profit/loss is divided by the weighted average number of ordinary plus potential equity shares.

xvii. Taxation

Income-tax expense comprises current tax, deferred tax charge or credit and minimum alternative tax (MAT).

Current tax

Current income-tax is measured at the amount expected to be paid to the tax authorities after considering tax allowances, deductions and exemptions determined in accordance with Income Tax Act, 1961 and the prevailing tax laws.

Minimum alternative tax

Minimum alternative tax (MAT) obligation in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax during the specified period. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax

Deferred tax liability or asset is recognised for timing differences between the profits/losses offered for income tax and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax asset is recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax asset is recognised only if there is a virtual certainty of realisation of such asset. Deferred tax asset is reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

xviii. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or a group of assets. The recoverable amount of the asset (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. 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. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Value in use is the present value of estimated future cash flow expected to arise from the continuing use of the assets and from its disposal at the end of its useful life.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

xix. Provisions and Contingencies

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required

Notes to the Financial Statements for the year ended March 31, 2016

to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The company does not recognise a contingent liability but discloses its existence in the financial statements.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xx. Employee stock option

Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Notes to the Financial Statements for the year ended March 31, 2016

3 SHARE CAPITAL

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Authorised Capital		
100,000,000 (March 31, 2015: 20,000,000 shares) equity shares of ₹ 10/- each	1,000.00	200.00
Issued, subscribed and fully paid up shares		
70,415,887 (March 31, 2015: 15,969,464 shares) equity shares of ₹ 10/- each fully paid up	704.16	159.69
Total	704.16	159.69

a. Shareholders holding more than 5 % shares in the company is set out below:

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	No of Equity shares held	Percentage	No of Equity shares held	Percentage
Mr. Devendra Prakash Shah	14,570,832	20.69%	4,856,944	30.41%
Mr. Pritam Prakash Shah	9,159,888	13.01%	3,053,296	19.12%
Mr. Prakash Babulal Shah	100	0.00%	2,239,112	14.02%
Mr. Parag Prakash Shah	100,000	0.14%	1,631,096	10.21%
Mrs. Netra Pritam Shah	10,272,782	14.59%	1,224,802	7.67%
IDFC Pvt Equity Fund III	14,134,162	20.07%	496,940	3.11%
India Business Excellence Fund	4,359,749	6.19%	40	0.00%

b. Reconciliation of number of shares

₹ in Millions

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
At the beginning of the year	15,969,464	159.69	15,969,464	159.69
Issued during the year	54,446,423	544.46	-	-
At the end of the year	70,415,887	704.16	15,969,464	159.69

The Company in its Extra ordinary General meeting dated May 26, 2015 has approved bonus shares issue in the ratio of 2:1 and consequently 42,135,038 shares have been issued as bonus shares during the year ended March 31, 2016.

The Company has issued 12,084,385 equity shares against conversion of 185,000,000 Nos compulsorily convertible debentures, at an aggregate share premium of ₹1,729.16 Million and 227,000 Nos equity shares to Parag Milk Foods Employee's Stock Option Trust at a premium of ₹240 per share during the year ended March 31, 2016.

Notes to the Financial Statements for the year ended March 31, 2016

c. Information on equity shares allotted without receipt of cash or allotted as bonus shares or shares bought back

Particulars	Year				
	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash, by way of conversion of compulsorily convertible debentures	12,084,385	-	-	-	-
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium and surplus balance.	42,135,038	-	-	-	-

d. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive 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.

e. Shares reserved for issue under options and contract/commitments

The Company has Nil Nos (March 31, 2015: 125,000,000 Nos) compulsory convertible debentures (CCD) outstanding as at the reporting date which amount to ₹Nil (March 31, 2015: 125 Million), in respect of which the conversion option can be exercised by the holder at anytime within ten years of the date of issue at a price which is to be determined considering specified IRR based on the CCD agreement.

4 RESERVE & SURPLUS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
a. Securities premium account		
Opening balance	83.27	83.27
(+) Securities premium credited on share issue	1,783.64	-
(-) Securities premium debited on bonus share issue	(80.00)	-
Closing balance	1,786.91	83.27
b. Debenture redemption reserve		
Opening balance	13.50	-
(+) Transfer from Surplus	4.50	13.50
Closing balance	18.00	13.50
c. General reserve	20.00	20.00
d. Surplus		
Opening balance	1,068.56	719.65
(+) Net profit for the current year	525.09	365.64
(-) Bonus share issued	(341.35)	-
(-) Accumulated depreciation	-	(3.22)
(-) Transfer to debenture redemption reserve	(4.50)	(13.50)
Closing balance	1,247.80	1,068.56
Total	3,072.71	1,185.33

Notes to the Financial Statements for the year ended March 31, 2016

5 LONG-TERM BORROWINGS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Secured		
(A) Term loans		
a) Indian rupee loan from a bank (Refer note (a))	303.57	410.32
Less: Current maturities of long term debt	122.60	73.24
	180.97	337.08
b) Foreign currency loan from a financial institution (Refer note (b))	961.83	907.57
Less: Current maturities of long term debt	110.22	-
	851.61	907.57
c) Indian rupee loan from financial institutions (Refer note (c))	38.02	45.73
Less: Current maturities of long term debt	10.50	14.41
	27.52	31.32
(B) Hire purchase loans (Refer note (d))	4.87	6.54
Less: Current maturities of long term debt	2.24	2.34
	2.63	4.20
Total (A+B)	1,062.73	1,280.17
Unsecured		
(C) Compulsory Convertible Debentures (CCDs) (Refer note (e))	-	1,250.00
Less: Current maturities of long term debt	-	1,027.46
	-	222.54
(D) 0% Non Convertible Debentures (NCDs) to Promoters (Refer note (f))	180.00	180.00
(E) From non banking financial institution (Refer note (g))	-	98.77
Less: Current maturities of long term debt	-	98.77
	-	-
Total (C+D+E)	180.00	402.54
Total of secured and unsecured loans (A+B+C+D+E)	1,242.73	1,682.71

- a. Indian rupee loan from a bank of ₹303.57 million (March 31, 2015 ₹410.32 million) carries interest @ 13.00%-13.90%.The loans are repayable in 38-43 monthly installments starting from February 2013 and November 2013 along with interest .The loan is secured by pari pasu charge on fixed assets and second pari pasu charge on current assets of the Company and personal guarantee of Promoter Directors.
- b. Foreign currency loan from a financial institution of ₹961.83 million (March 31, 2015 ₹907.57 million) carries interest @ 4.79 %.The loans are repayable in 12 semi annual installments along with interest starting from June ,2016.The loan is secured by first pari pasu charge on movable and immovable fixed property of the Company and secod pari pasu of entire current assets of the Company along with other banks and personal guarantees of Directors and their relatives.
- c. Indian rupee loan from financial instituions of ₹38.02 million (March 31, 2015 ₹45.73 million) carries interest @ 12.98%. The loan is repayable in 78 monthly installments along with interest .The loan is secured by way of hypothecation of the machinery purchased against the loan.
- d. Hire purchase loan from banks of ₹4.87 million (March 31, 2015 ₹6.54 million) carries interest @ 9.38% to 11.24 % p.a. The loans are repayable in 36 to 60 monthly installments starting from the respective date of finance.The loan is secured by specific assets financed (vehicle).

Notes to the Financial Statements for the year ended March 31, 2016

5 LONG-TERM BORROWINGS (contd.)

- e. The Company had made an issue of 125 million nos of compulsory convertible debentures of nominal value of ₹10 each aggregating ₹1,250.00 million during the period FY 2008-09 to FY 2012-13. The life of such debentures was 10 years from the issue date; however the same was eligible to be converted into equity shares at any time, at the option of the investors on or prior to the maturity date or in case of IPO of the Company. Accordingly, the Company has converted 125 million debentures during the year ended March 31, 2016 into 10.02 million equity shares. The Company had further issued 60 million nos compulsory convertible debenture of nominal value of ₹10 each at 0% interest aggregating to ₹600 million on the same terms and conditions as the earlier CCD. The same has been converted into 2,060,910 nos of equity shares.
- f. The Company had made an issue of 18,000,000 nos of Non Convertible Debentures of nominal value of ₹10 each aggregating ₹180.00 million at 0% interest to the Promoters. The life of such debentures is 10 years from the issue date, i.e., March 2013.
- g. The loan from non banking financial company is secured by pledge of 1,255,815 shares of Parag Milk Foods Limited held by Promotor group, demand promissory note and personal guarantee by Directors.

6 DEFERRED TAX LIABILITY (Net)

The major components of deferred tax liability / asset as recognised in the financial statement is as follows:

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Deferred Tax Liability		
Fixed Assets: Impact of difference between income tax depreciation and depreciation charged for the financial statements	208.06	132.66
	208.06	132.66
Deferred Tax Asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis.	6.82	2.75
Provision for doubtful debts and advances	63.90	22.56
Total Deferred Tax Asset	70.72	25.31
Net Deferred Tax Liability	137.34	107.35
Opening deferred tax liability (net)	107.35	116.28
Deferred tax charge / (credit) for the year	29.99	(8.93)

7 OTHER LONG-TERM LIABILITIES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Deposit from customers	180.78	211.56
Total	180.78	211.56

8 LONG TERM PROVISIONS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits		
Provision for leave benefits	5.71	4.30
Total	5.71	4.30

Notes to the Financial Statements for the year ended March 31, 2016

9 SHORT-TERM BORROWINGS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Secured		
A) Loans repayable on demand		
Cash credit from banks #	2,357.01	2,469.56
Total (a)	2,357.01	2,469.56
Unsecured		
B) Loans repayable on demand		
From directors	1.22	5.36
Total (b)	1.22	5.36
Grand Total (a+b)	2,358.23	2,474.92

Cash credit from banks is secured by first pari pasu charge on all current assets of the Company and second pari pasu charge on fixed assets of the Company, personal guarantee of Promoter Directors and their relative. The cash credit is repayable on demand and carries interest @ 12.40% p.a. to 15.00% p.a..

10 TRADE PAYABLES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Trade payables		
Due to micro and small enterprises [Refer note no.39]	42.43	14.94
Others	1,578.75	1,865.20
Total	1,621.18	1,880.14

11 OTHER CURRENT LIABILITIES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Current maturities of long term borrowings [Refer note no. 5]	243.32	1,213.88
Current maturities of hire purchase loans [Refer note no. 5]	2.24	2.34
Interest accrued but not due on borrowings	23.81	26.13
Capital creditors	85.97	70.92
Employee benefits payable	60.01	41.66
Advance from customers	164.91	150.86
Statutory dues payable	45.09	44.74
Total	625.35	1,550.53

12 SHORT-TERM PROVISIONS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits:		
Provision for gratuity	2.48	4.24
Provision for leave benefits	1.10	0.84
Others:		
Provision for income tax (net of advance tax)	38.14	-
Provision for wealth tax	-	0.08
Total	41.72	5.16

Notes to the Financial Statements for the year ended March 31, 2016

13 FIXED ASSETS

₹ in Millions

Particulars	Gross Block				Accumulated Depreciation/Amortisation					Net Block	
	As at April 1, 2015	Additions during the Year	Deletions	As at March 31, 2016	As at April 1, 2015	Depreciation charge / amortisation for the year	Deletions	Retained earning	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
A.Tangible Assets											
Land - freehold	32.17	0.91	-	33.08	-	-	-	-	-	33.08	32.17
	(32.17)	-	-	(32.17)	-	-	-	-	-	(32.17)	(32.17)
Buildings	717.65	12.97	-	730.62	127.19	27.19	-	-	154.38	576.24	590.46
	(695.14)	(22.51)	-	(717.65)	(100.84)	(26.35)	-	-	(127.19)	(590.46)	(594.30)
Leasehold building improvements	14.30	6.01	-	20.31	10.52	3.31	-	-	13.83	6.48	3.78
	(14.26)	(0.04)	-	(14.30)	(8.48)	(2.04)	-	-	(10.52)	(3.78)	(5.78)
Plant and machinery	2,869.57	856.44	0.09	3,725.92	1,153.44	275.92	0.01	-	1,429.34	2,296.58	1,716.13
	(2,145.09)	(728.44)	(3.96)	(2,869.57)	(942.19)	(211.51)	(0.26)	-	(1,153.44)	(1,716.13)	(1,202.90)
Furniture and fixtures	12.80	4.11	-	16.91	3.47	1.48	-	-	4.95	11.96	9.33
	(10.16)	(2.64)	-	(12.80)	(2.29)	(1.18)	-	-	(3.47)	(9.33)	(7.87)
Office equipment	12.94	3.58	-	16.52	7.01	2.51	-	-	9.52	7.00	5.93
	(10.90)	(2.07)	(0.03)	(12.94)	(1.90)	(5.11)	-	-	(7.01)	(5.93)	(9.00)
Computers	13.64	1.82	-	15.46	10.87	1.77	-	-	12.64	2.82	2.77
	(12.58)	(1.19)	(0.13)	(13.64)	(6.31)	(4.56)	(0.00)	-	(10.87)	(2.77)	(6.27)
Vehicles	29.47	3.83	-	33.30	13.35	3.61	-	-	16.96	16.34	16.12
	(25.20)	(4.27)	-	(29.47)	(9.34)	(4.25)	(0.24)	-	(13.35)	(16.12)	(15.86)
Total	3,702.54	889.67	0.09	4,592.12	1,325.85	315.79	0.01	-	1,641.62	2,950.49	2,376.69
Previous Year	(2,945.50)	(761.16)	(4.12)	(3,702.54)	(1,071.35)	(255.00)	(0.50)	-	(1,325.85)	(2,376.69)	(1,874.15)
B.Intangible Assets											
Brands / trademarks	0.83	-	-	0.83	0.59	0.06	-	-	0.65	0.18	0.24
	(0.83)	-	-	(0.83)	(0.53)	(0.06)	-	-	(0.59)	(0.24)	(0.30)
Computer software	6.90	1.59	-	8.49	4.84	1.40	-	-	6.24	2.24	2.06
	(6.33)	(0.57)	-	(6.90)	(2.51)	(2.33)	-	-	(4.84)	(2.06)	(3.82)
Total	7.73	1.59	-	9.32	5.43	1.46	-	-	6.89	2.42	2.30
Previous Year	(7.16)	(0.57)	-	(7.73)	(3.04)	(2.39)	-	-	(5.43)	(2.30)	(4.12)
Grand Total (A+B)	3,710.27	891.26	0.09	4,601.44	1,331.28	317.25	0.01	-	1,648.51	2,952.92	2,378.99
Previous Year (A+B)	(2,952.66)	(761.73)	(4.12)	(3,710.27)	(1,074.39)	(257.39)	(0.50)	-	(1,331.28)	(2,378.99)	(1,878.27)

- As per the provisions of the Accounting Standard 16 - 'Borrowing costs' notified pursuant to the Companies (Accounting Standard) Rules, 2006, the Company has capitalised borrowing costs of ₹ nil (March 31, 2015 ₹89.12 million) to the cost of fixed assets.
- In accordance with Accounting Standard 11-'Change in Foreign Currency Rates', the Company has adjusted foreign exchange loss of ₹(54.43) millions [March 31, 2015 ₹(7.04) million] arising on reporting of long term foreign currency monetary item against the historical cost of fixed assets.

Notes to the Financial Statements for the year ended March 31, 2016

14 NON-CURRENT INVESTMENTS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Trade investments		
Investments in equity instruments	577.64	177.64
Other investments		
Investments in mutual funds	-	3.00
Other investments	0.06	0.06
Total	577.70	180.70

Details of trade investments & other investments

Name of the body corporate	Subsidiary / Associate / JV/ Others	Quoted / Un-quoted	Partly paid / Fully paid	No of units / shares		Amount (₹ in Millions)	
				31-Mar-16	31-Mar-15	As at March 31, 2016	As at March 31, 2015
Trade investments							
Investments in equity instruments							
Bhagyalaxmi Dairy Farm Pvt. Ltd.	Subsidiary	Unquoted	Fully paid	5,785,354	1,785,354	577.64	177.64
Other investments							
Investment in mutual fund							
Union KBC Mutual Fund	Other	Quoted	Fully paid	-	300,000	-	3.00
Other investments							
Rupee Co-Operative Bank Ltd.	Other	Unquoted	Fully paid	3,800	3,800	0.04	0.04
Sharad Sahakari Bank Ltd.	Other	Unquoted	Fully paid	318	318	0.02	0.02
Total				57,89,472	20,89,472	577.70	180.70

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Aggregate cost of quoted investments	-	3.00
Aggregate cost of unquoted investments	577.70	177.70
Aggregate market value of quoted investments	-	3.85

15 LONG-TERM LOANS AND ADVANCES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered good, unless stated otherwise		
Capital advances	69.55	602.75
Deposits	80.28	52.46
Advance tax (net of provisions)	-	1.56
Total	149.83	656.77

16 OTHER NON-CURRENT ASSETS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Fixed deposits (original maturity for more than 12 months)	8.77	18.20
Interest accrued on fixed deposits	2.23	-
Total	11.00	18.20

Notes to the Financial Statements for the year ended March 31, 2016

17 INVENTORIES

(Valued at cost or net realisable value, whichever is less)

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Raw materials and components	28.97	31.70
Work-in-progress	962.60	589.70
Finished goods	1,546.20	1,297.41
Packing material	90.38	105.51
Stores and spares	82.36	72.77
Total	2,710.51	2,097.09

18 TRADE RECEIVABLES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good (unsecured)	422.38	575.36
Considered doubtful	167.42	134.91
Less: Provision for doubtful debts	(167.42)	(134.91)
	422.38	575.36
Other debts		
Considered good (unsecured)	1,908.27	1,111.54
Total	2,330.65	1,686.90

19 CASH AND BANK BALANCES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Cash and Cash Equivalents		
Cash on hand	6.01	7.61
Balances with banks		
-In current accounts	37.78	29.87
-In deposits with original maturity of less than 3 months	2.14	2.21
Sub total	45.93	39.69
Other bank balances		
-Fixed deposits (original maturity for more than 3 months but less than 12 months)	8.78	7.74
-Fixed deposits (original maturity for more than 12 months)	15.87	-
Sub total	24.65	7.74
Total	70.58	47.43

Notes to the Financial Statements for the year ended March 31, 2016

20 SHORT-TERM LOANS AND ADVANCES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered goods unless otherwise stated		
Advance recoverable in cash or in kind	355.66	900.20
	355.66	900.20
Loan and advances to related parties (Refer note no. 36)		
Advance to subsidiary	67.27	448.72
	67.27	448.72
Other loans and advances		
Balance with statutory/government authorities		
Considered good	23.12	28.65
Considered doubtful	17.21	17.21
Less: Provision for doubtful advances	(17.21)	(17.21)
	23.12	28.65
MAT receivable	62.79	32.21
	85.91	60.86
Total	508.84	1,409.78

21 OTHER CURRENT ASSETS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured considered good, unless stated otherwise		
Deposits	2.53	-
Electricity duty receivables	18.86	21.59
PSI incentive receivable (Sales tax)	292.74	479.48
Interest accrued on fixed deposit	0.77	2.44
IPO expenses not written off #	85.25	-
Total	400.15	503.51

IPO expenses incurred being carried forward to be set off against securities premium post issue of shares in IPO

22 REVENUE FROM OPERATIONS

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
A) Gross sales		
Sale of products		
Manufactured goods	14,366.70	13,111.82
Traded goods	1,225.92	492.25
	15,592.62	13,604.07
B) Other operating revenues		
Processing charges	419.95	351.16
Export incentives	5.54	11.94
PSI incentive	211.41	289.29
	636.90	652.39
Total	16,229.52	14,256.46

Notes to the Financial Statements for the year ended March 31, 2016

22 REVENUE FROM OPERATIONS (Contd.)

Attributes of manufactured and traded goods

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Sale of Products comprises of :		
Manufactured goods		
Fresh milk	3,238.27	2,448.67
Milk products	11,128.43	10,663.15
Total (a)	14,366.70	13,111.82
Traded goods		
Fresh milk	-	265.83
Milk products	1,225.92	226.42
Total (b)	1,225.92	492.25
Grand Total (a+b)	15,592.62	13,604.07

23 OTHER INCOME

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest income on		
-Bank deposits	4.27	2.76
-Others	0.59	1.85
Exchange fluctuation (net)	-	3.47
Liabilities no longer required written back	-	5.28
Provision for doubtful debts reversed	6.16	-
Profit on sale of mutual fund	0.70	-
Other non-operating income	2.61	0.63
Total	14.33	13.99

24 COST OF MATERIAL CONSUMED

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
a) Raw material consumed		
Inventory at the beginning of the period	31.70	51.49
Add: Purchases	10,051.29	9,670.99
Less: Inventory at the end of the period	28.97	31.70
Total (a)	10,054.02	9,690.78
b) Packing material, stores spares & consumables consumed		
Inventory at the beginning of the period	105.51	103.53
Add: Purchases	971.81	770.76
Less: Inventory at the end of the period	90.38	105.51
Total (b)	986.94	768.78
Grand Total (a+b)	11,040.96	10,459.56

Notes to the Financial Statements for the year ended March 31, 2016

24 COST OF MATERIAL CONSUMED (Contd.)

Details of material consumed

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Raw milk	8,023.37	8,959.15
Packing material and consumables consumed	986.94	768.78
Others	2,030.65	731.63
Total	11,040.96	10,459.56

25 PURCHASE OF TRADED GOODS

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Fresh milk	0.00	216.18
Milk products	1,317.48	176.18
Total	1,317.48	392.36

26 CHANGES IN INVENTORY OF FG, WIP AND STOCK IN TRADE

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Inventories at the beginning of the year		
Finished goods	1,297.41	934.74
Work-in-progress	589.70	735.41
	1,887.11	1,670.15
Inventories at the end of the year		
Finished goods	1,546.20	1,297.41
Work-in-progress	962.60	589.70
	2,508.80	1,887.11
(Increase) in inventory	(621.69)	(216.96)

27 EMPLOYEE BENEFIT EXPENSES

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Salaries, wages and bonus	605.53	490.35
Contribution to provident and other funds	15.84	13.57
Gratuity	3.55	5.16
Staff welfare expenses	35.35	30.05
Total	660.27	539.13

Notes to the Financial Statements for the year ended March 31, 2016

28 OTHER EXPENSES

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Transport, octroi & freight	343.11	245.92
Power and fuel	403.65	426.89
Rent, rates & taxes [Refer note no. 38]	195.17	166.71
Insurance	17.12	16.85
Repairs and maintainance		
-Plant and machinery	89.19	79.33
-Building	6.31	5.48
-Others	17.64	8.55
Other factory expenses	23.26	15.94
Exchange fluctuation (net)	5.31	0.00
Security charges	14.64	13.39
Travelling & conveyance	53.94	33.95
Communication costs	9.19	7.35
Printing and stationery	3.89	3.63
Legal & professional fees	34.06	28.64
Director's remmuneration	23.40	23.40
Auditor's remmuneration*	2.85	1.92
Advertisements and marketing expenses	191.90	167.38
Sales promotion expenses	185.36	79.07
Commission on sales	40.98	44.14
Agency charges for export	6.00	6.99
Carriage outward	600.72	524.62
Bad debts	0.00	0.24
Provision for doubtful debts	38.67	69.52
Provision for doubtful advances	0.00	9.01
Loss on sale of assets	0.00	0.19
Donations	0.96	0.28
CSR expenses [Refer note no.40]	0.72	1.06
Miscellaneous expenses	40.23	37.83
Total	2,348.27	2,018.28

*Payment to auditor (excluding service tax)

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
As auditor:		
Audit fees	2.85	1.70
Other services	10.50	0.11
Reimbursement of expenses	0.05	0.11
Total	13.40	1.92

Notes to the Financial Statements for the year ended March 31, 2016

29 FINANCE COST

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest expenses		
- term loans	100.65	78.17
- working capital loans	326.45	342.79
Total interest expenses (a)	427.10	420.96
Interest expenses capitalised (b)#	22.21	0.00
Net Interest expenses (c)=(a+b)	449.31	420.96
Other borrowing cost (d)	20.25	10.89
Total (e) = (c+d)	469.56	431.85
Bank charges & commission (f)	12.28	22.49
Total (g) = (e+f)	481.84	454.34

Includes ₹22.21 Mn (March 31, 2015: Nil) reversed from capital work in progress in respect of borrowing cost excess capitalised in earlier years.

30 EARNINGS PER EQUITY SHARES

The basic earnings per equity share (EPS) are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive. The EPS is calculated as under:

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Basic earnings per share		
Profit attributable to equity shareholders	525.09	365.64
Weighted average number of equity shares	65.52	58.10
Basic earnings per share	8.01	6.29
Face value per share	10.00	10.00
Diluted earnings per share		
Profit attributable to equity shareholders	525.09	365.64
Weighted average number of equity share	65.52	58.10
Add :Potential convertible debentures	-	10.86
Weighted average number of equity share after considering potential equity shares	65.52	68.96
Diluted earnings per share	8.01	5.30

As per Accounting Standard 20, in case of bonus shares or consolidation of shares, the number of shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event has occurred at the beginning of the earliest period reported. Weighted average number of equity share outstanding during the previous period have been considered accordingly.

Notes to the Financial Statements for the year ended March 31, 2016

31 CONTINGENT LIABILITIES

₹ in Millions

Sr. No.	Particulars	Year ended March 31, 2016	Year ended March 31, 2015
a.	Guarantees given by banks on behalf of the Company	9.72	10.36
b.	Corporate guarantees given by the Company for loans taken by its subsidiary company and suppliers from banks /financial institutions	920.34	595.34
c.	Sales tax matter under litigation in respect of Company for FY.2006-07, FY 2009-10 and F.Y. 2010-11 for pending F forms and lower allowance on account of Central Quantum Benefit, against which appeal has been filed.	83.32	83.32
d.	Claim against the Company not acknowledge as debt in relation to claim made by France International Trade, Rennes, vide Special Civil Suit No. 692/2012 dated March 07, 2012 in the Court of Honourable Civil Judge, Senior Division, Pune for damaged goods supplied by the Company. The amount includes interest of ₹20.37 Million.	70.68	70.68
e.	Income tax matter under litigation for the AY 2012-13, mainly with regard to taxability of PSI incentive (including interest of ₹7.26 million).	56.20	-
f.	Demand notice received u/s 245 for AY 2014-15 & AY 2015-16	0.35	-
g.	Duty liability under Advance License scheme	62.75	-

In all the cases mentioned above, outflow is not probable in accordance with Accounting Standard 29 ("AS-29") Provisions, Contingent Liabilities and Contingent Assets, hence not provided by the Company

32 FOREIGN CURRENCY:

- a) There are no foreign currency (FC) exposures that have been hedged by a derivative instrument or otherwise during the year ended March 31, 2016.
- b) Foreign currency (FC) exposures that are unhedged by a derivative instrument or otherwise as at March 31, 2016 and March 31, 2015 are as follows:

Amount in Millions

Particulars	Currency	Year ended March 31, 2016		Year ended March 31, 2015	
		Amount in INR	Amount in FC	Amount in INR	Amount in FC
Payables in foreign currency					
- Trade Payable	EURO	2.88	0.04	10.81	0.16
	GBP	0.01	0.01	-	-
Secured Loans					
-Secured Loans	USD	961.83	14.50	907.56	14.50
- Commitment fees & Processing charges	USD	-	-	4.08	0.07
-Interest accrued but not due	USD	15.24	0.23	12.63	0.20
Receivables in foreign currency					
-Trade Receivable	USD	19.65	0.30	-	-
Advance received from customers	USD	35.59	0.54	31.97	0.51
Advance to suppliers	EURO	8.56	0.11	-	-
	AUD	-	-	44.35	0.93

Notes to the Financial Statements for the year ended March 31, 2016

33 CAPITAL AND OTHER COMMITMENTS

Capital commitments as at March 31, 2016 ₹160.29 million (March 31, 2015: ₹8.65 million)

For other commitments relating to lease arrangements, refer note no.38

34 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD- 15 "EMPLOYEE BENEFITS"

A. General description

- i) Provident Fund/ Employee State Insurance (Defined contribution)
The Company's provident fund scheme (including pension fund scheme for eligible employees) and employee state insurance scheme are defined contribution plans. The expense charged to the Statement of Profit and Loss under the head 'Contribution to provident and other funds' in respect to the above schemes is ₹15.28 million (March 31, 2015: ₹12.82 million)
- ii) Gratuity (Defined benefit plan)
The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service.

B. The following tables set out disclosures prescribed by AS 15 in respect of Company's funded gratuity plan

- i) Changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof:-

Particulars	₹ in Millions	
	As at March 31, 2016	As at March 31, 2015
Present value of obligation as at the beginning of the period	14.28	9.13
Interest cost	1.11	0.71
Current service cost	3.29	2.90
Acquisition/Business combination	(0.06)	Nil
Benefits paid	(0.14)	Nil
Actuarial loss on obligation	0.87	1.55
Closing present value of obligation	19.35	14.28

- ii) Changes in the fair value of plan assets

Particulars	₹ in Millions	
	As at March 31, 2016	As at March 31, 2015
Present value of plan assets as at beginning of the period	10.04	8.50
Expected return on plan assets	1.03	0.86
Contributions	5.25	1.54
Benefits paid	(0.14)	Nil
Actuarial gains / (losses)	0.69	(0.86)
Fair value of plan assets as at end of the period	16.87	10.04

- iii) The amount recognised in the Balance Sheet are as follows:

Particulars	₹ in Millions	
	As at March 31, 2016	As at March 31, 2015
Present value of obligation as at the end of the period	19.35	14.28
Funded value of assets	16.87	10.04
Net assets recognised in balance sheet	2.48	4.24

Notes to the Financial Statements for the year ended March 31, 2016

iv) The amount recognised in the Statement of Profit & Loss are as follows:

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Current service cost	3.29	2.90
Interest cost	1.11	0.71
Expected return on plan assets	(1.03)	(0.86)
Net actuarial loss recognised	0.18	2.41
Expenses recognised in the statement of profit and loss	3.54	5.16

v) Actuarial assumption:

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Discount Rate	7.95%	7.80%
Salary escalation #	6.00%	6.00%
Rate of return on plan assets *	8.00%	8.00%

*The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

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

vi) The Company expects to contribute ₹2.50 million to gratuity fund in the next one year (March 31 2015: 4.24 million)

vii) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Investment with insurer	100%	100%

viii) Disclosure under para 120(n) of AS 15

₹ in Millions

Particulars	31-Mar-2016	31-Mar-2015	31-Mar-14	31-Mar-13
Defined benefit obligation	19.35	14.28	9.12	6.36
Plan asset	16.87	10.04	8.50	5.84
Surplus	2.48	4.24	0.62	0.52
Experience adjustments on plan assets	0.69	(0.86)	(0.03)	-
Experience adjustments on plan liability	1.01	1.55	(0.07)	-

Notes to the Financial Statements for the year ended March 31, 2016

35 INFORMATION PURSUANT TO PARA 5(VIII) OF THE GENERAL INSTRUCTIONS TO THE STATEMENT OF PROFIT AND LOSS

i) Value of Imports on C.I.F basis

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Packing material & consumables	32.07	-
Raw materials	140.97	-
Traded goods	9.11	29.41
Capital goods (including CWIP)	52.94	18.12

ii) Expenditure in foreign currency (On accrual basis)

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Foreign travel	2.51	1.37
Sales promotion	0.33	0.83
Finance cost	49.06	60.48
Office expenses	0.71	-
Fee & Subscription	0.01	-
Bank charges	0.10	4.05
Professional fee	14.89	-

iii) Earnings in foreign currency

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Export of goods on F.O.B. basis	318.09	467.38

iv) Consumption of materials

₹ in Millions

Particulars	Year ended March 31, 2016		Year ended March 31, 2015	
	Amount	Percentage	Amount	Percentage
Imported	141.01	1.4%	-	-
Indigenous	9,913.01	98.6%	9,690.78	100.0%
Total	10,054.02	100.0%	9,690.78	100.0%

v) Consumption of packing materials, stores and spare parts

₹ in Millions

Particulars	Year ended March 31, 2016		Year ended March 31, 2015	
	Amount	Percentage	Amount	Percentage
Imported	33.92	3.4%	26.71	3.5%
Indigenous	953.02	96.6%	742.07	96.5%
Total	986.94	100.0%	768.78	100.0%

Notes to the Financial Statements for the year ended March 31, 2016

36. RELATED PARTY DISCLOSURE

In accordance with the requirements of Accounting Standard 18, "Related Party Disclosures", the details of related party transactions are given below:

Nature of Relationship	Nature of Related party
a) Key management personnel	Mr. Devendra Shah – Chairman
	Mr. Pritam Shah – Director
	Mr. Parag Shah – Director (Up to February 19, 2015)
	Mr. Bharat Kedia– CFO (From January 01, 2015)
	Mrs. Rachana Sanganeria – Company Secretary
b) Subsidiary Company	Bhagalaxmi Dairy Farms Private Limited
c) Relatives of Key Management Personnel	Relatives having transaction during the period
	Mr. Prakash Shah
	Mr. Parag Shah (From February 20, 2015)
	Mrs. Rajani Shah
	Ms. Akshali Shah
	Mrs. Priti Shah
d) Enterprise over which Key Management Personnel exercise significant influence / control	Enterprise having transactions during the period:
	Bharat Trading Company

Details of related party transactions during the year:

The Company has identified the following related party transactions as per Accounting Standard 18:

Nature of Transactions	₹ in Millions	
	Year ended on March 31, 2016	Year ended on March 31, 2015
(A) Transaction during the period		
Purchases of goods		
Bhagalaxmi Dairy Farms Private Limited	208.93	647.67
Bharat Trading Company	12.25	-
Sale of goods		
Bhagalaxmi Dairy Farms Private Limited	2.88	-
Managerial Remuneration #		
Devendra Shah	12.00	12.00
Pritam Shah	11.40	11.40
Bharat Kedia	9.79	2.24
Rachana Sanganeria	1.38	1.04
Relative of Key Managerial Personnel		
Akshali Shah	1.08	0.99
Rent payment		
Bhagalaxmi Dairy Farms Private Limited	6.60	3.85
Devendra Shah	3.39	0.39
Pritam Shah	0.45	0.45
Priti Shah	0.39	0.39
Netra Shah	0.39	0.39

Notes to the Financial Statements for the year ended March 31, 2016

Details of related party transactions during the year:

The Company has identified the following related party transactions as per Accounting Standard 18: (contd.)

₹ in Millions

Nature of Transactions	Year ended on March 31, 2016	Year ended on March 31, 2015
Borrowing (Loan) from		
Devendra Shah	1.20	22.80
Pritam Shah	63.40	143.20
Borrowing (Loan) repaid to		
Devendra Shah	5.04	19.56
Pritam Shah	63.71	143.56
Loan & advances received (Net)		
Bhagalaxmi Dairy Farms Private Limited	381.45	448.72
Share purchase		
Bhagalaxmi Dairy Farms Private Limited	400.00	-
Bonus share issued		
Devendra Shah	97.14	-
Pritam Shah	61.07	-
Parag Shah	32.62	-
Prakash Shah	44.78	-
Rajani Shah	3.84	-
Priti Shah	9.94	-
Netra Shah	18.50	-
(B) Balance outstanding at the end of the period		
(i) Loan		
Devendra Shah	0.48	4.32
Pritam Shah	0.73	1.04
(ii) Non convertible debenture		
Devendra Shah	30.00	30.00
Pritam Shah	150.00	150.00
(iii) Personal guarantee issued by		
Devendra Shah, Pritam Shah, Parag Shah, Prakash Shah, Netra Shah, & Priti Shah	4,679.52	3,948.67
(iv) Corporate guarantee issued to		
Bhagalaxmi Dairy Farms Private Limited @	300.00	300.00
(v) Advance given to		
Bhagalaxmi Dairy Farms Private Limited	67.27	448.72
(vi) Payable to		
Bharat Trading Company	1.98	-

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole. Further, the remuneration to key managerial personnel does not include employee stock compensation expense.

@ Corporate guarantee issued on behalf of subsidiary is in relation to term loan taken by the subsidiary from bank for its business purpose particularly for capital expansion.

Notes to the Financial Statements for the year ended March 31, 2016

37 SEGMENT REPORTING DISCLOSURE

i) Primary (Business) Segment

In accordance with the requirements of the Accounting Standard 17 "Segment Reporting", the Company's business consists of one reportable business segment i.e., "Manufacturing & Processing of Milk & Milk Products" hence no separate disclosures pertaining to attributable Revenue, Profits, Assets, Liability, Capital Employed are given.

ii) Secondary (Geographical) Segment:

Secondary segment reporting is performed on the basis of geographical location of the customers. The operation of the Company comprises local sales and export sales. The management views the Indian market and export market as distinct geographical segments. The geographical segments considered for disclosure are as follows:

₹ in Millions

Particulars	Year ended on March 31, 2016			Year ended on March 31, 2015		
	Within India	Outside India	Total	Within India	Outside India	Total
Segment revenue	15,898.18	331.34	16,229.52	13,789.08	467.38	14,256.46
Additions to fixed assets	886.68	-	886.68	761.75	-	761.75
Carrying value of segment assets*	9,898.91	28.21	9,927.12	9,183.58	44.35	9,227.93

*Excludes advance tax and MAT receivable

38 OPERATING LEASE

The company has entered into commercial leases for taking office spaces on lease. These leases have an average term of three to five years with renewal option and escalation clauses included in the agreements. There are no restrictions placed upon the Company by entering into these leases. The Company has not given any sub lease during the year. Some of the lease arrangements also include a non-cancellable period. Lease rental debited to Statement of Profit and Loss for the period is ₹69.11 million (March 31, 2015: ₹31.07 millions).

Disclosure for minimum lease rentals payable under non cancellable lease agreements are as below :

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Lease rentals due		
Not later than one year	2.16	27.42
Later than one year and not later than five years	1.62	95.11
Later than five years	-	12.25

39 AMOUNT DUE TO MICRO AND SMALL ENTERPRISES

Information required to be disclosed in accordance with Micro, Small and Medium Enterprises Development Act, 2006 has been determined based on the parties identified on the basis of information available with the Company, which has been relied upon by the auditors:

₹ in Millions

Sr. No.	Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
i)	a) The Principal amount remaining unpaid to any supplier at the end of the period included in Trade Payables.	38.80	13.55
	b) The interest due on above	3.64	1.39
ii)	The amount of interest paid by the buyer in term of Section 16 of the Act	-	-
iii)	The amount of the payment made to the supplier beyond the appointed day during the period.	94.32	6.57
iv)	The amount of interest accrued and remaining unpaid at the end of period.	3.64	1.39

Notes to the Financial Statements for the year ended March 31, 2016

39 AMOUNT DUE TO MICRO AND SMALL ENTERPRISES (contd.)

₹ in Millions

Sr. No.	Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
v)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act.	-	-
vi)	The amount of further interest remaining due & payable in the succeeding years	3.64	1.39

40 DISCLOSURE OF CSR EXPENSES

₹ in Millions

Sr. No.	Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
a)	Gross amount required to be spent by the Company during the period	5.15	2.24
b)	Amount spent during the year on:		
(i)	Construction/acquisition of any asset	-	-
(ii)	On purposes other than (i) above		
	- In cash	0.72	1.06
	- Yet to be paid in cash	-	-

41 EMPLOYEE STOCK OPTION SCHEME:

The Board of Directors constituted the equity settled Employee Stock Option Scheme ("ESOS 2015") vide its resolutions dated February 27, 2015 and April 21, 2015 for issue of 696,339 stock options to the key employees of the Company, which has been further approved in the Company's Extra ordinary General meeting dated April 3, 2015 and May 16, 2015.

Pursuant to the above scheme, the Board of Directors vide its circular resolution dated September 3, 2015, approved grant of 227,000 stock options to its employees on September 4, 2015.

According to ESOP 2015, the employee selected will be entitled to stock options, subject to satisfaction of the prescribed vesting conditions in the scheme. The contractual life (comprising the vesting period and the exercise period) of options granted is 3 years. The other relevant terms of the grant are as below:

Vesting period	1 years
Exercise period	2 years
Expected life	3 years
Exercise price	₹ 250

The details of activity under ESOS 2015 are summarised below:

Particulars	Year ended on March 31, 2016	
	No. of options	WAEP
Outstanding at the beginning of the year	-	-
Granted during the year	227,000	250
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	227,000	250
Exercisable at the end of the year	-	-

Notes to the Financial Statements for the year ended March 31, 2016

41 Employee Stock Option Scheme:(contd.)

Particulars	Year ended on March 31, 2016
Dividend yield (%)	-
Expected volatility	41.71%
Risk-free interest rate	7.54%
Weighted average share price (₹)	250
Exercise price (₹)	250
Expected life of options granted in years	3

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No cost has been recognised in respect of ESOS2015 during the period as the exercise price of the options is higher than the fair value of the options as at the grant date. Further, disclosures for the prior periods have not been given as the ESOP's were granted only during the year ended March 31, 2016.

- 42 (a) Previous period/year's figures have been regrouped/reclassified wherever necessary, to conform to current period/year's classification.
- (b) Amounts mentioned as "0" in the financial statements denote amounts rounded off being less than Rupees ten thousand.

As per our report of even date attached

For Haribhakti & Co. LLP
Chartered Accountants
ICAI FR No. 103523W

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: June 24, 2016

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Bharat Kedia
Chief Financial Officer

Place: Mumbai
Date: June 24, 2016

Pritam Shah
Managing Director
DIN: 01127247

Rachana Sanganeria
Company Secretary

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Parag Milk Foods Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Parag Milk Foods Limited (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the

provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view 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 the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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, of the consolidated state of affairs of the Group as at 31st March, 2016, their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 44 of the financial statements in regard to recording of an impairment loss of ₹42 Million on cows and assessment of recoverable amount based on net realisable value by management.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
- b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books;
- c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and its subsidiary company, none of the directors of the Group companies is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the the Group, and the operating effectiveness of such controls, we give our separate Report in the "Annexure".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer Note 31 to the consolidated financial statements;
 - (ii) The Group does not have any material foreseeable losses on long term contracts including derivative contracts;
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W

Anup Mundhra

Partner

Place : Mumbai

Date : June 24, 2016

Membership No.061083

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Parag Milk Foods Limited on the consolidated financial statements for the year ended March 31, 2016]

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of the Group as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Group are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the

Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance

regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the

internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Group have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For Haribhakti & Co. LLP
Chartered Accountants
ICAI Firm Registration No.103523W

Anup Mundhra
Partner

Place : Mumbai
Date : June 24, 2016

Membership No.061083

Balance Sheet as at 31 March 2016

₹ in Millions

	Note No.	As at March 31, 2016	As at March 31, 2015
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share capital	3	704.16	159.69
(b) Reserves and surplus	4	2,914.63	1,079.17
		3,618.79	1,238.86
(2) Non-current liabilities			
(a) Long-term borrowings	5	1,248.44	1,722.77
(b) Deferred tax liabilities (Net)	6	109.57	59.87
(c) Other long term liabilities	7	180.78	211.56
(d) Long term provisions	8	6.10	4.55
		1,544.89	1,998.75
(3) Current liabilities			
(a) Short-term borrowings	9	2,358.23	2,474.92
(b) Trade payables			
- Dues of micro and small enterprises	10	42.43	14.94
- Dues of others	10	1,635.88	1,916.49
(c) Other current liabilities	11	667.62	1,590.61
(d) Short-term provisions	12	41.78	4.90
		4,745.94	6,001.86
TOTAL		9,909.62	9,239.47
II. ASSETS			
(1) Non-current Assets			
(a) Fixed Assets	13		
(i) Tangible assets		3,443.96	2,907.25
(ii) Intangible assets		3.41	3.83
(iii) Capital work in progress		232.67	236.10
(iv) Intangible assets under development		45.49	46.68
		3,725.53	3,193.86
(b) Non-current investments	14	0.06	3.06
(c) Long-term loans and advances	15	157.19	665.47
(d) Other non-current assets	16	11.10	18.29
		3,893.88	3,880.68
(2) Current Assets			
(a) Inventories	17	2,724.26	2,118.87
(b) Trade receivables	18	2,359.92	1,708.90
(c) Cash and bank balances	19	76.83	53.19
(d) Short-term loans and advances	20	454.58	974.33
(e) Other current assets	21	400.15	503.50
		6,015.74	5,358.79
TOTAL		9,909.62	9,239.47
Summary of significant accounting policies followed by the Company	2.0		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

For Haribhakti & Co. LLP
Chartered Accountants

ICAI FR No. 103523W

Anup Mundhra
Partner

Membership No. 061083

Place: Mumbai

Date: June 24, 2016

For and on behalf of the Board of Directors
Devendra Shah
Chairman

DIN: 01127319

Bharat Kedia
Chief Financial Officer

Place: Mumbai

Date: June 24, 2016

Pritam Shah
Managing Director

DIN: 01127247

Rachana Sanganerla
Company Secretary

Statement of Profit & Loss for the Year ended 31 March 2016

₹ in Millions

	Note No.	Year ended March 31, 2016	Year ended March 31, 2015
I. Revenue from operations	22	16,451.31	14,441.42
II. Other income	23	16.18	15.27
III. Total Revenue (I + II)		16,467.49	14,456.69
IV. Expenses:			
Cost of materials consumed	24	11,014.30	10,440.81
Purchase of stock in trade	25	1,382.97	392.36
Changes in inventories of finished goods, work in progress and traded goods	26	(621.69)	(216.96)
Employee benefits expense	27	701.09	572.23
Other expenses	28	2,498.63	2,181.07
Finance costs	29	490.41	469.20
Depreciation and amortisation expense	13	333.89	275.33
Total Expenses		15,799.60	14,114.04
V. Profit before tax (III-IV)		667.89	342.65
VI. Tax expenses:			
Less: Current tax		178.71	40.61
Add: MAT credit adjustment of earlier years		(29.96)	(4.10)
Less: Deferred tax	6	49.70	7.70
Less: Tax adjustments (net)		(3.74)	(23.65)
VII Profit for the year (V-VI)		473.18	322.09
VIII Earnings per equity share: [Nominal value per share : ₹10 (March 31, 2015: ₹10)]	30		
(1) Basic		7.22	5.54
(2) Diluted		7.22	4.67
Summary of significant accounting policies followed by the Company	2.0		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

For Haribhakti & Co. LLP

Chartered Accountants
ICAI FR No. 103523W

Anup Mundhra

Partner
Membership No. 061083

Place: Mumbai
Date: June 24, 2016

For and on behalf of the Board of Directors

Devendra Shah

Chairman
DIN: 01127319

Bharat Kedia

Chief Financial Officer

Place: Mumbai
Date: June 24, 2016

Pritam Shah

Managing Director
DIN: 01127247

Rachana Sanganeria

Company Secretary

Cash Flow Statement for the Year ended 31 March 2016

	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
A. Cash Flow from Operating Activities		
Net Profit before taxation	667.89	342.65
Adjustments for:		
Add:		
Depreciation on fixed assets	333.89	275.33
Depreciation adjusted to reserves	-	(4.44)
Provision for doubtful debts	35.87	69.52
Bad debts	-	0.24
Provision for doubtful advances	-	9.55
Loss on impairment/sale of fixed assets	42.00	0.19
Loss on sale or death of cow	35.51	-
Unrealised forex loss/(gain)	54.14	(3.46)
Interest expense	478.13	469.20
Deduct:		
Dividend income	(0.00)	(0.00)
Profit on sale of mutual fund	(0.70)	-
Interest income	(4.91)	4.66
Operating profit before working capital changes	1,641.82	1,154.12
Adjustments for :		
(Increase) in inventories	(605.39)	(216.15)
(Increase) in trade receivables	(686.95)	(105.76)
Increase/(decrease) in other long term liabilities	(30.78)	131.56
(Increase)/decrease in other non current assets	131.66	(17.57)
(Increase)/decrease in short term loans and advances	519.75	(728.75)
(Increase)/decrease in long term loans and advances	(28.07)	0.92
Increase in other current liabilities	34.40	1.46
Increase/(decrease) in trade payables	(253.12)	677.34
Increase in provisions	0.29	7.61
Cash generated from operations	723.61	904.78
Direct taxes paid (net of refunds)	(136.43)	(24.58)
Net cash flow from Operating activities	587.18	880.20
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(320.78)	(308.42)
Sale of fixed assets	8.51	4.12
Investments in mutual fund	-	0.32
Proceeds from sale of mutual fund	(0.70)	-
Investment in fixed deposits	(7.42)	9.44
Interest and dividend received	4.33	4.66
Net Cash used in Investing activities	(316.06)	(289.88)

Cash Flow Statement for the Year ended 31 March 2016

₹ in Millions

	Year ended March 31, 2016	Year ended March 31, 2015
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	602.72	55.11
Proceeds from issue of shares	56.76	-
Proceeds / Repayment from short term borrowings (net)	(116.69)	101.00
Proceeds from unsecured loan (net)	-	2.81
Repayment of long term borrowings	(252.20)	(285.04)
Interest paid	(554.91)	(450.16)
Net cash used in Financing activities	(264.32)	(576.29)
Net increase (decrease) in cash and cash equivalents (A+B+C)	6.80	14.04
Cash and cash equivalents at the beginning of the year		
Cash in hand	11.97	16.38
Bank balances	32.85	14.40
	44.82	30.78
Cash and cash equivalents at the end of the year		
Cash in hand	9.87	11.97
Bank balances	41.75	32.85
	51.62	44.82
Summary of significant accounting policies followed by the Company	2.0	
The accompanying notes are an integral part of the financial statements.		

As per our report of even date attached

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FR No. 103523W

Anup Mundhra

Partner

Membership No. 061083

Place: Mumbai

Date: June 24, 2016

For and on behalf of the Board of Directors

Devendra Shah

Chairman

DIN: 01127319

Bharat Kedia

Chief Financial Officer

Place: Mumbai

Date: June 24, 2016

Pritam Shah

Managing Director

DIN: 01127247

Rachana Sanganeria

Company Secretary

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

1. CORPORATE INFORMATION

Parag Milk Foods Limited (formerly Parag Milk Foods Private Limited) ("the Parent Company"), was incorporated under the provisions of the Companies Act, 1956. The Parent Company is engaged in the business of procurement of cow milk mainly in western and southern region. The Parent Company undertakes processing of milk and manufacture the various value added products namely cheese, butter, ghee, fresh cream, milk powder, flavoured milk, lassi, curd etc. which are marketed under its registered brand name "Gowardhan", "Go", "Topp up" and "PRIDE OF COWS".

The registered office of the Parent Company is situated in the state of Maharashtra, India. The Parent Company has changed its name to Parag Milk Foods Limited effective from July 07, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

i. Basis of preparation and consolidation

These consolidated financial statements ("CFS") comprise the financial statements of the Parent Company and its subsidiary (as listed in the table below) (together referred to as "the Group"). These CFS have been prepared under historical cost convention and accrual basis in accordance with generally accepted accounting principles in India ("Indian GAAP") and AS-21 on Consolidated Financial Statements as notified under section 133 of the Companies Act 2013 ("the Act"), read together with paragraph 7 of the Companies (Accounts) Rules 2014, the relevant provisions of the Act, as applicable.

The CFS is prepared using uniform accounting policies for transactions and other events in similar transactions.

The consolidation of financial statements of the Group is done to the extent possible on a line-by-line by adding together like items of assets, liabilities, incomes and expenses. All significant intra group transactions, unrealised inter-company profits and balances have been eliminated in the process of consolidation. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net assets and net income.

Subsidiaries are consolidated from the date on which effective control is acquired and are excluded from the date of transfer/disposal.

Sr. No	Name of the Company	Proportion of ownership interest	Country
1	Bhagyalaxmi Dairy Farms Pvt Ltd.	100%	India

ii. Use of Estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

iii. Inventories

Inventories are valued as below :

Items	Methodology of Valuation
Raw materials, components, stores and spares, Trading goods, and Packing materials	Lower of Cost/NRV. Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress and finished goods	Lower of Cost/NRV. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
Cost is determined on FIFO basis.	
Goods in transit are valued exclusive of custom duty, where applicable.	
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.	

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

iv. Cash flow statement

The cash flow statement is prepared using the "indirect method" set out in Accounting Standard 3 "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Group.

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

v. Depreciation

- Depreciation on cost of fixed assets is provided on straight line method at estimated useful live, which is in line with the estimated useful life as specified in Schedule II of the Companies Act, 2013, except for certain specific nature of assets, like Cow Ear Tags which are depreciated over the useful life of 30 years based on management estimates. Second hand machineries are depreciated over an estimated useful life of 10 years.
- Leasehold premises are recorded at acquisition cost and amortised on straight-line basis based over the lease term.
- Depreciation on additions is provided on a pro-rata basis from the date of ready to use and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis up to the month proceeding the month of deduction/disposal.
- Leasehold improvement includes all expenditure incurred on the leasehold premises that have future economic benefits. Leasehold Improvements are amortised over the period of lease or estimated period of useful life of such improvement, whichever is lower.

vi. Revenue Recognition

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

• Sales of goods

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer which is normally on dispatch of goods. Sales are stated net of returns and trade discount. Sales tax and VAT are excluded.

• Service Income

Service income is recognised as per the terms of the contract when the related services are rendered. It is stated net of service tax.

• Interest income

Interest income is recognised on time proportion basis.

• Dividends

Dividend income is recognised when the company's right to receive dividend is established by the reporting date.

vii. Tangible fixed assets

Fixed Assets are stated on cost less accumulated depreciation. The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the working condition for its intended use.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance

Projects under commissioning and other capital work in progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

viii. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

for its intended use and net of any trade discounts and rebates. The costs relating to acquisition of trademark are capitalised as 'Intangible Assets' and amortised on a straight line basis over a period of ten years, which is the management's estimate of the useful life of such trademark. Website development and computer software are amortised over a period of 3 years.

ix. Foreign Currency Transactions

• Initial recognition

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

• Conversion

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognised in the consolidated statement of profit and loss. Non-monetary foreign currency items are carried at cost.

• Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except exchange differences on long term foreign currency monetary items related to acquisition of fixed assets, which are included in the cost of fixed assets.

x. Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Group will comply with the conditions attached to them and (ii) the grant/subsidy will be received.

xi. Investments

Investments, which are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as 'current investments'. All other investments are classified as 'non-current investments'.

Investments are classified under non-current and current categories.

'Non-current Investments' are carried at acquisition /amortised cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

xii. Retirement and Other Employee Benefits

• Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus / ex-gratia are recognised in the period in which the employee renders the related service.

• Post-employment employee benefits

-> Defined Contribution schemes

Group's contributions to the Provident Fund and Employee's State Insurance Fund are charged to the consolidated 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 respective authorities.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

-> **Defined benefits plans**

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Group's contribution in the case of gratuity is funded annually with Life Insurance Corporation of India. However, the gratuity benefit scheme of the subsidiary company is unfunded.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation, carried out by an independent actuary at each Balance Sheet date, using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the consolidated statement of profit and loss.

-> **Other long term employee benefits**

Group's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the consolidated statement of profit and loss.

xiii. **Borrowing cost**

Borrowing cost includes interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs to the extent related/attributionable to the acquisition/construction of assets that takes substantial period of time to get ready for their intended use are capitalised along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the consolidated statement of profit and loss.

xiv. **Segment reporting**

The Group has identified manufacturing and processing of milk & milk products as its sole operating segment and the same has been treated as primary segment. The Group's secondary geographical segments have been identified based on the location of customers and are demarcated into Indian and Overseas revenue earnings.

Inter-segment transfers

The company generally accounts for intersegment sales and transfers at cost plus appropriate margins.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

xv. **Leases**

Where Company is the lessee

Assets taken under leases, where the Group assumes substantially all the risks and rewards of ownership, are

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

classified as Finance Leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Assets taken under leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term.

xvi. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share are calculated after adjusting effects of potential equity shares (PES). PES are those shares which will convert into equity shares at a later stage. Profit / loss is adjusted by the expenses incurred on such PES. Adjusted profit/loss is divided by the weighted average number of ordinary plus potential equity shares.

xvii. Taxation

Income-tax expense comprises current tax, deferred tax charge or credit and minimum alternative tax (MAT).

Current tax

Current income-tax is measured at the amount expected to be paid to the tax authorities after considering tax allowances, deductions and exemptions determined in accordance with Income Tax Act, 1961 and the prevailing tax laws.

Minimum alternative tax

Minimum alternative tax (MAT) obligation in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the respective components of the Group will pay normal tax during the specified period. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the respective components of the Group and the asset can be measured reliably.

Deferred tax

Deferred tax liability or asset is recognised for timing differences between the profits/losses offered for income tax and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax asset is recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax asset is recognised only if there is a virtual certainty of realisation of such asset. Deferred tax asset is reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

xviii. Impairment of Assets

The Group assesses at each Balance Sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset or a group of assets. The recoverable amount of the asset (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. 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

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

an impairment loss and is recognised in the consolidated statement of profit and loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Value in use is the present value of estimated future cash flow expected to arise from the continuing use of the assets and from its disposal at the end of its useful life.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

xix. Provisions and Contingencies

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The company does not recognise a contingent liability but discloses its existence in the financial statements.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xx. Employee stock option

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the consolidated statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

3 SHARE CAPITAL

₹ in Millions

Particulars	As at	
	March 31, 2016	March 31, 2015
Authorised Capital		
100,000,000 (March 31, 2015: 20,000,000 shares) equity shares of ₹10/- each	1,000.00	200.00
Issued, subscribed and fully paid up shares		
70,415,887 (March 31, 2015: 15,969,464 shares) equity shares of ₹10/- each fully paid up	704.16	159.69
Total	704.16	159.69

a. Shareholders holding more than 5% shares in the company is set out below:

Name of Shareholder	As at March 31, 2016		As at March 31, 2015	
	No of Equity shares held	Percentage of Holding	No of Equity shares held	Percentage of Holding
Mr. Devendra Prakash Shah	14,570,832	20.69%	4,856,944	30.41%
Mr. Pritam Prakash Shah	9,159,888	13.01%	3,053,296	19.12%
Mr. Prakash Babulal Shah	100	0.00%	2,239,112	14.02%
Mr. Parag Prakash Shah	100,000	0.14%	1,631,096	10.21%
Mrs. Netra Pritam Shah	10,272,782	14.59%	1,224,802	7.67%
IDFC Pvt Equity Fund III	14,134,162	20.07%	496,940	3.11%
India Business Excellence Fund	4,359,749	6.19%	40	0.00%

b. Reconciliation of number of shares

₹ in Millions

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	15,969,464	159.69	15,969,464	159.69
Shares issued during the year	54,446,423	544.46	-	-
Shares outstanding at the end of the year	70,415,887	704.16	15,969,464	159.69

The Parent Company in its Extra ordinary General meeting dated May 26, 2015 has approved bonus shares issue in the ratio of 2:1 and consequently 42,135,038 shares have been issued as bonus shares during the year ended March 31, 2016.

The Parent Company has issued 12,084,385 equity shares against conversion of 185,000,000 Nos compulsorily convertible debentures, at an aggregate share premium of ₹1,729.16 Million and 227,000 Nos equity shares to Parag Milk Foods Employee's Stock Option Trust at a premium of ₹240 per share during the year ended March 31, 2016.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

c. Information on equity shares allotted without receipt of cash or allotted as bonus shares or shares bought back

Particulars	Year				
	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash, by way of conversion of compulsorily convertible debentures.	12,084,385	-	-	-	-
Equity shares allotted as fully paid bonus shares by capitalisation of securities premium and surplus balance.	42,135,038	-	-	-	-

d. Terms/rights attached to equity shares

The Parent Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

e. Shares reserved for issue under options and contract/commitments

The Parent Company has Nil Nos (March 31, 2015: 125,000,000 Nos) compulsory convertible debentures (CCD) outstanding as at the reporting date which amount to ₹Nil (March 31, 2015: 125 Million), in respect of which the conversion option can be exercised by the holder at anytime within ten years of the date of issue at a price which is to be determined considering specified IRR based on the CCD agreement.

4 RESERVE & SURPLUS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
a. Securities premium account		
Opening balance	83.27	83.27
(+) Securities premium credited on share issue	1,783.64	-
(-) Securities premium debited on bonus share issue	(80.00)	-
Closing balance	1,786.91	83.27
b. General reserve	20.00	20.00
c. Debenture redemption reserve		
Opening balance	13.50	-
(+) Transfer from Surplus	4.50	13.50
Closing balance	18.00	13.50
d. Capital reserve on consolidation	3.02	3.02
e. Surplus		
Opening balance	959.38	655.16
Add: Net profit for the current year	473.18	322.09
(-) Bonus share issued	(341.35)	-
(+) Minority interest	-	0.07
(-) Transfer to debenture redemption reserve	(4.50)	(13.50)
(-) Accumulated depreciation	-	(4.44)
Closing balance	1,086.70	959.38
Grand Total	2,914.63	1,079.17

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

5 LONG-TERM BORROWINGS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Secured		
(A) Term loans		
a) Indian rupee loan from a bank [Refer note (a)]	343.80	485.14
Less: Current maturities of long term debt	157.12	108.00
	186.68	377.14
b) Foreign currency loan from a financial institution [Refer note (b)]	961.83	907.57
Less: Current maturities of long term debt	110.22	-
	851.61	907.57
c) Indian rupee loan from financial institutions [Refer note (c)]	38.02	45.73
Less: Current maturities of long term debt	10.50	14.41
	27.52	31.32
(B) Hire purchase loans [Refer note (d)]	4.87	6.54
Less: Current maturities of long term debt	2.24	2.34
	2.63	4.20
Grand Total (A+B)	1,068.44	1,320.23
Unsecured		
(C) Compulsory Convertible Debentures (CCDs) [Refer note (e)]	-	1,250.00
Less: Current maturities of long term debt	-	1,027.46
	-	222.54
(D) 0% Non Convertible Debentures (NCDs) to Promoters [Refer note (f)]	180.00	180.00
(E) From non banking financial institution [Refer note (g)]	-	98.77
Less: Current maturities of long term debt	-	98.77
	-	-
Total (C+D+E)	180.00	402.54
Total of secured and unsecured loans (A+B+C+D+E)	1,248.44	1,722.77

a. Indian rupee loan from a bank of ₹303.57 million (March 31, 2015 ₹410.32 million) carries interest @ 13.00%-13.90%.The loans are repayable in 38-43 monthly installments starting from Feb, 2013 and November, 2013 along with interest .The loan is secured by pari pasu charge on fixed assets and second pari pasu charge on current assets of the Parent Company and personal guarantee of Promoter Directors.

Indian Rupee loan also include a term loan of ₹40.23 million (March 31, 2015: ₹74.82 million) obtained from bank in case of the subsidiary company, Bhagyalaxmi Dairy Farms Private Limited, which carries interest @ 13.25% .The loan is to be repaid in 66 equal monthly installments starting from March 2012.The loan is secured by existing fixed assets of the subsidiary, mortgage of land owned by Directors and corporate guarantee given by the Parent Company.

b. Foreign currency loan from a financial institution of ₹961.83 million (March 31, 2015 ₹907.57 million) carries interest @ 4.79 % .The loans are repayable in 12 semi annual installments along with interest starting from June ,2016.The loan is secured by first pari pasu charge on movable and immovable fixed property of the Parent Company and secod pari pasu charge on entire current assets of the Parent Company along with other banks and personal guarantees of Directors and their relatives.

c. Indian rupee loan from financial instituions of ₹38.02 million (March 31, 2015 ₹45.73 million) carries interest @ 12.98%. The loan is repayable in 78 monthly installments along with interest .The loan is secured by way of hypothecation of the machinery of the Parent Company purchased against the loan.

d. Hire purchase loan from banks of ₹4.87 million (March 31, 2015 ₹6.54 million) carries interest @ 9.38% to 11.24 % p.a. The loans are repayable in 36 to 60 monthly installments starting from the respective date of finance.The loan is secured by specific assets financed (vehicle).

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

5 LONG-TERM BORROWINGS (contd.)

- e. The Parent Company had made an issue of 125 million nos of compulsory convertible debentures of nominal value of ₹10 each aggregating ₹1,250.00 million during the period FY 2008-09 to FY 2012-13. The life of such debentures was 10 years from the issue date; however the same was eligible to be converted into equity shares at any time, at the option of the investors on or prior to the maturity date or in case of IPO of the Company. Accordingly, the Company has converted 125 million debentures during the year ended March 31, 2016 into 10.02 million equity shares. The Company had further issued 60 million nos compulsory convertible debenture of nominal value of ₹10 each at 0% interest aggregating to ₹600 million on the same terms and conditions as the earlier CCD. The same has been converted into 2,060,910 nos of equity shares.
- f. The Parent Company has made an issue of 18,000,000 nos of Non Convertible Debentures of nominal value of ₹10 each aggregating ₹180.00 million at 0% interest to the promoters. The life of such debentures is 10 years from the issue date, i.e., March 2013.
- g. The loan from non banking financial institution is secured by pledge of 12,55,815 shares of Parent Company held by Promotor group, demand promissory note and personal guarantee by Directors.

6 DEFERRED TAX LIABILITY (Net)

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Deferred Tax Liability		
Fixed Assets: Impact of difference between income tax depreciation and depreciation charged for the financial reporting.	230.60	145.12
Total deferred tax liability	230.60	145.12
Deferred Tax Asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis.	7.30	2.84
Provision for doubtful debts and advances	64.96	22.56
Carry forward business loss and unabsorbed depreciation relating to subsidiary	48.77	59.85
Total Deferred Tax Asset	121.03	85.25
Net Deferred Tax Liability	109.57	59.87
Opening deferred tax liability (net)	59.87	52.17
Deferred tax charge for the year	49.70	7.70

7 OTHER LONG-TERM LIABILITIES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Deposit from customer	180.78	211.56
Total	180.78	211.56

8 LONG TERM PROVISIONS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits		
Provision for gratuity	0.34	0.24
Provision for leave benefits	5.76	4.31
Total	6.10	4.55

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

9 SHORT-TERM BORROWINGS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
A) Loans repayable on demand (Secured)		
Cash credit from banks #	2,357.01	2,469.56
Total (a)	2,357.01	2,469.56
B) Loans repayable on demand (Unsecured)		
From directors	1.22	5.36
Total (b)	1.22	5.36
Grand Total (a+b)	2,358.23	2,474.92

Cash credit facility availed from banks by Parent Company is secured by first pari pasu charge on all current assets of the Parent Company and second pari pasu charge on fixed assets of the Parent Company, personal guarantee of Promoter Directors and their relative. The cash credit is repayable on demand and carries interest @ 12.40% p.a. to 15.00% p.a..

10 TRADE PAYABLES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Trade payables		
Dues of Micro and Small Enterprises [Refer note no. 41]	42.43	14.94
Dues of Others	1,635.88	1,916.49
Total	1,678.31	1,931.43

11 OTHER CURRENT LIABILITIES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Current maturities of long term borrowings [Refer note no. 5]	277.84	1,248.63
Current maturities of hire purchase loans [Refer note no. 5]	2.24	2.34
Interest accrued but not due on borrowings	23.81	26.13
Capital creditors	90.68	74.87
Employee benefits payable	62.68	42.63
Advance from customers	165.00	150.95
Statutory dues payable	45.37	45.06
Total	667.62	1,590.61

12 SHORT-TERM PROVISIONS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits:		
Gratuity	2.55	3.99
Leave benefits	1.09	0.83
Others:		
Provision for Income tax (net of advance tax)	38.14	-
Provision for Wealth tax	-	0.08
Total	41.78	4.90

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

13 FIXED ASSETS

Particulars	Gross Block				Accumulated Depreciation/Amortisation				Impairment			Net Block	
	As at April 1, 2015	Additions during the Year	Deletions	As at March 31, 2016	As at April 1, 2015	Depreciation charge / amortisation for the year	Deletions	Retained earning	As at March 31, 2016	As at April 1, 2015	During the year	As at March 31, 2016	As at March 31, 2015
A. Tangible Assets													
Land - freehold	66.39 (66.39)	3.82	-	70.21 (66.39)	-	-	-	-	-	-	-	70.21 (66.39)	66.39 (66.39)
Buildings	846.37 (822.42)	12.97 (23.96)	-	859.34 (846.37)	153.60 (123.25)	31.26 (30.35)	-	-	184.86 (153.60)	-	-	674.48 (692.77)	692.77 (699.17)
Leasehold building improvements	14.30 (14.26)	6.01 (0.04)	-	20.31 (14.30)	10.52 (8.48)	3.31 (2.04)	-	-	13.83 (10.52)	-	-	6.48 (3.78)	3.78 (5.78)
Plant and machinery	3,082.60 (2,350.78)	866.72 (735.78)	0.09 (3.96)	3,949.23 (3,082.60)	1,242.17 (1,015.69)	286.64 (226.73)	-	-	1,528.81 (1,242.17)	-	-	2,420.42 (1,840.43)	1,840.43 (1,335.09)
Furniture and fixtures	14.46 (11.70)	4.22 (2.76)	-	18.68 (14.46)	4.17 (2.80)	1.68 (1.37)	-	-	5.85 (4.17)	-	-	12.83 (10.29)	10.29 (8.90)
Office equipment	16.07 (13.97)	3.86 (2.13)	-	19.93 (16.07)	9.43 (2.94)	2.84 (6.49)	-	-	12.27 (9.43)	-	-	7.66 (6.64)	6.64 (11.03)
Computers	14.60 (13.24)	2.32 (1.48)	-	16.92 (14.60)	11.54 (6.81)	1.93 (4.73)	-	-	13.47 (11.54)	-	-	3.45 (3.06)	3.06 (6.43)
Vehicles	33.11 (28.86)	3.83 (4.25)	-	36.94 (33.11)	16.93 (12.80)	3.62 (4.38)	-	-	20.55 (16.93)	-	-	16.39 (16.18)	16.18 (16.06)
Cows (livestock)	267.69 (267.95)	46.65 (73.31)	40.30 (73.57)	274.04 (267.69)	-	0.00 (0.00)	-	-	0.00 (0.00)	-	42.00	232.04 (267.69)	267.69 (267.95)
Total	4,355.59 (3,589.57)	950.40 (843.70)	40.39 (77.69)	5,265.60 (4,355.59)	1,448.36 (1,172.77)	331.28 (276.09)	(0.50)	-	1,779.64 (1,448.36)	-	42.00	3,443.96 (2,907.25)	2,907.23 (2,416.80)
B. Intangible Assets													
Brands / trademarks	0.83 (0.83)	-	-	0.83 (0.83)	0.59 (0.53)	0.06 (0.06)	-	-	0.65 (0.59)	-	-	0.18 (0.24)	0.24 (0.30)
Computer software	8.77 (8.04)	2.19 (0.73)	-	10.96 (8.77)	5.88 (2.84)	1.98 (3.04)	-	-	7.86 (5.88)	-	-	3.10 (2.89)	2.89 (5.20)
Website development	1.49 (1.49)	-	-	1.49 (1.49)	0.79 (0.22)	0.57 (0.57)	-	-	1.36 (0.79)	-	-	0.13 (0.70)	0.70 (1.27)
Total	11.09 (10.36)	2.19 (0.73)	-	13.28 (11.09)	7.26 (3.59)	2.61 (3.67)	-	-	9.87 (7.26)	-	-	3.41 (3.83)	3.83 (6.77)
Previous Year	4,366.68 (3,599.93)	952.59 (844.43)	40.39 (77.69)	5,278.88 (4,366.68)	1,455.62 (1,176.36)	333.89 (279.76)	-	-	1,789.51 (1,455.62)	-	42.00	3,447.37 (2,911.06)	2,911.06 (2,423.57)

i) As per the provisions of the Accounting Standard 16 - 'Borrowing costs' notified pursuant to the Companies (Accounting Standard) Rules, 2006, the Company has capitalised borrowing costs of ₹20.76 million (March 31, 2015 ₹89.12 million) to the cost of fixed assets.

ii) In accordance with Accounting Standard 11 - 'Change in Foreign Currency Rates', the Company has adjusted foreign exchange gain / (loss) of ₹(54.43) million (March 31, 2015: ₹(7.04) million) arising on reporting of long term foreign currency monetary item against the historical cost of fixed assets.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

14 NON-CURRENT INVESTMENTS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Investments - Non Trade		
Investments in mutual funds	-	3.00
Other investments	0.06	0.06
Total	0.06	3.06

Details of trade investments & other investments

₹ in Millions

Name of the body corporate	Associate / JV/Others	Quoted / Unquoted	Partly paid / Fully paid	No of units / shares		Amount	
				31-Mar-16	31-Mar-15	As at March 31, 2016	As at March 31, 2015
A. Other Investments							
Investments in mutual fund							
a. Union KBC Mutual fund	Other	Quoted	Fully paid	-	300,000	-	3.00
Other investments							
a. Rupee Co-operative Bank Ltd.	Other	Unquoted	Fully paid	3,800	3,800	0.04	0.04
b. Sharad Sahakari Bank Ltd.	Other	Unquoted	Fully paid	318	318	0.02	0.02
Total				4,118	304,118	0.06	3.06

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Aggregate cost of quoted investments	-	3.00
Aggregate cost of unquoted investments	0.06	0.06
Aggregate market value of quoted investments	-	3.85

15 LONG-TERM LOANS AND ADVANCES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured, considered good, unless stated otherwise		
Capital advances	72.71	607.67
Security deposits	82.94	54.87
Advance tax (net of provisions)	1.54	2.93
Total	157.19	665.47

16 OTHER NON-CURRENT ASSETS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Fixed deposits (Margin money with original maturity for more than 12 months)	8.87	18.29
Interest accrued on fixed deposits	2.23	-
Total	11.10	18.29

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

17 INVENTORIES

(Valued at cost or net realisable value, whichever is less)

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Raw materials and components	35.70	47.38
Work-in-progress	962.60	589.70
Packing material	91.64	109.43
Finished goods	1,546.20	1,297.41
Stores and spares	88.12	74.95
Total	2,724.26	2,118.87

18 TRADE RECEIVABLES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good (unsecured)	425.57	575.36
Considered doubtful	170.69	134.98
Less: Provision for doubtful debts	(170.69)	(134.98)
Total (a)	425.57	575.36
Other debts		
Considered good (unsecured)	1,934.35	1,133.54
Considered doubtful	0.16	-
Less: Provision for doubtful debts	(0.16)	-
Total (b)	1,934.35	1,133.54
Total (a+b)	2,359.92	1,708.90

19 CASH AND BANK BALANCES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
I. Cash and Cash Equivalents		
a) Cash on hand	9.87	11.97
b) Balances with banks		
-In current accounts	39.61	30.64
-In deposits with original maturity of less than 3 months	2.14	2.21
Sub total	51.62	44.82
II. Other bank balances		
-Fixed deposits (original maturity for more than 3 months but less than 12 months)	8.78	8.37
-Fixed deposits (original maturity for more than 12 months)	16.43	-
Sub total	25.21	8.37
Total	76.83	53.19

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

20 SHORT-TERM LOANS AND ADVANCES

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Considered good (unsecured)		
Advance recoverable in cash or in kind	363.68	908.67
Total (a)	363.68	908.67
Other loans and advances		
Balance with statutory/government authorities		
Considered good	27.13	31.85
Considered doubtful	17.21	17.21
Less: Provision for doubtful advances	(17.21)	(17.21)
	27.13	31.85
MAT receivable	63.77	33.81
Total (b)	90.90	65.66
Grand Total (a+b)	454.58	974.33

21 OTHER CURRENT ASSETS

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured considered good, unless stated otherwise		
Deposits	2.53	-
Electricity duty receivable	18.86	21.59
PSI incentive receivable	292.74	479.49
Interest accrued on fixed deposit	0.77	2.42
IPO expenses not written off #	85.25	-
Total	400.15	503.50

IPO expenses incurred being carried forward to be set off against securities premium post issue of shares in IPO

22 REVENUE FROM OPERATIONS

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Gross sales		
Sale of products		
Manufactured goods	14,515.67	13,291.05
Traded goods	1,291.40	492.25
Total (a)	15,807.07	13,783.30
Other operating revenues		
Processing charges	419.95	351.16
Export benefits and incentives	5.54	11.94
PSI incentive (Sales tax)	211.41	289.29
Manure sales	7.34	5.73
Total (b)	644.24	658.12
Grand Total (a+b)	16,451.31	14,441.42

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

Attributes of manufactured and traded goods

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Sale of Products comprises of :		
Manufactured goods		
Fresh milk	3,387.24	2,854.32
Milk products	11,128.43	10,436.73
Total (a)	14,515.67	13,291.05
Traded goods		
Fresh milk	65.49	265.83
Milk products	1,225.91	226.42
Total (b)	1,291.40	492.25
Grand Total (a+b)	15,807.07	13,783.30

23 OTHER INCOME

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest income on		
-Bank deposits	4.32	2.76
-Others	0.59	1.90
Foreign exchange fluctuation (Net)	-	3.47
Scrap sales	0.70	0.89
Liabilities no longer required written back	-	5.28
Provision for doubtful debts reversed	6.16	-
Profit on sale of mutual funds	0.70	-
Miscellaneous income	3.71	0.97
Total	16.18	15.27

24 COST OF MATERIAL CONSUMED

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
a) Raw material consumed		
Inventory at the beginning of the year	31.70	54.31
Add: Purchases	9,995.40	9,680.55
Less: Inventory at the end of the year	35.70	31.70
Total (a)	9,991.40	9,703.16
b) Packing material and stores/spares consumed		
Inventory at the beginning of the year	109.43	103.53
Add: Purchases	1,010.87	743.55
Less: Inventory at the end of the year	97.40	109.43
Total (b)	1,022.90	737.65
Grand Total (a+b)	11,014.30	10,440.81

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

24 COST OF MATERIAL CONSUMED (contd.)

Details of material consumed

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Raw milk	7,811.56	8,783.32
Packing material and stores/spares consumed	1,022.90	737.65
Others	2,179.84	919.84
Total	11,014.30	10,440.81

25 PURCHASE OF STOCK IN TRADE

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Fresh milk	65.49	-
Milk products	1,317.48	392.36
Total	1,382.97	392.36

26 CHANGES IN INVENTORY OF FG, WIP AND STOCK IN TRADE

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Inventories at the beginning of the year		
Finished goods	1,297.41	934.74
Work-in-progress	589.70	735.41
	1,887.11	1,670.15
Inventories at the end of the year		
Finished goods	1,546.20	1,297.41
Work-in-progress	962.60	589.70
	2,508.80	1,887.11
(Increase) in inventory	(621.69)	(216.96)

27 EMPLOYEE BENEFIT EXPENSES

Particulars	₹ in Millions	
	Year ended March 31, 2016	Year ended March 31, 2015
Salaries, wages and bonus	642.46	521.45
Contribution to provident and other fund	15.96	13.78
Gratuity	3.59	4.29
Staff welfare expenses	39.08	32.71
Total	701.09	572.23

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

28 OTHER EXPENSES

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Transport, octroi and freight	364.63	392.65
Power and fuel	415.99	442.54
Rent, rates and taxes	193.49	53.38
Insurance	18.95	19.51
Repairs and maintainance		
-Plant and machinery	97.86	88.91
-Building	6.31	5.48
-Others	18.88	10.13
Other factory expenses	23.26	15.94
Carriage outward	613.47	537.31
Vat paid	-	8.00
Exchange fluctuation (net)	5.38	-
Security charges	15.67	15.59
Advertisements	191.90	167.38
Sales promotion expenses	189.16	80.16
Commission on sales	40.98	44.14
Agency charges for export	6.00	6.99
Fees and subscriptions	-	0.09
Travelling and conveyance	56.13	37.01
Communication costs	9.97	8.28
Printing and stationery	4.84	4.97
Legal and professional fees	35.93	30.07
Director's remuneration	23.40	23.40
Auditor's remuneration *	3.23	2.22
Bad debts	-	0.24
Provision for doubtful debts	42.03	69.52
Provision for doubtful advances	-	9.55
Loss on assets	-	0.19
Loss on sale / death of cow	31.88	56.85
Impairment of cows	42.00	-
Donations	0.96	0.28
CSR expenses [Refer note no. 42]	0.72	1.06
Miscellaneous expenses	45.61	49.23
Total	2,498.63	2,181.07

* Auditor's remuneration

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
As auditor:		
Audit fees	3.23	2.00
Other services #	10.50	0.11
Reimbursement of expenses	0.05	0.11
Total	13.78	2.22

Fees for other services and reimbursement of expenses are in relation to IPO and accounted for as IPO expenses under Note 21

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

29 FINANCE COST

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest expenses		
- term loans	108.69	78.17
- working capital loans	326.45	346.45
Total interest expenses (a)	435.14	424.62
Interest expenses capitalised (b)#	22.21	-
Net Interest expenses (c)=(a+b)	457.35	424.62
Other borrowing cost (d)	20.78	10.89
Total (e) = (c+d)	478.13	435.51
Bank charges and commission (f)	12.28	33.69
Total (g) = (e+f)	490.41	469.20

Consists of ₹22.21 mn (March 31, 2015 : Nil) reversed from CWIP in respect of Borrowing Cost excess capitalised in earlier years.

30 EARNINGS PER EQUITY SHARES

The basic earnings per equity share (EPS) are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive. The EPS is calculated as under:

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Basic earnings per share		
Profit attributable to equity shareholders	473.18	322.09
Weighted average number of equity shares #	65.52	58.10
Basic earnings per share	7.22	5.54
Face value per share	10	10
Diluted earnings per share		
Profit attributable to equity shareholders	473.18	322.09
Weighted average number of equity shares before considering potential equity shares	65.52	58.10
Add :Potential convertible debentures	-	10.86
Weighted average number of equity shares after considering potential equity shares	65.52	68.96
Diluted earnings per share	7.22	4.67

As per Accounting Standard 20, in case of bonus shares or consolidation of shares, the number of shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event has occurred at the beginning of the earliest period reported. Weighted average number of equity share outstanding during the previous period have been considered accordingly.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

31 CONTINGENT LIABILITIES

₹ in Millions

Sr. No.	Particulars	Year ended March 31, 2016	Year ended March 31, 2015
a.	Guarantees (including letter of credit) given by banks on behalf of the Parent Company	9.72	10.36
b.	Corporate guarantees given by Parent Company for loans taken by its subsidiary company and suppliers from banks /financial institutions	920.34	295.34
c.	Sales tax matter under litigation in respect of Parent Company for F.Y. 2006-07 and FY 2009-10 for pending F forms and lower allowance on account of Central Quantum Benefit, against which appeal has been filed.	83.32	83.32
d.	Claim against the Parent company not acknowledge as debt in relation to claim made by France International Trade, Rennes, vide Special Civil Suit No. 692/2012 dated March 07, 2012 in the Court of Honourable Civil Judge, Senior Division, Pune for damaged goods supplied by the Company. The amount includes interest of ₹20.37 Million.	70.68	70.68
e.	Income tax matter under litigation for the AY 2012-13, mainly with regard to taxability of PSI incentive (including interest of ₹7.26 million).	56.20	-
f.	Demand notice received u/s 245 for AY 2014-15 and AY 2015-16	0.35	-
g.	Duty liability under advance license scheme	62.75	-
h.	Income tax matter under litigation of the subsidiary company #	20.51	21.53

During the financial year 2010-11, Income Tax Authorities had conducted a search/survey on the subsidiary. Consequent to this search/survey, the Income tax authorities have made additional income of ₹46.88 million and tax demand on additional income including interest of ₹21.53 million. After tax payment of ₹1.02 million balance tax demand is ₹20.51 million. The Group has not accepted the additions and demand made by the income tax authorities and has made an appeal to Commissioner (Appeals). Further, the proceedings are under process and the consequential effect, if any, of the outcome of these proceedings on the assets, liabilities and profits of the Company and further tax liabilities, if any, is currently not ascertainable.

In all the cases mentioned above, outflow is not probable in accordance with Accounting Standard 29 ("AS-29") Provisions, Contingent Liabilities and Contingent Assets hence not provided by the Company.

32 CAPITAL EXPENDITURE

During the period, the Group has capitalised the following expenses of revenue nature to the cost of fixed asset / capital work-in-progress (CWIP). Consequently expenses disclosed under the respective notes are net of amounts capitalised by the Group.

₹ in Millions

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Materials consumed	36.36	51.48
Stores and consumables	4.04	8.94
Power and fuel	3.12	2.84
Salary	2.86	9.58
Security charges	0.28	0.48

Borrowing cost and foreign exchange differences capitalised are disclosed separately under note no. 13.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

33 FOREIGN CURRENCY:

- a) There are no foreign currency (FC) exposures that have been hedged by a derivative instrument or otherwise during the year ended March 31, 2016 and March 31, 2015.
- b) The year-end foreign currency (FC) exposures that are un hedged by a derivative instrument or otherwise are as follows:

Amount in Millions

Particulars	Currency	As at March 31, 2016		As at March 31, 2015	
		Amount in INR	Amount in FC	Amount in INR	Amount in FC
Payables in foreign currency					
- Trade Payable	EURO	2.88	0.04	10.81	0.16
	GBP	0.01	0.01	-	-
Secured Loans					
-Secured Loans	USD	961.83	14.50	907.56	14.50
- Commitment fees accrued	USD	-	-	4.08	0.07
- Interest accrued but not due	USD	15.24	0.23	12.63	0.20
Receivables in foreign currency					
-Trade Receivable	USD	19.65	0.30	-	-
Advance received from customers	USD	35.59	0.54	31.97	0.51
Advance to suppliers	AUD	-	-	44.35	0.93
	EURO	8.56	0.11	-	-

34 CAPITAL AND OTHER COMMITMENTS

The Group has capital commitments as at March 31, 2016 of ₹169.45 million (March 31, 2015: ₹8.65 million). For commitments relating to lease arrangements, refer note no. 40.

35 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD- 15 "EMPLOYEE BENEFITS"

A. General description

- i) Provident Fund/ Employee State Insurance (Defined Contribution)
The Company's provident fund scheme (including pension fund scheme for eligible employees) and employee state insurance scheme are defined contribution plans. The expense charged to the Statement of Profit and Loss under the head 'Contribution to provident and other funds' in respect to the above schemes is ₹15.40 million (March 31, 2015: ₹13.02 million)
- ii) Gratuity (Defined benefit plan)
The Parent Company has a funded defined benefit gratuity plan. Whereas the subsidiary company, has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service.

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

35 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD- 15 "EMPLOYEE BENEFITS" (contd.)

B. The following tables set out disclosures prescribed by AS 15 in respect of Group's funded and unfunded gratuity plan)

- i) Changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof:-

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Present value of obligation as at the beginning of the period	14.56	10.27
Interest cost	1.13	0.82
Current service cost	3.33	2.94
Benefits paid	(0.14)	-
Actuarial loss on obligation	0.88	0.53
Closing present value of obligation	19.76	14.56

- ii) Changes in the fair value of plan assets

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Present value of plan assets as at beginning of the period	10.04	8.79
Expected return on plan assets	1.03	0.86
Contributions	5.25	1.54
Benefits paid	(0.14)	-
Actuarial gains / (losses)	0.69	(0.86)
Fair value of plan assets as at end of the period	16.87	10.33

- iii) The amount recognised in the Balance Sheet are as follows:

₹ in Millions

Particulars	As at March 31, 2016	As at March 31, 2015
Present value of obligation as at the end of the period	19.76	14.56
Fair value of plan assets	16.87	10.33
Net liability recognised in balance sheet	2.89	4.23

- iv) The amount recognised in the consolidated statement of profit and loss are as follows:

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Current service cost	3.33	2.94
Interest cost	1.13	0.82
Expected return on plan assets	(1.03)	(0.86)
Net actuarial loss recognised in the period	0.17	1.39
Expenses recognised in the consolidated statement of profit and loss	3.59	4.29

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

35 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD- 15 "EMPLOYEE BENEFITS" (contd.)

v) Assumptions of gratuity

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Discount Rate	7.95%	7.82%
Salary escalation #	6.00%	7.00%
Rate of return on plan assets (for funded scheme) *	8.00%	8.00%

*The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

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

vi) The Parent Company expects to contribute ₹2.50 million to its gratuity fund in the next one year (March 31, 2015: 4.24)

vii) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Investment with insurer	100%	100%

viii) Disclosure under para 120(n) of AS 15

Particulars	₹ in Millions			
	31-Mar-2016	31-Mar-2015	31-Mar-2014	31-Mar-2013
Defined benefit obligation	19.76	14.56	10.27	4.73
Plan asset	16.87	10.33	8.54	5.84
Surplus/(deficit)	2.89	4.23	1.77	(1.11)
Experience adjustments on plan asset	0.69	(0.86)	(0.03)	-
Experience adjustments on plan liability	1.00	0.54	(0.97)	-

36 INFORMATION PURSUANT TO PARA 5(VIII) OF THE GENERAL INSTRUCTIONS TO THE STATEMENT OF PROFIT AND LOSS

i) Value of Imports on C.I.F basis

Particulars	₹ in Millions	
	Year ended on March 31, 2016	Year ended on March 31, 2015
Packing material & consumables	32.07	-
Raw materials	140.97	-
Traded goods	9.11	29.41
Capital goods (including CWIP)	52.94	19.10

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

36 INFORMATION PURSUANT TO PARA 5(VIII) OF THE GENERAL INSTRUCTIONS TO THE STATEMENT OF PROFIT AND LOSS (contd.)

ii) Expenditure in foreign currency (On accrual basis)

₹ in Millions

Particulars	Year ended on	
	March 31, 2016	March 31, 2015
Foreign travel	2.51	1.37
Sales promotion	0.33	0.83
Finance cost	49.06	60.48
Office expenses	0.71	-
Fee & Subscription	0.01	-
Bank charges	0.10	4.05
Professional fee-IPO	14.89	-

iii) Earnings in Foreign Currency

₹ in Millions

Particulars	Year ended on	
	March 31, 2016	March 31, 2015
Export of goods on F.O.B. basis	318.09	467.38

iv) Consumption of materials

₹ in Millions

Particulars	Year ended		Year ended	
	March 31, 2016		March 31, 2015	
	Amount	Percentage	Amount	Percentage
Imported	141.01	1.4%	-	-
Indigenous	9,850.39	98.6%	9,703.16	100%
Total	9,991.40	100.00%	9,703.16	100%

v) Consumption of packing materials, stores and spare parts

₹ in Millions

Particulars	Year ended		Year ended	
	March 31, 2016		March 31, 2015	
	Amount	Percentage	Amount	Percentage
Imported	33.92	3.3%	26.72	4%
Indigenous	988.98	96.7%	710.93	96%
Total	1,022.90	100.00%	737.65	100%

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

37 RELATED PARTY DISCLOSURE

In accordance with the requirements of Accounting Standard 18, "Related Party Disclosures" notified pursuant to the Companies (Accounting Standards) Rules, 2006", the details of related party transactions are given below:

Nature of Relationship	Nature of Related party
a) Key management personnel	Mr. Devendra Shah – Chairman
	Mr. Pritam Shah – Director
	Mr. Parag Shah – Director (Up to February 19, 2015)
	Mr. Bharat Kedia – Chief financial officer (CFO) w.e.f. January, 2015
	Mrs. Rachana Sanganeria – Company Secretary
b) Subsidiary Company	Bhagyalaxmi Dairy Farms Private Limited
c) Relatives of Key Management Personnel	Relatives having transaction during the period
	Mr. Prakash Shah
	Mr. Parag Shah (From February 20, 2015)
	Mrs. Rajani Shah
	Ms. Akshali Shah
	Mrs. Priti Shah
d) Enterprise over which Key Management Personnel exercise significant influence / control	Mrs. Netra Shah
	Enterprise having transactions during the period: Bharat Trading Company

a) Details of related party transactions during the year:

The Group has identified the following related party transactions as per Accounting Standard 18:

Nature of Transactions	₹ in Millions	
	Year ended on March 31, 2016	Year ended on March 31, 2015
(A) Transactions during the period		
Purchases of goods		
Bharat Trading Company	12.38	-
Devendra Shah	1.42	2.10
Sale of goods		
Devendra Shah	0.01	
Managerial remuneration #		
Devendra Shah	12.00	12.00
Pritam Shah	11.40	11.40
Bharat Kedia	9.79	2.24
Rachanan Sanganeria	1.38	1.04
Parag Shah	2.40	2.40
Akshali Shah	1.08	0.99
Rent payment		
Devendra Shah	3.39	0.39
Pritam Shah	0.45	0.45
Priti Shah	0.39	0.39
Netra Shah	0.39	0.39
Borrowing (loan) from		
Devendra Shah	1.20	22.80

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

a) Details of related party transactions during the year:

The Company has identified the following related party transactions as per Accounting Standard 18: (contd.)

₹ in Millions

Nature of Transactions	Year ended on March 31, 2016	Year ended on March 31, 2015
Pritam Shah	63.40	143.20
Borrowing (loan) repaid to		
Devendra Shah	5.04	19.56
Pritam Shah	63.71	143.56
Parag Shah	-	0.08
Bonus shares issued		
Devendra Shah	97.14	-
Pritam Shah	61.07	-
Parag Shah	32.62	-
Prakash Shah	44.78	-
Rajani Shah	3.80	-
Priti Shah	9.94	-
Netra Shah	18.50	-
Advances given		
(B) Balance outstanding at the end of the period		
(i) Loan		
Devendra shah	0.48	4.32
Pritam Shah	0.73	1.04
(ii) Non convertible debenture		
Devendra shah	30.00	30.00
Pritam Shah	150.00	150.00
(iii) Personal guarantee issued by		
Devendra Shah, Pritam Shah, Parag Shah, Prakash Shah, Netra Shah, &Priti Shah	4,679.55	3,948.67
(iv) Payable to		
Bharat Trading Company	1.98	-
Devendra Shah	0.02	-

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole. Further, the remuneration to key managerial personnel does not include employee stock compensation expense.

38 INFORMATION PERTAINING TO SHARE OF NET ASSETS AND SHARE OF PROFIT OF SUBSIDIARY IN THE CONSOLIDATED BUSINESS

₹ in Millions

Name of the Entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss before tax	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Bhagyalaxmi Dairy Farms Pvt Ltd	9.74%	352.3	(4.73%)	(31.59)

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

39 SEGMENT REPORTING DISCLOSURE

i) Primary (Business) Segment

In accordance with the requirements of the Accounting Standard 17 "Segment Reporting", the Group's business consists of one reportable business segment i.e., "Manufacturing & Processing of Milk & Milk Products", hence no separate disclosures pertaining to attributable Revenue, Profits, Assets, Liability, Capital Employed are given.

ii) Secondary (Geographical) Segment:

Secondary segment reporting is performed on the basis of geographical location of the customers. The operation of the Group comprises local sales and export sales. The management views the Indian market and export market as distinct geographical segments. The following is the distribution of the Group's sale by geographical markets:

₹ in Millions

Particulars	Year ended on March 31, 2016			Year ended on March 31, 2015		
	Within India	Outside India	Total	Within India	Outside India	Total
Segment revenue	16,119.97	331.34	16,451.31	13,974.04	467.38	14,441.42
Additions to fixed assets	947.96	-	947.96	755.90	-	755.90
Carrying value of segment assets *	9,816.09	28.21	9,844.30	9,158.39	44.35	9,202.74

*Excludes advance tax and MAT receivable

40 OPERATING LEASE

The Group has entered into commercial leases for taking office spaces on lease. These leases have an average lease term of three and five years with renewal option and escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The Group has not given any sub lease during the period. Some of the lease arrangements also include a non-cancellable period.

Lease rental expenses incurred and debited to the consolidated statement of profit and loss for the period ended March 31, 2016 are ₹65.35 million (March 31, 2015: ₹31.28 million).

Disclosure for minimum lease rental payables under non-cancellable lease agreements is as below:

₹ in Millions

Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
Lease payments due-		
Not later than one year	2.2	20.82
Later than one year and not later than five years	1.62	62.11
Later than five years	-	2.90

41 AMOUNT DUE TO MICRO AND SMALL ENTERPRISES

Information required to be disclosed in accordance with Micro, Small and Medium Enterprises Development Act, 2006 has been determined based on the parties identified on the basis of information available with the Group, which has been relied upon by the auditors:

₹ in Millions

Sr. No.	Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
i)	a) The Principal amount remaining unpaid to any supplier at the end of the period included in Trade Payables.	38.79	13.55
	b) The interest due on above	3.64	1.39
ii)	The amount of interest paid by the buyer in term of Section 16 of the Act	-	-
iii)	The amount of the payment made to the supplier beyond the appointed day during the period.	94.32	6.75
iv)	The amount of interest accrued and remaining unpaid at the end of period.	3.64	1.39

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

41 AMOUNT DUE TO MICRO AND SMALL ENTERPRISES (contd.)

₹ in Millions

Sr. No.	Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
v)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the period) but without adding the interest specified under this Act.	-	-
vi)	The amount of further interest remaining due & payable in the succeeding years	3.64	1.39

42 DISCLOSURE OF CSR EXPENSES

₹ in Millions

Sr. No.	Particulars	Year ended on March 31, 2016	Year ended on March 31, 2015
a)	Gross amount required to be spent by the Group during the period	5.15	2.24
b)	Amount spent during the period on:		
(i)	Construction/acquisition of any asset	-	-
(ii)	On purposes other than (i) above		
	- In cash	0.72	1.06
	- Yet to be paid in cash	-	-

43 EMPLOYEE STOCK OPTION SCHEME:

The Board of Directors constituted the equity settled Employee Stock Option Scheme ("ESOS2015") vide its resolutions dated February 27, 2015 and April 21, 2015 for issue of 696,339 stock options to the key employees of the Parent Company, which has been further approved in the Parent Company's Extra ordinary General meeting dated April 3, 2015 and May 16, 2015.

Pursuant to the above scheme, the Board of Directors vide its circular resolution dated September 3, 2015, approved grant of 227,000 stock options to its employees on September 4, 2015.

According to ESOP2015, the employee selected will be entitled to stock options, subject to satisfaction of the prescribed vesting conditions in the scheme. The contractual life (comprising the vesting period and the exercise period) of options granted is 3 years. The other relevant terms of the grant are as below:

Vesting period	1 years
Exercise period	2 years
Expected life	3 years
Exercise price	₹ 250

Particulars	Year ended on March 31, 2016	
	No. of options	WAEP
Outstanding at the beginning of the year	-	-
Granted during the year	227,000	250
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	227,000	250
Exercisable at the end of the year	-	-

Particulars	Year ended on March 31, 2016
Dividend yield (%)	-
Expected volatility	41.71%
Risk-free interest rate	7.54%
Weighted average share price (Rs)	250
Exercise price (Rs)	250
Expected life of options granted in years	3

Notes to the Consolidated Financial Statements for the year ended March 31, 2016

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No cost has been recognised in respect of ESOS2015 during the period as the exercise price of the options is higher than the fair value of the options as at the grant date. Further, disclosures for the prior periods have not been given as the ESOP's were granted only during the year ended March 31, 2016.

- 44 The Company assesses at each Balance Sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. Due to drought situation in Maharashtra, the realisable value of cows has fallen significantly. Hence, the Company has accounted for an impairment loss of ₹42 Million during the year as the difference between the carrying value and the recoverable amount. Recoverable amount is assessed as the net realisable value on sale.
- 45 (a) Previous year's figures have been regrouped/reclassified wherever necessary, to confirm to current year's classification.
- (b) Amounts mentioned as "0" in the financial statements denote amounts rounded off being less than Rupees ten thousand.

As per our report of even date attached

For Haribhakti & Co. LLP
Chartered Accountants
ICAI FR No. 103523W

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: June 24, 2016

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Bharat Kedia
Chief Financial Officer

Place: Mumbai
Date: June 24, 2016

Pritam Shah
Managing Director
DIN: 01127247

Rachana Sanganeria
Company Secretary

CORPORATE INFORMATION

Directors

Mr. Devendra Shah, Chairman
Mr. Pritam Shah, Managing Director
Mr. BM Vyas, Director
Mr. Sunil Goyal, Director
Mr. Narendra Ambwani, Director
Mr. Nitin Dhavalikar, Director
Mrs. Radhika Pereira, Director
Mr Ramesh Chandak, Director

Management Team

Mr. Bharat Kedia, Chief Financial Officer
Mr Mahesh Israni, Chief Marketing Officer
Mrs. Rachana Sanganeria, Company Secretary & Compliance Officer
Mr. H S Oberoi, President
Mr. Sachin Shah, Vice President-Marketing
Mr. Sanjay Mishra, General Manager, Works
Mr. Sanjay Nakra, General Manager, Operations
Miss Akshali Shah, VP- Strategic (Sales & Marketing)

Statutory Auditor

Haribhakti & Co. LLP
Chartered Accountants
Hermes Centre Premises Society Limited
Office No 103, 1st Floor, S No 185A,
Shashtri Nagar, Yerwada, Pune 411 006

Cost Auditor

Harshad S. Deshpande & Associates
Cost Accountants
1254 Sadashiv Peth, Sadbhav Sadanika,
Pune 411 030

Secretarial Auditor

N L Bhatia & Associates
Company Secretaries
507, Skyline Wealth Space, 5th Floor, C2 Wing,
Skyline Oasis Complex, Premier Road, Near Vidhya
Vihar Station, Ghatkopar (W), Mumbai -400 086

Internal Auditor

KPMG in India
Building No. 10, 8th Floor, Tower-B
DLF Cyber City, Phase - II
Gurgaon - 122002 (India)

Bankers

Union Bank of India
State Bank of India
IDBI Bank Limited

Registrar & Transfer Agent

Karvy Computershare Private Limited
Unit-Parag Milk Foods Limited
Karvy Selenium Tower B
Plot 31-32, Gachibowli, Financial District
Nanakramguda, Hyderabad 500 032

Plant Locations

A. Manchar Plant

Awasari Phata, Manchar, Pune 410503

B. Palamner Plant

149-1, Samudrapalli Village,
Post - Pengaragunta,
Palamaner Mandal, District - Chittoor,
Andhra Pradesh -517408

Registered Office

Flat No.1, Plot No. 19,
Nav Rajasthan Society, S.B. Road,
Shivaji Nagar, Pune 411 016

Corporate Office

20th floor, Nirmal Building,
Nariman Point, Mumbai 400 021



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