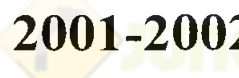


10TH
ANNUAL
REPORT

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Modern Dairies Limited

**BOARD OF DIRECTORS**

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Mr. Amarjit Goyal

Mrs. Alka Goyal

Mr. Ashok Kumar Grover (Nominee Director)

Mr. Harvinder Singh Oberoi, Director (Operations)

Prof. Satish Kapoor

AUDITORS

M/s. A. Goel & Associates,

Chartered Accountants

BANKERS

Punjab National Bank

Canara Bank

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

Notice	2
Directors' Report	6
Auditors' Report	9
Balance Sheet	11
Profit & Loss Account	12
Schedules	13
Cash Flow Statement	24
Proxy Form	25

REGISTERED OFFICE & WORKS136 KM. G.T. Road,
Karnal - 132 001
(Haryana)**REGISTRARS & SHARE TRANSFER AGENTS**

MCS Limited

Srivenkatesh Bhavan,
212-A, Shahpurjat
Behind Panchsheel Club
New Delhi - 110 049



Modern Dairies Limited

NOTICE

Notice is hereby given that the 10th Annual General Meeting of the members of the Modern Dairies Ltd. will be held at its Registered Office at 136 KM. G.T. Road, Karnal - 132001 (Haryana) on Monday the 16th September 2002 at 11.00 A.M. to transact the following business:-

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2002 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Bhupendra Nath Mathur, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Alka Goyal, who retires by rotation and being eligible, offers herself for re-appointment.
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 with or without modification(s) the following resolution as an SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Krishan Kumar Goyal as Managing Director of the Company for a period of five years w.e.f. 2nd November, 2002 on a remuneration by way of salary and perquisites as set out in the explanatory statement attached to this notice, with further authority to alter and vary such terms & conditions including remuneration as agreed by the Board of Directors and Mr. Krishan Kumar Goyal in conformity with the provisions of the Companies Act, 1956 and Schedule XIII of the said Act."

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

an ORDINARY RESOLUTION.

"RESOLVED THAT Prof. Satish Kapoor, who was appointed as Additional Director of the company, be and is hereby appointed as Director of the company whose term in office shall be liable to be determined to retire by rotation as per provisions of the Companies Act, 1956 and Articles of Association of the Company."

By order of the Board

Place : Chandigarh KRISHAN KUMAR GOYAL
Dated : 19th August, 2002 Chairman & Mg. Director

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote at the meeting instead of himself/herself and the Proxy need not be a member of the company. Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting. A blank proxy form is enclosed.
2. The Register of member and Share Transfer Books of the Company shall remain closed from 10.09.2002 to 14.09.2002 (both days inclusive).
3. The explanatory statement pursuant to the provisions of section 173 of the Companies Act, 1956 in respect to item nos. 5 & 6 is annexed hereto and forms part of the notice. The Statement giving information in respect to item no. 5 pursuant to Notification No. GSR 36(E) dated 16th January 2002 issued by Govt. of India, Ministry of Law, Justice and Company Affairs is also annexed hereto.
4. **MEMBERS ARE REQUESTED TO :**
 - a) Notify promptly any change in their addressees 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.

By order of the Board

Place : Chandigarh KRISHAN KUMAR GOYAL
Dated : 19th August, 2002 Chairman & Mg. Director

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

The five years appointment of Mr. Krishan Kumar Goyal, Managing Director expires on 1st November 2002. He has been at the helm of affairs of the company since very inception as Managing Director. He has led the company ably throughout and has brought it to the place of eminence. Having regard to his outstanding leadership and contributions, your Board of Directors has re-appointed him as Managing Director of the Company for a further period of five years w.e.f. 2nd November 2002 on the following terms and conditions including minimum remuneration for a term of three years as per schedule XIII of the Companies Act, 1956, subject to the approval of Shareholders. These terms and conditions including minimum remuneration have been approved by the Remuneration Committee of the company.

TERMS & CONDITIONS

A. Salary

Rs. 2,00,000/- per month.

B. PERQUISITES

Perquisites shall be allowed in addition to salary. However, it shall be restricted to an amount of Rs. 50000/- per month. Perquisites are classified as follows:

i) Housing/House Rent Allowance

The expenditure incurred by the Company will be subject to a ceiling of 20% of the salary.

ii) Gas, Electricity, water and furnishing

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

iii) Medical Reimbursement

Expenses incurred for him and his family.

iv) Leave and Leave Travel Concession

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

v) Club Fees

Fees of the Club subject to a maximum of two clubs.

vi) 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

I. 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 or inadequacy of profits, the aforesaid remuneration shall be the minimum remuneration. The Managing Director shall not be entitled to supplement his earning 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.

In compliance to provisions of section 309 of the Companies Act, 1956, the appointment and terms of remuneration specified above is placed before the



Modern Dairies Limited

members for approval at the Annual General Meeting. The statement giving the information pursuant to Notification No. GSR 36 (E) dated 16th January 2002 issued by Government of India, Ministry of Law, Justice and Company Affairs is annexed hereto

Mr. Krishan Kumar Goyal is also Managing Director of M/s Modern Steels Ltd. However, he is not drawing any salary from that company.

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

None of the Directors except Mr. Krishan Kumar Goyal, Mr. Amarjit Goyal and Mrs. Alka Goyal is either concerned or interested in aforesaid resolution.

FOR ITEM NO. 6

Prof. Satish Kapoor was appointed as additional Director of the company on 27th July 2002 and pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, he holds office till conclusion of this meeting. Prof. Kapoor is aged 56 years and is a Engineering Graduate from I.I.T. Madras and has done M.B.A. from State University of New York. He is Doctorate from Panjab University, Chandigarh. He has rich knowledge and experience in International Marketing. Prof. Kapoor has long experience and exposure as a management consultant, particularly in International Marketing. It will be in the interests of the company that Prof. Kapoor is appointed as Director of the Company. The company has received notice from a member proposing Prof. Satish Kapoor as a Director of the Company. Your Directors, therefore recommend the resolution for your approval.

None of the directors except Prof. Satish Kapoor is either concerned or interested in this resolution.

INSPECTION OF DOCUMENTS

The documents referred herewith and Explanatory Statement are open for inspection by any member at the Registered Office of the Company during business hours on any working day of the company up to and including the date of meeting.

By order of the Board

Place : Chandigarh KRISHAN KUMAR GOYAL
Dated : 19th August, 2002 Chairman & Mg. Director

INFORMATION IN RESPECT OF RESOLUTION NO. 5 OF THE NOTICE PURSUANT TO NOTIFICATION NO. GSR 36(E) DATED 16TH JANUARY 2002 ISSUED BY GOVT. OF INDIA, MINISTRY OF LAW, JUSTICE & COMPANY AFFAIRS.

I. GENERAL INFORMATION

1. Nature of Industry:

The company is engaged in manufacturing of milk products.

2. Date or expected date of commencement of commercial production:

The company was incorporated on 22.04.1992. The commercial production commenced on 22.09.1993.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: N.A.

4. Financial performance based on given indicators: (As per audited results for the year ended 31.03.2002)

Turnover:	Rs. 10323 lacs
Profit Before tax	Rs. 112 lacs
Profit after tax :	Rs. 66 lacs
Effective Capital	Rs. 1343 Lacs

5. Export performance and net foreign exchange collaborations:

The company has achieved export earning of Rs. 426.91 lacs during the financial year 2001-2002.

6. Foreign investments or collaborators, if any: None.

II. INFORMATION ABOUT THE APPOINTEE

- Background Details :** Mr. Krishan Kumar Goyal, aged 46 years, is a commerce and law graduate. He started his career in the year 1980 as whole time Director in Modern Steels Ltd. and was elevated to the position of Managing Director in 1984 and is continuing in the same position. Mr. Goyal is promoter Director of the company and is the Managing Director since its incorporation in

1992. Mr. Goyal is instrumental in the significant growth and progress of the company. Mr. Goyal was elevated to the position of Chairman & Managing Director on 30th January 2002.

2. Past remuneration

During the year 2001-2002, he was paid a sum of Rs. 7,20,000/- as remuneration from the company. During same period, he also received a sum of Rs. 7,50,000/- as remuneration from other company of which he is Managing Director.

3. Recognition or awards

Under the leadership of Mr. Goyal, the Company has been awarded the prestigious ISO 9002 and HACCP certificate by DNV Netherlands. Mr. Goyal has served on various committees of the Confederation of Indian Industries (Northern region). Currently, he is Vice Chairman of Chandigarh Council of CII (NR).

4. Job Profile and his suitability

The Dairy Industry has been passing through a difficult phase. In this situation, it is important that a person with a vision and determination should head the company to achieve its goals. Mr. Goyal's dynamic leadership and relentless efforts of the team has brought out the company from a difficult position to a place of eminence. His contribution has been significant to the survival and growth of the company and he is best suited for the responsibilities assigned to him.

5. Remuneration proposed

A. Salary.

Rs. 2,00,000/- per month.

B. Perquisites.

Perquisites shall be allowed in addition to salary. However, it shall be restricted to an amount of Rs. 50,000/- per month. The details of perquisites are as per explanatory statement for item no. 5 given in the notice.

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

The remuneration proposed by the company is in line with the remuneration being paid to its

Managerial Personnel by the companies of similar size in the Industry.

7. Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any

Except as the recipient of the remuneration proposed, Mr. Goyal does not have any pecuniary relationship with the company, or with any managerial personnel.

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits

Due to severe competition in the industry, the Company is operating on thin margin. The import of comparative dairy products and weakening of global market had its implications on the profitability of the company.

2. Steps taken or proposed to be taken for improvement.

The company has taken steps to improve the performance specially focusing on production of value added products and strengthening the marketing tie ups with corporate buyers. This has helped the company to focus on manufacturing of quality dairy products as its core competence.

3. Expected increase in productivity and profits in measurable terms.

(Rs. in Lacs)

	Actual for the Year 2001-02	Expected for the Year 2002-03
1. Turnover	10323	12025
2. Operating Profit		
before tax	112	210
3. Profit after tax	66	120

These figures are based on realistic estimate and could vary due to unforeseen circumstances.



Modern Dairies Limited

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their 10th Annual report together with the audited accounts of the company for the year ended 31st March, 2002.

PERFORMANCE

During the year under review, the company achieved a turnover of Rs. 103.23 crores against Rs. 91.49 crores in the previous year. In this year, there was a general slow down in the country's economy effecting most of the sectors including Dairy sector. In spite of difficult conditions, your Directors report with satisfaction that the operating profit could be maintained. The profit before tax for the year was Rs. 112 lacs as against Rs. 110 lacs in the previous year.

CURRENT OPERATIONS

The current year has commenced with a positive note and the company has achieved turn over of Rs. 27.63 crores and profit before tax of Rs. 56 lacs as against turnover of Rs. 27.15 Crores and net loss of Rs. 19 lacs in the same period previous year. During the year, the Government of Haryana has imposed a milk cess on the Dairy plants. The company has taken this up with the Government authorities and the matter is pending before Punjab and Haryana High Court. In case the company has to pay the cess, it will have its effect on the profitability.

PROJECT

Your Directors are pleased to report that additional facility of Liquid Milk for city supply has been implemented within the targetted cost and time. Further, the company has undertaken to put up a new Cheese manufacturing plant with an additional investment of Rs. 296 lacs. The work is under progress and is likely to be completed by December, 2002.

AUDITOR'S REPORT

All the comments of Statutory Auditors on the Annual Accounts of the company are self explanatory and require no further comments.

AUDIT COMMITTEE

The company has constituted Audit Committee consisting of Dr. B.N. Mathur, Mrs. Alka Goyal and Mr. H.S. Oberoi, Directors as its members. Dr. B.N. Mathur is the chairman of the committee.

REMUNERATION COMMITTEE

The company has constituted Remuneration committee consisting of Dr. B.N. Mathur, Mr. A.K. Grover and Prof. Satish Kapoor as its members, Dr. B.N. Mathur is the chairman of the committee.

HUMAN RESOURCES

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

The statement showing particulars of employees as required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 1975 as amended is null.

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 are listed at Ludhiana, Delhi and Bombay Stock Exchanges. The company has duly paid listing fee to all the aforesaid stock exchanges for the year 2002-03.

ISO 9001 AND HACCP ACCREDITATION

Your Company's Manufacturing facilities continue to maintain the prestigious ISO 9001 and HACCP certification by DNV Netherlands, a leading International Certification Company.

The operating Team is working to get ISO 14000 Certification, which is expected by December 2002. This shows the company's commitment for Quality, Food safety and Maintaining Environment Standards.

DIRECTORS

During the year, Mr. Amarjit Goyal retired from the post of Chairman and Mr. Krishan Kumar Goyal, Managing Director, was elevated as Chairman and Managing Director of the company w.e.f. 30th January, 2002.

Dr. B.N. Mathur and Mrs. Alka Goyal, Directors, retire by rotation at the ensuing Annual General Meeting. They being eligible, offer themselves for reappointment.

Prof. Satish Kapoor was appointed as Additional Director of the company on 27th July, 2002. He holds office till the conclusion of ensuing Annual General Meeting and is eligible for re-appointment. Notice has been received from a member proposing Prof. Kapoor as Director, subject to retirement by rotation.

AUDITORS

M/s. A. Goel & Associates, Auditors of the Company, hold office until the conclusion of forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors have appointed M/s. V. Kumar & Associates as Cost Auditors for the year 2002-03 to conduct the cost audit subject to the approval of the Central Government.

DEPOSITS

The outstanding deposits at the end of the fiscal year under review amount to Rs. 513.90 lacs (Previous Year Rs. 765.07 lacs.). There are no overdue deposits.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- (i) In the preparation of annual accounts for the financial year ended 31st March 2002, the applicable accounting standards have been followed and that there were no material departures;
- (ii) The accounting policies selected by them have been applied consistently, and they have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the

state of affairs of the company as at 31st March 2002 and profit of the company for the year ended 31st March, 2002;

- (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 Punjab National Bank, Canara Bank and Govt. of Haryana for their valuable support.

By order of the Board

Place : Chandigarh KRISHAN KUMAR GOYAL
Dated : 19th August, 2002 Chairman & Mg. Director