



**13<sup>TH</sup>**  
**ANNUAL**  
**REPORT**  
**2004-2005**

**Modern Dairies Limited**



## BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Mr. Amarjit Goyal

Mrs. Alka Goyal

Prof. Satish Kapoor

Mr. Ashok Kumar Grover (Nominee Director)

Mr. Harvinder Singh Oberoi, Director (Operations)

## AUDITORS

M/s. A. Goel & Associates,

Chartered Accountants

Report

## BANKERS

Punjab National Bank

Canara Bank

## HEAD OFFICE

SCO 98-99, Sub-City Centre,

Sector 34, Chandigarh-160 022

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## REGISTERED OFFICE & WORKS

136 KM. G.T. Road,

Karnal - 132 001

(Haryana)

## REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited

Srivenkatesh Bhavan,

W-40, Okhla Industrial Area,

Phase-II,

New Delhi - 110 020



## NOTICE

Notice is hereby given that the 13th Annual General Meeting of the member of Modern Dairies Ltd. will be held at its Registered Office at 136 KM, G. T. Road, Karnal - 132 001 (Haryana) on Friday, the 17th June 2005 at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2005 and Profit & Loss Account for the year ended 31st March, 2005 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 re-appointment.
3. To appoint a Director in place of Prof. Satish Kapoor, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors of the company, who shall hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting, and to fix their remuneration. **M/s A. Goel & Associates, Chartered Accountants**, retires as auditors in this meeting and they being eligible, have offered themselves for re-appointment.

### SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended up to date, consent and approval of the company be and are hereby accorded to the remuneration of Mr. Krishan Kumar Goyal, Managing Director, by way of salary and perquisites as set out in the explanatory statement attached to this notice and with further authority to alter and vary such remuneration as agreed by the Board of Directors of the company subject to the conformity with the provisions of the act"

BY ORDER OF THE BOARD

Place : Chandigarh  
Date : 20th May 2005

Krishan Kumar Goyal  
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 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. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the item of special business is annexed hereto and forms part of this notice. The statement giving information in respect of item No. 5 pursuant to notification No. GSR 36 (E) dated 16th January, 2002 issued by the Ministry of Law, Justice & Company affairs is also annexed hereto.
3. The Register of member and Share Transfer Books of the Company will remain closed from 15th June 2005 to 17th June 2005 (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.
  - c) Bring their copies of Annual Report at the meeting.
5. 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 upto and including the date of meeting.

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

#### ITEM NO.5:

As per provisions of Section 269 of The Companies Act, 1956 read with Schedule XIII of the Act, Mr. Krishan Kumar Goyal, was re-appointed as Managing Director for a period of five years w.e.f. 2nd November 2002 with a remuneration for a period of three years from the said date. 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, at

its meeting held on 20th May, 2005 has recommended following terms & conditions including Remuneration for the remaining tenure of Mr. Goyal as Managing Director of the Company w.e.f. 2nd November, 2005 till his current tenure i.e. upto 1st November, 2007. These terms and conditions including minimum remuneration have been approved by the Remuneration Committee of the company at its meeting held on 20th May, 2005.

## TERMS & CONDITIONS

### A. SALARY

Rs.2,00,000/- (Rupees Two Lacs only) per month

### B. PERQUISITES

Perquisites shall be allowed in addition to salary. However, it shall be restricted to an amount of Rs. 50000/- (Rupees fifty Thousand only) 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/Telefax at residence. Mobile phone 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 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 read with Schedule XIII thereof.

Mr. Krishan Kumar Goyal is also Managing Director & CEO of M/s Modern Steels Ltd. He is drawing Salary @ Rs. 200000 per month plus perquisites restricted to sum of Rs. 50000 per month in that Company.

The terms of remuneration specified above are placed before the members for approval at the Annual General Meeting.

The Explanatory statement together with the Notice should be treated as an abstract of the terms of the Agreement and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

**Memorandum of interest :**

Except Mr. Krishan Kumar Goyal, Mr. Amarjit Goyal and Mrs. Alka Goyal, no other Director is either concerned or interested in the aforesaid Resolution.

BY ORDER OF THE BOARD

Place : Chandigarh  
Date : 20th May 2005

Krishan Kumar Goyal  
Chairman & Mg. Director

**INFORMATION PURSUANT TO CLAUSE - 49 (VI A)  
OF THE LISTING AGREEMENT REGARDING  
DIRECTORS SEEKING RE-APPOINTMENT**

1. **Mr. Amarjit Goyal :** Mr. Amarjit Goyal is Promoter-Director of the Company. He is F.Sc., aged 69 and is a well known personality in the Indian Iron & Steel Industry, having experience in manufacturing, Rolling & marketing of Iron & Steel products. He has rich experience of Management and Administration and is the Chairman-cum-Managing Director of Modern Steels Limited.

**Directorships of other Companies**

- i) Modern Steels Limited
- ii) Bharat Forgings Pvt. Ltd.
- iii) Mala Builders Pvt. Ltd.
- iv) Nabha Finance Pvt. Ltd.

He is not the Chairman / Member of any Committees in other companies.

2. **Prof. Satish Kapoor:** Prof. Satish Kapoor, aged 58 years, is an engineering graduate from I.I.T Madras. Mr. Kapoor has done M.B.A. from State University of New York. He is Doctorate from Panjab University, Chandigarh. Presently he is Chairman of University Business School at Panjab University, Chandigarh. He has rich knowledge in International Marketing. He is also Director in M/s Gontermann Peipers (India) Ltd. He is Chairman of the Audit Committee and Shareholders/ Investors grievance committee and member of remuneration committee of your company.

**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 31.03.2005)**

Turnover:	Rs. 9321 lacs
Profit Before tax:	Rs. 73 Lacs
Profit after tax:	Rs. 118 Lacs
Effective Capital:	Rs. 1655 Lacs

5. **Export performance and net foreign exchange collaborations:**

The company has achieved export earning of Rs.1496.60 lacs during the financial year 2004-2005.

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

**II. INFORMATION ABOUT THE APPOINTEE**

1. **Background details :** Mr. Krishan Kumar Goyal aged 48 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 as Managing Director & CEO in 2004 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.

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2. **Past remuneration:** During the year 2004-2005, He was paid a sum of Rs. 3296652/- as remuneration from the company. He also received a sum of Rs.1787568/- as remuneration from other company of which he is Managing Director & CEO during same period.

3. **Recognition or awards :** Under the leadership of Mr. Goyal, the Company has been awarded the prestigious ISO 9001, ISO 14001 and HACCP certificate by DNV Netherlands. Mr. Goyal has served on various committees of the Confederation of Indian Industries (Northern region). Currently, he is 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. 50000/-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 personal, if any:**

Except as the recipient of the remuneration proposed, Mr. Goyal does not have any pecuniary relationship with the company, nor the relationship with 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 2004-05	Expected for the year 2005-06
1. Turn over	9321	11577
2. Operating Profit before tax	73	467
3. Profit after tax	118	317



## DIRECTORS REPORT

Dear Members,

Your Directors are pleased to present their 13th Annual Report and audited accounts of the Company for the year ended 31st March 2005.

### PERFORMANCE

During the year under review, the company achieved a turnover of Rs. 91 crores as against Rs. 116 crores in the previous year. It has earned net profit after tax of Rs. 118 lacs as compared to Rs. 254 lacs during the previous year.

The fiscal year started with a difficult note due to raw milk prices fluctuating abnormally, resulting in unstable market conditions. The products realization also remained under pressure during the year. However, the company achieved a significant success in export of Skimmed Milk Powder, Whole Milk Powder and Pure Ghee to Middle East and South East Asian markets by exporting Rs. 15 crores worth of its dairy products as against Rs. 65 lacs in the previous year.

As reported last year, the company continues to work with Mother Dairy to supply packed liquid milk. The operations are going on satisfactorily and the arrangement is on the conversion basis.

While reviewing the year, we may add that the total milk processed by the company is 954 lacs kgs. as against 859 lacs kgs for the previous year.

The Directors would like to report that the company's investments have resulted into considerable gains during the year.

### CURRENT OPERATIONS

The current year started with a difficult note. The company achieved a turnover of Rs.555 lacs during the first month of operation as against Rs.843 lacs in the same period last year.

As per the Government reports the monsoon are on time and the dairy industry largely dependent on the weather conditions, we expect better milk availability in ensuing months. Also with better export opportunities the performance is expected to be better.

### ACCREDITATIONS

#### ISO 9001, HACCP, AND ISO 14001

Your Company's manufacturing facilities continue to maintain the prestigious ISO 9001, ISO 14001 and HACCP Certifications by DNV, the Netherlands, a leading International Certification Company. This shows the company's commitment for quality, food safety and maintaining environment standards.

### DIRECTORS

Mr. Amarjit Goyal and Prof. Satish Kapoor retire by rotation at the ensuing Annual General Meeting. They being eligible offer themselves for re-appointment.

### AUDITORS

M/s A. Goel & Associates, Statutory Auditors of the Company, hold office until the conclusion of the 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 2005-06 to conduct the cost audit subject to the approval of the Central Government.

### AUDITOR'S REPORT

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

### DEPOSITS

The outstanding deposits at the end of the fiscal year under review amount to Rs. 129 lacs (Previous Year Rs. 137 lacs). There are no overdue deposits.

### CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS

A separate report on Corporate Governance and Management Discussion & Analysis is attached as annexure to this report.

### HUMAN RESOURCES

Harmonious employee relations 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



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Act, 1956 read with the Companies (Particulars of Employees) Rule 1975 as amended is enclosed as Annexure 'A' and forms part of this report.

#### **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 and form part of this report.

#### **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 2005, the applicable accounting standards have been followed and that there were no material departures;
- ii. The accounting policies selected by them have been applied consistently, and they have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the company as on 31st March 2005 and profit of the company for the year ended 31st March 2005.
- iii. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- iv. The annual accounts have been prepared on a going concern basis

#### **APPRECIATION**

Your Directors wish to place on record their sincere appreciation for the continued support from its banks and all business associates.

By order of the Board

Place : Chandigarh  
Date : 20th May, 2005

Krishan Kumar Goyal  
Chairman & Mg Director

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

India continues to remain as the largest producer of milk in the world and it is estimated that less than 20% milk is handled by the organized sector. In our country the dairying is mainly with small and marginal farmers and thus, has a profound social impact.

Modern Dairies is one of the leading manufacturers of Quality Dairy Products in North India. Bulk of its products are sold to prestigious institutions / corporates.

#### **OPPORTUNITY AND THREATS**

In our country there is a need to diversify from agriculture to improve socio-economic conditions of rural India. Dairy development would play an important role in this. Due to higher literacy and exposure to electronic media, the demand for nutritional and safe products is improving thereby, resulting in an increase in the share of organized dairy sector.

There is a threat of import of Dairy Products into the country due to the export subsidies enjoyed by the Dairy Industry in the developed countries.

#### **RISK & CONCERN**

The Dairy Industry is dependent on the vagaries of nature which affect the production of milk.

#### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

Modern Dairies has a proper and adequate system of internal controls to ensure that transactions are properly recorded, authorized and reported.

The Company has in place well documented and structured systems and procedures in line with the best of practices and well defined roles and responsibilities for people in all functions at various levels. The Company is certified as ISO 9001-2000 (Quality System), HACCP (Food Safety System) and ISO 14001 (Environment System) by DNV, the Netherlands.

There is adequate MIS information flow system to the management. Management review meetings are held periodically to monitor and control functions of the





Company. Internal audit on regular basis is carried out to ensure proper control.

#### FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

During the year under review, the Company achieved turnover of Rs. 91 crores as against Rs. 116 crores in the previous year.

The fiscal year started with a difficult note due to raw milk prices fluctuating abnormally resulting in unstable market conditions. The product realization also remained under pressure during the year. The company earned profit after tax of Rs.118 lacs as compared to Rs.254 lacs during the previous year.

The company achieved a significant success in exporting the Skimmed Milk Powder, Whole Milk Powder and Pure Ghee to Middle East and South East Asian Countries where your company's products are well accepted. Your Directors are happy to inform that the company exported Rs. 15 crores worth of dairy products as against Rs. 65 lacs in the previous year.

#### HUMAN RESOURCES

The Company regards its employees as the most valuable asset and continuously reviews and evolves policies and procedures to attract and retain its pool of technical and managerial personnel through a conducive work environment.

#### CAUTIONARY STATEMENT

The Management Discussion and Analysis report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statement as important factors could influence the Company's operations such as Government policies, local, political and economic development, risks inherent to the Company's growth and such other factors.

### Annexure 'A' to Directors' Report

#### Statement pursuant to section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sr. No.	Name	Age (Year)	Designation/ Nature of Duties	Gross Remuneration  Rs.	Qualifications	Total Experience (Years)	Date of Commencement of Employment	Previous employment/ position held.
1.	Mr. Krishan Kumar Goyal	48	Chairman & Mg. Director	32,13,350	B.Com LLB	25	22.04.92	Managing Director & CEO Modern Steels Ltd.

- Notes. (1) Gross remuneration comprises salary, allowances monetary value of perquisites, and the Company's contribution to Provident and Superannuation Funds but excludes contribution to Gratuity Fund on the basis of actuarial valuation as separate figures are not available.
- (2) Mr. Krishan Kumar Goyal was appointed as Whole Time Director in Modern Steels Limited in 1980 and was elevated to Managing Director of that company in 1984. He was further elevated as Mg. Director & CEO of the company in 2004. He is continuing in the same position.
- (3) The nature of employment is contractual.

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**Annexure 'B' 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, 2005.

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

**CURRENT YEAR**  
**2004-05**

**PREVIOUS YEAR**  
**2003-04**

**POWER****a) Electricity Power**

Purchase Units (Kwh)	47,44,880	53,22,330
Total Amount (Rs.)	18,65,86,96	2,10,31,311
Rate per unit (Rs.)	3.93	3.95

**b) Other Generation****Through Diesel Generator**

Unit (kwh)	76,83,29	2,33,465
Total Amount (Rs.)	5,21,44,92	12,93,615
Unit per litre of Diesel oil	3.38	3.38
Cost/Unit (Rs.)	6.80	5.54

**FUEL**

Quantity (M.T.)	1,18,96	14,953
Total Amount (Rs.)	15,08,47,88	1,95,92,671
Rate/Unit (Rs. per M.T.)	1268.05	1310.28

**B) CONSUMPTION PER UNIT OF PRODUCTION**

**Products :** Liquid Milk, Skimmed Milk Powder, Whole Milk Powder, Dairy Whitener, Pure Ghee, Butter, etc.

Unit per kgs. of milk processed.	1000 Kgs.	1000 Kgs.
Electricity (Kwh)	57.76	70.59
Fuel Quantity (Kgs.)	124.69	189.99

**NOTE**

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

**FORM B****I RESEARCH & DEVELOPMENT (R & D),**

Research & development to produce Dairy Whitener quality suitable for requirement of institutions of tea/coffee vending use.

**II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

Technology to produce lecithinated Instat Whole Milk Powder.

**III. FOREIGN EXCHANGE EARNING AND OUTGO**

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

**For & on behalf of the Board**

Place : Chandigarh

Dated : 20th May, 2005

**KRISHAN KUMAR GOYAL**  
**Chairman & Mg. Director**