NOTICE

Notice is hereby given that the 22nd 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 24th September, 2014 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, 2014, the Statement of Profit and 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 Mr. Ashwani Kumar Aggarwal (DIN: 00486430), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to provisions of Section 139 of the Companies Act, 2013 and other applicable provisions of the Act, if any and the rules framed thereunder, as amended from time to time, M/s. Walker Chandiok & Co. LLP, Chartered Accountants, (Firm Reg. No 001076N), be and is hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the sixth Annual General Meeting to be held in calendar year 2019 (subject to ratification by the members at every AGM) on a remuneration as may be fixed by the Board of Directors of the Company."

AS SPECIAL BUSINESS:

4. To appoint Dr. Bhupendra Nath Mathur (DIN: 00489897) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Dr. Bhupendra Nath Mathur (DIN: 00489897), who was appointed as a Non Executive Director, and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years commencing from 24th September, 2014."
5. To appoint Prof. Satish Kapoor (DIN: 00009122) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Prof. Satish Kapoor (DIN: 00009122), who was appointed as a Non Executive Director, and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years commencing from 24th September, 2014."
6. To appoint Dr. Avtar Krishan Vashisht (DIN: 03323142) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Dr. Avtar Krishan Vashisht (DIN: 03323142), who was appointed as a Non Executive Director, and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and is eligible for appointment, and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the

Company to hold office for 5 (five) consecutive years commencing from 24th September, 2014."

7. To appoint Mr. Krishan Kumar Goyal (DIN: 00482035) as Chairman & Managing Director of the Company and in this regard 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 Sections 196, 197, 200 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and subject to such other approvals as may be required, approval of the Company be and is hereby accorded to the appointment of Mr. Krishan Kumar Goyal (DIN: 00482035) as Chairman & Managing Director of the Company, liable to retire by rotation, for a period of 3 (three) years with effect from 1st April, 2014 on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Krishan Kumar Goyal, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof;

   RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution and/or to make modification as may be deemed to be in the best interest of the Company."

8. To appoint Mr. Ashwani Kumar Aggarwal (DIN: 00486430) as Executive Director of the Company and in this regard 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 Sections 196, 197, 200 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and subject to such other approvals as may be required, approval of the Company be and is hereby accorded to the appointment of Mr. Ashwani Kumar Aggarwal (DIN: 00486430) as Executive Director of the Company, liable to retire by rotation, for a period of 3 (three) years with effect from 1st April, 2014 on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Ashwani Kumar Aggarwal, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof;

   RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution and/or to make modification as may be deemed to be in the best interest of the Company."

9. To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

   "RESOLVED THAT in supersession of the earlier resolution passed by the shareholders of the Company and pursuant to the provisions of Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent be and is hereby accorded to the Board of Directors of the Company to borrow moneys from time to time so that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) either from the Company's Bankers and/or any one or more persons or Financial Institutions or from any other sources either in India or abroad, whether by way of advances, loans, issue of Non-Convertible Debentures / Fully Convertible Debentures / Partly Convertible Debentures with or without detachable or non-detachable warrants or warrants of any other kind, bonds, External Commercial Borrowings or other debt instruments, or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge on the Company's assets and properties in excess of the aggregate of the paid-up-capital of the Company and its free reserves, that is to say, reserves not set

apart for any specific purpose upto a limit of ₹250 Crores (Rupees Two Hundred Fifty Crores Only) at any one time and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys to be borrowed from time to time as to interest, repayment, security or otherwise as it may deem fit."

10. To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of the earlier resolution passed by the shareholders of the Company and pursuant to Section 180(1)(a) and any other applicable provisions of the Companies Act,2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging, on such terms and conditions and at such time or times and in such form and manner as the Board of Directors may at its sole discretion think fit, the whole or substantially the whole of the Company's undertakings, including the present and/or future properties, whether movable or immovable, tangible or intangible comprised in any existing or new undertaking or undertakings of the Company as the case may be in favour of the lender(s) / financial institution(s) / foreign financial Institution(s) / bank(s) / agent(s) / trustee(s) and/or other agencies, etc. for securing the long term, short term and medium term borrowings of the Company availed/to be availed by way of loan(s), working capital limits, External Commercial Borrowings and securities issued/to be issued by the Company, from time to time, subject to the limits approved by the members under Section 180(1) (c) of the Companies Act, 2013 together with the interest on the principal amounts at the respective agreed rates, additional interest, compound interest in the case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, premium (if any) on redemption, remuneration of agent(s)/trustee(s), all other costs, charges and expenses, including any increase as a result of devaluation / revaluation/ fluctuations in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreements, debenture trust deed(s) and/or any other deed(s) or document(s) entered into / to be entered into between the Company and the lender(s) / financial institution(s)/ foreign financial Institution(s)/ bank(s)/ agent(s)/ trustee(s) and/or other agencies, etc., in respect of their respective loans/borrowings/ debentures/securities and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors of the Company and the lender(s) / financial institution(s)/ foreign financial Institution(s)/ bank(s)/ agent(s)/ trustee(s) and/or other agencies, etc."

"RESOLVED FURTHER that the securities to be created by the Company as aforesaid may be exclusive or rank prior/pari-passu/ subservient with the mortgages and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board of Directors and as may be agreed to by and between the Company and the lender(s) / financial institution(s)/ foreign financial Institution(s)/ bank(s)/agent(s)/trustee(s) and/or other agencies, etc. "

"RESOLVED FURTHER that the Board of Directors or its Committee or persons authorized by the Board, be and is/are hereby authorized to finalize, settle and execute any and all agreements, documents, deeds, writings and papers as may be necessary for creating the mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as it/they may, in its/their absolute discretion consider necessary, desirable or expedient for implementing this resolution and to resolve any question, difficulty or doubt relating thereto, or otherwise considered to be in the best interests of the Company."

11. To give authorization pursuant to provisions of Section 186 of the Companies Act, 2013 and in this regard to consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 186 and all other applicable provisions, if any, of the Companies Act, 2013, read with the relevant Rules thereof (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors including any Committee thereof (hereinafter referred to as "the Board") to (i) give any loans to any person or other body corporate, or (ii) give any guarantees or to provide security in connection with a loan to any other body corporate or person, or (iii) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate exceeding sixty percent of Company's paid up capital and its free reserves and securities premium account or one hundred percent of its free reserves and securities premium account whichever is more as the Board of Directors may think fit, provided that the total loans or investments made, guarantees given, and securities provided shall not at

any time exceed ₹20 Crores (Rupees Twenty Crores Only) over and above the paid up capital of the Company and its free reserves.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such actions and to give all such directions as may be necessary or desirable and also to settle any question or difficulty that may arise in regard to the proposed investments or loans or guarantees or securities and to do all such acts, deeds, matters and things and to execute all such deeds, documents and writings as may be necessary, desirable or expedient in connection therewith."

By order of the Board

Place : Chandigarh — Anubha Garg
Dated:11th August, 2014 — Company Secretary

Registered Office:
136 K.M., G.T. Road,
Karnal –132001 (Haryana)
CIN: L74899HR1992PLC032998
Email: secretarial@moderndairies.com

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.

   A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.

3. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking appointment / re-appointment at the Annual General Meeting, is annexed hereto.

4. A Statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.

5. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.

6. Members who wish to obtain any information on the Company or view the Accounts for the financial year ended 31st March, 2014, 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.

7. The Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 2014 to 24th September, 2014 (both days inclusive).

8. 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.

   The Members holding shares in physical form are requested to intimate immediately change of address, if any, to the Company's Registrar and Transfer Agent.

9. 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), 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.

10. The Securities and Exchange Board of India (SEBI) has mandated the submission of

Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / MCS Limited.

11) Soft copy of the Annual Report for the financial year 2013-14 is being sent to all the members, whose email IDs are registered with the Company/ Depositors Participant(s) for communication purposes. For members who have not registered their email address, physical copies of the Annual Report for the financial year 2013-14 is being sent in the permitted mode.

12) Soft copy of the Notice of the 22nd Annual General Meeting of the Company, inter-alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 22nd Annual General Meeting of the Company, inter-alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

13) Members may also note that the Notice of the 22nd Annual General Meeting and the Annual Report for the financial year 2013-14 will also be available on the Company's website www.moderndairies.com for their download. For any communication, the members may also send requests at email ID: secretarial@moderndairies.com

14) Voting through electronic means:

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, Modern Dairies Limited, is offering e-voting facility to its members to exercise their right to vote at the 22nd Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL):

The instructions for e-voting are as under:

A. In case a Member receives an email from NSDL:

i) Open email and open PDF file, viz; "Moderndairies e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that this password is an initial password.

ii) Launch internet browser by typing the following URL: https://www.evoting.nsdl.com

iii) Click on Shareholder – Login

iv) Put user ID and password as initial password noted in step (i) above. Click Login.

v) Password change menu appears. Change the password with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

vi) Home page of "e-voting" opens. Click on "e-Voting: Active Voting Cycles".

vii) Select "EVEN" of Modern Dairies Limited.

viii) Now you are ready for "e-voting" as "Cast Vote" page opens.

ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.

x) Upon confirmation, the message "Vote cast successfully" will be displayed.

xi) Institutional members (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies), who are authorized to vote, to the Scrutinizer through e-mail to sharmasarinassociate@yahoo.com or secretarial@moderndairies.com with a copy marked to evoting@nsdl.co.in.

xii) Once you have voted on the resolution, you will not be allowed to modify your vote.

B. In case a Member receives physical copy of the Notice of AGM:

i) Initial User ID and Password is provided with the copy of this notice in separate slip.

ii) Please follow all steps from Sl. No. A(ii) to Sl. No. A(xi) above, to cast vote.

II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the Downloads section of **www.evoting.nsdl.com**

III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password for casting your vote.

IV. You can also update your mobile number and e-mail id in the user profile details of the folio, which may be used for sending future communication(s).

V. The e-voting period commences on 16th September, 2014 (9:00 AM) and ends on 18th September, 2014 (6:00 PM). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e., 14th August, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

VI. The voting rights of members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date i.e. 14th August, 2014.

VII. Mr. Gurvinder Singh Sarin, MFC, LLB, FCS, Practicing Company Secretary (Membership No. FCS 4025) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

VIII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

IX. The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.moderndairies.com and on the website of NSDL within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.

15) All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection, at the Registered Office of the Company, during normal business hours (9:00 AM to 5:00 PM) on all working days (except on public holidays), upto the date of the Annual General Meeting.

By order of the Board

Place : Chandigarh — Anubha Garg
Dated:11th August, 2014 — Company Secretary

Registered Office:
136 K.M., G.T. Road,
Karnal –132001 (Haryana)
CIN: L74899HR1992PLC032998
Email: secretarial@moderndairies.com

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 ("the Act")

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

ITEM NO. 4, 5 & 6

The Company in pursuance to Clause 49 of the Listing Agreeement had appointed Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht as independent directors at various times in compliance of the said clause.

In terms of Section 149(4) which comes into force w.e.f. 1st April, 2014, every listed Company is required to have atleast 1/3rd of the total number of Directors as independent directors. Further section 149(10) of the Act provides that the independent directors shall hold office for a term upto 5 consecutive years and shall not be liable to retire by rotation pursuant to Section 149 (13) read with Section 152.

SEBI has amended clause 49 of the Listing Agreement which would be effective from 1st October, 2014 which interalia stipulates the condition for appointment of independent directors by the listed company.

The Nomination and Remuneration Committee has recommended the appointment of these 3 directors as independent directors from 24th September, 2014 for a period of 5 years, subject to their fulfilling requirements for an independent Director under the Act.

Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht are not disqualified from being appointed as Directors in terms of Section 164 of the Act and have given their consent to act as Directors.

The Company has received notices in writing from members alongwith the deposit of requisite amount under Section 160 of the Act proposing the candidatures of each of Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht for the office of Directors of the Company.

The Company has also received declarations from Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In the opinion of the Board, Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht fulfill the conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement. Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht are independent of the management.

Copy of the draft letters for respective appointments of Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht are interested in the resolutions set out respectively at Item Nos. 4, 5 and 6 of the Notice with regard to their respective appointments.

The relatives of Dr. B. N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht may be deemed to be interested in the resolutions set out respectively at Item Nos. 4, 5 and 6 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Ordinary Resolutions set out at Item Nos. 4, 5 and 6 of the Notice for approval by the shareholders.

ITEM NO. 7

Mr. Krishan Kumar Goyal is the Promoter Director of the Company. He is the Managing Director of the Company since inception except for a short break. He was appointed as the Chairman & Managing Director of the Company on 16th July, 2012 for a period of 3 years in terms of the provision of the Companies Act, 1956. The Companies Act, 2013 has come into force w.e.f. 1st April, 2014. In terms of provisions of Section 196, 197, 200 and 203 read with provisions of Section 149(13) of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is proposed to appoint Mr. Krishan Kumar Goyal under the Companies Act, 2013 as Chairman & Managing Director of the Company liable to retire by rotation for a period of 3 years.

The Board of Directors of the Company (the 'Board'), at its meeting held on 11th August, 2014 has, subject to the approval of members, appointed Mr. Krishan Kumar Goyal as the Chairman & Managing Director for a period of 3 (three) years w.e.f 1st April, 2014, on the terms and conditions including the remuneration as recommended by the Nomination and Remuneration Committee of the Board and approved by the Board.

The Board of Directors while approving appointment of Mr. Krishan Kumar Goyal had also approved remuneration by way of salary, perquisites and commission for a period of three years from the date of appointment as given herein below:

TERMS & CONDITIONS

1 SALARY

₹2,50,000/- (Rupees Two Lacs Fifty Thousand 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 domestic helps' salary:** Reimbursement of domestic helps' salary, subject to a maximum of two domestic helps' on a salary of upto ₹10,000 per domestic help 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.

The terms and conditions can be varied with mutual agreement of both parties subject however to the stipulation that the changes should be in conformity with the provisions of the Companies Act, 2013 read with Schedule V or any amendment thereof.

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 V of the Companies Act, 2013, 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 ₹2,50,000 (Rupees Two Lacs Fifty Thousands Only) per month plus perquisites in that Company subject to the conformity with provisions of schedule V.

Mr. Krishan Kumar Goyal satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of appointment of Mr. Krishan Kumar Goyal under Section 190 of the Act.

Disclosures under Clause 49 of Listing Agreement with the Stock Exchange, are annexed hereto.

The Board commends the Special Resolution set out at Item No. 7 of the Notice for approval by the shareholders.

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.

MEMORANDUM OF INTEREST

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

ITEM NO. 8

Mr. Ashwani Kumar Aggarwal was appointed as an Executive Director of the Company on 31st July, 2012 for a period of 3 years w.e.f 16th November, 2012, in terms of the provision of the Companies Act, 1956. The Companies Act, 2013 has come into force w.e.f. 1st April, 2014, in terms of provision of Section 196, 197, 200 and 203 read with provision of Section 149 (13) of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is proposed to appoint Mr. Ashwani Kumar Aggarwal under the Companies Act, 2013 as the Executive Director of the Company liable to retire by rotation for a period of 3 years.

The Board of Directors of the Company (the 'Board'), at its meeting held on 11th August, 2014, 2014 has, subject to the approval of members, appointed Mr. Ashwani Kumar Aggarwal as the Executive Director for a period of 3 (three) years w.e.f 1st April, 2014, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee of the Board and approved by the Board.

The Board of Directors while approving appointment of Mr. Ashwani Kumar Aggarwal had also approved remuneration by way of salary and perquisites for a period of three years from the date of appointment as given herein below:

1. SALARY:

₹ 1,50,000 (Rupees One Lac Fifty 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.

x) **Others:** Subject to any statutory ceilings.

Mr. Ashwani Kumar Aggarwal may be given any other allowances, perquisites and facilities as the Board of Directors may decide from time to time.

The terms and conditions can be varied with mutual agreement of both parties subject however to the stipulation that the changes should be in conformity with the provisions of the Companies Act, 2013 read with Schedule V or any amendment thereof.

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 V of the Companies Act, 2013, from time to time".

Mr. Ashwani Kumar Aggarwal satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of appointment of Mr. Ashwani Kumar Aggarwal under Section 190 of the Act.

Disclosures under Clause 49 of Listing Agreement with the Stock Exchange, are annexed hereto.

The Board commends the Special Resolution set out at Item No. 8 of the Notice for approval by the shareholders.

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.

MEMORANDUM OF INTEREST

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

ITEM NO. 9 & 10

The members had earlier approved & consented for the powers to the Board of Directors of the Company to borrow moneys from time to time so that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the paid-up-share capital of the Company and its free reserves i.e. reserves not set apart for any specific purpose upto an amount of ₹200 Crores (Rupees Two Hundred crores) at any one time and also the members had consented for powers to the Board of Directors of the Company under Section 293(1)(a) of the Companies Act, 1956 for mortgaging and/or charging, the whole or substantially the whole of the Company's undertakings in favour of the Lenders, Financial Institutions, Banks, Agents and/or Trustees etc. upto a limit as stipulated above.

Since Section 180 of Companies Act, 2013 which has come into effect from 12th September, 2013 mandates the consent of the shareholders by way of special resolution both for borrowing moneys in excess of paid up share capital and free reserves under section 180 (1)(c) and also for powers to mortgage / charge the properties of the Company under section 180 (1)(a) of the Companies Act, 2013. Keeping in view the Company's future plans, consent of the shareholders is sought for authorizing the Board of Directors of the Company to borrow moneys from time to time so that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the paid-up-share capital of the Company and its free reserves i.e. reserves not set apart for any specific purpose upto an amount of ₹250 Crores (Rupees Two Hundred Fifty crores).at any one time and also for authorizing the Board members under Section 180(1)(a) of the Companies Act, 2013 for mortgaging and/or charging, the whole or substantially the whole of the Company's undertakings in favour of the Lenders, Financial Institutions, Banks, Agents and/or Trustees etc. upto a limit as stipulated above.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 9 & 10.

The Board commends the Special Resolutions set out at Item No. 9 & 10 of the Notice for approval by the shareholders.

ITEM NO. 11

As per the provisions of Section 186 of the Companies Act, 2013, prior approval by way of a special resolution at general meeting is necessary for the Company for giving any loan and/or for giving any guarantee and / or for providing security in connection with a loan to any other body corporate or person; and / or for acquiring securities of any other body corporate, exceeding sixty per cent of its paid-up share capital, free reserves and securities premium account or one hundred per cent of its free reserves and securities premium account, whichever is more. Consent and approval of the Shareholders is therefore, sought in accordance with the provisions of Section 186 of the Companies Act, 2013 for the limits upto ₹20 Crores (Rupees Twenty Crores Only) over and above the paid up capital of the Company and its free reserves.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 11.

The Board commends the Special Resolution set out at Item No.11 of the Notice for approval by the shareholders.

By order of the Board

Place : Chandigarh
Dated:11th August, 2014

Anubha Garg
Company Secretary

Registered Office:
136 K.M., G.T. Road,
Karnal –132001 (Haryana)
CIN: L74899HR1992PLC032998
Email: secretarial@moderndairies.com

INFORMATION REGARDING DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 24TH SEPTEMBER, 2014, PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

1. **Name of the Director : Dr. Bhupendra Nath Mathur**

Date of Birth : 17.10.1943

Date of Appointment : 18.08.1993

Expertise in specific functional area : Dr. Mathur is associated with the Company since inception. He 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 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
Nomination & Remuneration Committee	-	Chairman
Stakeholders Relationship Committee	-	Member

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

Shareholding in the Company: As on 31st March 2014, Dr. B.N. Mathur holds Nil Equity Shares of the Company.

2. **Name of the Director : Prof. Satish Kapoor**

Date of Birth : 22.10.1946

Date of Appointment : 27.07.2002

Expertise in specific functional area : Prof. Satish Kapoor has rich knowledge in International Marketing and Logistics. He has retired as Chairman of University Business School, Panjab University, Chandigarh and was Dean of Faculty of Management.

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
Stakeholders Relationship Committee	-	Chairman
Allotment Committee	-	Chairman
Banking & Finance Committee	-	Chairman
Nomination & Remuneration Committee	-	Member

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

Shareholding in the Company: As on 31st March 2014, Prof. Satish Kapoor holds Nil Equity Shares of the Company.

3. **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 a Professor with 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 outside Directorships held : NIL

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

Audit Committee	-	Member
Banking & Finance Committee	-	Member
Nomination & Remuneration Committee	-	Member

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

Shareholding in the Company: As on 31st March 2014, Dr. A.K. Vashisht holds Nil equity shares of the Company.

4. **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 the Promoter Director of the Company. He is energetic and dynamic person. He has a vast experience in manufacturing industry and is well versed with the modern management practices.

Qualification : B.Com, LLB

List of outside Directorships held :

i) Modern Steels Limited
ii) Modern Automotives Limited
iii) PHi Business Solutions Limited
iv) Chandigarh Finance Pvt. Ltd.
v) Nabha Commerce Pvt. Ltd.
vi) 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.
Allotment Committee - Member

Shareholding in the Company: As on 31st March 2014, Mr. Krishan Kumar holds 2295943 Equity Shares of the Company.

5. **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 59 years is a Dairy Technologist and has a long technical and commercial experience of more than three decades. He is widely travelled and has in depth knowledge of international dairy business. He is associated with the Company since inception.

Qualification : B.Sc. (Dairy Tech.)

List of outside Directorships held : Nil

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

Stakeholders Relationship 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 31st March 2014, Mr. Ashwani Kumar Aggarwal holds 400 equity Shares of the Company.

STATEMENT OF PARTICULARS (ITEM No. 7 & 8)

(Pursuant to Schedule –v of the Companies Act, 2013/ Schedule XIII of the Companies Act, 1956)

I. General Information:

(1)	Nature of industry	The Company is primarily engaged in the business of milk supply in pouches manufacturing/ processing of milk powders, Butter, Pure Ghee, Cheese and nutritional ingredients etc.,
(2)	Date or expected date of commencement of commercial production	22nd April, 1992
(3)	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus N.A	
(4)	Financial performance based on given indicators	(₹ in Lacs)

	2013-14	2012-13	2011-12	2010-11
Sales and other Income	64049	58547	49403	47096
Prior period expenses	(7)	(1108)	-	-
Profit before Depreciation, Interest, Exceptional Item and Tax but after Prior Period Items	2114	2676	321	(299)
Depreciation / Amortization	701	663	697	723
Interest and Finance Charges	1627	1913	1664	1222
Profit / (Loss) before Exceptional Items and Tax	(214)	100	(2040)	(2245)
Exceptional Item	(1144)	-	-	1643
Profit / (Loss) before Tax	930	100	(2040)	(3887)

(5)	Foreign investments or collaborations, if any.	International Finance Corporation, Washington holds 19.71% shares of the Company	
II.	**Information about the appointee:**	Mr. Krishan Kumar Goyal	Mr. Ashwani KumarAggarwal
(1)	Background details & Recognition or awards	Mr. Krishan Kumar Goyal is the Promoter Director of the Company. He is a Commerce & Law Graduate. He is energetic and dynamic person. He has a vast experience in manufacturing industry and is well versed with the modern management practices.	Mr. Ashwani Kumar Aggarwal, aged 59 years is a Dairy Technologist from National Dairy Research Institute, Karnal. He has a long technical and commercial experience of more than three decades. He is widely travelled and has in depth knowledge of international dairy business. Mr. Aggarwal is associated with the Company since inception.
(2)	Past remuneration	Mr. Krishan Kumar Goyal has not drawn any remuneration from Modern Dairies Limited in the last 3 years.	Mr. A.K. Aggarwal has drawn ₹ 22,24,952, ₹ 21,13,703 and ₹ 20,11,070 during the year 2013-14, 2012-13 and 2011-12 respectively.

(3)	Job profile and his suitability	Mr. Krishan Kumar Goyal is responsible for overall management of the Company under the supervision and control of the Board of Directors of the Company.	Mr. A.K. Aggarwal is responsible for overall day to day management of the Company under the supervision and control of Board of Directors of the Company and reports to the Managing Director.
(4)	Remuneration proposed	₹ 2,50,000 per month plus perquisites.	₹1,50,000 per month plus perquisites.
(5)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person.	The remuneration of the appointees, Mr. Krishan Kumar Goyal and Mr. A.K. Aggarwal are fully justifiable and comparable to that prevailing in the industry, keeping in view the profile and the position of Chairman & Managing Director and Executive Director respectively and enriched knowledge & vast experience of the appointees.	
(6)	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Mr. Goyal is one of the Promoters and shareholder of the Company. He has furnished personal guarantee in favour of the Corporate Debt Restructuring (CDR) Lenders of the Company for the Company's borrowings.	Mr. A. K. Aggarwal is the Executive director and a shareholder of the Company
III.	**Other information:**		
(1)	Reasons of loss or inadequate profits	The Company went for a major expansion plan in 2006/ 2007 for setting up a unit for manufacturing of nutritional ingredients i.e. Casein, Whey Protein Concentrates, Lactose etc. Unit II partly commenced its commercial production in FY 2007 and was fully operational by FY 2008. In FY 2008-2009, the global economy faced major financial crisis, resulting into global meltdown and economic slowdown. As the Company's products were export dependent, the Company suffered huge financial losses due to these factors. Thereafter, when the Company was looking to step up its exports, the Govt. of India vide its notification no. 26 (RE-2010) / 2009-2014 dated 24th January, 2011 first withdrew the DEPB benefit on export of Casein and thereafter vide notification no. 23(RE-2010) / 2009-2014 dated 18th February, 2011 put a blanket ban on export of Casein. This resulted into complete stoppage of Unit 2 set up by the Company for production of Casein and other Nutritional Ingredients. The Govt. of Haryana imposed unjust milk cess on the registered capacity of the plant under the Haryana Murrah Buffalo and other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act 2001 which was challenged by the Company in Punjab & Haryana High Court. On 28th May 2010, the Hon'ble Punjab & Haryana High Court dismissed the Writ Petition of the Company and held the levy valid by the Govt. of Haryana. Accordingly, the Company provided for milk cess liability dues in its books.	
(2)	Steps taken or proposed to be taken for improvement	As informed above, the Govt. of India had imposed a blanket ban vide notification dated 18th February, 2011 on export of Casein which has already been lifted by the Govt. of India vide notification no. 112 (RE-2010) / 2009 - 2014 dated 1st May, 2012. Further the Govt. of India vide its notification no. 31 (RE-2012) / 2009-2014 dated 4th February, 2013 has confirmed that export of casein will be exempted from any restriction/ ban even in the event of restriction/ ban on the export of milk. This has opened up huge potential to the Company for its export. Immediately after the lifting of the ban the Company has been able to regain its customers in the international market. Regarding the milk cess the Company has already challenged the decision of Hon'ble Punjab & Haryana High Court before the Hon'ble Supreme Court and the matter is sub	

		judiced. The Apex Court vide its order dated 7th September, 2012 while admitting the Special Leave Petition (SLP) of the Company, granted interim stay of the impugned judgment and order passed by the High Court, subject to the Company's depositing 50% of milk cess levied and demanded by Govt. of Haryana, which the Company has already done. Also a similar case of Punjab Government have been stuck down by The Hon'ble Punjab & Haryana High Court and also by the Apex Court. It is in all probability that the Govt. of Haryana's milk cess levy shall also be stuck down by the Hon'ble Supreme Court.
(3)	Expected increase in productivity and profits in measurable terms.	The management has adopted focused and aggressive business strategies in all spheres of functions to improve the sales and profitability of the Company. Considering the present business scenario, the Company is expecting increase in revenue and profitability. The Management is confident of achieving a higher growth in the period to come.
IV.	**Disclosures**	
	The details of remunerations and other information is given in the Corporate Governance part of the Directors' Report.	

MODERN DAIRIES LIMITED

CIN: L74899HR1992PLC032998
Registered Office: 136 K.M., G.T. Road, Karnal - 132001 (Haryana)
Email:secretarial@moderndairies.com, **Website:**www.moderndairies.com
Phone: (0172) 2609001/2, **Fax:** (0172) 2609000

GREEN INITIATIVE IN CORPORATE GOVERNANCE

Dear Shareholder,

In case you have not registered your email address for receiving communication from Company in electronic mode, you may submit the Registration Form given herein below to the Share Transfer Agents namely M/s. MCS Limited, F-65, 1st Floor, Okhla Industrial Area, Phase-I, New Delhi 110 020 or to the Company at its office at Modern Dairies Limited, S.C.O. 98-99, Sub City Centre, Sector 34, Chandigarh-160 022. Shareholders holding shares in demat mode are requested to register their email address with Depository Participant.

E-COMMUNICATION REGISTRATION FORM

(In terms of circular no. 17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID : .....

Name of 1st Registered Holder : .....

Name of Joint Holder(s) : .....

.....

.....

Registered Address : .....

.....

.....

E-mail ID (to be registered) : .....

I/we shareholder(s) of Modern Dairies Limited agree to receive communication from the Company in electronic mode. Please register my/our above e-mail id in your records for sending communication through e-mail.

Signature :….....……..

Date: .....…..…

Note : Shareholder(s) are requested to keep the Company / Depository Participant informed as and when there is any change in the e-mail address.

ATTENDANCE SLIP

MODERN DAIRIES LIMITED

CIN: L74899HR1992PLC032998
Registered Office: 136 K.M., G.T. Road, Karnal –132001 (Haryana)
Email: secretarial@moderndairies.com, **Website:** www.moderndairies.com
Phone: (0172) 2609001/2, Fax: (0172) 2609000

22ND ANNUAL GENERAL MEETING

Member's / Proxy's name in Block Letters _____

Address _____

No. of Shares held _____

I / We hereby record my/our presence at the 22nd Annual General Meeting of the Company at 136 K.M., G.T. Road, Karnal – 132001 (Haryana) at 11:00 a.m.

_____ Member's Folio / DP ID- Client ID No.

_____ Member's/Proxy's signatures

Note:

1. Please complete the Attendance Slip and handover at the entrance of the Meeting venue.
2. Soft copy of the Annual Report for FY 2013-14 and the Notice of the Annual General Meeting (AGM) along with Attendance Slip and Proxy Form is being sent to all the members whose email address is registered with the Depository Participant through email only unless any member has requested for a hard copy of the same. Members receiving soft copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of the Notice of the Annual General Meeting along with the Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email is not registered or who have requested for a hard copy and copy of the Annual Report for 2013-14 is being sent separately.
4. Shareholders are requested to bring their copy of the Notice alongwith them at the Annual General Meeting as the copies of the same will not be distributed at the meeting.

PROXY FORM

Form No. MGT-11

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management & Administration) Rules, 2014]

MODERN DAIRIES LIMITED

CIN: L74899HR1992PLC032998

Registered Office: 136 K.M., G.T. Road, Karnal - 132001 (Haryana)

Email:secretarial@moderndairies.com, **Website:**www.moderndairies.com

Phone: (0172) 2609001/2, **Fax:** (0172) 2609000

Name of the member(s): _____

Registered Address: _____

Email ID: _____

Folio No./Client ID/DPID: _____

I/We, being the member(s) of _____ holding _____ shares of above named Company, hereby appoint:-

1. Name : _____ Address: _____

   Email ID: _____ Signature: _____ or failing him

2. Name : _____ Address: _____

   Email ID: _____ Signature: _____ or failing him

3. Name : _____ Address: _____

   Email ID: _____ Signature: _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company, to be held on **Wednesday, the 24th September, 2014 at 11:00 a.m** at Registered Office at : 136 K.M., G.T. Road, Karnal –132001 (Haryana) and at any adjournment thereof in respect of such resolutions as are indicated below:

Ordinary Business

1. Adoption of Audited Balance Sheet as at 31st March, 2014, Statement of Profit & Loss for the year ended on that date, and the Directors' and Auditors' Reports thereon.
2. Reappointment of Mr. Ashwani Kumar Aggarwal, who retires by rotation.
3. Appointment of Walker Chandiok & Co. LLP, Chartered Accountants, as Auditors and fixing their remuneration.

Special Business

4. Appointment of Dr. Bhupendra Nath Mathur as an independent Director.
5. Appointment of Prof. Satish Kapoor as an independent Director.
6. Appointment of Dr. Avtar Krishan Vashisht as an independent Director.
7. Appointment of Mr. Krishan Kumar Goyal as Chairman & Managing Director of the Company.
8. Appointment of Mr. Ashwani Kumar Aggarwal as Executive Director of the Company
9. Approval under Section 180(1)(c) of the Companies Act, 2013 regarding borrowing powers to the Board of Directors.
10. Approval under Section 180 (1) (a) of the Companies Act 2013 for mortgaging and/or charging, the whole or substantially the whole of the Company's undertakings in favour of the Lenders, Financial Institutions, Banks, Agents and/or Trustees etc.
11. Approval under section 186 regarding powers to the Board of Directors to invest.

Affix revenue stamp ₹1

Signed this ____ day of _____ 2014

_____ Signature of Shareholder

_____ Signature of Proxy holder(s)

Note:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

BOARD OF DIRECTORS

Chairman & Managing Director

Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur

Prof. Satish Kapoor

Dr. A.K. Vashisht

Mr. Mohan Lal Sharma, Nominee Director

Mr. Satish Kumar Dua, Nominee Director

Mr. Ashwani Kumar Aggarwal, Executive Director

COMPANY SECRETARY
Ms. Anubha Garg

AUDITORS
M/s. Walker Chandiok & Co. LLP
Chartered Accountants

BANKERS
Punjab National Bank
State Bank of India
Canara Bank

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

CONTENTS

Directors' Report ---------- 2
Corporate Governance Report ---------- 6
Auditors' Report ---------- 15
Balance Sheet ---------- 18
Statement of Profit & Loss ---------- 19
Cash Flow Statement ---------- 20
Notes---------- 21

DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 22nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2014.

FINANCIALS

₹ in Lacs

	Year Ended 31.03.2014	Year Ended 31.03.2013
Net Sales and other Income	**64049**	58547
Operating Profit	**2114**	2676
Finance Cost	**1627**	1913
Cash Profit	**487**	763
Depreciation & Amortisation	**701**	663
Exceptional items	**(1144)**	-
Profit before Tax	**930**	100
Profit/Loss after Tax	**944**	(103)

PERFORMANCE

During the year under review, the Company achieved Net Sales and Other Income of ₹640.49 crores against ₹585.47 crores in the previous year. The Profit after Tax of the Company inclusive of Exceptional Items stood at ₹9.44 crores as against Loss of ₹1.03 crores in the previous year. During the year the prices of milk were higher as compared to last year and correspondingly the prices of products also registered an increase in the domestic market. The demand for the dairy products remained stable in the domestic market throughout the year.

CURRENT OPERATIONS

During the quarter ending 30th June, 2014, the Company has achieved Net Sales and other Operating Income of ₹163.83 crores as against ₹147.36 crores during the same period last year. The prices of dairy products in the international market have softened. During the first quarter of this year, the Export Sales are ₹16.15 crores as against ₹24.28 crores during the same period last year.

Due to weak Monsoon in the beginning, there was concern on the availability of milk this season. As the rainfall has picked up in the later part and the field reports suggest that the availability of milk is expected to be normal during the year. On the sales front, the demand for dairy products continues to be stable.

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 7th September, 2012, directed an interim stay of the High Court judgment and order subject to the Companys depositing 50% of the cess levied and demanded by the Government of Haryana which has been deposited with the Department within the stipulated time.

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, ISO 22000: 2005, HACCP Certification and Food Safety Systems certification i.e. FSSC 22000 : 2011.

DIRECTORS

Mr. Ashok Kumar Gupta was appointed as Nominee Director of Punjab National Bank w.e.f. 10th February, 2014 in place of Mr. R.K. Goyal whose nomination was withdrawn by Punjab National Bank.

Dr. Pradeep Kumar Jain retired as Director (Admn. & Milk Procurement) of the Company upon completion of his term & was relieved w.e.f. 30th July, 2014.

Mr. Satish Kumar Dua was appointed as Nominee Director of Punjab National Bank w.e.f. 11th August, 2014 in place of Mr. Ashok Kumar Gupta whose nomination was withdrawn by Punjab National Bank.

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.

Your Directors propose the appointment of Dr. B.N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht as Independent Directors of the Company for five consecutive years w.e.f. the Annual General Meeting.

The Company has received requisite notices in writing from members proposing Dr. B.N. Mathur, Prof. Satish Kapoor and Dr. A. K. Vashisht for appointment as independent directors.

The Board appointed Mr. Krishan Kumar Goyal as Chairman & Managing Director of the Company for a period of three years w.e.f. 1st April, 2014, subject to the approval of the shareholders in terms of the provisions of Companies Act, 2013.

The Board appointed Mr. Ashwani Kumar Aggarwal as Executive Director of the Company for a period of three years w.e.f. 1st April, 2014, subject to the approval of the shareholders in terms of the provisions of Companies Act, 2013.

The board places on record deep appreciation for able guidance and inputs provided by the retiring directors during their respective tenures.

AUDITORS

M/s. Walker Chandiok & Co LLP, Statutory Auditors of the Company hold office until the conclusion of forthcoming Annual General Meeting and being eligible have offered themselves for appointment as the Company's Auditors in accordance with the provisions of the Companies Act, 2013.

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 31st March, 2014, 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, 2014 and Profit/Loss of the Company for the year ended 31st March, 2014.

(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 business associates and stakeholders of the Company.

For & on behalf of the Board

Place: Chandigarh
Dated: 11th August, 2014

Krishan Kumar Goyal
Chairman & Mg. Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENTS

India continues to retain its leadership as world's largest producer of milk. In the coming years the demand for branded milk & milk products is expected to grow due to fast urbanisation and growing demand for value added processed and convenient to use, packaged dairy products.

The Indian dairy industry is gearing up to meet this demand as there is a regular market available to the milk producer with a remunerative price. All these factors will boost milk production to meet the growing requirement.

OPPORTUNITIES AND THREATS

The Indian market is witnessing a good increase in the demand for fresh dairy products, nutritional formulation and other allied product due to improving consumer affordability & changing lifestyle.

At present, due to higher Import Tariff on dairy products, the domestic market is insulated from the import of dairy products. If this tariff is reduced, it may adversely affect the dairy sector.

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 Company achieved Net Sales and Other Income of ₹640.49 crores against ₹585.47 crores in the previous year. The Profit after Tax of the Company inclusive of Exceptional Items stood at ₹9.44 crores as against Loss of ₹1.03 crores in the previous year. During the year the prices of milk were higher as compared to last year and correspondingly the prices of products also registered an increase in the domestic market. The demand for the dairy products remained stable in the domestic market throughout the 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
Dated: 11th August, 2014

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 31st March, 2014

FORM 'A'

A) POWER AND FUEL CONSUMPTION	**Current Year 2013-14**	Previous Year 2012-13
POWER		
a) Electricity Power		
Purchase Units (Kwh)	**1,86,66,420**	1,92,03,960
Total Amount ₹	**11,87,38,531**	11,87,26,000
Rate per Unit ₹	**6.36**	6.18
b) Other Generation		
Through Diesel Generator		
Unit (Kwh)	**1,56,536**	7,05,258
Total Amount ₹	**26,66,317**	95,65,000
Unit per litre of Diesel Oil	**3.27**	3.35
Cost / Unit ₹	**17.03**	13.56
FUEL		
Quantity (MT)	**26,035**	28,528
Total Amount ₹	**9,89,12,417**	11,09,33,000
Rate / Unit ₹ per MT	**3,799.20**	3,888.57

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)	**96.89**	88.35
Fuel Quantity (Kgs.)	**124.52**	122.47

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 : 11th August, 2014

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 31st March, 2014 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	
Mr. Krishan Kumar Goyal	Chairman & Mg. Director Non Independent (Promoter) Director	5	3	-	-	Yes
Dr. Bhupendra Nath Mathur	Non Executive Independent Director	4	-	-	2	Yes
Prof. Satish Kapoor	Non Executive Independent Director	5	-	2	-	Yes
Dr. A. K. Vashisht	Non Executive Independent Director	5	-	-	1	Yes
Mr. R. K. Goyal *	Non Executive Independent (Nominee) Director	1	4	-	-	No
Mr. Ashok Kumar Gupta*	Non Executive Independent (Nominee) Director	1	4	-	-	NA
Mr. Mohan Lal Sharma	Non Executive Independent (Nominee) Director	5	1	-	-	Yes
Mr. A. K. Aggarwal	Non Independent Executive Director	5	-	-	1	Yes
Dr. P. K. Jain**	Executive Non Independent Director (Admn. & Milk Procurement)	5	-	-	-	Yes

* Mr. Ashok Kumar Gupta was appointed as Nominee Director of Punjab National Bank w.e.f. 10th February, 2014 in place of Mr. R.K. Goyal whose nomination was withdrawn by Punjab National Bank. Mr. Satish Kumar Dua was appointed as Nominee Director of Punjab National Bank w.e.f. 11th August, 2014 in place of Mr. Ashok Kumar Gupta whose nomination was withdrawn by Punjab National Bank.

** Dr. Pradeep Kumar Jain retired as Director (Admn. & Milk Procurement) of the Company upon completion of his term and was relieved w.e.f. 30th July, 2014.

Note: In accordance with provisions of Listing Agreement membership / chairmanship of the Audit Committee and Investors Grievance Committee / Stake holders Relationship Committee in all Public Limited Companies (listed / unlisted) have been considered.

B. Board Meeting and Attendance

During the financial year ended 31st March, 2014, 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
30th May, 2013	8	6
13th August, 2013	8	8
18th September, 2013	8	7
9th November, 2013	8	7
10th February, 2014	8	8

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 Dr. A.K. Vashisht 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 30th May 2013, 13th August 2013, 9th November 2013, and 10th February, 2014. 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	4
Dr. Bhupendra Nath Mathur	4	3
Mr. A.K. Aggarwal*	4	4

*Dr. A. K. Vashisht replaced Mr. A. K. Aggarwal as member of the Audit Committee w.e.f 10th February, 2014

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.
   c. Major accounting entries involving estimates based on the exercise of judgment by management.
   d. Significant adjustments made in the financial statements arising out of audit findings.
   e. Compliance with Listing and other legal requirements relating to financial statements.

f. Disclosure of any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.

g. Qualifications in draft audit report.

5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, performance of the statutory and internal auditors and adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors on any significant findings and follow-up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
12. To review the functioning of Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function, which may be specified as a role of the Audit Committee under amendments, if any, from time to time as per the Listing Agreement, Companies Act, 1956, and other statutes.

e. Review of information by Audit Committee

The Audit Committee has the power to mandatorily review the following information:

1) Management discussion and analysis of the financial conditions and results of operations,
2) Statement of significant related party transaction (as defined above), as submitted by management,
3) Management letters/letters of internal control weakness issued by the Statutory Auditors,
4) Internal Audit Reports relating to internal control weakness and
5) The appointment, removal and terms of remuneration of the chief internal auditors shall be subject to review by the Audit Committee.

The Board of Directors in its meeting held on 17th May, 2014 revised the terms of reference of Audit Committee as per the provisions of the Companies Act, 2013 and revised listing Agreement.

B. Remuneration Committee^

The Company has a Remuneration Committee to review and recommend payment of annual salaries, commission, service agreements and other employment conditions of the Executive Directors. The Committee fixes the remuneration after taking into consideration remuneration practices followed by Companies of similar size and standing in the industry. The Committee periodically reviews and recommends suitable revision in remuneration package of Executive Directors to the Board.

All members of the Remuneration Committee are non executive and persons of repute and have sound knowledge of management practices.

Chairman of the Committee Dr. Bhupendra Nath Mathur is a non executive independent Director. The power and role of the Remuneration Committee is as per guidelines set out in the Listing Agreement.

The constitution of the Remuneration Committee is as under:

Name of Director	Member / Chairman
Dr. Bhupendra Nath Mathur	Chairman
Prof. Satish Kapoor	Member
Dr. A.K. Vashisht	Member

No Meeting of this Committee was held during the year.

Remuneration Policy

The Executive Directors are paid remuneration as per the terms approved by the Board of Directors and confirmed by the shareholders of the Company and in confirmation with the approval of Central Government wherever necessary. Service contracts are entered into in terms of regulations governing their appointment and terms of remuneration. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the competitive industries, financial position of the Company etc. The remuneration structure comprises Basic Salary, Perquisites and allowances, contribution to Provident Fund and other funds in accordance with various related provisions of the Companies Act, 1956.

Details of Remuneration paid to the Directors during the Financial year ended 31st March, 2014

Amount in ₹

Name of the Director	Salary	Perquisites & other benefits	Performance bonus/ commission	Stock Option	Sitting Fee	Total
Mr. Krishan Kumar Goyal*	-	-	-	-	-	-
Dr. Bhupendra Nath Mathur	-	-	-	-	100000	100000
Prof. Satish Kapoor	-	-	-	-	150000	150000
Dr. A. K. Vashisht	-	-	-	-	100000	100000
Mr. R.K. Goyal**	-	-	-	-	10000	10000
Mr. Ashok Kumar Gupta **	-	-	-	-	10000	10000
Mr. Mohan Lal Sharma	-	-	-	-	50000	50000
Mr. A. K. Aggarwal	2100000	124952	-	-	-	2224952
Dr. P.K. Jain***	1848000	109956	-	-	-	1957956

* The Company has received the approval of the Central Government under Section 269, 198 & 309 of the Companies Act, 1956 vide letter dated 21st July, 2014 for the payment of remuneration to Mr. Krishan Kumar Goyal as Chairman & Mg. Director of the Company of Rs. 84 Lacs per annum (including the remuneration already paid to him by M/s. Modern Steels Ltd.). Though approval has been received retrospectively from 16.07.2012 to 31.03.2014, looking to the financial position of the Company, Mr. Goyal has not drawn and has waived off the entire remuneration for the said period.

** Mr. Ashok Kumar Gupta was appointed as Nominee Director of Punjab National Bank w.e.f. 10th February, 2014 in place of Mr. R.K. Goyal whose nomination was withdrawn by Punjab National Bank.

*** Dr. Pradeep Kumar Jain retired as Director (Admn. & Milk Procurement) of the Company upon completion of his term and was relieved w.e.f. 30th July, 2014.

^ *The Board of Directors in its meeting held on 17th May, 2014 renamed the remuneration Committee as Nomination and Remuneration Committee and approved the revised terms of reference of Nomination and Remuneration Committee as per the provisions of the Companies Act, 2013 and revised Listing Agreement.*

C. Shareholders/Investors Grievances Committee~

The Company has formed a Shareholders/Investors Grievances Committee under the Chairmanship of a non Executive Director. The list of present members and the chairman of the Committee is as follows:

Name of Director	Member / Chairman
Prof. Satish Kapoor	Chairman
Dr. Bhupendra Nath Mathur	Member
Mr. A.K. Aggarwal*	Member

* Mr. A.K. Aggarwal replaced Dr. A. K. Vashisht as member of the Investors Grievances Committee w.e.f 10th February, 2014.

The Committee looks into the redressing of shareholders and investors complaints like transfer of shares, non receipt of balance sheet, change of address etc. Meetings of this Committee were held on 30th May, 2013, 13th August, 2013, 9th November, 2013, and 10th February, 2014.

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchange with particular reference to transfer, dematerialization, complaints of shareholders etc.

The Company attends to the investors' grievances/ correspondence expeditiously and usually a reply is sent within 10 days of receipt of letter, except in cases that are constrained by dispute or legal impediment.

~ *The Board of Directors in its meeting held on 17th May, 2014 renamed the Shareholders/Investors Grievances Committee as Stakeholders Relationship Committee and approved the revised terms of reference of Stakeholders Relationship Committee as per the provisions of the Companies Act, 2013 and revised Listing Agreement.*

D. Share Transfer Committee

For the expeditious disposal of the share transfer and allied services Company has formed a Share Transfer Committee to look into and decide matters pertaining to transfer, duplicate share certificates and related matters.

E. Allotment Committee

The Company has formed an Allotment Committee under the Chairmanship of a non Executive Director. The list of present members and the chairman of the Committee is as follows:

Name of Director	Member / Chairman
Prof. Satish Kapoor	Chairman
Mr. A.K. Aggarwal	Member
Dr. P. K. Jain*	Member

The Committee approves the allotment of Securities i.e. Shares / Debentures / Warrants etc. from time to time. During the year, one meeting of the Committee was held on 3rd April, 2013.

* Dr. Pradeep Kumar Jain retired as Director (Admn. & Milk Procurement) of the Company upon completion of his term and was relieved w.e.f. 30th July, 2014.

F. Banking & Finance Committee

The Company has formed a Banking & Finance Committee under the Chairmanship of a non executive Director. The list of present members and the chairman of the Committee is as follows:

Name of Director	Member / Chairman
Prof. Satish Kapoor	Chairman
Mr. A.K. Aggarwal	Member
Dr. A.K. Vashisht	Member

During the year, one Meeting of the Committee was held on 22nd April, 2013.

3. Ms. Anubha Garg, Company Secretary is the Compliance Officer of the Company.

4. Details of last three Annual General Meetings (AGMs)

Financial Year	Location	Date	Time
2010-11	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	30th September, 2011	11.00 A.M.
2011-12	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	26th September, 2012	11.00 A.M.
2012-13	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	18th September, 2013	11.00 A.M.

During the year, no Extraordinary General Meeting of the Company was held.

Special Resolutions passed in previous three AGMs:

(i) In the 19th AGM dated 30th September, 2011, Special Resolution passed for:-

(a) approval of appointment & remuneration of Dr. Pradeep Kumar Jain as Director (Admn. & Milk Procurement) of the Company for a period of 3 years w.e.f. 20th May, 2011.

(b) approval of change in designation & revised remuneration of Mr. Ashwani Kumar Aggarwal as Executive Director of the Company for his remaining tenure.

(ii) In the 20th AGM dated 26th September, 2012, Special Resolution passed for:-

(a) approval to create, offer, issue and allot Optionally Convertible Debentures (OCDs) carrying a coupon rate of 0.001% to the CDR Lenders in terms of the CDR rework package.

(b) approval of appointment & remuneration of Mr. Krishan Kumar Goyal as Chairman & Managing Director of the Company for a period of 3 years w.e.f. 16th July, 2012.

(c) approval of reappointment & revised remuneration of Mr. Ashwani Kumar Aggarwal as Executive Director for a period of 3 years w.e.f 16th November, 2012.

The Company passed no resolution through postal ballot during the year.

5. DISCLOSURES

1. During the year 2013-2014, the Company had no materially significant related party transaction which is considered to have potential conflict with the interests of the Company at large.
2. There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets, during the last three years.

6. MEANS OF COMMUNICATION

The quarterly/half yearly/ yearly results of the Company and information relating to Annual General Meeting, Book Closures is published in The Financial World/ Financial Express and Hari Bhoomi / Aaj Samaj i.e. in English and regional language newspapers and is also notified to the Stock Exchange as required under the Listing Agreement. In addition, the Company also files quarterly results, shareholding pattern etc. in such form so as to enable Stock Exchange to put it on their website.

Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders.

GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting:-

Day, Date & Time : Wednesday, the 24th September, 2014 at 11:00 a.m

Venue : 136 K.M., G.T. Road, Karnal 132 001 (Haryana)

2. Financial Calendar for:-

Adoption of Results for the quarter ended	In the Month of (tentative)
30th June, 2014	11th August, 2014 (already held)
30th September, 2014	November, 2014 (2nd week)
31st December, 2014	February, 2015 (2nd Week)
31st March, 2015	May, 2015
Annual General Meeting	By September, 2015

3. Book Closure Date :-

From 19th September, 2014 to 24th September, 2014 (both days inclusive)

4. Listing on Stock Exchanges :-

Your Company's shares are listed at Bombay Stock Exchange Limited.

5. Stock Code :-

BSE : 519287

ISIN No.

Equity : INE617B01011

Optionally Convertible Debentures (OCDs): INE617B08016

6. Stock Data:-

Month	MODERN DAIRIES LTD. ON BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
2013							
April	9.30	7.56	8.97	84907	19622.68	18144.22	19504.18
May	10.50	8.21	8.35	133238	20443.62	19451.26	19760.30
June	11.75	8.00	9.25	157259	19860.19	18467.16	19395.81
July	15.52	8.67	11.79	3421122	20351.06	19126.82	19345.70
August	12.10	8.41	9.00	123474	19569.20	17448.71	18619.72
September	11.10	8.62	10.10	74523	20739.69	18166.17	19379.77
October	10.99	9.15	9.90	141409	21205.44	19264.72	21164.52
November	10.24	8.26	8.89	194132	21321.53	20137.67	20791.93
December	17.30	8.45	14.29	736531	21483.74	20568.70	21170.68
2014							
January	14.93	10.81	10.90	442274	21409.66	20343.78	20513.85
February	11.89	9.80	10.39	200983	21140.51	19963.12	21120.12
March	12.90	9.51	11.36	160468	22467.21	20920.98	22386.27

7. Registrars and Share Transfer Agent (For Physical as well as for Demat Segment):-

M/s. MCS Limited,

F-65, 1st Floor Okhla Industrial Area, Phase-I, New Delhi 110 020.

Tel. No. :+91-11- 41406149, Fax No.: +91-11-41709881

E-mail : admin@mcsdel.com, Website: www.mcsdel.com

All shareholders of the Company can avail online services from our Registrars & Share Transfer Agents M/s. MCS Limited, with regard to Investors Grievances. Please log in on the site of M/s. MCS Limited at www.mcsdel.com and click on Investors Services and you can register your queries/grievances and details as required by you. The registered queries/grievances on the site will be responded by M/s. MCS Limited on priority basis.

8. Shareholding Pattern of the Company as on 31st March, 2014:-

Category	No. of shares held	%age of shareholding
1. Promoters & Promoter Group	10654779	45.69
2. Mutual Funds and UTI	9400	0.04
3. Foreign Financial Institution	4639620	19.90
4. Bodies Corporate (not included above)	541964	2.32
5. Indian Public	7303286	31.32
6. NRIs/OCBs	170812	0.73
TOTAL	**23319861**	**100.00**

9. Distribution of Shareholding as on 31st March, 2014:-

SHAREHOLDING (₹)		SHAREHOLDERS		NO OF SHARES	
From	To	Number	% of total	Number	% of total
upto	5000	12052	84.69%	2650301	11.36%
5001	10000	1292	9.08%	1047079	4.49%
10001	20000	465	3.27%	735009	3.15%
20001	30000	138	0.97%	353200	1.52%
30001	40000	63	0.44%	221932	0.95%
40001	50000	58	0.41%	274558	1.18%
50001	100000	72	0.51%	507209	2.18%
100001	and above	91	0.63%	17530573	75.17%
Total		**14231**	**100.00%**	**23319861**	**100.00%**

10. Dematerialisation of Shares:-

The trading in Company's shares is permitted only in dematerialised form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scrip less trading, the Company has enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Share Dematerialisation record: The following data indicates the extent of Dematerialisation of Company's shares as on 31st March, 2014.

No. of Shares : 17979083	**77.10 % of the total equity**

11. Plant Location of the Company

136 K.M., G.T.Road, Karnal 132 001(Haryana), Tel.: +91-1745-242901-03, Fax: +91-1745-242900

12. Investors Correspondence

All queries of investors regarding the Company's shares in Physical / D'mat form may be sent at the following addresses:

Modern Dairies Limited
S.C.O. 98-99, Sub City Centre,
Sector 34, Chandigarh-160 022.
Tel.:+91-172-2609001,2609002,2609003
Fax.: +91-172- 2609000
E-mail: secretarial@moderndairies.com
Company's Website: www.moderndairies.com

M/s. MCS Limited
F-65, 1st Floor, Okhla Industrial Area
Phase-I, New Delhi 110 020
Tel.No. : +91-11- 41406149
Fax No.: +91-11- 41709881
E-mail : admin@mcsdel.com
Website : www.mcsdel.com

Declaration under Clause 49 I (D) (ii) by the Executive Director, of affirmation by the Board of Directors and Senior Management of compliance with code of conduct.

The Shareholders,

I, A. K. Aggarwal, Executive Director of the Company do hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board of Directors, as applicable to the Board of Directors and Senior Management of the Company.

Sd/-

Place : Chandigarh — A. K. Aggarwal

Date : 17th May, 2014 — Executive Director

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

The Members

Modern Dairies Limited

We have examined the compliance of conditions of Corporate Governance by Modern Dairies Limited for the financial year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the Company entered with the Bombay Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no Investor Grievance was pending for a period exceeding one month against the Company as per the records maintained and produced before us by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Sharma Sarin & Associates

Company Secretaries

P.D. SHARMA

Place : Chandigarh — Partner

Date: 11th August, 2014 — C.P. No. 2692

INDEPENDENT AUDITORS' REPORT

To

The Members of Modern Dairies Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Modern Dairies Limited, ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
   ii) in the case of Statement of Profit and Loss, of the profit/loss for the year ended on that date; and
   iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

7. We draw attention to Note XXIX (b) of the financial statements, which describes the uncertainty related to the outcome of the pending litigation in connection with the levy of Milk Cess and interest thereon under the provisions of The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001, and indicates that as at 31st March, 2014, the Company's net worth is fully eroded. These conditions, along with other matters as set forth in Note XXIX (b) and XXIX (c), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified is respect of this matter.

Report on Other Legal and Regulatory Requirements

8. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
9. As required by Section 227(3) of the Act, we report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the financial statements dealt with by this report are in agreement with the books of account;
   d. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 ; and

e. on the basis of written representations received from the directors, as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker Chandiok & Co LLP**
(formerly Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N

per **B.P. Singh**
Partner
M. No.: 70116

Place : New Delhi
Date: 17th May, 2014

Annexure to the Independent Auditors' Report of even date to the members of Modern Dairies Limited, on the financial statements for the year ended 31st March, 2014

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii) (d) of the Order are not applicable.

(e) The Company has taken unsecured loans from five parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹799.77 lacs and the year-end balance is ₹599.03 lacs.

(f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.

(g) In respect of loans taken, repayment of the principal amount and the interest is regular.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products/services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix)(a) Undisputed statutory dues including provident fund, investor education and protection fund, employees " state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount ₹ in Lacs	Amount Paid Under Protest (₹ in lacs)	Period to which the amount relates	Forum where dispute is pending
The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001	Milk cess	27,03.84	5,91.00	2001-02 to 2013-14	Hon'ble Supreme Court of India*
Central Excise Act,1944	CENVAT credit, interest	82.40	82.40	2005-06	Custom Excise and Service Tax Appellate Tribunal, New Delhi
Central Excise Act,1944	CENVAT credit, interest & penalty	1,78.85	15.00	2007-08 to 2009-10	Custom Excise & Service Tax Appellate Tribunal , New Delhi
Customs Act, 1962	Penalty and redemption fine	10.60	10.60	2011-12	Custom Excise and Service Tax Appellate Tribunal, New Delhi
Haryana Tax on Entry of Goods into Local Areas Act, 2003	Entry Tax	95.51	-	2007-08 to 2013-14	Hon'ble Supreme Court of India
Income Tax Act, 1961	Income tax	6.46	6.06	AY 2006-07 and 2008-09	Income Tax Appellant Tribunal, New Delhi
Haryana Value Added Tax, 2008	Credit on input	9.67	7.90	2005-06	Punjab & Haryana High Court, Chandigarh

**The Hon'ble Supreme Court in its order dated 7th September, 2012 granted an interim stay on judgment passed by The Hon'ble High Court of Punjab & Haryana.*

(x) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth.* The Company has not incurred cash losses during the year or in the immediately preceding financial year.

(xi) In our opinion, the Company has not defaulted in repayment of dues to any financial institution or a bank or to debenture-holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.

(xviii) During the year, the Company has not made any preferential allotment of shares to companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) As stated in Note V (c)(iii) to the financial statements, pursuant to Corporate Debt Restructuring Scheme, the Company has during the year converted the outstanding balance of Working capital Term Loan and Funded Interest Term Loan to 496530325 0.001% Optionally Convertible debentures of ₹1 each. Accordingly, the provision of Clause 4 (xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandiok & Co LLP**
(formerly Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N

per **B.P. Singh**
Partner
M. No.: 70116

Place : New Delhi
Date: 17th May, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes	As at March 31, 2014 Amount in ₹ Lacs	As at March 31, 2013 Amount in ₹ Lacs
I EQUITY & LIABILITIES			
1 Shareholders` Funds			
a) Share capital	III	**23,35.89**	23,35.89
b) Reserves and surplus	IV	**(34,66.50)**	(44,10.97)
		(11,30.61)	(20,75.08)
2 Non-current liabilities			
a) Long-term borrowings	V	**1,09,95.96**	1,15,56.65
b) Deferred tax liabilities (net)	VI	**1,89.18**	2,03.29
c) Long-term provisions	VII	**58.31**	58.57
		1,12,43.45	1,18,18.51
3 Current liabilities			
a) Short-term borrowings	VIII	**63,78.80**	40,54.45
b) Trade payables	IX	**18,67.41**	40,76.87
c) Other current liabilities	X	**9,41.06**	7,31.60
d) Short-term provisions	XI	**14,17.66**	24,30.68
		1,06,04.93	1,12,93.60
Total		**2,07,17.77**	2,10,37.03
II ASSETS			
1 Non-current assets			
a) Fixed assets	XII		
Tangible assets		**84,27.53**	90,19.79
Intangible assets		**1.33**	6.89
Capital Work in Progress		**12.76**	-
Assets held for disposal		**5.00**	5.00
b) Non-current investments	XIII	**1.29**	1.29
c) Long-term loans and advances	XIV	**1,08.64**	1,07.49
		85,56.55	91,40.46
2 Current assets			
a) Inventories	XV	**78,88.45**	75,51.48
b) Trade receivables	XVI	**21,36.92**	31,64.71
c) Cash and bank balances	XVII	**1,54.14**	1,40.63
d) Short-term loans and advances	XVIII	**19,81.71**	10,39.75
		1,21,61.22	1,18,96.57
Total		**2,07,17.77**	2,10,37.03

Notes I to XXXVIII form an integral part of these Financial Statements.

This is the Balance Sheet referred to in our report of even date.

for **Walker Chandiok & Co. LLP**
Chartered Accountants

per **B.P. Singh**
Partner

Place: New Delhi
Dated: 17th May, 2014

For & on behalf of the Board of Directors

A K Aggarwal
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Satish Kapoor
Director

Anubha Garg
Company Secretary

Place: Chandigarh
Dated: 17th May, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Notes	For the year ended March 31, 2014 Amount in ₹ Lacs	For the year ended March 31, 2013 Amount in ₹ Lacs
REVENUE			
Revenue from operations (gross)	XIX	**6,42,90.62**	5,89,10.05
Less : Excise duty		**4,59.66**	3,92.05
Revenue from operations (net)		**6,38,30.96**	5,85,18.00
Other income	XX	**2,18.15**	29.22
Total		**6,40,49.11**	5,85,47.22
EXPENSES			
Cost of materials consumed	XXI	**5,75,41.26**	5,40,98.63
Changes in inventories of finished goods, work-in-progress and traded goods	XXII	**(3,28.78)**	(20,64.02)
Employee benefit expenses	XXIII	**7,50.17**	6,23.38
Finance costs	XXIV	**16,27.02**	19,13.24
Depreciation and amortisation expense	XXV	**7,00.61**	6,63.06
Other expenses	XXVI	**39,79.73**	43,20.58
Prior period expenses	XXVII	**(6.89)**	(11,07.71)
Total		**6,42,63.12**	5,84,47.16
(Loss)/Profit before exceptional items and tax		**(2,14.01)**	1,00.06
Exceptional items	XXVIII	**(11,44.36)**	-
Profit before tax		**9,30.35**	1,00.06
Tax Expense			
Deferred tax		**(14.12)**	2,03.29
Profit/(Loss) for the year		**9,44.47**	(1,03.23)
Earnings per share	XXXIII		
Earnings/(loss) per share			
Basic		**4.05**	(0.44)
Diluted		**1.29**	(0.44)

Notes I to XXXVIII form an integral part of these Financial Statements.

This is the statement of Profit & Loss referred to in our report of even date.

for **Walker Chandiok & Co. LLP**
Chartered Accountants

per **B.P. Singh**
Partner

Place: New Delhi
Dated: 17th May, 2014

For & on behalf of the Board of Directors

A K Aggarwal
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Satish Kapoor
Director

Anubha Garg
Company Secretary

Place: Chandigarh
Dated: 17th May, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

		Year ended March 31, 2014 Amount in ₹ Lacs		Year ended March 31, 2013 Amount in ₹ Lacs	
A	**Cash flow from Operating Activities:**				
	Profit before tax and after exceptional items		**9,30.36**		1,00.06
	Adjustments for:				
	Depreciation and amortisation	**7,00.61**		6,63.06	
	Loss on sale/discard of fixed assets (net)	**0.37**		2.01	
	Provision for milk cess	**1,19.79**		14,14.86	
	Liabilities written back	**(9.40)**		(20.03)	
	Interest expense	**15,55.80**		18,47.84	
	Employee benefits	**11.30**		4.95	
	Amount written off	**-**		18.88	
			23,78.47		39,31.57
	Operating profit before working capital changes		**33,08.82**		40,31.63
	Adjustments for:				
	Increase in long-term loans and advances	**(1.16)**		(0.31)	
	(Decrease)/Increase in long-term provisions	**(0.26)**		3.95	
	(Decrease)/Increase in trade payables	**(22,00.06)**		19,99.55	
	(Decrease)/Increase in other current liabilities	**(4,22.47)**		1,63.18	
	(Decrease) in short-term provisions	**(11,44.11)**		(22,26.29)	
	Increase in inventories	**(3,36.97)**		(23,95.45)	
	(Decrease)/Increase in trade receivables	**10,27.79**		(16,36.46)	
	Increase in short term loans and advances	**(9,41.96)**		(4,97.36)	
			(40,19.20)		(45,89.19)
	Cash (used in) Operations		**(7,10.38)**		(5,57.56)
	Net cash (used in) operating activities		**(7,10.38)**		(5,57.56)
B	**Cash flow from investing activities**				
	Purchase of fixed assets		**(1,05.02)**		(5,06.25)
	Purchase of non-current investments		**-**		(0.30)
	Movement in restricted fixed deposits		**-**		0.75
	Proceeds from sale of fixed assets		**1.90**		4.03
	Increase in Capital Work in Progress		**(12.76)**		-
	Net cash (used in) investing activities		**(1,15.88)**		(5,01.77)
C	**Cash flow from financing activities**				
	Receipt of grant		**-**		-
	Repayment of Long-term borrowings		**(62.91)**		(64.61)
	Proceeds from cash/export credit facilities/ short-term borrowings		**23,24.35**		15,69.97
	Amount raised from unsecured loans		**48.04**		57.93
	Interest Paid		**(14,69.71)**		(6,12.71)
	Net Cash generated from financing activities		**8,39.77**		9,50.58
	Net increase/(decrease) in cash and cash equivalents (A+B+C)		**13.51**		(1,08.75)
	Cash and cash equivalents at the beginning of the year		**1,40.63**		2,49.38
	Cash and cash equivalents at the end of the year		**1,54.14**		1,40.63
	Components of cash and cash equivalents :-				
	Cash in hand		**12.86**		25.14
	Balances with Scheduled Banks				
	In current accounts		**1,41.28**		1,15.49
	Cash & cash equivalents in cash flow statement:		**1,54.14**		1,40.63

a) Cash flow statement has been prepared under the 'Indirect method' as set out in Accounting Standard -3 on Cash Flow Statements notified by Companies (Accounting Standards) Rules, 2006 (as amended).

b) Negative figures have been shown in brackets.

Notes I to XXXVIII form an integral part of these Financial Statements.

This is the Cash Flow Statement referred to in our report of even date.

For & on behalf of the Board of Directors

for **Walker Chandiok & Co. LLP**
Chartered Accountants

per **B.P. Singh**
Partner

Place: New Delhi
Dated: 17th May, 2014

A K Aggarwal
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Satish Kapoor
Director

Anubha Garg
Company Secretary

Place: Chandigarh
Dated: 17th May, 2014

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

NOTE : I

BACKGROUND AND NATURE OF OPERATIONS

Modern Dairies Limited ('the Company') was incorporated in 1992 and is primarily engaged in business of manufacturing/processing of milk and milk products like milk powders, Cheese, Butter, Pure ghee and other milk based products like Casein, Whey protein concentrate and Lactose, etc.

NOTE : II

SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India, the accounting standards notified under the Companies Act, 1956 (“the Act”) read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(ii) Use of estimates

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

(iii) Fixed assets

Tangible assets

Fixed assets are stated at historic cost less accumulated depreciation and amortization and impairment losses (if any). Cost comprises the purchase price and any attributable costs of bringing the assets to their working condition for their intended use.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalized.

Intangible assets

Software which is not an integral part of the related hardware is classified as an intangible asset.

(iv) Depreciation and amortization

Depreciation on fixed assets is provided on straight-line method as per the useful lives of the assets estimated by the management, which correspond to the rates prescribed under schedule XIV of the Act.

Depreciation is calculated on a pro-rata basis from the date of ready to use till the date the assets are sold or disposed off. Assets costing individually ₹5,000 or less are fully depreciated in the year of purchase.

Software is being amortised, using the straight-line method, over a period of five years, being its estimated useful life.

(v) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current investments are carried at lower of cost and Fair value determined on an individual investment basis. Long-term investments are carried at cost; however, provision for diminution in value is made to record other than temporary diminution in the value of such investments.

Profit/Loss on sale of investments is computed with reference to their average cost of investments.

(vi) Inventories

Inventories are valued as follows:

a) Raw materials, packing materials, store and spare parts

Lower of cost and net realizable value, Cost includes purchase price, taxes (those subsequently recoverable by the Company from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost is determined on first –in first-out basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

b) Work-in Progress and Finished goods

Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost is determined on monthly weighted average basis.

c) By-Products

At net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(vii) Revenue recognition

Revenue is recognised to the extent that it can be reliably measured and is probable that the economic benefits will flow to the Company.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer. It includes excise duty wherever applicable but excludes value added tax/sales tax and is net of sales returns. Excise duty shown as deduction from revenue is the amount that is included in the amount of revenue and not the entire amount of liability that arose during the year.

Interest income

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.

Dividends

Dividend is recognised if the right to dividend is established by the balance sheet date.

Export benefit/incentives

Export benefits entitlements under the 'Duty Entitlement Pass Book' Scheme are recognised in the statement of profit and loss when the right to receive credit as per the terms of the scheme is established in respect of the exports made.

(viii) Foreign exchange transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction and monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the statement of profit and loss.

Forward exchange contracts not covered under Accounting Standard 11 'Effect of change in Foreign Exchange Rates', that are entered to hedge the foreign currency risk of highly probable forecast transactions and unrecognized firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1-Disclosure of Accounting Policies.

The premium or discount arising at the inception of the forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

(ix) Employee benefits

Contribution to Provident Fund

The Company makes contributions to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the Fund.

Gratuity

Gratuity liability are defined benefit obligations made at the end of each financial year and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

Actuarial gains/ losses are immediately taken to the statement of profit and loss and are not deferred.

Compensated absences

The employees of the Company are entitled to compensated absences which are non-accumulating in nature. Expense on non-accumulating compensated absences is recognized in the period in which the absence is occurring.

(x) Taxes on income

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income tax reflect the impact of current year timing differences between the taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised in situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date, the Company re-assesses unorganized deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such right-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternate Tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India ('ICAI'), the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income-tax during the specified period.

(xi) Contingent liabilities and provisions

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of the obligation can be made.

A disclosure is made for a contingent liability when there is a

i) Possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully with in the control of the Company;

ii) Present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

iii) Present obligation, where a reliable estimate cannot be made.

(xii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity share holders (after deducting preference dividends and at attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(xiii) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

(xiv) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with.

Government grants related to revenue are recognised on systematic basis in the statement of profit and loss over the periods necessary to match them with the related cost which they are intended to compensate. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

Government grants of the nature of promoters' contribution are credited to capital reserve and treated as apart of shareholders' funds.

(xv) Cash flow statements

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated. Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

NOTE : III

SHARE CAPITAL

	As at March 31, 2014		As at March 31, 2013	
	Number	**Amount in ₹ Lac**	Number	Amount in ₹ Lac
Authorised share capital				
Equity shares of ₹10 each	**30000000**	**30,00.00**	30000000	30,00.00
	30000000	**30,00.00**	30000000	30,00.00
Issued, subscribed and fully paid up				
Equity shares of ₹10 each	**23319861**	**23,31.99**	23319861	23,31.99
	23319861	**23,31.99**	23319861	23,31.99
Total	**23319861**	**23,31.99**	23319861	23,31.99
Forfeited shares				
Amount originally paid up	**76900**	**3.90**	76900	3.90
	23396761	**23,35.89**	23396761	23,35.89

a) The Company has only one class of equity shares having a par value of ₹10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b) Reconciliation of share capital (Equity)	**Number**	**Amount in ₹ Lac**	Number	Amount in ₹ Lac
Balance at the beginning of the year	**23396761**	**23,35.89**	23396761	23,35.89
Add : Issued during the year	**-**	**-**	-	-
Balance at the end of the year	**23396761**	**23,35.89**	23396761	23,35.89

c) Shareholders holding more than 5% of the shares	**Number**	**Amount in ₹ Lac**	**% of holding**	Number	Amount in ₹ Lac	% of holding
Equity shares of ₹10 each						
International Finance Corporation	**4639620**	**4,63.96**	**19.83%**	4639620	4,63.96	19.83%
Chandigarh Finance Private Limited	**772292**	**77.23**	**3.30%**	3572292	3,57.23	15.27%
Krishan Kumar Goyal (HUF)	**1280000**	**1,28.00**	**5.47%**	780000	78.00	3.33%
Krishan Kumar Goyal	**2295943**	**2,29.59**	**9.81%**	1255943	1,25.59	5.37%
Alka Goyal	**2828972**	**2,82.90**	**12.09%**	1248972	1,24.90	5.34%
	11816827	**11,81.68**	**50.50%**	11496827	11,49.68	49.14%

d) Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issues and brought back during the last 5 years to be given for each class of shares.

During the last five years the Company has not issued any equity shares pursuant to a contract without payment being received in cash. The Company issued 8753100 bonus equity shares in the year 2007-2008 in the ratio of 1:1. There has been no buy-back of shares in the current year and preceding five years. On 23rd July, 2008, 1163661 equity shares were issued to the Promoters and Promoters Group on conversion of warrants (on 29th November, 2007 the Company had allotted 3000000 convertible share warrants to Promoters and Promoters Group companies on preferential basis at a price of ₹ 81 per share).

NOTE :IV RESERVES AND SURPLUS	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Capital reserves	**2,23.74**	2,23.74
Securities premium reserve	**30,73.42**	30,73.42
Deficit in the statement of profit and loss		
Balance at the beginning of the year	**(77,08.13)**	(76,04.90)
Add : Transferred from the statement of profit and loss	**9,44.47**	(1,03.23)
Balance at the end of the year	**(67,63.66)**	(77,08.13)
Total	**(34,66.50)**	(44,10.97)

NOTE :V LONG-TERM BORROWINGS	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
0.001% Unsecured optionally convertible debentures (OCD)	**49,65.30**	-
From banks (Secured)		
- Term loans	**38,79.83**	42,92.70
- Corporate loans	**15,51.80**	17,10.73
- Working capital term loans (WCTL)	**-**	26,53.00
- Funded interest term loans (FITL)	**-**	23,49.24
From related parties (unsecured)	**5,99.03**	5,50.98
	1,09,95.96	1,15,56.65

a) **Details of security for term loans from banks**
Term loans from banks are secured by way of equitable mortgage of fixed assets both present and future including land & building of the Company on first pari-passu basis and are also guaranteed by the promoter of the Company.

b) **Details of security for corporate loans**
Corporate loans are secured by way of mortage and charge of immovable and movable assets both present and future and it is also secured by way of charge/assignment on all bank accounts.

c) **Terms of repayment**
Pursuant to the rework proposal approved under the corporate debt restructuring (CDR) scheme by CDR Empowered Group duly sanctioned by respective banks under the consortium in prior years, following interest rates and schedules of repayment have been agreed with the Company:

i) Term loans:(Included in long term borrowings and other current liabilities.)

Amount in ₹ Lac

Name of Bank	Amount Outstanding As at 31.03.2012	Financial Years	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Rate of Interest	13.75%	14.50%	15.50%	16.50%	16.50%	17.00%
		No. of Instal. in a year	4	4	4	4	4	2
Punjab National Bank	20,29.85	Annual instalment amt.	1,01.49	2,02.99	4,05.97	4,05.97	4,05.97	5,07.46
State Bank of India	10,38.69	Annual instalment amt.	51.93	1,03.87	2,07.74	2,07.74	2,07.74	2,59.67
Canara Bank	14,50.00	Annual instalment amt.	72.50	1,45.00	2,90.00	2,90.00	2,90.00	3,62.50

ii) **Corporate loans (included in long term borrowings and other current liabilities):**

Amount in ₹ Lac

Name of Bank	Amount Outstanding As at 31.03.2012	Financial Years	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Rate of Interest	13.25%	13.75%	13.75%	14.00%	14.00%	14.00%
		No. of Instal. in a year	4	4	4	4	4	2
Punjab National Bank	10,79.03	Annual instalment amt.	53.95	1,07.90	2,15.81	2,15.81	2,15.81	2,69.76
State Bank of India	6,28.74	Annual instalment amt.	31.44	62.87	1,25.75	1,25.75	1,25.75	1,57.19
Canara Bank	93.00	Annual instalment amt.	4.65	9.30	18.60	18.60	18.60	23.25

iii) 0.001% Unsecured Optionally Convertible Debentures (OCD):
The Company's CDR package was approved by Corporate Debt Restructuring Empowered Group (CDR EG) vide letter dated 19th October, 2011. Per approved CDR package, as on 1st April, 2013 Company had issued 0.001% Unsecured Optionally Convertible Debentures (OCD) of ₹49,65.30 lacs against outstanding balance of Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) taken from respective banks. These OCD can be converted into equity shares during 18 months from the date of allotment of OCD as per then applicable SEBI guidelines. In the event of OCD being not converted into equity, the same will be redeemable at the end of restructuring package i.e. in year 2019 in one bullet payment.

iv) From related parties (unsecured):
Loans taken from related parties have interest rate ranging from 10% to 13% (Refer note XXXI). All these loans along with interest are due for repayment in the financial year 2016-17.

NOTE: VI

DEFERRED TAX LIABILITIES (NET)	**As at March 31, 2014 Amount in ₹ Lac**	As at March 31, 2013 Amount in ₹ Lac
Deferred tax liabilities/(assets)		
Difference on depreciation and amortisation of tangible and intangible assets	**14,64.01**	14,20.17
Unabsorbed depreciation	**(12,74.83)**	(12,16.88)
Deferred tax liabilities (net)	**1,89.18**	2,03.29

NOTE : VII

LONG-TERM PROVISIONS	**As at March 31, 2014 Amount in ₹ Lac**	As at March 31, 2013 Amount in ₹ Lac
Provisions for gratuity (refer note (a) below)	**58.31**	58.57

a) The following table set out the status of the plan for gratuity as required under Accounting Standard (AS) - 15 - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year*	**81.47**	76.52
Service cost	**10.36**	8.32
Interest cost	**6.52**	6.12
Actuarial (gain)/ loss	**(0.34)**	2.44
Benefits paid	**(5.24)**	(11.93)
Projected benefit obligation at the end of the year*	**92.77**	81.47
Reconciliation of present value of obligation on the fair value of plan assets		
Present value of projected benefit obligation at the end of the year*	**92.77**	81.47
Liability / (asset) recognised in the balance sheet*	**92.77**	81.47
Components of net gratuity costs are		
Service cost	**10.36**	8.32
Interest cost	**6.52**	6.12
Recognized net actuarial (gain)/ loss	**(0.34)**	2.44
Net gratuity costs	**16.54**	16.88
Assumptions used		
Discount rate	**8.75%**	8.00%
Long-term rate of compensation increase	**6.25%**	5.50%
Rate of return on plan assets	**N.A.**	N.A.
Average remaining life (years)	**20.63**	20.86

The disclosure for current year and previous five years is as follows:

	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010
Defined benefit obligation	**92.77**	81.47	76.53	76.89	52.04

*This includes short term portion of ₹34.46 lacs (previous year ₹22.90 lacs) as disclosed under note XI.

NOTE VIII

SHORT TERM BORROWINGS

	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Working capital borrowing from banks (secured)	**63,78.80**	40,54.45

Cash credit/export credit from banks is secured by way of hypothecation of current assets of the company comprising of raw material, stock in process, finished goods, stores & spares, goods-in-transit, receivables and any other security acceptable on pari-passu basis. It is also secured by equitable mortgage of fixed assets including land & building of the Company on pari-passu basis with other banks and is also guaranteed by the promoter of the Company.

NOTE : IX

TRADE PAYABLES

	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Dues to micro and small enterprises (refer note (a) below)	**2.40**	5.32
Dues to others	**18,65.01**	40,71.55
	18,67.41	40,76.87

a) Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

Principal amount remaining unpaid	**1.83**	5.01
Interest accrued and remaining unpaid during the year ended 31st March, 2014	**0.58**	0.31
Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	**-**	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	**-**	-
Interest accrued and remaining unpaid as at 31st March	**1.25**	0.67
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	**-**	-

NOTE : X

OTHER CURRENT LIABILITIES

	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Interest accrued but not due on borrowings	**29.34**	25.15
Statutory dues	**71.07**	81.32
Employee related payables	**71.78**	66.24
Other payables		
Book overdraft	**18.01**	14.37
Advance from customers	**68.56**	2,06.12
Security deposits	**37.43**	2.45
Creditors for capital items	**12.94**	19.98
Current maturities of long term debt	**6,31.93**	3,15.97
	9,41.06	7,31.60

NOTE : XI

SHORT-TERM PROVISIONS

	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Provision for gratuity (Also, refer note VII (a) above)	**34.46**	22.90
Provision for milk cess (including interest of ₹Nil (previous year ₹11,44.36 lacs) (Also, refer note XXIX (b)/ XXIX (c))	**13,83.20**	24,07.78
	14,17.66	24,30.68

NOTE : XII

FIXED ASSETS

For the year ended 31st March, 2014 — Amount in ₹ Lac

Particulars	Gross Block				Accumulated depreciation and amortisation				Net block	
	As on 1 April 2013	**Add. during the year**	**Sales/Adj. during the year**	**As on 31 March 2014**	As on 1 April 2013	**For the year**	**Sales/ Adj. during the year**	**As on 31 March 2014**	**As on 31 March 2014**	As on 31 March 2013
Tangible assets										
Freehold land	1,89.93	**-**	**-**	**1,89.93**	-	**-**	**-**	**-**	**1,89.93**	1,89.93
Buildings	18,70.26	**-**	**-**	**18,70.26**	4,76.02	**61.02**	**-**	**5,37.04**	**13,33.22**	13,94.24
Plant and equipment	1,21,24.41	**88.65**	**-**	**1,22,13.06**	47,80.54	**6,21.79**	**-**	**54,02.33**	**68,10.73**	73,43.87
Furniture and fixture	50.14	**1.92**	**-**	**52.06**	25.12	**1.80**	**-**	**26.92**	**25.14**	25.02
Office equipments	38.40	**5.90**	**-**	**44.30**	24.20	**2.80**	**-**	**27.00**	**17.30**	14.20
Vehicles	93.98	**8.56**	**7.51**	**95.03**	41.45	**7.63**	**5.24**	**43.84**	**51.19**	52.53
Total	1,43,67.12	**1,05.03**	**7.51**	**1,44,64.64**	53,47.33	**6,95.05**	**5.24**	**60,37.13**	**84,27.53**	90,19.79
Intangible assets										
Computer software	34.21	**-**	**-**	**34.21**	27.32	**5.56**	**-**	**32.88**	**1.33**	6.89
Total	34.21	**-**	**-**	**34.21**	27.32	**5.56**	**-**	**32.88**	**1.33**	6.89

For the year ended 31st March, 2013 — Amount in ₹ Lac

Particulars	Gross Block				Accumulated depreciation and amortisation				Net block	
	As on 1 April 2012	Add. during the year	Sales/Adj. during the year	As on 31 March 2013	As on 1 April 2012	For the year	Sales/ Adj. during the year	As on 31 March 2013	As on 31 March 2013	As on 31 March 2012
Tangible assets										
Freehold land	1,89.93	-	-	1,89.93	-	-	-	-	1,89.93	1,89.93
Buildings	17,81.89	88.37	-	18,70.26	4,17.91	58.11	-	4,76.02	13,94.24	13,63.98
Plant and equipment	1,17,52.18	3,72.23	-	1,21,24.41	41,91.64	5,88.90	-	47,80.54	73,43.87	75,60.54
Office equipments	48.10	2.04	-	50.14	22.31	2.81	-	25.12	25.02	25.79
Furniture and fixture	37.05	1.35	-	38.40	22.45	1.75	-	24.20	14.20	14.60
Vehicles	67.37	42.26	15.65	93.98	45.13	5.93	9.61	41.45	52.53	22.24
Total	1,38,76.52	5,06.25	15.65	1,43,67.12	46,99.44	6,57.50	9.61	53,47.33	90,19.79	91,77.08
Intangible assets										
Computer software	34.21	-	-	34.21	21.76	5.56	-	27.32	6.89	12.45
Total	34.21	-	-	34.21	21.76	5.56	-	27.32	6.89	12.45

NOTE : XIII

NON CURRENT INVESTMENTS	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Non trade investments (at cost, unquoted)		
Investment in equity shares (unquoted)	**0.76**	0.76
Aricent Technologies (Holdings) Limited		
(1069 equity shares (Previous year 1069) of ₹10 each fully paid up)		
Government securities		
National savings certificates (pledged with sales tax authorities)	**0.53**	0.53
	1.29	1.29

NOTE : XIV

LONG-TERM LOANS AND ADVANCES (unsecured considered good, unless otherwise stated)	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Security deposits	**1,08.64**	1,07.49
	1,08.64	1,07.49

NOTE : XV

INVENTORIES (valued at lower of cost and net realisable value)	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Raw materials	**2,32.63**	2,02.19
Work-in-progress	**6,34.74**	88.22
Finished goods	**63,87.20**	66,18.54
Stores and spares	**4,43.80**	4,59.97
Packing materials	**1,90.08**	1,82.56
	78,88.45	75,51.48

NOTE : XVI

TRADE RECEIVABLES (Unsecured)	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Debts outstanding for a period exceeding six months from the date they are due for payment		
Considered good	**2.33**	0.91
Considered doubtful	**27.68**	27.68
	30.01	28.59
Less: Allowance for bad and doubtful debts	**27.68**	27.68
	2.33	0.91
Other debts - considered good	**21,34.59**	31,63.80
	21,36.92	31,64.71

NOTE : XVII

CASH AND BANK BALANCES	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Cash & cash equivalents		
- Cash in hand	**12.86**	25.14
- Balances with banks in current account	**1,41.28**	1,15.49
	1,54.14	1,40.63

NOTE : XVIII

SHORT-TERM LOANS AND ADVANCES
(Unsecured, considered good)

	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Advances to suppliers	**6,83.40**	1,81.35
Loans and advances to employees	**0.77**	2.81
Prepaid expenses	**49.96**	29.39
Balances with statutory and government authorities	**2,19.43**	1,57.91
Security deposits	**-**	10.00
Milk cess paid under protest	**5,91.00**	5,91.00
Grant recoverable	**25.00**	25.00
Advance tax (including tax deducted at source and wealth tax)	**10.76**	4.91
Others	**4,01.39**	37.38
	19,81.71	10,39.75

NOTE : XIX

REVENUE

	Year ended March 31, 2014 Amount in ₹ Lac	Year ended March 31, 2013 Amount in ₹ Lac
Revenue from operations		
Sale of products		
Export	**89,14.18**	1,02,65.91
Domestic	**5,51,89.32**	4,85,55.91
Other operating revenue	**1,87.12**	88.23
Revenue from operations (Gross)	**6,42,90.62**	5,89,10.05
Less : Excise duty	**4,59.66**	3,92.05
Revenue from operations (Net)	**6,38,30.96**	5,85,18.00
Details of products sold (contributing more than 10% of the total revenue)		
Manufactured goods (inclusive of excise duty)		
Milk	**2,37,58.90**	1,71,51.59
Ghee	**68,63.65**	53,34.39
SMP	**66,63.30**	71,37.64
Casein	**90,96.44**	1,05,91.38
Others	**1,77,21.20**	1,86,06.82
	6,41,03.49	5,88,21.82

NOTE : XX

OTHER INCOME

	Year ended March 31, 2014 Amount in ₹ Lac	Year ended March 31, 2013 Amount in ₹ Lac
Interest income		
- from banks	**-**	0.01
- others	**9.81**	6.19
Exchange fluctuation (net)	**1,92.10**	-
Liabilities written back	**9.40**	20.03
Miscellaneous income	**6.84**	2.99
	2,18.15	29.22

NOTE : XXI

COST OF MATERIALS CONSUMED

	Year ended March 31, 2014 Amount in ₹ Lac	Year ended March 31, 2013 Amount in ₹ Lac
Opening stock		
- Raw materials	**2,18.73**	88.87
- Packing materials	**1,82.56**	1,32.38
	4,01.29	2,21.25
Add : Purchases of raw materials during the year	**5,61,80.48**	5,28,44.41
Add : Purchases of packing materials during the year	**13,82.20**	14,34.26
	5,75,62.68	5,42,78.67
Less : Closing stock		
- Raw materials	**2,32.63**	2,18.73
- Packing materials	**1,90.08**	1,82.56
	4,22.71	4,01.29
	5,75,41.26	5,40,98.63
Details of raw materials		
Milk	**5,61,66.58**	5,27,14.55
Total	**5,61,66.58**	5,27,14.55

NOTE : XXII

CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

	Year ended March 31, 2014 Amount in ₹ Lac	Year ended March 31, 2013 Amount in ₹ Lac
Opening stock		
- Manufactured goods	**66,18.54**	44,77.65
- Work-in-progress	**88.22**	1,05.69
	67,06.76	45,83.34
Closing stock		
- Manufactured goods	**63,87.20**	66,18.54
- Work-in-progress	**6,34.74**	88.22
	70,21.94	67,06.76
Impact of excise duty on opening/closing stock	**(13.60)**	59.40
	(3,28.78)	(20,64.02)

NOTE : XXIII

EMPLOYEE BENEFIT EXPENSE

	Year ended March 31, 2014 Amount in ₹ Lac	Year ended March 31, 2013 Amount in ₹ Lac
Salaries, wages and bonus	**7,22.20**	6,00.75
Contribution to provident and other defined contribution funds	**24.16**	21.12
Staff welfare expenses	**3.81**	1.51
	7,50.17	6,23.38

NOTE : XXIV

FINANCE COSTS	**Year ended March 31, 2014 Amount in ₹ Lac**	Year ended March 31, 2013 Amount in ₹ Lac
Interest expenses		
- to banks	**14,75.12**	17,75.67
- others	**80.68**	72.17
Other borrowing costs	**71.22**	65.40
	16,27.02	19,13.24

NOTE : XXV

DEPRECIATION AND AMORTISATION EXPENSE	**Year ended March 31, 2014 Amount in ₹ Lac**	Year ended March 31, 2013 Amount in ₹ Lac
Depreciation of tangible assets (refer note XII)	**6,95.05**	6,57.50
Amortisation of intangible assets (refer note XII)	**5.56**	5.56
	7,00.61	6,63.06

NOTE : XXVI

OTHER EXPENSES	**Year ended March 31, 2014 Amount in ₹ Lac**	Year ended March 31, 2013 Amount in ₹ Lac
Consumption of stores and spare parts [refer note XXX(d)]	**8,39.89**	6,97.77
Power and fuel	**22,12.59**	23,92.24
Rent	**16.41**	6.73
Repairs to		
- building	**74.62**	28.31
- machinery	**68.05**	54.77
- others	**13.09**	6.38
Insurance	**29.07**	26.93
Legal and Professional expenses	**59.06**	90.38
Payment to auditor		
- As auditor	**13.57**	12.00
- For expenses	**1.97**	1.60
Rates and taxes	**7.55**	8.17
Travelling and conveyance	**1,02.53**	84.48
Provision for milk cess [refer note XXIX(b) / XXIX(c)]	**1,19.79**	3,00.23
Loss on sale/write off of fixed assets (net)	**0.37**	2.01
Commission on sale	**40.87**	49.80
Freight and forwarding charges	**1,99.99**	2,86.88
Loss on foreign exchange fluctuation (net)	**-**	40.36
Miscellaneous expenses	**1,80.31**	2,31.53
	39,79.73	43,20.57

NOTE : XXVII

PRIOR PERIOD ITEMS	**Year ended March 31, 2014 Amount in ₹ Lac**	Year ended March 31, 2013 Amount in ₹ Lac
Milk cess expense (refer note (a) below)	**-**	1,99.25
Interest on milk cess (refer note (b) below)	**-**	(13,06.96)
Expenses related to previous year (refer note (c) below)	**4.88**	-
Incomes related to previous year (refer note (d) below)	**(11.77)**	-
	(6.89)	(11,07.71)

Note:

a) During the year ended 31st March, 2013, the Company had provided milk cess liability upto 31st March, 2012 of ₹1,99.25 lacs as prior period item on account of increase in registered capacity, which was from 23rd August, 2006 revised to 3.5 lacs liters milk per day as against earlier registered capacity of 2.5 lacs liters milk per day, but the Company continued to provide its milk cess liability based on capacity of 2.5 lacs liters milk per day.

b) During the year ended 31st March, 2013, the Company based upon a legal opinion obtained from an independent law firm in connection with the method in which the Company had been computing and recognizing the liability on account of interest on milk cess in terms with the provisions of The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001, the Company had written back the interest of ₹13,06.96 lacs being provided in excess in periods upto 31st March, 2012.

c) During the current year, the Company has accounted for travelling expenses of ₹1.37 lacs and bank charges of ₹3.51 lacs which relates to prior years.

d) During the current year, the Company has accounted for income received from vendor of ₹1.53 lacs and income received from power exchange of ₹10.24 lacs which relates to prior years.

NOTE : XXVIII

EXCEPTIONAL ITEMS	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
Provision for interest on milk cess written back (refer note below)	(11,44.36)	-
	(11,44.36)	-

Note:

During the year ended 31st March, 2014, the Company has written back interest liability provided on milk cess provided in prior years amounting to ₹11,44.36 lacs (Refer Note XXIX (c)) .

NOTE : XXIX

CONTINGENT LIABILITIES AND PROVISIONS	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
a) Contingent liabilities:		
Claims against the Company not acknowledged as debts	3,73.82	3,45.14
i) Excise duty	2,61.25	2,61.25
ii) Service tax	-	1.39
iii) Custom duty	10.60	-
iv) Entry tax	95.51	76.04
v) Income tax	6.46	6.46

Note:

i) Excise duty: During 2005-06, the Company had availed CENVAT credit of ₹77.21 lacs on certain steel and other similar items (i.e. 'supporting goods') as inputs used in fabrication of storage tanks other structures. As per the Excise Authorities, this credit of ₹77.21 lacs pertains to inputs used in fabrication of milk storage tanks and other supporting structures of storage tanks and has therefore denied all the aforesaid credit on the ground that the inputs and goods mentioned above neither qualify as capital goods nor inputs as per CENVAT Credit Rules, 2004 for manufacture of the final products viz. Casein and Lactose. However, the Company has deposited demand of ₹77.21 lacs together with interest thereon of ₹5.19 lacs under protest. The case is pending in CESTAT and is awaited for regular hearing.

Further during the year 2007-08 to 2009-10 the Company also availed CENVAT credit of ₹78.30 lacs on certain steel items & other items as input used in fabrication of storage tanks. The excise authority (Panchkula) issued show cause notice for denial of the

said CENVAT credit. The Company filed an appeal before Commissioner and commissioner confirmed a demand of CEVAT Credit amounting to ₹78.30 lacs along with a penalty of amount equal to the Cenvat Credit, interest of ₹4.57 lacs and ₹17.68 lacs of CENVAT Credit wrongly taken and reversed. The Company had filed appeal before CESTAT and hearing on stay application was fixed on 14th October, 2012 which was adjourned to 11th December, 2012 and thereafter on the request of department representative the same was adjourned to 12th February, 2013. On this date, CESTAT ordered to deposit ₹15 lacs as predeposit within 12 weeks which was deposited by Company on 15th May, 2013.

Based upon the legal advise obtained by the Company, the management believes that the Company has reasonably good chances of winning the case and hence currently no provision has been recorded.

ii) Custom duty: During 2011-12, the Company had exported 17.070 MT of Cheese Curd to a customer in Saudi Arabia and out of total 17.070 MT Cheese Curd of 14.218 MT was rejected by customer due to some functionality issues in stretching. The Company re-imported the goods. The Additional Commissioner of Customs (Imports) vide its order dated 7th May, 2012 confiscated the goods and imposed a penalty of ₹3.6 lacs and redemption fine of ₹7 lacs stating that re-imported goods had violated the prescribed condition under the FSA Act and hence were liable for confiscation. The Company deposited penalty of ₹3.6 lacs and redemption fine of ₹7 lacs on and got the goods released. The Company filed an appeal before Commissioner of Customs (Appeals), Mumbai against the order of Additional Commissioner of Customs (Imports) imposing penalty and fine stating that re-import was not against the provisions of FSA Act. The Commissioner of Customs (Appeals), Mumbai upheld the order of Additional Commissioner of Customs (Imports) and rejected the claim of Company vide order dated 27th June, 2013. The Company aggreived by the order of Commissioner of Customs (Appeals), Mumbai has preferred an appeal before CESTAT, Mumbai on 10th October, 2013. The case is pending in CESTAT and is awaited for regular hearing.

iii) Entry tax: Local Area Development Tax ('LADT') was imposed in the state of Haryana with effect from 1st April, 2000. In 2007-08, the LADT was quashed and declared ultra-virus by the Hon'ble High Court of Punjab and Haryana in its order dated 1st April,2008. The State Government replaced the LADT with Entry Tax and it was also declared ultra-virus by the Hon'ble High Court of Punjab and Haryana. The State Government filed an appeal in the Hon'ble Supreme Court. The Hon'ble Supreme Court passed an order dated 30th October, 2009, directing all assesses to file all the returns and staying recovery of tax till final order. The final order is still awaited.

iv) Income tax: During the year ended 31st March, 2012, the Income Tax Department carried out assessment for assessment years 2006-07 and 2008-09 and issued a notice of demand u/s 156 of the Income Tax Act, 1961 for ₹6.06 lacs and ₹0.40 lacs respectively. The Company has filed an appeal with ITAT, New Delhi against the order of Commissioner (Appeals).

	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
b) Milk cess liabilities		
Milk cess liability [including interest of ₹13,20.64 lacs (previous year ₹11,44.36 lacs)]	13,20.64	11,44.36

i) The provisions of 'The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001, requires every milk processing company to pay milk cess not exceeding fifteen paisa per liter on registered capacity of a milk plant under Milk and Milk Product Order, 1992. Accordingly Haryana State Government, vide its notification no. 6388-AH-4-2001/16142 dated 9th September, 2001, imposed a milk-cess of ten paisa per liter on the registered capacity of plants.

In 2001, the Company filed a writ petition before the Hon'ble High Court of Punjab and Haryana challenging the imposition of such cess as against the Constitution of India. The Hon'ble High Court of Punjab and Haryana issued a stay order dated 9th July, 2004 on such imposition and directed the Company to continue to pay 1/3rd of the total milk-cess amount to the State Government on registered capacity till the final outcome of the case and Company provided the same in the books of account. In 2004, a similar cess was levied in the state of Punjab by the Government of Punjab under the Punjab Dairy Development Board Ordinance, 2000, and was upheld unconstitutional by the Hon'ble Supreme Court. Based upon this order of the Hon'ble Supreme Court, the stay order imposed by Hon'ble High Court of Punjab and Haryana and as per the legal advice obtained by the Company at that

point of time, the Company discontinued the provision of milk-cess in the books of account.

On 28th May, 2010 the Hon'ble High Court of Punjab and Haryana dismissed the Company's writ petition and upheld the levy of cess by State Government on milk plants. On 18th August, 2010 the Company filed a review application with the Hon'ble High Court. But such application was dismissed by Hon'ble High Court of Punjab and Haryana. On 18th October, 2010 the Company filed a special leave petition before the Hon'ble Supreme Court challenging the impugned judgment. The matter was listed before the Hon'ble Supreme Court on 5th August, 2011. The Hon'ble Supreme Court has issued a notice to the Govt. of Haryana on Special Leave Petition filed by the Company as well as on the application for interim stay. On 20th April, 2012, the Government of Haryana filed its reply and Hon'ble Supreme Court has ordered the case to be put before the Hon'ble Bench.

The Company had also received a notice dated 1st April, 2011 from Semen Bank Officer, Haryana Livestock Development Board, Karnal demanding the payment of ₹21,25.75 lacs as arrears of Cess and ₹1,28.72 lacs towards interest on the full unpaid amount for the period 1st January, 2011 to 31st March, 2011.

The Hon'ble Supreme Court in its order dated 7th September, 2012 granted an interim stay on impugned judgment passed by The Hon'ble High Court, subject to petitioners depositing 50% of the cess levied and demanded by the State Government for expedited the hearing in this case. Based on the order of The Hon'ble Supreme Court, the Company has deposited 50% of milk cess liability amounting to ₹5,91 lacs till 7th September, 2012 and after that, there is no hearing held in the Supreme Court till date.

ii) In the opinion of the management, the unjust levy of milk cess has eroded the net worth of the Company, and in view of the erosion of the net worth, the Company has become a sick industrial company in terms of section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 in the hearing held on 8th February, 2012. The Company has worked out a business and debt restructuring plan and submitted the draft of the same with the BIFR, which is based on the following major assumptions:

- During last year, the Government of India lifted ban on export of casein, a product manufactured by the Company, and since then the Company is continuously exporting casein to various countries across the world and the casein sales contribute good margins.
- In the opinion of the management, as the litigation currently stands sub-judice with the Hon'ble Supreme Court of India, the milk cess imposed by the Government of Haryana on the plant shall be waived off along with interest there on.
- The Company has currently made draft submissions to the BIFR for waiver of milk cess and interest thereon so that the viability of the future operations of the Company could be maintained and the Company could turn around its operations profitable.

In view of the above developments, coupled with the generation of cash profits from its operations, the management of the Company believes that even though there is significant uncertainty in connection with the outstanding litigation and the Company's net worth being fully eroded, the Company is hopeful of turning around and expects that the net worth of the Company shall become positive in near future.

c) Other matters incidental to milk cess related litigation:

The management of the Company has obtained an opinion from an independent firm of attorneys in connection with the outstanding litigation relating to the milk cess matter as referred to in Note XXIX(b) above. In the opinion of the management, and upon consideration of the opinion from an independent firm of attorneys, the Company stands a good case to argue of obtaining a waiver on the interest on milk cess liability from the Hon'ble Supreme Court. The Company also has the discretion to make a submission with the BIFR for waiving the interest on milk cess. Accordingly, the Company has written back the provision for interest on milk cess aggregating ₹11,44.36 lacs accrued in prior years and disclosed the same as an exceptional item in the statement of profit and loss.

d) Particulars of unhedged foreign currency exposure as at the reporting date:

Unhedged foreign currency exposure as at year end

Particulars	Currency	As at March 31, 2014	As at March 31, 2013
Trade receivables	USD	Nil	20.75

NOTE : XXX

The Information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per revised schedule VI of Companies Act, 1956

Particulars	As at March 31, 2014 Amount in ₹ Lac	As at March 31, 2013 Amount in ₹ Lac
a) Earnings in foreign currency (accrual basis)		
Export value of goods on FOB basis	88,38.43	1,00,92.86
b) Expenditure in foreign currency (cash basis)		
Professional and consultation fees	18.36	20.17
Export Selling Commission	6.79	2.19
Others	23.78	7.24
c) Value of imports (Calculated on C.I.F basis)		
Raw materials	-	-
Components and spare parts	66.15	85.30
Total	66.15	85.30
d) Imported and indigenous consumption		
Raw materials and packing materials		
Imported		
- Amount	-	-
- Percentage	-	-
Indigenous		
- Amount	5,75,41.26	5,40,98.63
- Percentage	100.00%	100.00%
Total		
- Amount	5,75,41.26	5,40,98.63
- Percentage	100%	100%
Stores and spares		
Imported		
- Amount	66.15	85.30
- Percentage	7.88%	12.22%
Indigenous		
- Amount	7,73.74	6,12.47
- Percentage	92.12%	87.78%
Total		
- Amount	8,39.89	6,97.77
- Percentage	100.00%	100.00%

NOTE : XXXI

RELATED PARTY DISCLOSURES

a) Disclosure of related parties and relationship between the parties

Nature of relationship	Name of related party
Entities in which Directors of the Company are able to exercise control or have significant influence	Modern Steels Limited, Chandigarh Finance Private Limited, Mala Builders Private Limited, Modern Dairyfarms Limited, Times Finvest & Commerce Limited, Shree Ganesh Investments & Industries Limited, Smile Finvest Private Limited, Bharat Forgings Private Limited, Kamal Leasing Limited, Punjab Financial Corporation, Haryana Financial Corporation, North India Technical Consultancy Organization Limited, Indian Acrylics Limited, Alps Industries
Key Management Personnel (KMP)	Mr. Krishan Kumar Goyal, Mr. A.K. Aggarwal, Dr. P.K. Jain
Relatives of KMP	Mr. Amarjit Goyal, Father, Mrs. Rattan Mala Goyal, Mother, Mrs. Alka Goyal, Wife, Mr. Aditya Goyal, Son, Mrs. Sonam Jhunjhunwala, Daughter

b) Transactions with related parties

Companies in which directors of the Company are able to exercise control or have significant influence	Year Ended March 31, 2014 Amount in ₹ Lac	Year Ended March 31, 2013 Amount in ₹ Lac
Rent paid		
Mala Builders Private Limited	2.70	2.70
Interest expense		
Shree Ganesh Investments & Industries Limited	4.74	4.60
Smile Finvest Private Limited	7.62	30.93
Times Finvest & Commerce Limited	23.05	22.36
Kamal Leasing Limited	1.37	1.82
Chandigarh Finance Private Limited	24.22	4.65
Unsecured loan taken		
Chandigarh Finance Private Limited	248.78	52.75
Unsecured loan repaid		
Smile Finvest Private Limited	248.78	-
Kamal Leasing Limited	-	52.75
Sale of goods		
Modern Steels Limited	7.45	9.41
Miscellaneous income (received)		
Modern Dairyfarms Limited	4.54	2.77
Purchases of raw material		
Modern Dairyfarms Limited	1,35,70.42	64,91.24
Sharing of expenses (payment)		
Modern Steels Limited	20.56	12.34
Loans payable outstanding:		
Times Finvest & Commerce Limited	2,12.83	1,92.08
Chandigarh Finance Private Limited	3,27.52	56.94
Smile Finvest Private Limited	-	2,48.78
Kamal Leasing Limited	14.89	13.66
Shree Ganesh Investments & Industries Limited	43.79	39.52
Key management personnel (KMP)		
Remuneration Paid :-		
A.K. Aggarwal	22.34	21.23
P.K. Jain	19.67	19.43
Relatives of KMP		
Salary		
Mrs. Sonam Jhunjhunwala	-	3.47

NOTE : XXXII

SEGMENT INFORMATION

Primary Segment

The Company is primarily engaged in the business of manufacturing/processing of milk and milk products like Casein, Lactose, Skimmed milk powder, Cheese, Butter, Pure Ghee, Premix etc., management considers the risk and rewards associated with these products to be similar in nature. Accordingly, the entire operations of the company are governed by the same set of risk and rewards and thus, it operates in a single primary segment.

Secondary Segment

The Company's business is organized into two key geographic segments. Revenues are attributable to individual geographic segments based upon the location of customers.

Other information

The accounting policies consistently used in the preparation of financials statements are also applied to revenues and expenditure of individual segments.

Segment information disclosures as required under Accounting Standard-17 "Segment Reporting" issued by Companies (Accounting Standard) Rules, 2006 as prescribed by Institute of Chartered Accountant of India.

Secondary segment information- Geographical

Amount in ₹ Lac

Particulars	31st March, 2014		31st March, 2013	
	Within India	Outside India	Within India	Outside India
Revenue	5,51,89.32	89,14.18	4,85,55.91	1,02,65.91
Trade Receivables(net of provisions)	14,99.86	6,37.06	20,38.18	11,26.53

NOTE : XXXIII

EARNING PER SHARE

The calculation of Earning Per Share (EPS) as disclosed in the statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 on "Earning Per Share" issued by Companies (Accounting Standards) Rules, 2006.

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
Net Profit/(loss) after tax (A)	9,44.47	(1,03.23)
Net Profit/(loss) attributable to equity shareholders for Basic EPS (B)	9,44.47	(1,03.23)
Net Profit/(loss) attributable to equity shareholders for Dilutive EPS (C)	9,44.51	-
Weighted average number of equity shares for Basic EPS (No. in lacs) (D)	2,33.20	2,33.20
Weighted average number of equity shares for Dilutive EPS (No. in lacs) (E)	7,29.73	-
Profit/(loss) per share (₹) (B/C) - Basic	4.05	(0.44)
Profit/(loss) per share (₹) (B/C) -Diluted	1.29	(0.44)
Face value per equity share (₹)	10.00	10.00

Pursuant to the approval for debt restructuring obtained from the Corporate Debt Restructuring Empowered Group (CDREG) and the respective banks within the consortium, Working capital term loan (WCTL) and Funded interest term loan(FITL) are converted into Optionally Convertible Debentures (OCD) at a coupon rate of 0.001% w.e.f 1st April, 2013. During the year ended 31st March, 2014, Company has earned profits and these potential equity shares (0.001% OCD) are dilutive, hence these are considered for computation of earnings per share on face value. Although the actual conversion of OCD's into Equity Shares shall be subject to the SEBI Guidelines and provisions of the Memorandum & Articles of Association of the Company. During the last year Company had incurred losses, these potential equity shares (0.001% OCD) were anti dilutive, hence these were not considered for computation of loss per share.

NOTE : XXXIV

LEASES

The Company has leased facilities under cancellable operating leases arrangements with a lease term ranging from one to three years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognized during the year amounts to ₹16.41 lacs (Previous year ₹6.73 lacs).

NOTE : XXXV

PAYMENTS TO AUDITORS

	Year Ended March 31, 2014 Amount in ₹ Lac	Year Ended March 31, 2013 Amount in ₹ Lac
As auditor		
Statutory audit*	5.30	5.30
Limited review*	5.70	5.70
Tax audit*	1.00	1.00
	12.00	12.00
Reimbursement of expenses	1.97	1.60
	13.97	13.60

* Exclusive of service tax

NOTE : XXXVI

Pursuant to the reference filed by the Company with BIFR under section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 the BIFR vide its order dated 8th February, 2012 declared the Company as sick and appointed Punjab National Bank being the Lead Bank as Operating Agency (OA) to formulate rehabilitation plan for the Company. As per the meeting held on 15th April, 2013, Company submitted Debt Restructuring Scheme (DRS) on 25th February 2013. In the meeting held on 10th September 2013, the OA informed that the DRS submitted by the Company was not fully tied up and the Company has been asked to re-submit the fully tied up DRS. The next hearing is scheduled for 28th May, 2014.

NOTE : XXXVII

In the opinion of the board of directors, current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amounts at which they are stated and provision for all knows liabilities have been made in accounts.

NOTE : XXXVIII

Previous year figures have been regrouped /recasted, wherever considered necessary to make them comparable with those of the current year.

For & on behalf of the Board of Directors

for **Walker Chandiok & Co. LLP**
Chartered Accountants

per **B.P. Singh**
Partner

Place: New Delhi
Dated: 17th May, 2014

A K Aggarwal
Director

Mukesh Sehgal
GM (Corporate Finance)
& CFO

Satish Kapoor
Director

Anubha Garg
Company Secretary

Place: Chandigarh
Dated: 17th May, 2014