



MODERN DAIRIES LIMITED



MODERN DAIRIES LIMITED

NOTICE

Notice is hereby given that the 17th 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 Wednesday, the 23rd December, 2009 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, 2009, 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 Mrs. Alka Goyal, who retires by rotation, and being eligible offers herself for re-appointment.
3. **To consider and if thought fit to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

"RESOLVED THAT subject to the provisions of Section 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Walker Chandio & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring Auditors M/s. S.R. Batliboi & Co., Chartered Accountants, to examine and audit the accounts of the Company for the financial year 2009-10, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

AS SPECIAL BUSINESS:

4. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**
"RESOLVED THAT Mr. Ashwani Kumar Aggarwal, who was appointed as Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice of intension u/s

257 of the Companies Act, 1956, from a shareholder signifying his intension of proposing the name of Mr. Ashwani Kumar Aggarwal for appointment as Director, be and is hereby appointed as Director of the Company."

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, the consent & approval of the Company be and is hereby accorded to the appointment of Mr. Ashwani Kumar Aggarwal, as Director (Operations) of the Company for a period of three years w.e.f. 16th November, 2009 on the remuneration and on such terms and conditions as set out in the explanatory statement attached to this notice, and as approved by the Remuneration Committee with the further liberty and authority to the Board to alter and vary such terms and conditions including remuneration as agreed to by the Board of Directors of the Company and Mr. Ashwani Kumar Aggarwal subject to the conformity with the provisions of the Companies Act, 1956."

By order of the Board

Place : Chandigarh
Dated: 23rd November, 2009

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.

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- (ii) The explanatory statement u/s 173(2) of the Companies Act, 1956 regarding item no. 3, 4 and 5 of the notice is annexed hereto.
- (iii) The Register of Members and share transfer books of the Company will remain closed from 21st December, 2009 to 23rd December, 2009 (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 addresses, 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, 2009, 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 - 160 022.
- (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 annexed hereto.

By order of the Board

Place : Chandigarh

Anubha Garg

Dated: 23rd November, 2009

Company Secretary

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

ITEM NO. 3

M/s. S.R. Batliboi & Co., Statutory Auditors of the Company who hold office till the conclusion of this Annual General Meeting, have vide their letter dated 30th September, 2009 expressed their unwillingness to seek re-appointment as Statutory Auditors of the Company for the financial year 2009-10. In view of the

above, and based on the recommendations of the Audit Committee, the Board of Directors, has at its meeting held on 16th November, 2009 proposed the appointment of M/s. Walker Chandiok & Co., Chartered Accountants as the Statutory Auditors in place of M/s. S.R. Batliboi & Co. for the financial year 2009-10.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Companies Act, 1956, signifying his intension to propose the appointment of M/s. Walker Chandiok & Co., Chartered Accountants as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. M/s. Walker Chandiok & Co., Chartered Accountant have expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956. The Members' approval is being sought for the appointment of M/s. Walker Chandiok & Co., Chartered Accountants as the Statutory Auditors of the Company for the year 2009-10.

Your Directors commend the resolution at item no. 3.

MEMORANDUM OF INTEREST

None of the Directors is either concerned or interested in the aforesaid resolution.

ITEM NO. 4 & 5

Mr. Ashwani Kumar Aggarwal was co-opted as Additional Director designated as Director (Operations) by the Board of Directors of the Company w.e.f. 16th November, 2009. In terms of the Articles of Association of the Company and section 260 of the Companies Act, 1956, he holds office upto the conclusion of 17th Annual General Meeting. A notice has been received from a shareholder u/s 257 of the Companies Act, 1956, signifying his intension of proposing the name of Mr. Ashwani Kumar Aggarwal as Director of the Company.



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Mr. Ashwani Kumar Aggarwal, aged 55 years joined the Company at the beginning as Manager (Production) and was promoted to various positions, the last being that of Unit Head and has been managing the operations of the works.

Mr. Aggarwal is a Dairy Technologist and has a vast technical and commercial experience of more than three decades. He is widely traveled and has in depth knowledge of international dairy business.

Your Board of Directors feel that his rich knowledge shall be highly beneficial to the Company and hence has appointed Mr. Ashwani Kumar Aggarwal as Director (Operations) of the Company for a period of three years w.e.f. 16th November, 2009. The Board of Directors while approving appointment of Mr. Ashwani Kumar Aggarwal has also approved remuneration to him as such by way of salary & perquisites for a period of three years from the date of appointment as given herein below:

TERMS & CONDITIONS:

1. SALARY

Rs. 1,00,000 (Rupees One Lacs only) per month with such annual increments / increases as may be decided by the Board of Directors from time to time.

2. PERQUISITES:

- i) **House Rent Allowance** : 40% of the salary per month.
- ii) **Provident Fund**: Contribution towards Superannuation Fund and Provident Fund shall be as per rules of the Company.
- iii) **Gratuity**: Payable at the rate not exceeding half a month's salary for each completed year of service as per rules of the Company.
- iv) **Leave**: As per the rules of the Company.
- v) **Medical Reimbursement**: Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month salary,

as per rules of the Company.

- vi) **Club Fees**: Fees in respect of two clubs.
- vii) **Car**: Free use of Company's car for official purposes along with driver.
- viii) **Telephone / Telefax**: Telephone, telefax and other communication facilities at Company's cost.
- ix) **Insurance**: Cost of insurance cover against the risk of any financial liability or loss because of any error of judgement, as may be approved by the Board of Directors from time to time.

3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of appointment, the Director (Operations) shall 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.

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 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 resolutions at item no.4 & 5.

MEMORANDUM OF INTEREST

None of the Directors except Mr. Ashwani Kumar Aggarwal is either concerned or interested in the aforesaid resolutions.

By order of the Board

Place : Chandigarh

Anubha Garg

Dated: 23rd November, 2009 Company Secretary

INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 23RD DECEMBER, 2009 PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

1. Name of Director : Mrs. Alka Goyal

Date of Birth : 05.08.1960

Date of Appointment : 22.04.1992

Expertise in Specific Functional Area: Mrs. Alka Goyal, the Promoter Director of the Company, aged 49 years is a Graduate and Director of many Companies. She has long experience of management.

Qualification: B.A.

List of other Directorships held:

- (i) Mala Builders Pvt Ltd.,
- (ii) Chandigarh Finance Pvt Ltd.,
- (iii) 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

Holding in the Company: As on 31.03.2009, Mrs. Alka Goyal holds 1248972 equity shares of the Company.

2. Name of Director : Mr. Ashwani Kumar Aggarwal

Date of Birth : 02.10.1954

Date of Appointment : 02.01.1993

Expertise in Specific Functional Area:

Mr. Ashwani Kumar Aggarwal, aged 55 years joined the Company at the beginning as Manager (Production) and was promoted to various positions, the last being that of Unit Head and has been managing the operations of the works.

Mr. Aggarwal is a Dairy Technologist and has a long technical and commercial experience of more than three decades. He is widely traveled and has in depth knowledge of international dairy business.

Qualification: B.Sc. (Dairy Tech.)

List of other Directorships held:

- (i) Modern Dairyfarms Ltd.

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

Audit Committee	- Member
Investors Grievances Committee	- Member
Banking and Finance Committee	- Member

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

Holding in Company: As on 31.03.2009, Mr. Ashwani Kumar Aggarwal holds 400 equity shares of the Company.



MODERN DAIRIES LIMITED

DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 17th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2009.

FINANCIALS	(Rs. in Lacs)	
	Year Ended	Year Ended
	31.03.2009	31.03.2008
Net Sales and other Income	45983	41360
Operating Profit/ (Loss)	(1238)	2774
Interest	1126	1150
Cash Profit/ (Loss)	(2364)	1624
Depreciation	743	564
Profit / (Loss) before Tax	(3107)	1060
Net Profit / (Loss)	(2600)	660

PERFORMANCE

During the year under review, the net sales and other income is Rs. 459.83 crores against Rs. 413.60 crores in the previous year. The operating loss in the year is Rs. 12.38 crores against profit of Rs. 27.74 crores last year. The Company's exports are Rs. 95.26 crores against Rs. 126.59 crores in the previous year.

In the first two quarters of this year, the demand for the Company's product both domestic & export market, was good. The second half of the year saw a steep fall in demand in the global market due to severe economic downturn. The prices of our main exportable product, Casein, crashed in the global market; but the raw material (milk) cost remained firm in the domestic market. This made the Casein production un-remunerative and affected our exports. The stocks of Casein and allied products were also liquidated at un-remunerative prices.

In April'08, the Government of India suddenly withdrew the export incentives available to the dairy industry, which were restored only in December'08 affecting the bottom line.

Further, the foreign exchange fluctuation affected the Company adversely and resulted in financial losses on forward covers.

In brief, withdrawal of export incentives, global economic crises affecting export business and steep fluctuations in the currency resulted in major financial losses to the Company.

PROJECT

The modernization cum expansion project was estimated to cost Rs. 171 crores, out of which

Rs. 129.78 crores has been spent by the end of the financial year. During the year the Company strengthened its milk procurement infrastructure by increasing its Milk Chilling Centers, adding Bulk Milk Coolers in the milk shed area, commencing production of Pharma Grade Lactose, installation of new Effluent Treatment Plant, expansion of Whey Filtration System etc. The remaining part of the project has been put on hold till further review.

CURRENT OPERATIONS

The First Half of the current year 2009-10 continued to be difficult. The Company achieved Net sales and other Operating Income of Rs.156.12 crores as against Rs. 234.40 crores during the same period last year.

The domestic milk prices were high and availability of milk was affected due to draught like conditions created by delayed / deficit monsoon.

The International Market demand & prices remained low in the first half thereby making the export operations un-remunerative. Now, the situation has started improving. It is expected that our product export shall be competitive during the remaining part of the year.

In the domestic market, the product supplies of Cheese, Liquid Milk and Milk Powders are satisfactory.

EXTERNAL COMMERCIAL BORROWING (ECB)

The shareholders are aware that the Company had entered into a Loan Agreement with International Finance Corporation (IFC), USA, for a loan of USD 8.5 Million by way of ECB.

Looking at the changed scenario, the Board of Directors have decided that the Company should go with caution on further capital expenditure on the project. IFC also suggested that the Company should not go ahead with further capital expenditure. In view of this, it is proposed to cancel the ECB sanction of USD 8.5 million, with mutual consent with IFC.

CHANGE IN CAPITAL STRUCTURE

The promoters were allotted 30,00,000 warrants convertible into equity shares on preferential basis @Rs. 81/- per share to be converted within a period of 18 months from the date of the issue. Out of the above, they got 11,63,661 warrants converted into equity shares on 23rd July, 2008. Since they did not exercise their option for conversion of the remaining warrants, 18,36,339 warrants expired and an amount of Rs.1.48 crores paid by them was forfeited by the Company.

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DEBT RESTRUCTURING BY THE CDR

Due to the financial losses as mentioned earlier in the report, the Company approached its Bankers under Corporate Debt Restructuring (CDR) mechanism. The rehabilitation proposal has been approved by CDR Committee in March'09 with a cut off date as 30th Nov.'08. The CDR has sanctioned a scheme of Rs. 21 crores out of which a fresh corporate loan of Rs. 18.65 crores was to be brought in by the banks and the balance of Rs. 2.35 crores was to be brought in by the promoters. The existing term loans of the Company have also been rescheduled.

The CDR scheme has been implemented and the respective funds from the lenders as well as the promoters has been inducted into the Company.

REPAYMENT OF LOAN FROM DIRECTORATE OF INDUSTRIES, HARYANA

Your Company had been availing Interest free Loan by the Government of Haryana by way of Sales Tax deferment. The Company has repaid the entire balance interest free loan within the stipulated period.

QUALITY, FOOD SAFETY & ENVIRONMENT STANDARDS

(ISO 9001:2000, ISO 14001 and HACCP Certifications)
Your Company's manufacturing facilities continue to maintain the prestigious ISO 9001:2000, ISO 14001 and HACCP Certification by DNV Netherlands, a leading International Certification Company. The Company is in the process for implementing ISO:22000, a Food Safety Management System, it is expected to be completed by March, 2010. This will further strengthen the Company's Systems on Food Safety. It is an indicator of the Company's commitment for quality, food safety and maintaining environmental standards.

DIRECTORS

The Directors inform with profound grief about the sudden demise of Mr. Satish Tandon, Director of the Company on 2nd October, 2009. Mr. Tandon born on 13th April, 1946 was a Chemical Engineer. He had more than 40 years of experience in manufacturing and commercial areas and had a distinguished carrier. He joined the Board of the Company on 30th December, 2005. The Board of Directors place on record its deep appreciation for his contribution as Director of the Company.

During the year Mr. P. K. Bansal was replaced by Mr. Hardyal Sehrawat w.e.f. 25th April, 2008 as nominee Director of Government of Haryana. Mr. Hardyal Sehrawat was replaced by Mr. R. K. Rana

w.e.f. 30th October, 2008 as nominee Director of Government of Haryana.

Mr. H.S. Oberoi ceases to be Director (Operations) w.e.f. 25th May, 2009 upon completion of his tenure as such.

Mr. R.K. Rana, Nominee Director ceases to be a director w.e.f. 15th July, 2009. The Board of Directors place on record its appreciation for the valuable services rendered by the aforesaid Directors during their respective tenure.

Mrs. Alka Goyal, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re-appointment.

The Board of Directors have appointed Mr. Ashwani Kumar Aggarwal as additional director w.e.f. 16th November, 2009, designated as Director (Operations), subject to approval of the shareholders in the forthcoming Annual General Meeting.

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company hold office until the conclusion of forthcoming Annual General Meeting. M/s. S. R. Batliboi & Co. has conveyed their unwillingness to seek the reappointment as Statutory Auditors of the Company vide letter dated 30th September, 2009. Your management puts on record their sincere appreciation for the work done by M/s S. R. Batliboi & Co. during their tenure.

The Board recommends the appointment of M/s. Walker Chandiok & Co., Chartered Accountants, as the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting, until the conclusion of the next Annual General Meeting. M/s. Walker Chandiok & Co., Chartered Accountants has also expressed their willingness to act as auditors of the Company, if appointed and have confirmed their eligibility. In this regard, attention of the members is invited to item no. 3 of the Notice convening the forthcoming Annual General Meeting. Your Directors have appointed M/s V. Kumar & Associates as Cost Auditors of the Company for the year 2009-10 to conduct the cost audit subject to the approval of the Central Government.

AUDITOR'S REPORT

All the comments of the Statutory Auditors on the Annual accounts are self explanatory and requires no further explanation except at -

Note no. ix(a) regarding slight delay in payment of statutory dues for which the management confirms that the systems have been put in place to prevent the reoccurrence of such events.



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Note no. x regarding cash losses, management is of the opinion that the year under review witnessed abnormal circumstances of global meltdown, foreign currency fluctuation which were unexpected and beyond control. Now since the market is getting stabilized, the management is of the opinion that the Company's performance will improve and continue towards betterment.

FIXED DEPOSITS

The outstanding deposits at the end of the fiscal year under review amount to Rs. 340.78 Lacs (Previous year Rs.2127.21Lacs). 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, 2009, 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, 2009 and Loss of the Company for the year ended 31st March, 2009.

- (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 Bankers and to all business associates of the Company.

For & on behalf of the Board

Place: Chandigarh

Krishan Kumar Goyal

Dated: 16th November, 2009

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 the largest producer of milk in the World and annual growth rate of 3-4%, the dairy industry in India is poised for major development.

Of the total milk produced in the country it is estimated that only 18% to 20% is processed by the organized sector. The remaining balance milk is consumed through unorganized channels. With the growth of organized sector which is providing regular and remunerative market to the milk producer, this share is expected to go up at a fast rate. This will ensure a regular availability of raw material to the industry.

The continuous economic growth in the country has lead to increased demand for liquid milk and milk products.

OPPORTUNITIES AND THREATS

The world milk production is growing at the rate of about 1.5% where as the demand for milk products are growing at about 2.4%. This difference in demand and supply is likely to be available to India which is growing at 3.5-4%.

Due to recent global economic crisis, many developed nations including EU has increased /reintroduced the subsidies to their dairy sector, thereby affecting other developing nations.

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The Indian Dairy Industry is still facing technical barriers to trade like restriction on exports of Edible Grade Dairy Products from India into the EU nations. There are other countries too like Russia, Mexico, Malaysia, Brazil, where Indian products can not be exported due to non availability of Mutual Trade Agreement between India and respective countries.

RISK & CONCERN

Like any agro based industry, the dairy industry is also dependent on the vagaries of nature which affect the production of milk. The milk being perishable can't be stored for processing at a later stage.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company 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), ISO 14001 (Environment System) and HACCP (Food Safety 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 net sales and other income of Rs 459.83 crores as against Rs. 413.60 crores in previous year. It has net loss of Rs. 26.00 crores as compared to profits of Rs.6.60 crores during the previous year. The Company exported products worth Rs 95.26 crores during the year as compared to Rs. 126.59 crores during the last year.

HUMAN RESOURCES

The Company regards its employees as 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: 16th November, 2009

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	53	Chairman & Managing Director	5952432	B.Com., LLB	31	22.04.92	Mg. 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 contributions to Gratuity Fund. Mr. Goyal is also Mg. Director & CEO of Modern Steels Limited.

(2) The nature of employment is contractual.

For & on behalf of the Board

Place : Chandigarh

Krishan Kumar Goyal

Dated :16th November, 2009

Chairman & Mg. Director



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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, 2009.

FORM 'A'

A) POWER AND FUEL CONSUMPTION

Current year
2008-09

Previous Year
2007-08

POWER

a) Electricity Power

Purchase Units (Kwh)	1,28,70,003	1,59,51,034
Total Amount (Rs.)	5,76,49,083	6,79,39,027
Rate per Unit (Rs.)	4.48	4.26

b) Other Generation

Through Diesel Generator

Unit (Kwh)	39,17,531	34,34,648
Total Amount (Rs.)	3,80,72,734	3,20,04,743
Unit per litre of Diesel Oil	3.38	3.23
Cost / Unit (Rs.)	9.72	9.32

FUEL

Quantity (MT)	30,512	35,706
Total Amount (Rs.)	9,39,37,265	7,54,32,984
Rate / Unit (Rs. per MT)	3,078.70	2,112.61

B) CONSUMPTION PER UNIT OF PRODUCTION

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

Unit per 1000 kgs. of milk processed

Electricity (Kwh)	77.94	83.82
Fuel Quantity (Kgs.)	1,41.66	154.43

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)

The Company is in the production of milk and whey proteins. The Company has taken the initiative and worked on to develop Whey Protein Concentrates-70 and successfully produced WPC 70 for its customers.

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Last year, the Company worked on to produce Rennet Casein from cow/buffalo mix milk, and now the Company is regularly supplying Rennet Casein to its customers worldwide for diverse applications.

The Company has standardized the production process for WPC 70 and supplying as per customers' requirements as a value added product.

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 : 16th November, 2009

Krishan Kumar Goyal
Chairman & Mg. Director