

**BOARD OF DIRECTORS**

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Prof. Satish Kapoor

Dr. A.K. Vashisht

Mrs. Kalpana Gupta, Nominee Director

Mr. Ashwani Kumar Aggarwal, Executive Director & COO

Dr. P. K. Jain, Director (Admn. & Milk Procurement)

**COMPANY SECRETARY**

Ms. Anubha Garg

**AUDITORS**

M/s. Walker, Chandio & Co.

Chartered Accountants

**BANKERS**

Punjab National Bank

State Bank of India

Canara Bank

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**CORPORATE OFFICE**

SCO 98-99, Sub City Centre,  
Sector 34, Chandigarh-160 022, India

**REGISTERED OFFICE & WORKS**

136 KM, G.T. Road,  
Karnal- 132 001 (Haryana)

**REGISTRARS & SHARE TRANSFER AGENTS**

M/s. MCS Limited  
F- 65, 1st Floor, Okhla Industrial Area  
Phase-I, New Delhi - 110 020



## MODERN DAIRIES LIMITED

### NOTICE

Notice is hereby given that the 20<sup>th</sup> Annual General Meeting of the members of Modern Dairies Limited will be held at its Registered Office at 136 KM, G.T. Road, Karnal -132001 (Haryana) on Wednesday, the 26<sup>th</sup> September, 2012 at 11:00 a.m to transact the following business:

#### AS ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2012, the Statement of Profit & Loss 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 Dr. A. K. Vashisht, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Ashwani Kumar Aggarwal, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration. The retiring Auditors M/s. Walker Chandiook & Co., Chartered Accountants, are eligible 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 in accordance with the provisions of section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchange, Mumbai where the shares of the Company are listed and in accordance with the Guidelines issued by the Securities and Exchange Board of India (the "SEBI") and/or Central Government and such other concerned authorities and subject further to such other approvals, consents, permissions and sanctions as may be necessary or required and subject to such conditions and modifications as may be prescribed or imposed by any of the concerned authorities while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "Board") which terms shall be deemed to include any duly authorised committee thereof for the time being exercising the

powers conferred on the Board by this resolution, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot Optionally Convertible Debentures (hereinafter referred to as OCDs) for an approximate aggregate amount upto ₹ 51.37 Crores carrying a coupon rate of 0.001% to the Punjab National Bank, State Bank of India and Canara Bank ( hereinafter referred to as CDR Lenders) in terms of the CDR rework package sanctioned to the Company by Corporate Debt Restructuring Empowered Group (CDR EG) vide Letter No.BY.CDR (SKK) No./ 5874/2011-12 dated 19<sup>th</sup> October, 2011, upon conversion of the outstanding amount of WCTL & FITL into OCDs, as on 31<sup>st</sup> March, 2013 and that the said actual amount may vary depending upon the actual balance as on that date".

"RESOLVED FURTHER THAT the issue of OCDs, if any, as above, shall be subject to the following terms and conditions:-

- (a) The OCD holders shall have the discretion to convert the OCDs into fully paid equity shares of the Company during 18 months from the date of allotment of OCDs as per the then applicable SEBI guidelines.
- (b) If the option for conversion of OCDs into fully paid equity shares is not exercised by the OCD holders, the entire amount of OCDs shall be redeemable at the end of CDR rework package i.e. in the financial year 2019 in one bullet payment.
- (c) The number of Equity Shares and price per Share shall be appropriately adjusted, subject to the Companies Act, 1956, and Guidelines issued by SEBI / Central Government in this regard.
- (d) The Equity Shares to be issued and allotted on conversion of OCDs shall be listed and traded on The Bombay Stock Exchange Limited and shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu with the existing Equity Shares of the Company in all respects including dividend, if any.
- (e) The Board be and is hereby authorized to accept any modification(s) or to modify the terms of issue of the said OCDs or Equity Shares subject to provisions of the Companies Act, 1956 and SEBI Guidelines /Regulations, without being required to seek any further consent or approval of the members of the Company in General Meeting.
- (f) The OCDs and/ or the Equity shares to be issued on conversion of the OCDs be issued to the CDR

Lenders under the signature of any one of the Directors of the Company and the Secretary of the Company and the common seal of the Company be affixed thereto".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all such acts, deeds and things as the Board may in its absolute discretion consider necessary, proper, desirable or appropriate for making the said issue as aforesaid and to settle any question, difficulty or doubt that may arise in this regard and to take such consequential action thereon including the authority to revise/adjust the value/quantum of shares or any portions thereof in such manner as may be considered appropriate by the Board in the event of such variation being considered expedient as a result of any modification effected by SEBI or other authorities."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers to any Committee of Directors or the Managing Director of the Company to give effect to the aforesaid resolution."

"RESOLVED FURTHER THAT the consent of the Company be and is hereby specifically accorded to the Board of Directors for issuance and allotment of such number of equity shares for an aggregate amount upto ₹ 51.37 Crores (which amount may vary depending upon the actual amount of balance outstanding in respect of WCTL & FITL as on 31<sup>st</sup> March, 2013) as stated aforesaid upon exercise of option for conversion by OCD holders at a price to be determined in accordance with the SEBI / Central Govt. guidelines in this regard and the aforesaid consent for allotment of shares upon exercising of option by the OCD holders is being expressly given to the Board of Directors in terms of Section 81 of the Companies Act, 1956."

"RESOLVED FURTHER THAT the necessary returns/documents relating to the same be filed with concerned Registrar of Companies."

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

"RESOLVED THAT Mr. Krishan Kumar Goyal, who was appointed as an 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. Krishan Kumar Goyal for

appointment as Director, be and is hereby appointed as Director of the Company."

**7. 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 appointment of Mr. Krishan Kumar Goyal as Chairman & Mg. Director of the Company for a period of three years w.e.f. 16<sup>th</sup> July, 2012 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."

**8. 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. Ashwani Kumar Aggarwal as Executive Director designated as Chief Operating Officer (COO) of the Company, reporting to the Chairman & Managing Director of the Company, for a period of three years w.e.f. 16<sup>th</sup> November, 2012, 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 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 and conditions including remuneration as agreed by the Board of Directors of the Company and Mr. Ashwani Kumar Aggarwal subject to the conformity with the provision of the Companies Act, 1956."

By order of the Board

Place: Chandigarh  
Dated: 31<sup>st</sup> July, 2012

Anubha Garg  
Company Secretary



## MODERN DAIRIES LIMITED

### 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/s 173(2) of the Companies Act, 1956 regarding item no. 5 to 8 of the notice is annexed hereto.
- (iii) The Register of Members and share transfer books of the Company will remain closed from 21<sup>st</sup> September, 2012 to 26<sup>th</sup> September, 2012 (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 31<sup>st</sup> March, 2012, 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.
- (vii) The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. **Shareholders who have not registered their e-mail address with the Company can now register the same by submitting duly filled-in 'E-Communication Registration Form' attached at the end of this report (also available on our website [www.moderndairies.com](http://www.moderndairies.com)), with M/s. MCS Limited / Investors Service Department of the Company. The Members**

holding shares in electronic form are requested to register their e-mail addresses with their Depository Participants only.

Even after registering for e-communication the Shareholders of the Company are entitled to receive such communication in physical form, upon request.

By order of the Board

Place: Chandigarh  
Dated: 31<sup>st</sup> July, 2012

Anubha Garg  
Company Secretary

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

#### ITEM NO. 5

Due to global turmoil and foreign currency fluctuations your Company suffered huge losses in 2008-2009 and due to the liquidity crisis the Company was registered with CDR, Mumbai. During the year 2011, due to the adverse Government policies and liquidity constraints faced by the Company, the Company requested the CDR lenders for the rework of the sanctioned CDR package and accordingly CDR Rework package was approved by the CDR (EG) vide its letter dated 19<sup>th</sup> October, 2011. As per the terms of the rework package, the outstanding of Funded Interest Term Loan (FITL) as well as Working Capital Term Loan (WCTL) shall be converted into Optionally Convertible Debentures (OCDs) at the end of 2 years from the cut-off date i.e. 1<sup>st</sup> April, 2011 at a coupon rate of 0.001% which can be converted into equity shares during the 18 months from the date of allotment at the option of the OCD holders.

Accordingly approval of the members is being sought in pursuance of section 81 of the Companies Act, 1956, for issue and allotment of OCDs and equity shares allotted upon conversion of OCDs upon exercise of option by the OCD holders as per the applicable SEBI and/or Central Government guidelines in this regard.

Your Directors recommend the resolution at item no. 5. for your approval.

#### MEMORANDUM OF INTEREST

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

**ITEM NO. 6 & 7**

Mr. Krishan Kumar Goyal was co-opted as Additional Director by the Board of Directors of the Company w.e.f. 13<sup>th</sup> February, 2012. 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 20<sup>th</sup> Annual General meeting of the Company. 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. Krishan Kumar Goyal as Director of the Company.

Mr. Krishan Kumar Goyal had been the Managing Director of the Company since inception. But due to personal commitments he had resigned from the Board on 20<sup>th</sup> May, 2011.

On the request of CDR Lenders, Mr. Goyal agreed and was accordingly appointed as additional director on 13<sup>th</sup> February 2012.

Further, your Board of Directors at its meeting held on 16<sup>th</sup> July, 2012, has appointed Mr. Krishan Kumar Goyal as Chairman & Mg. Director of the Company for a period of 3 years w.e.f. 16<sup>th</sup> July, 2012, subject to the approval of the shareholders. The Board of Directors while approving appointment of Mr. Goyal, also approved remuneration by way of salary, perquisites and commission for a period of three years from the date of appointment as recommended by the Remuneration Committee. The remuneration recommended is the same as was being paid to Mr. Goyal during his previous tenure as such, as given herein below:-

**TERMS & CONDITIONS****1 SALARY**

₹ 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.
- (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 ₹ 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 Limited. He is entitled to a salary of ₹ 5,00,000/- (Rupees Five Lacs Only) per month plus perquisites in that



## MODERN DAIRIES LIMITED

Company, subject to the conformity with provisions of schedule XIII.

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 recommend the resolution at item no. 6 & 7 for your approval.

### MEMORANDUM OF INTEREST

Except Mr. Krishan Kumar Goyal no other Director is either concerned or interested in the aforesaid Resolution.

### ITEM NO. 8

Mr. Ashwani Kumar Aggarwal is the Executive Director of the Company designated as Chief Operating Officer. He was appointed on 16<sup>th</sup> November, 2009 for a period of three years. Mr. Aggarwal's present term of office expires on 15<sup>th</sup> November, 2012. Your Board of Directors at its meeting held on 31<sup>st</sup> July, 2012 has re-appointed him as the Executive Director designated as Chief Operating Officer (COO) of the Company, reporting to the Chairman & Managing Director of the Company, for a period of three years w.e.f. 16<sup>th</sup> November, 2012. The Board of Directors while approving appointment of Mr. Ashwani Kumar Aggarwal had also approved remuneration by way of salary & perquisites for a period of three years from the date of appointment as recommended by the Remuneration Committee as given herein below:

#### 1. SALARY:

₹1,25,000 (Rupees One Lac Twenty Five Thousand 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, Mr. Ashwani Kumar Aggarwal 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".

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 is 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 recommend the resolution at item no. 8 for your approval.

### MEMORANDUM OF INTEREST

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

By order of the Board

Place: Chandigarh  
Dated: 31<sup>st</sup> July, 2012

Anubha Garg  
Company Secretary



**INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 26<sup>th</sup> SEPTEMBER, 2012 PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT**

**1. Name of the Director : Dr. A.K. Vashisht**

**Date of Birth : 10.07.1956**

**Date of Appointment : 02.11.2010**

**Expertise in specific functional area :**  
Dr. A.K. Vashisht is presently acting as Dean of faculty of Business Management & Commerce and Chairman of University Business School, Panjab Univeristy, Chandigarh. He has rich knowledge in Accounting, Finance and Banking.

**Qualification:** M.Com, M.Phil, Ph.D., L.L.B.

**List of other Directorship held:** Nil

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

Investors Grievances Committee	-Member
Banking & Finance Committee	-Member
Remuneration Committee	-Member

**Chairman/Member of the Committee of Directors of other Companies:** Nil

**Shareholding in the Company:** As on 31<sup>st</sup> March, 2012, Dr. A.K. Vashisht holds Nil Equity shares of the Company.

**2. Name of the Director : Mr. Ashwani Kumar Aggarwal**

**Date of Birth : 02.10.1954**

**Date of Appointment : 02.01.1993**

**Expertise in specific functional area :**  
Mr. Aggarwal, aged 57 years 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 Directorship held :** Modern Dairyfarms Ltd.

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

Audit Committee	-Member
Banking & Finance Committee	-Member
Allotment Committee	-Member

**Chairman/Member of the Committee of Directors of other Companies :** Nil

**Shareholding in the Company :** As on 31<sup>st</sup> March, 2012 Mr. Ashwani Kumar Aggarwal holds 400 Equity Shares of the Company.

**3. Name of the Director : Mr. Krishan Kumar Goyal**

**Date of Birth : 06.09.1956**

**Date of Appointment : 16.07.2012**

**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.

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 National Council and Co-Chairman – CII National Committee on Dairy.

**Qualification :** B.Com, LLB

**List of other Directorships held:**

- i) Modern Steels Ltd.
- ii) Modern Automotives Ltd.
- iii) PHi Business Solutions Ltd.
- iv) Chandigarh Finance Pvt. Ltd.
- v) Mala Builders Pvt. Ltd.
- vi) Nabha Commerce Pvt. Ltd.  
(formerly Nabha Finance Pvt. Ltd.)
- vii) Bharat Forgings Pvt. 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 :**

Modern Steels Ltd.	
Investor Grievances Committee	-Member
Allotment Committee	-Member

**Shareholding in the Company :** As on 31<sup>st</sup> March 2012, Mr. Krishan Kumar Goyal holds 1255943 Equity shares of the Company.



## MODERN DAIRIES LIMITED

### DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 20<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2012.

#### FINANCIALS

	₹ in Lacs	
	Year Ended	Year Ended
	31.03.2012	31.03.2011
Net Sales and other Income	49403	47096
Operating Profit/ (Loss)	275	(1995)
Interest	1618	1169
Cash Profit/ (Loss)	(1343)	(3164)
Depreciation & Amortisation	697	723
(Loss) before Tax	(2040)	(3887)
Net (Loss)	(1820)	(4107)

#### PERFORMANCE

During the year under review, the net sales and other income is ₹ 494.03 crores against ₹ 470.96 crores in the previous year. The operating profit in the year is ₹ 2.75 crores as against loss of ₹ 19.95 crores last year. The sales turnover of the Company in the domestic market was ₹ 479.74 crores as compared to last year sales of ₹ 414.61 crores. The Company was able to perform better in the domestic market due to firm demand and good availability of milk.

#### EXPORT PROHIBITION ON CASEIN

Members may recall, in the last annual report, the Directors had reported about Govt. of India's unjustified regulatory measures imposed on the Company i.e. export prohibition on Casein imposed w.e.f 18<sup>th</sup> February, 2011. This measure forced the Company to close its Unit No. 2 for production of Casein and other Nutritional Ingredients. This closure has resulted into huge financial losses in this financial year.

#### AMENDMENT IN GOVT. POLICY ON CASEIN

Due to the relentless efforts of your Company alongwith the other Casein Manufacturers, the Government of India revised its policy and has allowed the export of Casein w.e.f. 1<sup>st</sup> May, 2012, under license.

Further, the Govt. of India has allowed exports of Skimmed Milk Powder w.e.f. 8<sup>th</sup> June, 2012.

#### MILK CESS

As the members are aware that the Company has filed a Special Leave Petition with the Hon'ble Supreme Court against the judgment of Hon'ble Punjab & Haryana High Court challenging imposition of Milk Cess by the Govt. of Haryana. The Hon'ble Supreme Court has issued notice

to the Govt. of Haryana in the matter. The Haryana Govt. filed its reply with the Hon'ble Supreme Court on the Company's Special Leave Petition. The matter is pending before the Hon'ble Supreme Court. The Company has provided for milk cess liability and interest thereon in the books of accounts.

#### CURRENT OPERATIONS

During the quarter ending 30<sup>th</sup> June, 2012, the Company has achieved net sales and other operating income of ₹ 122.86 crores as against ₹ 109.94 crores during the same period last year. The demand in the domestic market is normal.

On the export front, after the Government has allowed exports of Casein under license from 1<sup>st</sup> May, 2012 onwards, the Company is able to revive its contacts with the customers in the international market and started exports from May onwards. The export sales during the 1<sup>st</sup> quarter are ₹ 10.84 crores as against ₹ 6.58 crores during the same period last year.

#### FOCUS ON FRESH DAIRY PRODUCTS

Your Company has presence in fresh dairy products. Looking at the emerging market scenarios, your Company has decided to focus on these products, and thereby has plans to strengthen the manufacturing facilities of Pasteurized Milk, Fermented Products & Cheese.

#### 'CDR' REWORK

Due to global turmoil and foreign currency fluctuations your Company suffered huge losses in 2008-2009 and due to the liquidity crisis the Company was registered with CDR, Mumbai. During the year 2011, due to the adverse Government policies and liquidity constraints faced by the Company, the Company requested the CDR lenders for the rework of the sanctioned CDR package and accordingly CDR Rework package was approved by the CDR (EG) vide its letter dated 19<sup>th</sup> October, 2011.

#### BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR) REGISTRATION

In terms of section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985, the Company was declared sick by Board for Industrial & Financial Reconstruction (BIFR) on 8<sup>th</sup> February, 2012 and appointed Punjab National Bank, being the Lead Bank as the Operating Agency. The Company is in the process of preparing Draft Rehabilitation Scheme (DRS).

#### QUALITY, FOOD SAFETY & ENVIRONMENT STANDARDS

The Company is committed to maintain best of the management practices in its plant. In pursuit of its commitment, the Company system's have been certified by DNV Netherlands for Quality Management Systems, Food Safety Systems and Environment Management



Systems. The manufacturing facilities continue to maintain ISO 9001:2008, ISO 14001:2004, ISO 22000:2005 and HACCP Certification.

Further the plant has obtained Food Safety Systems certification i.e. FSSC 22000 : 2011 in January, 2012 from DNV Netherlands.

#### **DIRECTORS**

During the year, the Board of Directors appointed Mr. Krishan Kumar Goyal as Additional Director (Non Executive) w.e.f. 13<sup>th</sup> February, 2012. He was appointed as Chairman (Non Executive) of the Board w.e.f. 25<sup>th</sup> May, 2012. Mr. Goyal is appointed as Chairman & Managing Director of the Company w.e.f. 16<sup>th</sup> July, 2012 for a term of three years, subject to the approval of shareholders.

Prof. Satish Kapoor was appointed as the Chairman of the Board during the period from 20<sup>th</sup> May, 2011 to 25<sup>th</sup> May, 2012. The Board placed on record its high appreciation for the leadership and guidance provided by Prof. Kapoor during his tenure as Chairman of the Board.

Mr. Ashwani Kumar Aggarwal, Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

Dr. A. K. Vashisht, Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

Mr. A.K. Aggarwal was appointed as Director (Operations) on 16<sup>th</sup> November, 2009 for a period of three years. He was appointed as Executive Director w.e.f. 20<sup>th</sup> May, 2011. His present term shall expire on 15<sup>th</sup> November, 2012. The Board has extended his term for a period of three years, subject to the approval of shareholders.

#### **AUDITORS**

M/s. Walker Chandio & Co., Statutory Auditors of the Company hold office until the conclusion of forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Your Directors have appointed M/s. Aggarwal Vimal & Associates as Cost Auditors of the Company for the year 2012-13, 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.

#### **FIXED DEPOSITS**

Your Company did not invite or accept any fixed deposit pursuant to provisions of Section 58A of the Companies Act, 1956, during the year.

#### **CORPORATE GOVERNANCE & 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.

There were no employees employed throughout the financial year or part thereof drawing remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Disclosure of Particulars in the Report of Board of Directors Rules, 1988, as amended.

#### **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 'A' 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 31<sup>st</sup> March, 2012, 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 31<sup>st</sup> March, 2012 and loss of the Company for the year ended 31<sup>st</sup> March, 2012.
- (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  
Dated: 31<sup>st</sup> July, 2012

Krishan Kumar Goyal  
Chairman & Mg. Director



## MODERN DAIRIES LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY STRUCTURE & DEVELOPMENTS

India has retained the leadership position of the world's largest milk producing nation with an estimated milk production of 127 million tonnes during 2011-12 accounting for about 17% of the total global milk production. This fact emphasizes the importance of dairying which has played a crucial role in the Agro based Indian economy. With the changing socio-economic profile of India, demand for milk is increasing phenomenally.

The industry is slated to witness the boom in demand for milk in the next decade owing to a growing population, an increased per capita consumption and urbanization. The estimates suggest that the demand for milk is expected to reach 180 million tonnes by 2021-22 warranting the milk production to grow at the rate of almost 5.5% per annum by the next decade.

The Govt. of India has planned to address this gap through the ambitious National Dairy Plan (NDP).

### OPPORTUNITIES AND THREATS

With the increasing urbanization and exposure of a large section of Indian consumers to the global life styles, the country is going to register an increase in demand for value added and convenience foods in the dairy sector as well. There is a vast scope for introducing value added and health foods for the Indian consumers.

The economies of several European Union Countries are facing crises creating an environment of uncertainty in the global market. This may result into decrease in demand for dairy products in the international markets resulting in decline in its prices. On the other hand in the domestic market, the prices of farm milk staying firm may raise concern on the commercial viability for exports.

### 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 9001:2008 (Quality Management System Standard), ISO 14001:2004 (Environmental Management System Standard), ISO 22000:2005 (Food Safety Standard) and HACCP (Food Safety System) by DNV, Netherlands. Further the plant has obtained Food

Safety Systems certification i.e. FSSC 22000 : 2011 in January, 2012 from 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 net sales and other income is ₹ 494.03 crores against ₹ 470.96 crores in the previous year. The operating profit in the year is ₹ 2.75 crores as against losses of ₹ 19.95 crores last year. The sales turnover of the Company in the domestic market was ₹ 479.74 crores as compared to last year sales of ₹ 414.61 crores. The Company was able to perform better in the domestic market due to firm demand and good availability of milk.

Members may recall, in the last annual report, the Directors had reported about Govt. of India's unjustified regulatory measures imposed on the Company i.e. prohibition on export of Casein. This measure forced the Company to close its Unit No. 2 for production of Casein and other Nutritional Ingredients. This closure has resulted into huge financial losses to the Company.

### 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  
Dated: 31<sup>st</sup> July, 2012

Krishan Kumar Goyal  
Chairman & Mg. Director