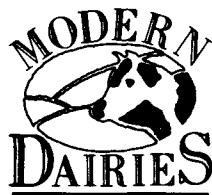


**21<sup>st</sup>**  
**ANNUAL  
REPORT**  
**2012-2013**



MODERN DAIRIES LIMITED

## BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Prof. Satish Kapoor

Dr. A.K. Vashisht

Mr. R. K. Goyal, Nominee Director

Mr. Mohan Lal Sharma, Nominee Director

Mr. Ashwani Kumar Aggarwal, Executive Director

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

## COMPANY SECRETARY

Ms. Anubha Garg

## AUDITORS

M/s. Walker, Chandiok & 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

## NOTICE

Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of the members of Modern Dairies Limited will be held at its Registered Office at 136 K.M., G.T. Road, Karnal -132001 (Haryana) on Wednesday, the 18<sup>th</sup> September, 2013 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, 2013, 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 Prof. Satish Kapoor, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. Bhupendra Nath Mathur, who retires by rotation, and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration. The retiring Auditors M/s. Walker Chandiok & Co., Chartered Accountants, are eligible for reappointment.

By order of the Board

Place: Chandigarh                      Anubha Garg  
Dated: 13<sup>th</sup> August, 2013              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 Register of Members and Share Transfer books of the Company will remain closed from 14<sup>th</sup> September, 2013 to 18<sup>th</sup> September, 2013 (both days inclusive) for Annual General Meeting purpose.
- (iii) 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.

- (iv) Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31<sup>st</sup> March, 2013, 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.
- (v) Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of Directors seeking reappointment at the Annual General Meeting, is annexed hereto.
- (vi) 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                      Anubha Garg  
Dated: 13<sup>th</sup> August, 2013              Company Secretary

**INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 18<sup>TH</sup> SEPTEMBER, 2013 PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT****1. Name of the Director : Prof. Satish Kapoor****Date of Birth** : 22<sup>nd</sup> October, 1946**Date of Appointment** : 27<sup>th</sup> July, 2002**Expertise in specific functional area** : Prof. Satish Kapoor has rich knowledge in International Marketing and Logistic. He has retired as Chairman of University Business School, Panjab University, Chandigarh and was Dean of Faculty of Business Management & Commerce.**Qualification**: Engineering graduate from I.I.T. Madras, M.B.A. from State University of New York and Doctorate from Panjab University, Chandigarh.**List of outside Directorships held** : NIL**Chairman/Member of the Committee of the Board of Directors of the Company** :

Audit Committee - Chairman

Shareholders/Investors Grievances

Committee - Chairman

Allotment Committee - Chairman

Banking &amp; Finance Committee - Chairman

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 2013, Prof. Kapoor holds Nil Equity Shares of the Company.**2. Name of the Director : Dr. Bhupendra Nath Mathur****Date of Birth** : 17<sup>th</sup> October, 1943**Date of Appointment** : 18<sup>th</sup> August, 1993**Expertise in specific functional area** : Dr. Mathur has over 40 years of experience in Dairy field. He has served as Director of National Dairy Research Institute, Karnal and has retired as Director of National Academy of Agricultural Research and Management, Hyderabad. He has represented India in many International Forums including International Dairy Federations & Codex Alimentarius Commission. He possesses a vast experience in Management and Administration.**Qualification**: PhD in Dairy Technology from NDRI, Karnal**List of outside Directorships held** : NIL**Chairman/Member of the Committee of the Board of Directors of the Company** :

Audit Committee - Member

Shareholders/Investors Grievances

Committee - Member

Remuneration Committee - Chairman

**Chairman/Member of the Committee of Directors of other Companies**: NIL**Shareholding in the Company**: As on 31<sup>st</sup> March 2013, Dr. Mathur holds Nil Equity Shares of the Company.

## DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 21<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2013.

## FINANCIALS

₹ in Lacs

	Year Ended 31.03.2013	Year Ended 31.03.2012
Net Sales and other Income	<b>58547</b>	49403
Operating Profit/ (Loss)	<b>2611</b>	275
Interest	<b>1848</b>	1618
Cash Profit/ (Loss)	<b>763</b>	(1343)
Depreciation & Amortisation	<b>663</b>	697
Profit/(Loss) before Tax	<b>100</b>	(2040)
Net (Loss)	<b>(103)</b>	(1820)

## PERFORMANCE

During the year under review, your Company was able to improve its sales performance. Members may recall that the Company's product Casein was under export ban. The said ban was lifted by the Government w.e.f. 1<sup>st</sup> May, 2012. This has shown a positive impact on the sales of the Company and the net sales and other income for the year ended 31<sup>st</sup> March, 2013 stood at ₹ 585.47 crores as against ₹ 494.03 crores previous year. The Company's export turnover increased to ₹ 102.66 crores as compared to last year's of ₹ 14.74 crores.

## CURRENT OPERATIONS

During the quarter ending 30<sup>th</sup> June, 2013, the Company has achieved net sales and other operating income of ₹ 147.36 crores as against ₹ 122.86 crores during the same period last year.

On the export front, the demand was good and the export sales during the 1<sup>st</sup> quarter are ₹ 24.28 crores as against ₹ 10.84 crores during the same period last year. With the onset of good Monsoon in the Country the milk availability is expected to be good during the year.

## 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 on 7<sup>th</sup> Sept, 2012, directed an interim stay of the High Court judgment and order subject to the Company depositing 50% of the cess levied as demanded by the Government of Haryana. The same has been deposited with the Government.

## ALLOTMENT OF OPTIONALLY CONVERTIBLE DEBENTURES (OCDS)

In terms of the rework package, your Company allotted 49,65,30,325 Optionally Convertible Debentures of ₹ 1 each, in favour of the lenders on 3<sup>rd</sup> April, 2013.

## UPDATE ON BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR)

Your Company has submitted Draft Rehabilitation Scheme (DRS) to PNB being the operating agency and the said DRS is under their consideration.

## 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's systems 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, HACCP Certification and Food Safety Systems certification i.e. FSSC 22000: 2011.

## DIRECTORS

During the year Mr. Mohan Lai Sharma was appointed as BIFR nominee on the Company's Board w.e.f. 8<sup>th</sup> February, 2013.

During the year the nomination of Mrs. Kalpana Gupta was withdrawn by Punjab National Bank, accordingly she ceased to be a Director w.e.f. 30<sup>th</sup> May, 2013. Your Directors place on record their high appreciation for the contribution made by Mrs. Kalpana Gupta, Nominee Director during her tenure as Director of the Company.

Punjab National Bank nominated Mr. R. K. Goyal as its nominee on the Company's board. Accordingly Mr. Goyal was appointed as a Nominee Director on the Board w.e.f. 30<sup>th</sup> May, 2013.

Prof. Satish Kapoor, Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

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

## 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 2013-14, 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 require 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, 2013, 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, 2013 and Profit/ Loss of the Company for the year ended 31<sup>st</sup> March, 2013.
- (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: 13<sup>th</sup> August, 2013

Krishan Kumar Goyal  
Chairman & Mg. Director

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

India continue to retains its leadership position as world's largest milk producing nation with an estimated milk production of 133 million tons during the fiscal 2012-13.

The industry is slated to witness the boom in demand for milk & milk products in the coming years owing to growing population with high income levels & rising aspirations and fast urbanization.

The consumer is shifting to the branded products. This is resulting into increase in the demand of Pasteurized Liquid Milk and other fresh dairy products through the organized sector.

**OPPORTUNITIES AND THREATS**

The changing life styles, better affordability and ever increasing exposure to global markets, there is a huge potential for sale of fresh dairy products, dairy based nutritional formulations and allied products.

With the onset of good monsoon in the country, the milk availability is expected to be good during the year.

The continuous increase in Raw Milk Prices is a matter of concern for the industry.

**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) 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 ₹ 585.47 crores against ₹ 494.03 crores in the previous year. The operating profit in the year is ₹ 26.11 crores as against profit of ₹ 2.75 crores last year. The sales turnover of the Company in the domestic market was ₹ 481.63 crores as compared to last year sales of ₹ 478.04 crores. With the restarting of exports from May, 2012 onwards, the Company was able to increase its sales and performance.

**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: 13<sup>th</sup> August, 2013

Krishan Kumar Goyal  
Chairman & Mg. Director

**Annexure 'A' 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 31<sup>st</sup> March, 2013

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

	Current Year 2012-13	Previous Year 2011-12
<b>POWER</b>		
<b>a) Electricity Power</b>		
Purchase Units (Kwh)	1,92,03,960	1,33,28,400
Total Amount ₹	11,87,26,000	6,82,57,917
Rate per Unit ₹	6.18	5.12
<b>b) Other Generation Through Diesel Generator</b>		
Unit (Kwh)	7,05,258	1,12,603
Total Amount ₹	95,65,000	12,31,347
Unit per litre of Diesel Oil	3.35	3.28
Cost / Unit ₹	13.56	10.94
<b>FUEL</b>		
Quantity (MT)	28,528	23,335
Total Amount ₹	11,09,33,000	7,07,15,243
Rate / Unit ₹ per MT	3,888.57	3,030.43

**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)	88.35	74.67
Fuel Quantity (Kgs.)	122.47	109.39

**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 & DEVELOPMENT AND TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company is regularly working on the continual improvement of its products looking at its customers / market requirements.

**2. FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

For & on behalf of the Board

Place : Chandigarh  
Dated : 13<sup>th</sup> August, 2013

Krishan Kumar Goyal  
Chairman & Mg. Director



## CORPORATE GOVERNANCE REPORT

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

### COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

#### 1. BOARD OF DIRECTORS

##### A. Composition of the Board of Directors

A list of Directors including the Chairman of the Board and their status as Executive / Non-Executive and Independent / Non-Independent for the year ended 31<sup>st</sup> March, 2013 is set out below:-

Name of the Director	Category of the Director	No. of Board meetings attended	No. of other Directorships in Public Company	No. of Committee positions held		Last AGM attended
				Chairman	Member	
<b>Mr. Krishan Kumar Goyal</b>	Chairman & Mg. Director Non Independent (Promoter) Director	5	3	-	1	Yes
<b>Dr. Bhupendra Nath Mathur</b>	Non Executive Independent Director	4	-	-	2	No
<b>Prof. Satish Kapoor</b>	Non Executive Independent Director	4	-	2	-	Yes
<b>Dr. A. K. Vashisht</b>	Non Executive Independent Director	5	-	-	1	Yes
<b>Mrs. Kalpana Gupta*</b>	Non Executive Independent (Nominee) Director	2	4	-	-	No
<b>Mr. Mohan Lal Sharma**</b>	Non Executive Independent (Nominee) Director	1	2	-	-	NA
<b>Mr. A. K. Aggarwal</b>	Non Independent Executive Director	5	1	-	1	Yes
<b>Dr. P.K. Jain</b>	Executive Non Independent Director (Admn. & Milk Procurement)	4	1	-	-	Yes

\* During the year the nomination of Mrs. Kalpana Gupta, Nominee Director was withdrawn by Punjab National Bank, accordingly she ceased to be a Director w.e.f. 30<sup>th</sup> May, 2013. Punjab National Bank nominated Mr. R. K. Goyal as its nominee on the Company's board. Accordingly he was appointed as a Nominee Director on the Board w.e.f. 30<sup>th</sup> May, 2013.

\*\* During the year Mr. Mohan Lal Sharma was appointed as BIFR nominee on the Company's Board w.e.f. 8<sup>th</sup> February, 2013.

##### B. Board Meeting and Attendance

During the financial year ended 31<sup>st</sup> March, 2013, five meetings of Board of Directors were held. The details of Board Meetings held during the year are as under:-

Date of Board Meeting	Board's Strength	No of Directors Present
25 <sup>th</sup> May, 2012	7	7
16 <sup>th</sup> July, 2012	7	4
31 <sup>st</sup> July, 2012	7	6
10 <sup>th</sup> November, 2012	7	6
8 <sup>th</sup> February, 2013	8	7

**C. Board's Processes**

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisition of material nature of assets, mortgages, guarantees, donations etc, are regularly placed before the Board. This is in addition to information with regard to actual operations, major litigation feed back reports, information on Senior Level appointments just below the Board Level and minutes of all Committee Meetings.

The information as required under Corporate Governance is being made available to the Board as and when applicable.

**2. COMMITTEES OF THE BOARD****A. Audit Committee**

- a.
  - i. The Company has an Audit Committee as per provisions of the Listing Agreement and under Section 292A of the Companies Act, 1956. Prof. Satish Kapoor, Dr. Bhupendra Nath Mathur and Mr. A.K. Aggarwal are the members of the Committee.
  - ii. The Chairperson of the Audit Committee, Prof. Satish Kapoor is a Non Executive Independent Director.
  - iii. All of the above Directors are financially literate and have accounting and related financial management expertise.
  - iv. The Chairman of the Audit Committee was present at the last Annual General Meeting to answer the Shareholders queries.
  - v. The Company Secretary of the Company, namely, Ms. Anubha Garg is the Secretary of the Audit Committee.
- b. The Committee met 4 times during the year on 25<sup>th</sup> May, 2012, 31<sup>st</sup> July, 2012, 10<sup>th</sup> November, 2012, and 8<sup>th</sup> February, 2013. The status of attendance of members at the Audit Committee was as under:

Name of Director	No. of Meetings held	No. of Meetings attended
Prof. Satish Kapoor	4	3
Dr. Bhupendra Nath Mathur	4	4
Mr. A.K. Aggarwal	4	4

**c. Powers of Audit Committee:**

The Audit Committee has the following powers as amended from time to time:-

1. To investigate any activity within its terms of reference.
2. To seek any information from any employee.
3. To obtain outside professional legal advice.
4. To secure attendance of outsiders with relevant expertise, if considered necessary.

**d. Role of Audit Committee**

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fee.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with management, the annual financial statements before submission to the Board for approval with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.