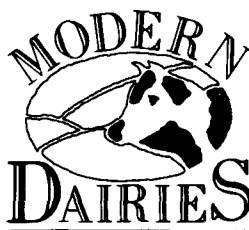


14th
**ANNUAL
REPORT**
2005-2006



MODERN DAIRIES LIMITED

ANNUAL REPORT 14TH**BOARD OF DIRECTORS**

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Mr. Amarjit Goyal

Mrs. Alka Goyal

Mr. Satish Tandon

Prof. Satish Kapoor

Mr. Pawan Kumar Bansal (Nominee Director)

Mr. Harvinder Singh Oberoi, Director (Operations)

COMPANY SECRETARY

Ms. Anubha Garg

AUDITORS

M/s A. Goel & Associates

Chartered Accountants


 Report Junction.com
BANKERS

Punjab National Bank

Canara Bank

State Bank of India

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CORPORATE OFFICE

SCO 98-99, Sub City Centre,

Sector 34, Chandigarh-160 022

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



MODERN DAIRIES LIMITED

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of Modern Dairies Limited will be held at its Registered Office at 136 KM, G.T. Road, Kamal-132 001 (Haryana) on Wednesday, the 28th June, 2006 at 11:00 am to transact the following Business:

As Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2006, the Profit & Loss Account of the Company for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. 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 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 retire as Auditors in this meeting and they being eligible, have offered themselves for re-appointment.

AS 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 Mr. Satish Tandon, who was appointed as Additional Director of the company in terms of the Section 260 of the Companies Act, and in respect of whom the Company has received a Notice of intension u/s 257 of the Companies Act, from a shareholder signifying his intention of proposing the name of Mr. Satish Tandon for appointment as Director, be and is hereby appointed as Director of the company whose term of 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."

6. **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 is hereby accorded to the re-appointment of Mr. Harvinder Singh Oberoi as Director

(Operations) of the Company for a period of three years w.e.f. 23rd May 2006 on a remuneration by way of salary and perquisites as set out in the explanatory statement attached to this notice and with further authority to the Board to alter and vary such terms & conditions including remuneration as agreed by the Board of Directors of the Company subject to the conformity with the provisions of the Companies Act, 1956 and within the limits of Schedule XIII of the Companies Act, 1956."

By order of the Board

Place :Chandigarh

Dated: 24th May, 2006

Anubha Garg

Company Secretary

NOTES:

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote (on a poll) 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. A proxy so appointed shall not have any right to speak at the meeting.
- (ii) The explanatory statement u/s173(2) of the Companies Act, 1956 relating to special business to be transacted at the meeting is annexed thereto.
- (iii) The Register of Members and share transfer books of the Company will remain closed from 23rd June, 2006 to 28th June, 2006 (both days inclusive) for Annual General Meeting purpose.
- (iv) Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate etc., to their respective Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members.
- (v) Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31st March, 2006, may send their queries at least 10 days before the Annual General Meeting to the Company Secretary at Company's Office at SCO 98-99, Sub-City Centre, Sector 34, Chandigarh 160022.
- (vi) Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of Directors seeking appointment/re-appointment at the Annual

- General Meeting, is separately annexed hereto.
- (vii) Members are requested to :
- Notify promptly any change in their addressees to the company.
 - Bring their copies of Annual Report at the meeting.

By order of the Board

Place : Chandigarh

Anubha Garg

Dated: 24th May, 2006

Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION

173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Mr. Satish Tandon was co-opted as Additional Director by the Board of Directors of the Company on 30th December 2005. In terms of the Articles of Association of the Company and Section 260 of the Companies Act 1956, he holds office up to the conclusion of 14th Annual General Meeting. A notice has been received from a shareholder signifying his intention of proposing the name of Mr. Satish Tandon for the post of Director u/s 257 of the Companies Act.

Mr. Satish Tandon is a bachelor of Chemical Engineering from Indian Institute of Technology, New Delhi. He has also done a Post Graduate Diploma in Marketing and Sales Management from FMS, Delhi University. He has been the Managing Director of Alfa Laval (India) Limited from January 1998 to October 2005.

Your Directors commend the resolution as given at Item No. 5 of the Notice for your approval.

MEMORANDUM OF INTEREST

Except Mr. Satish Tandon no other Director is concerned or interested in the resolution.

FOR ITEM NO. 6

Mr. H.S. Oberoi joined the Company on 16th April, 1993 and was elevated as Director (Operations) on 23rd May, 1997. His last re-appointment was made on 23rd May, 2003 for a period of three years. Mr. Oberoi, aged 63 years is graduate in Dairy Technology from National Dairy Research Institute, Karnal. He has around 42 years experience in the field of Dairy Production, Marketing and Commercial Management. He has been Incharge of the Company's works at Karnal since past 13 years and in the opinion of the management he is best suited for the responsibilities assigned to him. The Board of Directors has re-appointed him for a period of three years w.e.f. 23rd May 2006 on the following terms and conditions including minimum remuneration as per Schedule XIII of the Companies Act, 1956, subject to the

approval of shareholders. These terms and conditions including minimum remuneration have also been approved by the Remuneration Committee of the Company at their meeting held on 24th May, 2006.

TERMS & CONDITIONS

A. SALARY

Rs. 75,000 (Rupees Seventy Five Thousand) per month with an annual increase of Rs.10,000 in Basic Salary.

B. PERQUISITES

Perquisites shall be allowed in addition to salary and are classified as follows:

i) House Rent Allowance

40% of the salary per month.

ii) Medical Reimbursement

Expenses incurred for him and his family subject to ceiling of one month salary in one year

iii) Leave Travel Concession

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

iv) Provident Fund

Contribution towards Provident Fund will be as per company's rules

v) Gratuity

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

vi) Car

Provision of Car for use on Company's business purposes.

vii) Telephone

Provision of Telephone at residence.

MINIMUM REMUNERATION

In the event of loss, absence or inadequacy of profits, the remuneration as aforesaid shall be the minimum remuneration.

The appointment can be terminated by the Company by giving to the Director (Operations) a notice of three months or on payment of three month's salary in lieu of notice and vice versa.

For all other terms and conditions not specifically mentioned above, the rules and orders of the Company shall apply.

The explanatory statement together with the notice be also treated as an abstract of the terms of the Agreement and Memorandum of interest under Section 302 of the



MODERN DAIRIES LIMITED

Companies Act, 1956.

Your directors recommend the resolution as given at Item No. 6

Memorandum of Interest :

Except Mr. H.S. Oberoi no other Director is either concerned or interested in the aforesaid Resolution.

Details of the Directors seeking Appointment / Reappointment in Annual General Meeting fixed on 28th June, 2006 pursuant to Clause 49 of the Listing Agreement

1. Name of the Director : Mr. B.N. Mathur

Date of Birth : 17.10.1943

Date of Appointment : 18.08.1993

Expertise in specific functional area : He has over 40 Years of experience in this field. He has served as Director, National Dairy Research Institute, Karnal and has retired as Director, National Academy of Agricultural Research and Management, Hyderabad. He possesses a vast experience in Management and Administration.

Qualification : PHD in Dairy Technology, NDRI, Karnal.

List of outside Directorship held : NIL

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

Audit Committee - Member

Remuneration Committee - Chairman

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

As on 31.3.2006 Mr. Mathur is holding NIL equity shares of the Company.

2. Name of the Director : Mrs. Alka Goyal

Date of Birth : 05.08.1960

Date of Appointment : 22.04.1992

Expertise in specific functional area : Mrs. Alka Goyal, aged 45 years is a graduate and director of many Companies. She has good experience of management.

Qualification : B.A.

List of outside Directorship held :

Mala Builders Pvt Ltd., Chandigarh Finance (P) Ltd.,

PHI Business Solutions Ltd.

Chairman/member of the Committee of the Board of Directors of the Company : NIL

Chairman/member of the Committee of Directors of other Companies:

PHI Business Solutions Ltd. :

Remuneration Committee- Member

As on 31.3.2006 Mrs. Goyal is holding 5,26,000 equity shares of the company.

3. Name of the Director : Mr.Satish Tandon

Date of Birth : 13.04.1956

Date of Appointment : 30.12.2005

Expertise in specific functional area : Mr. Satish Tandon, aged 59 years is Bachelor of Engineering (Chemical Engineering) from IIT Delhi and Post Graduate Diploma in Marketing and Sales Management from FMS Delhi University. He had got 39 years of experience in manufacturing and commercial areas and had served as Managing Director in Alfa Laval India Ltd for 8 years. He is member of Remuneration Committee of the Company.

Qualification : Bachelor of Engineering, IIT Delhi, Post Graduate Diploma in Marketing & Sales Management (FMS Delhi University)

List of outside Directorship held : Alfa Laval (I) Ltd., ESAB India Ltd.

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

Remuneration Committee - Member

Investors Grievance Committee - Member

Chairman/member of the Committee of Directors of other Companies:

Alfa Laval India Ltd., Audit Committee : Member

Investor Grievance Committee : Member

ESAB India Ltd., Audit Committee: Member

Investor Grievance Committee : Member

As on 31.3.2006 Mr. Tandon is holding NIL equity shares of the company.

4. Name of the Director : Mr. H. S. Oberoi

Date of Birth : 25.10.1942

Date of Appointment : 23.05.1997

Expertise in specific functional area : Mr. H.S. Oberoi has around 42 years of experience in the field of Dairy Production, Marketing and commercial Management. He is serving the Company since 1993.

Qualification : B.Sc. Dairying (NDRI)

List of outside Directorship held : Nil

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

Investor Grievance Committee - Member

As on 31.3.2006 Mr. Oberoi is holding NIL equity shares of the company.

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

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 14th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS (Rs.'000)

	Year Ended 31.03.2006	Year Ended 31.03.2005
Sales and other Income	981979	932194
Earning before Interest, Depreciation & Taxes (EBIDTA)	93842	31093
Interest	8660	11164
Profit Before Tax and Depreciation (PBT D)	85182	19929
Depreciation	12779	12618
Profit before Tax (PBT)	72403	7311
(Income)/Expenses Related to Previous Year	(294)	58
Provision for Taxation		
- Current	5121	105
- Deferred Tax	1450	(4673)
- FBT (Fringe Benefit Tax)	712	—
Profit after Tax (PAT)	65414	11821
Profit/Loss Brought Forward	37650	25829
Profits/loss available for Appropriation.	103064	37650
Appropriations:-		
Balance Carried to Balance Sheet	103064	37650
Total Appropriation	103064	37650

PERFORMANCE

During the year under review the Company achieved a turnover of Rs.91.72 Crores as against Rs.90.93 Crores in the previous year. It has earned net profits after tax of Rs. 724 Lacs as compared to Rs. 73.11 Lacs during the previous year.

It was a difficult year as milk prices continued to be high and the margins were under pressure. The Company was able to maintain the turnover due to improved product mix and increased volumes of liquid milk packing. The Company exported products worth Rs. 7.73 Crores during the year under review as compared to Rs. 15 Crores during the last year.

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

PROJECT

Globally nutritional ingredients market is growing at a rapid pace. In line with this, your company has taken a major step forward and has decided to put up a project

for the value added products. The plant is planned to produce Casein, Whey Protein Concentrates, Lactose, Demineralised Whey Powder and Pure Ghee. The equipments are supplied by renowned Multinational companies like Westfalia-Germany, Bar Rosin-U.K., APV-Denmark, GEA Processing India Ltd. and Alfa Laval.

The facilities are being put up at a cost of Rs. 91 Crores which is being funded through internal accruals, Rights issue and Term Loan. The plant is expected to be commissioned partially by September 2006 and fully in November 2006.

CURRENT OPERATIONS

In the current year, during April 2006, Company handled 76.38 lakh kgs. of milk against 62.24 lakh kgs. last year during the same period.

This year the focus of the Company is on Cheese, Liquid Milk and new product range for which facilities are under execution. The Company expects better performance in the current year.

ACCREDITATIONS

ISO 9001, ISO 14001 and HACCP Certifications.

Yours Company's manufacturing facilities continue to maintain the prestigious ISO 9001, ISO 14001 and HACCP Certification by DNV Netherlands, a leading International Certification Company. It is an indicator of the Company's commitment for quality, food safety and maintaining environment standards.

DIRECTORS

During the year Mr. P.K. Bansal replaced Mr. A.K. Grover as nominee Director.

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

During the year under report Mr. Satish Tandon was appointed as an additional Director by the Board of Directors in their meeting held on 30th December, 2005 and as such he holds office till the conclusion of the forth coming Annual General Meeting. A Notice under Section 257 of the Company's Act has been received from a share holder proposing the name of Mr. Tandon as Director of the Company.

Mr. H.S. Oberoi was appointed as Director (Operations) on 23rd May, 2003 for a period of three years. His term expires on 22nd May, 2006. The Board has in its meeting held on 24th May, 2006 re-appointed him for another period of three years w.e.f. 23rd May, 2006 subject to the approval of shareholders.

AUDITORS

M/s. A. Goel & Associates, Statutory Auditors of the

MODERN DAIRIES LIMITED

Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

Your Directors have appointed M/s V. Kumar & Associates as Cost Auditors for the year 2006-07 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 are self explanatory and require no further comments.

FIXED DEPOSITS

The outstanding deposits at the end of the fiscal year under review amount to Rs. 251.25 Lacs (Previous year Rs. 128.22 Lakh). There are no overdue deposits.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS

A separate report on Corporate Governance and Management Discussion & Analysis is attached to this report,

HUMAN RESOURCES

Harmonious employee relations prevailed throughout the year. Your Directors place on record their appreciation 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 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 EARNINGS AND OUTGO.

Information as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, is given in the Annexure 'B' and form part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that :-

- (i) In the preparation of the annual accounts for the financial year ended 31st March, 2006, 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 2006 and profit of the Company for the year ended 31st March 2006.

- (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

Krishan Kumar Goyal

Dated: 24th May, 2006 Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE & DEVELOPMENTS

The dairy industry in India is growing at a rapid speed. With India maintaining its status as largest producer of milk in the World with annual growth rate of about 4%, the dairy industry in India is in for major development.

So far only 15% of the total milk produced in the country is processed by organized sectors. The milk production is getting more and more commercialized and therefore this percentage is likely to grow on a very fast rate in the coming years.

Realizing the potential in the dairy sector, the company has also decided to invest in a big way and plans to manufacture a wide range of value added products which are to be exported and sold to the big corporates in the country as well.

OPPORTUNITIES AND THREATS

The purchasing power of the Indian consumers is increasing and the food habits are changing very fast. With the over all economic scenario the consumption of value added food products which includes dairy as well is likely to grow rapidly. Also due to higher literacy and exposure to electronic media, the demand for nutritional and safe products is improving, resulting in an increase in share of organized dairy sector.

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

Also the Company faces a threat of product price fluctuation in the international market.

RISK & CONCERN

Like any agro based industry, the dairy industry is also dependent on the vagaries of nature which affect the production of milk.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Modern Dairies Limited 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 a turnover of Rs.91.72 Crores as against Rs.90.93 Crores in the previous year. It has earned net profits after tax of Rs. 724 Lacs as compare to Rs. 73.11 Lacs during the

previous year.

It was a difficult year as milk prices continued to be high and the margins were under pressure. The Company was able to maintain the turnover due to improved product mix and increased volumes of liquid milk packing. The Company exported products worth Rs 7.73 Crores during the year under review as compared to Rs. 15 Crores during the last year.

The Directors would like to report that the Company's investments have resulted into considerable gains during the 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 statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statement as important factors could influence the Company's operations such as Government policies, local political and economic development, risk inherent to the Company's growth and such other factors.

For and on behalf of the Board

Place : Chandigarh

Krishan Kumar Goyal

Dated : 24th May, 2006 Chairman & Managing Director

Annexure 'A' to Directors Report

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

S. No	Name	Age (Year)	Designation Nature of Duties	Gross Remuneration	Qualification	Total Experience (Years)	Date of Commencement of Employment	Previous employment/ position held
1	Mr. Krishan Kumar Goyal	49	Chairman & Mg. Director	32,35,000	B.Com.,LLB	26	22.04.92	Managing Director & CEO Modern Steels Ltd.

- Notes: (1) Gross remuneration comprises salary, allowances monetary value of perquisites, and the Company's contributions 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 Modern Steels Limited in 2004 and continues in the same position.
- (3) The nature of employment is contractual.

For & on behalf of the Board

Place : Chandigarh

Krishan Kumar Goyal

Dated : 24th May, 2006

Chairman & Managing Director

MODERN DAIRIES LIMITED

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, 2006.

FORM 'A'

A) POWER AND FUEL CONSUMPTION

	Current Year 2005-06	Previous Year 2004-05
POWER		
a) Electricity Power		
Purchase Units (Kwh)	3528176	4744880
Total Amount (Rs.)	13818802	18658696
Rate Per Unit (Rs.)	3.92	3.93
b) Other Generation Through Diesel Generator		
Unit (kwh)	1076928	766329
Total Amount (Rs.)	9778363	5214492
Unit per litre of Diesel Oil	3.21	3.38
Cost /Unit (Rs.)	9.08	6.80
FUEL		
Quantity (M.T.)	10812	11896
Total Amount (Rs.)	15135211	15084788
Rate /Unit (Rs. Per M.T.)	1399.85	1268.05

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)	53.70	57.76
Fuel Quantity (Kgs.)	164.55	124.36

NOTE:

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

FORM B

1. RESEARCH AND DEVELOPMENT (R&D) :

Company is into production of dairy products. There is no fundamental research on new products. However, development of various milk products is done.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Technology to produce lecithinated Instant Whole Milk Powder.

3. 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 : 24th May, 2006

KRISHAN KUMAR GOYAL
Chairman & Mg. Director

CORPORATE GOVERNANCE REPORT

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

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Modern Dairies Limited is committed in adopting the best practices of Corporate Governance. The Company endeavours to act on the principles of transparency, accountability, trusteeship and integrity. The ultimate objectives being of realising long term shareholder value, while taking into account the interest of other stakeholders.

1 BOARD OF DIRECTORS**A. Composition of the Board of Directors**

A list of directors including the Chairman of the Board and their status as executive / non-executive and independent / non-independent for the year ended 31st March, 2006 is set out below:-

Name of the Director	Category of the Director	No of Board meetings attended	No of other Directorships in Public Company	No. of Committee positions in public co's		Last AGM attended
				Chairman	Member	
Mr. Krishan Kumar Goyal	Chairman & Managing Director Non Independent (Promoter) Director	6	2	-	1	Yes
Dr. B.N. Mathur	Non Executive Independent Director	6	-	-	1	Yes
Mr. Amarjit Goyal	Non Executive Non Independent (Promoter) Director	5	1	-	-	Yes
Mrs. Alka Goyal	Non Executive Non Independent (Promoter) Director	4	1	-	1	No
Mr. Satish Tandon	Non Executive Independent Director	-	2	-	4	Refer Note 1
Prof. Satish Kapoor	Non Executive Independent Director	6	1	2	-	Yes
Mr. P.K. Bansal	Independent Nominee Director	1	-	-	1	Refer Note 2
Mr. A.K. Grover	Independent Nominee Director	4	-	-	1	No
Mr. H.S. Oberoi	Director (Operations) Non Independent	6	-	-	1	Yes

Note:

1. Mr. Satish Tandon was appointed as additional Director with effect from 30.12.2005.
2. Mr. P.K. Bansal was appointed as nominee Director in place of Mr. A.K. Grover with effect from 23.11.2005 and consequently Mr. Grover ceases to be Director w.e.f. 23.11.2005.