



MODERN DAIRIES LIMITED

ANNUAL REPORT 15TH**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

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 15th Annual General Meeting of the members of Modern Dairies Limited will be held at its Registered Office at 136 KM, G.T. Road, Karnal -132 001 (Haryana) on Monday, the 27th August, 2007 at 11:00 a.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2007, 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. 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 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 a 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, as amended up-to-date, consent and approval of the Company be and is hereby accorded to the re-appointment of Mr. Krishan Kumar Goyal as Chairman & Mg. Director of the Company for a period of five years w.e.f. 2nd November, 2007 on a remuneration by way of salary and perquisites as set out in the explanatory statement attached to this notice and as approved by the Remuneration Committee 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 and Mr. Krishan Kumar Goyal subject to the conformity with the provisions of the Companies Act, 1956."

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

resolution as a SPECIAL RESOLUTION

"RESOLVED that pursuant to the Articles of Association of the Company and subject to the approval of appropriate authorities, if required, and subject to the terms and conditions of such approvals, a sum not exceeding Rs. 8,75,31,000/- (Rupees Eight Crores Seventy Five Lacs Thirty One Thousand Only) forming part of the 'Reserves and Surplus' of the Company be capitalized by the Board of Directors who are hereby authorised to set apart such an amount out of the amount standing to the credit of Share Premium Account or such other Account as are permissible to be utilized for the purpose of aforesaid capitalization and that the same be applied in paying up of fully paid 87,53,100 (Eighty Seven Lacs Fifty Three Thousand One Hundred Only) new Equity Shares of Rs. 10/- each (hereinafter referred to as the 'Bonus Shares') in the Share Capital of the Company to the persons whose names appear on the Register of Members of the Company on such date referred to as the 'Record Date' as the Board may determine, and that such Equity Shares be allotted and credited as fully paid up in the proportion of one new Equity Share for every one existing Equity Share held by such persons respectively on such date.

"RESOLVED further that the said 87,53,100 (Eighty Seven Lacs Fifty Three Thousand One Hundred Only) new Equity Shares to be issued and allotted as fully paid Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the then existing Equity Shares of the Company, save and except that the new Equity Shares so allotted in the Company shall be eligible to pro-rata payment of dividend, if any, declared by the Company for the Financial Year in which these are allotted.

"RESOLVED further that the allotment and issue of fully paid up equity shares as Bonus Shares to the extent they relate to non-resident shareholders of the Company shall be subject to the approval of the Reserve Bank of India under the FEMA, if required.

"RESOLVED further that for the purpose of giving effect to these Resolutions, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things that it may in its absolute discretion deem necessary or desirable and to settle any question, difficulty or

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doubt that may arise in regard to the issue, allotment and distribution of the said Bonus Shares (including any question or difficulty in connection with any deceased or insolvent shareholder or any shareholder suffering from any disability) as they may think fit."

By order of the Board

Place : Chandigarh
Dated: 23rd July, 2007

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 20th August, 2007 to 27th August, 2007 (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 services 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, 2007, 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 :
 - a) Notify promptly any change in their addresses to the Company.
 - b) Bring their copies of Annual Report at the meeting.

By order of the Board

Place : Chandigarh
Dated: 23rd July, 2007

Anubha Garg
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**FOR ITEM NO. 5**

Mr. Krishan Kumar Goyal is the Managing Director of the Company since inception and was elevated to the position of Chairman & Mg. Director w.e.f. 30th January, 2002. His last appointment was made on 2nd November 2002 for a period of five years. Mr. Goyal's present term of office expires on 1st November, 2007. He had led the Company ably through out and has brought it to the place of eminence. Your Board of Directors at its meeting held on 23rd July, 2007 has re-appointed him as Chairman & Mg. Director of the Company subject to the approval of the members for another period of five years w.e.f. 2nd November 2007. The Board of Directors while approving appointment of Mr. Goyal had also approved remuneration by way of salary, perquisites and commission for a period of five years from the date of appointment as recommended by the Remuneration Committee as given herein below:

TERMS & CONDITIONS**1. SALARY**

Rs.5,00,000/- (Rupees Five Lacs Only) per month with such annual increments / increases as may be decided by the Board of Directors from time to time.

2. COMMISSION

Commission on profits not exceeding 1% of net profits of the Company in any financial year as the Board may determine from time to time.

The amount of commission shall be payable after the annual accounts are approved by the Board of Directors and adopted by shareholders.

3. PERQUISITES

- (i) **Provident Fund:** Contribution towards Superannuation Fund and Provident Fund shall be as per rules of the Company.
- (ii) **Gratuity:** Payable at the rate not exceeding half a month's salary for each completed year of service as per rules of the Company.
- (iii) **Leave:** As per the rules of the Company but not exceeding one month's leave with full salary for every 11 months of service.
- (iv) **Accommodation:** Free furnished residential accommodation with gas, electricity, water and furnishings.
- (v) **Medical Reimbursement:** Reimbursement of medical expenses incurred for self and family.
- (vi) **Leave Travel Concession:** Leave travel concession for self and family.



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- (vii) **Personal Accident Insurance**
- (viii) **Club Fees:** Fees in respect of two clubs
- (ix) **Car :** Free use of Company's car for Company's work as well as for personal purposes along with driver.
- (x) **Telephone/Telefax :** Telephone, telefax and other communication facilities at Company's cost.
- (xi) **Insurance :** Cost of insurance cover against the risk of any financial liability or loss because of any error of judgment, as may be approved by the Board of Directors from time to time.
- (xii) **Reimbursement of servant's salary :** Reimbursement of servant's salary, subject to a maximum of two servants on a salary of upto Rs.5,000 per servant per month.
- (xiii) **Reimbursement of Expenses:** Reimbursement of all entertainment, traveling, hotel and other expenses incurred by Mr. Krishan Kumar Goyal during the course of and in connection with the business of the Company.
- (xiv) **Others :** Subject to any statutory ceilings, Mr. Krishan Kumar Goyal may be given any other allowances, perquisites and facilities as the Board of Directors may decide from time to time.

4. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of appointment, the Chairman & Managing Director shall, subject to the approval of the Central Government, if required, be paid remuneration by way of salary and perquisites as set out above, as minimum remuneration, subject to restrictions, if any, set out in schedule XIII of the Companies Act, 1956, from time to time.

Mr. Krishan Kumar Goyal is also Managing Director & CEO of M/s Modern Steels Ltd. He is entitled to a salary @ Rs.5,00,000/- (Rupees Five Lacs Only) per month plus perquisites in that Company, subject to availability of profits.

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

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.

Your Directors commend the Resolution at Item No.5.

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.

ITEM NO. 6

Under the provisions of Article 138 of the Articles of Association of the Company, the Company in General Meeting may, upon the recommendation of the Board of Directors, resolve to capitalize any part of the Company's reserves including Share Premium Account arising from the issue of shares at a premium.

Accordingly, your Directors in the interest of the Members of the Company, have recommended that an amount of Rs. 8,75,31,000/- (Rupees Eight Crores Seventy Five Lacs Thirty One Thousand Only) be capitalized out of the Share Premium Account and/or General Reserves as may be permissible and be utilized towards issue of 87,53,100 fully paid up Bonus Shares of Rs. 10/- each in the ratio of one new Equity Share for every one existing Equity Shares held on a date to be fixed by the Board of Directors of the Company as 'Record Date' in the manner and on the terms & conditions as set out in the Resolution.

The issue of Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu with the existing Equity Shares in all respects except that they will be entitled to pro-rata dividend, if any, declared for the financial year, in which the Bonus Shares are allotted. For the purpose of issuing Bonus Shares expeditiously and for administrative convenience, a resolution empowering the Board of Directors to take necessary action at their discretion is required.

Your directors commend the resolution at Item No. 6.

MEMORANDUM OF INTEREST

The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of the Bonus Shares as may be allotted to them on the Equity Shares held by them respectively in the Company.

By order of the Board

Place : Chandigarh
Dated: 23rd July, 2007

Anubha Garg
Company Secretary

INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 27TH AUGUST, 2007 PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

1. Name of Director : Mr. Amarjit Goyal

Date of Birth : 21.09.1935

Date of Appointment : 22.04.1992

Expertise in Specific Functional Area: Mr. Amarjit Goyal is Promoter-Director of the Company. He 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 & Managing Director of Modern Steels Limited.

Qualification: F.Sc.

List of other Directorships held:

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

Chairman/Member of the Committee of Board of Directors of the Company: Nil

Holding in Company: As on 31.03.2007, Mr. Amarjit Goyal holds 250100 Equity Shares of the Company.

2. Name of Director : Mr. Krishan Kumar Goyal

Date of Birth : 06.09.1956

Date of Appointment : 22.04.1992

Expertise in Specific Functional Area: Mr. Krishan Kumar Goyal is highly qualified, energetic and dynamic person. He has a vast experience in manufacturing and marketing of steel products and in dairy industry and is well versed with the modern management techniques. He is the Managing Director of the Company since inception and was elevated to the position of Chairman & Mg. Director on 30th January 2002. He has steered the company to its present position of eminence.

Mr. Goyal is actively associated with Confederation of Indian Industry (CII) for more than a decade and has served many positions including Chairman, CII

Chandigarh Council (NR) from 2003 – 2006.

Presently as Member – CII, Regional Council [NR].

Chairman of International Dairy Conference and Dairy Expo 2006 of AgroTech 2006.

Mr. Goyal is also a member of Board of Governors, Punjab Engineering College, Chandigarh

Qualification: B.Com, LLB

List of other Corporate positions :

- i) Managing Director and CEO — Modern Steels Ltd.
- ii) Chairman — Modern Automotives Ltd.
- iii) Chairman — PHi Business Solutions Ltd.

List of outside directorship held :

- i) Chandigarh Finance Pvt. Ltd.
- ii) Nabha Finance Pvt. Ltd.
- iii) Mala Builders Pvt. Ltd.
- iv) Bharat Forging Pvt. Ltd

Chairman / Member of the Committee of Board of Directors of the Company: Nil

Holding in Company: As on 31.03.2007 Mr. Krishan Kumar holds 531000 Equity Shares of the Company.

3. Name of Director : Prof. Satish Kapoor

Date of Birth : 22.10.1946

Date of Appointment : 27.07.2002

Expertise in Specific Functional Area: He has rich knowledge in International Marketing and Logistic. Presently he is Dean of Faculty of Management at Panjab University, Chandigarh and Professor of University Business School at Panjab University, Chandigarh.

Qualification: Engineering graduate from I.I.T. Madras. M.B.A. from State University of New York.

Doctorate from Panjab University, Chandigarh.

List of other Directorships held: NIL

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

- i) Chairman of Audit Committee & Shareholder/s/ Investors Grievance Committee
- ii) Member of Remuneration Committee

Holding in Company: As on 31.03.2007 Prof. Satish Kapoor holds Nil shares of the Company.



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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	(Rs. in Lacs)	
	Year Ended	Year Ended
	31.03.2007	31.03.2006
Net Sales and other Income	17365	9820
Operating Profit	794	942
Interest	188	87
Cash Profit	606	855
Depreciation	190	128
Profit before Tax	416	727
Net Profit	284	654

PERFORMANCE

During the year under review the Company implemented its Expansion Project and successfully started commercial production of its 1st line of Casein Plant from February 2007. The sales and other income was Rs. 173.65 Crores as against Rs. 98.20 Crores in previous year. It has earned net profits before tax of Rs.4.16 Crores as compared to Rs. 7.27 Crores during the previous year (previous year income comprises Rs 5.86 Crores as investment income). Profit before tax from Operations was Rs. 3.53 Crores as compared to Rs. 1.41 Crores during the previous year.

The operations of the Company have improved substantially in this year because of higher capacity utilization of existing facilities and further commissioning of the new product line.

BONUS ISSUE

Your Directors have recommended issue of one Bonus Share for every one Equity Share held, subject to confirmation by the shareholders at the forthcoming Annual General Meeting.

Keeping in mind Company's investments in Expansion Project, your directors have decided not to recommend any dividend.

PROJECT

Your Company has undertaken a major Expansion Project at the cost of Rs.91 Crores for the manufacture of edible grade casein, WPC and edible grade lactose. These products were targeted for the Export Market.

Your Directors have pleasure to inform you that the Company has successfully commissioned its 1st Line of

production from February, 2007. The 2nd Line is also under trial and is expected to start commercial production from August, 2007. The Company exports improved to Rs. 18.22 Crores during the year as compared to Rs. 7.73 Crores during the last year. The new products of your Company have been well accepted by the international buyers in USA, Europe, Middle East and China.

To strengthen the operations of the Company, it has further undertaken the investments to manufacture Pharma grade lactose, Cogeneration of power and Milk procurement infrastructure etc. The earlier project cost of Rs.91 Crores has been enhanced to Rs.155 Crores.

CURRENT OPERATIONS

During the first quarter of current year, the Company achieved a turnover of Rs. 74.88 Crores as compared to Rs.21.72 Crores in the same period, previous year. The Company earned a profit before tax of Rs. 3.39 Crores as compared to Rs.0.07 Crores in the same quarter, previous year. The improvement in the working during the current quarter is due to better margins available to the Company from its new products. This quarter being a Lean period, the Company is hopeful to perform better during the current year.

ACCREDIATIONS

ISO 9001, ISO 14001 and HACCP Certifications.

Your 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.

To take care of the international customer requirements your Company has taken KOSHER Certification from the ORTHODOX Union, USA, for its products such as edible Acid Casein, WPC and Lactose.

DIRECTORS

Mr. Amarjit Goyal & Prof. Satish Kapoor, Directors of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

Mr. Krishan Kumar Goyal was re-appointed as Chairman & Mg. Director of the Company on 2nd November 2002 for a period of five years. His term expires on 1st November 2007. The Board has in its meeting held on 23rd July, 2007 re-appointed him for another period of 5 years w.e.f. 2nd November 2007 subject to the approval of shareholders.

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 have offered themselves for re-appointment.

Your Directors have appointed M/s V. Kumar & Associates as Cost Auditors for the year 2007-08 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. 1918.62 Lacs (Previous year Rs.251.25 Lacs). 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 for 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) Rules, 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 forms 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, 2007, 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 2007 and profit of the Company for the year ended 31st March 2007.

- (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.

For & on behalf of the Board

Place: Chandigarh

Krishan Kumar Goyal

Dated: 23rd July, 2007

Chairman & Mg. Director

MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE & DEVELOPMENTS

The dairy industry in India is growing at a rapid pace. With India maintaining its status as largest producer of milk in the World with annual growth rate of 3-4%, the dairy industry in India is poised for major development. It is expected that 15-20% of the total milk produced in the country is processed by organized sector.

Looking at the bright prospects, more and more corporates are entering in this field, which will give a further boost to this sector.

Due to the growing demand of nutritional products from milk in the world market, your Company has diversified in the production of value added products like edible grade casein, WPC, edible grade lactose etc. To take care of growing demand, the Company has taken firm steps to go for production of pharma grade lactose.

OPPORTUNITIES AND THREATS

The world dairy market is also under tremendous change. On one side, the demand has gone up due to economic growth and on the other side subsidies available to the developed nations are phased out resulting into lower production of milk in those countries. With this background, Indian milk industry has tremendous edge by way of export to world market.

The Indian industry is still facing trade barriers like restriction on export of edible grade milk products to certain markets of the developed markets (the whole of EU and Mexico etc.).

The international casein market is going strong. Globally



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there is a shortage of milk solids and milk is diversified away from Casein manufacturing towards the manufacture of other dairy products. The situation may change when milk production will increase in the milk major countries like Australia, New Zealand etc.

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, Netherlands.

There is adequate Management Information System. 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. 171.38 Crores as against Rs. 91.73 Crores in the previous year. It has earned net profits before tax of Rs. 4.16 Crores as compared to Rs. 7.27 Crores during the previous year. The Company exported products worth Rs. 18.22 Crores during the year under review as compared to Rs. 7.73 Crores during the last 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 & on behalf of the Board

Place: Chandigarh

Krishan Kumar Goyal

Dated: 23rd July, 2007

Chairman & Mg. 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 (Years)	Designation/ Nature of Duties	Gross Remuneration (Rs.)	Qualification	Total Experience (Years)	Date of Commencement of Employment	Previous employment/ position held
1	Mr. Krishan Kumar Goyal	50	Chairman & Mg. Director	29,65,969	B.Com., LLB	27	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 as 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 : 23rd July, 2007

Chairman & Managing Director

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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, 2007.

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

	Current year 2006-07	Previous Year 2005-06
POWER		
a) Electricity Power		
Purchase Units (Kwh)	5277920	35,28,176
Total Amount (Rs.)	21956149	1,38,18,802
Rate per Unit (Rs.)	4.16	3.92
b) Other Generation		
Through Diesel Generator		
Unit (Kwh)	1821010	10,76,928
Total Amount (Rs.)	17452013	97,78,363
Unit per litre of Diesel Oil	3.25	3.21
Cost / Unit (Rs.)	9.58	9.08
FUEL		
Quantity (M.T)	15696	10,812
Total Amount (Rs.)	29155157	1,51,35,211
Rate / Unit (Rs.per MT)	1857.49	1,399.85

B) CONSUMPTION PER UNIT OF PRODUCTION

Products :Liquid Milk, Skimmed Milk Powder, Whole Milk Powder, Dairy Whitener, Pure Ghee, Butter, Casien, WPC, Lactose etc.

Unit per kgs. of milk processed	1000 Kgs.	1000 kgs.
Electricity (kwh)	55.96	53.70
Fuel Quantity (Kgs.)	123.73	164.55

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, production of new products like Casein, WPC and Lactose have been standardized.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Technology to produce Casein, WPC & Lactose.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

For & on behalf of the Board

Place : Chandigarh
Dated : 23rd July, 2007

Krishan Kumar Goyal
Chairman & Mg. Director