



9TH
ANNUAL
REPORT
2000-2001

Modern Dairies Limited

**BOARD OF DIRECTORS**

Chairman

Mr. Amarjit Goyal

Managing Director

Mr. Krishan Kumar Goyal

Mr. Kulwant Singh

Dr. B. N. Mathur

Mrs. Alka Goyal

Mr. Ashok Kumar Grover (Nominee Director)

Mr. H. S. Oberoi, Director (Operations)

AUDITORS

M/s. A. Goel & Associates,

Chartered Accountants

BANKERS

Punjab National Bank

HEAD OFFICESCO 98-99, Sub-City Centre,
Sector 34, Chandigarh-160 022**CONTENTS**

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REGISTERED OFFICE & WORKS136 Km., G.T. Road,
Karnal - 132 001
(Haryana)**REGISTRARS & SHARE TRANSFER AGENTS**MCS Limited
Srivenkatesh Bhawan,
212-A, Shahpurjat
Behind Panchsheel Club,
New Delhi - 110 049



Modern Dairies Limited

NOTICE

Notice is hereby given that the 9th Annual General Meeting of the Company will be held at its Registered Office at 136 KM. G. T. Road, Karnal-132 001, (Haryana) on Monday the 24th September, 2001 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2001 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Amarjit Goyal who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. H.S. Oberoi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in partial modification to the resolution dated 15th May, 1998 and subject to the provisions of Section 198, 309, 269 and other applicable provisions, if any, read with schedule XIII of the Companies Act, 1956, and subject to other approvals, Mr. Krishan Kumar Goyal, Managing Director be provided a monthly remuneration w.e.f 1st April, 2001 upon the terms and conditions set out in draft agreement submitted to this meeting, which agreement is hereby specifically sanctioned with liberty to directors to alter and vary the said terms and conditions, till conclusion of his present term in the office, other things, terms and conditions remaining the same.

By order of the Board

PLACE : Chandigarh KRISHAN KUMAR GOYAL
DATED : 28th July, 2001 MANAGING DIRECTOR

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.**FOR ITEM NO. 5**

Mr. Krishan Kumar Goyal has been at the helm of affairs of the Company since the very inception as Managing Director. Mr. Krishan Goyal was last re-appointed on 2nd November 1997 for a term of 5-years. At the time of re-appointment, the Company was passing through the most difficult financial phase. The Board of Directors decided the appointment of Mr. Krishan Goyal without any remuneration and stated when the financial position of Company improves, the remuneration aspect related to Mr. Goyal's appointment shall be considered. Mr. Goyal has successfully steered the Company through difficult time & has brought it to a position of eminence. Also the Company has started earning profits. Having regard to his outstanding contribution and inspiring leadership, the Board of Directors have decided to provide remuneration to him as per following terms & conditions, subject to the provision and limits provided as per Schedule XIII of Companies Act, 1956. This is for information that Mr. Goyal is also the Mg. Director of Modern Steels Limited and is drawing a gross salary of Rs. 65000/- per month from that Company. The terms and conditions of remuneration payable to him are as under, this w.e.f. 1st April, 2001.

REMUNERATION**A. SALARY**

Rs. 50,000/- (Rupees fifty thousand only) per month.

B. PERQUISITES

Perquisites shall be allowed in addition to salary. However, it shall be restricted to an amount equal to 40 % of the annual salary. Perquisites are classified as follows:-

House Rent Allowance

The expenditure incurred by the Company will be subject to a ceiling of 40% of the salary.

i) Gas, Electricity, Water and Furnishing

The Company shall provide gas, electricity, water and furnishing free of cost

ii) Medical Reimbursement

Expenses incurred for him and his family.

iii) Leave and Leave Travel Concession

Leave as per rules of the company including encashment of leave. Leave Travel concession for self and family once in a year incurred in accordance with the rules of the company.

iv Club Fees

Fees of the Club subject to a maximum of two clubs

v) Personal Accident Insurance

Personal accident insurance of an amount the annual premium of which does not exceed Rs. 4000/-.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income Tax rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost.

OTHER TERMS AND CONDITIONS**1. Contribution to Superannuation Fund and towards Provident Fund.**

Contribution towards Provident Fund will be subject to a ceiling of 12% of the salary. Contribution to pension/superannuation Fund together with Provident Fund shall not exceed 25% of the salary as laid down in the Income Tax rules, 1962, contribution to Provident Fund, Superannuation Fund and Annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

ii. Gratuity

Gratuity payable shall not exceed one half Month's salary for each completed year of service.

iii) Car

Provision of Car for use on Company's business purposes. Use of Car for private purpose shall be billed by the Company. The use of company's car for business purposes will not be considered as perquisites.

iv) TELEPHONE

Provision of Telephone at residence will not be considered as perquisites but personal long distance calls shall be billed by the company.

MINIMUM REMUNERATION

In the event of loss, absence or inadequacy of profits, the remuneration of aforesaid shall be the minimum remuneration. The Managing Director shall not be entitled to supplement his earnings under his

appointment with any buying or selling condition. He shall not be interested or otherwise concerned in any selling agency of the company. He shall not be entitled to payment of sitting fee.

The terms and conditions can be varied with mutual agreement of both parties subject however to the stipulation that the changes should be in conformity with the provisions of the Companies Act, 1956 and schedule XIII thereof.

This explanatory statement relating to the resolution and accompanying notice may be treated as abstract of the terms of the agreement between the company and Mr. Krishan Kumar Goyal and memorandum of interest of directors in such contract under Section 302 of the Companies Act, 1956.

DISCLOSURE OF INTEREST

Except Mr. Amarjit Goyal, Mr. Krishan Kumar Goyal & Mrs. Alka Goyal, no other Director is interested in this item.

By order of the Board

PLACE : Chandigarh KRISHAN KUMAR GOYAL
DATED : 28th July, 2001 MANAGING DIRECTOR

NOTES:

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself/herself and the Proxy need not be a member. Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting. A blank proxy form is enclosed.
2. Explanatory statement pursuant to Section 173 of the companies Act, 1956 in respect of the special business in annexed hereto and forms part of notice.
3. The Register of member and Share Transfer Books of the Company will remain closed from 17-9-2001 to 22-9-2001 (both days inclusive)
- 4 **MEMBERS ARE REQUESTED TO:**
 - a) Notify promptly any change in their addresses to the company.
 - b) Send their queries, if any at least ten days in advance of the meeting so that the information can be made available at the meeting.

**MEMBERS ARE REQUESTED TO
BRING THEIR COPY OF ANNUAL
REPORT AT THE MEETING**



DIRECTOR'S REPORT

Your Directors present their Ninth Annual Report together with audited accounts of the Company for the year ended 31st March, 2001.

PERFORMANCE

In the year under review, Company achieved turnover of Rs. 91.5 Crores as against Rs. 100.48 Crores in the previous year. The net profit is Rs. 112 lacs against Rs. 12 lacs in the previous year.

The fiscal 2000-2001 started with a difficult note as the first quarter witnessed unrestricted import of Skimmed Milk Powder at zero rate of import duty, which devastated the local market. In mid-June 2000, Govt. of India regulated the market with imposing 60% import duty. These measures put check on the imports & domestic manufacturers received the much awaited relief.

Notwithstanding the difficult market conditions, the Company achieved better performance due to focus on value added products i.e. Pasteurized Milk Supply, Table Butter & Mozzarella/Cheddar Cheese etc. The Company has strengthened its relationship with Institutional buyers particularly with Britannia Industries Ltd. The Company has signed commercial agreement with BIL for supply of Pasteurized Milk in consumer packs, in addition to Table Butter & Pure Ghee, which Company is supplying for quite sometime.

CURRENT OPERATIONS

The Directors report with satisfaction that in the First Quarter, the Company is able to significantly improve its sales to Rs. 27.15 Crores against Rs. 18.12 Crores in the last year. It augurs well for the future.

ADDITIONAL PRODUCTION FACILITIES

Looking at expanding market for its products, the Company has undertaken to add additional facilities for pasteurized poly pack Milk, Cheese making and addition of some balancing equipments. This project will have Capital outlay of Rs. 4.5 Crores and it is being financed by the financial assistance from the Banks. The work is under implementation and is expected to be complete by end of current financial year.

ISO 9002 & HACCP RECOGNITION

Your Directors are happy to inform that the Company has achieved another milestone in Quality Systems, and has received HACCP (Hazardous Analysis

Critical Control Point) Certification, issued by DET NORSKE VERITAS (DNV) The Netherlands. This is in addition to ISO-9002 certification. HACCP is a state of art system designed by CODEX Alimentarius Commission to ensure food safety. In regard to Company's commitment for clean environment, it has also started work on the ISO:14001 Series of Environmental Management System (EMS) Standards. We expect to achieve this certification during this year.

DEMAT OF COMPANY'S SHARES

We are glad to inform the members that shares of the Company have been dematerialised w.e.f. October, 2000.

DIRECTORS

During the year Brig. Joginder Singh (Retd.) was withdrawn by the appointing agency from the Board of Directors and Mr. Yash Mahajan resigned from the Board due to his pre-occupations. Mr. Kulwant Singh retires at the forthcoming annual general meeting and does not seek re-appointment. The Board, places on record their deep appreciation for invaluable contributions rendered by Brig. Joginder Singh, Mr. Yash Mahajan and Mr. Kulwant Singh during their association with the Company.

Mr. Amarjit Goyal & Mr. H.S. Oberoi retire by rotation at this Annual General Meeting, being eligible, offer themselves for re-appointment.

AUDITORS

M/s. A Goel & Associates, Auditors of the Company, hold office until the conclusion of forthcoming Annual General Meeting. The Company has received a Certificate from the Auditors to the effect that their appointment, if made, would be within the prescribed limits u/s 224 (1) of the Company Act, 1956. The Directors recommend reappointment of M/s A. Goel & Associates as Statutory Auditors of the Company for the fiscal 2001-2002.

COST AUDITORS

M/s V. Kumar & Associates Cost Accountants have been appointed as Cost Auditors of the company for the year 2001-02 to conduct Cost Audit of the company.

AUDIT COMMITTEE

We are to inform you that in compliance to the provisions of newly inserted section 292 A of the

companies Act, 1956, the company has constituted Audit Committee.

HUMAN RESOURCES

Harmonious employee relation prevailed throughout the year. Your Directors place on record their appreciation of all categories of employees for their hard work and dedication. The statement showing particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975 as amended, is not given as no employee was in receipt of remuneration exceeding Rs. 12,00,000 per annum, if employed for the full year or Rs. 1,00,000 p.m. if employed for the part of year.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO

Information as per Section 217 (1) (e) of the Company's Act 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988, is given in the annexure forming part of the report.

LISTING OF SHARES

The shares of the Company have been listed with Ludhiana, Delhi and The Bombay Stock Exchange. Further, the company has paid listing fee to all the stock exchanges for the financial year 2001-2002.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors further report that:

- (i) in the preparation of annual accounts for the financial year ended 31-03-2001, the applicable accounting standards have been followed and that there were no material departures ;
- (ii) the accounting policies selected by them have been applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at 31st March 2001 and of the profit of the company for the year ended 31-03-2001 ;
- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud

and other irregularities;

- (iv) the annual accounts have been prepared on a going concern basis.

APPRECIATION

Your Directors wish to place on record their sincere thanks to the Industrial Financial Corporation of India Ltd., Punjab National Bank and Govt. of Haryana for their valuable support & co-operation.

For & on behalf of the Board

PLACE : Chandigarh
DATED : 28th July, 2001

AMARJIT GOYAL
CHAIRMAN



Modern Dairies Limited

ANNEXURE TO DIRECTORS' REPORT

Information as per section 217(1) (e) read with companies (Disclosure of particulars in the report of board of directors) rules, 1988 and forming part of the directors' report for the year ended 31st March, 2001.

FORM A

A. POWER & FUEL CONSUMPTION	CURRENT YEAR	PREVIOUS YEAR
POWER		
a) Electricity Power		
Purchase Units (Kwh)	39,59,950	38,52,476
Total Amount (Rs.)	1,61,61,495	1,49,89,460
Rate per unit (Rs.)	4.08	3.89
b) Other Generation		
Through Diesel Generators		
Units (kwh)	12,51,785	14,78,386
Total Amount (Rs.)	53,48,049	49,40,863
Unit per litre of Diesel oil	3.27	3.31
Cost/Unit (Rs.)	4.27	3.34
FUEL		
Quantity (M.T.)	13,915	12,836
Total Amount (Rs.)	1,26,75,507	1,11,64,278
Rate/Unit (Rs. per M.T.)	910.92	869.76
B. CONSUMPTION PER UNIT OF PRODUCTION		
Products		
Liquid Milk, Skim Milk Powder, Whole Milk Powder, Dairy Whitener, Pure Ghee & Butter etc.		
Unit per kgs. of milk processed.	1000 Kgs.	1000 Kgs.
Electricity (Kwh)	64.04	63.06
Fuel Quantity (Kgs.)	171.00	151.85

NOTE

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

FORM B**I TECHNOLOGY ABSORPTION****1) Research & Development (R&D)**

Standardisation of Pasteurized Liquid Milk in polypouch for better shelf-life/consumer acceptance and development of Pizza Cheese through research and development.

2) Technology Absorption, Adaptation and Innovation

Innovations in evaporator/dryer for controlling specific microflora through research and development.

II FOREIGN EXCHANGE EARNING AND OUTGO

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

For & on behalf of the Board

Place : Chandigarh

AMARJIT GOYAL

Dated : 28th July, 2001

Chairman