

NOTICE OF 25th ANNUAL GENERAL MEETING

NOTICE

Notice is hereby given that the 25th 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 Monday, the 11th September, 2017 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, 2017, 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. Krishan Kumar Goyal (DIN: 00482035), who retires by rotation at this Annual General Meeting and being eligible has offered himself for reappointment.
3. To ratify the appointment and payment of remuneration to Statutory Auditors for the financial year 2017-18 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 Section 139 and such other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder, as amended from time to time and pursuant to the resolution passed by the members at the 24th Annual General Meeting (AGM) held on 30th September, 2016 in respect of appointment of the Statutory Auditors, M/s. Aaryaa & Associates, Chartered Accountants, (Firm Reg. No. 015935N), till the conclusion of the AGM to be held in the year 2019, the Company hereby ratifies and confirms the appointment of M/s. Aaryaa & Associates, Chartered Accountants, (Firm Reg. No. 015935N) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company to be held in the year 2018 to examine and audit the accounts of the Company for the Financial Year 2017-18 on such remuneration as may be fixed by the Board of Directors of the Company."

AS SPECIAL BUSINESS:

4. To reappoint 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 reappointment of Mr. Krishan Kumar Goyal (DIN: 00482035) as Chairman & Managing Director of the Company, liable to retire by rotation, for a further period of 3 (three) years from the expiry of his present term of office, that is, with effect from 1st April, 2017 as per the provisions of the Companies Act, 2013 and Articles of Association of the Company on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, and as approved by the Nomination and Remuneration Committee, 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 reappointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Krishan Kumar Goyal, subject to the conformity with the provisions of 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 including accepting of any change in terms of reappointment and remuneration as proposed, as may be required by any Statutory/Govt. authority while giving its approval if so required."

5. To reappoint 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 reappointment of Mr. Ashwani Kumar Aggarwal (DIN: 00486430) as Executive Director of the Company, liable to retire by rotation, for a further period of 3 (three) from the expiry of his present term of office, that is, with effect from

1st April, 2017 as per provisions of the Companies Act, 2013 and Articles of Association of the Company on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, and as approved by the Nomination and Remuneration Committee, 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 reappointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Ashwani Kumar Aggarwal, subject to the conformity with the provisions of 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 including accepting of any change in terms of reappointment and remuneration as proposed, as may be required by any Statutory/Govt. authority while giving its approval if so required."

6. To ratify the remuneration of the Cost Auditors for the financial year ending 31st March, 2018 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 Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder, as amended from time to time and such other permissions as may be necessary, the shareholders hereby ratify the remuneration of ₹ 60,000/- plus service tax/GST and out of pocket expenses payable to M/s. Aggarwal Vimal & Associates, Cost Accountants, who were appointed by the Board of Directors of the Company to conduct the audit of the Cost records of the Company for the Financial Year ending 31st March, 2018.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By order of the Board

Place : Chandigarh
Dated: 4th August, 2017

Anubha Garg
Company Secretary

Registered Office:

136 K.M., G.T. Road,
Karnal -132001 (Haryana)
CIN: L74899HR1992PLC032998
Email: secretarial@modern dairies.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 authorized 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 Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking reappointment at the Annual General Meeting, is annexed hereto.
4. A Statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Resolution / Business to be transacted at the Meeting is annexed hereto.
5. Members, Proxies and Authorised Representatives 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, 2017, may send their queries atleast 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 5th September, 2017 to 11th September, 2017 (both days inclusive).
8. Members holding shares in the dematerialized 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. As per the provisions of the Companies Act, 2013 and the rules made thereunder and the Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Shareholders can now receive various notices and documents

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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 MCS Share Transfer Agent 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 Share transfer Agent Limited.
11. Soft copy of the Annual Report for the financial year 2016-17 is being sent to all the members, whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes. For members who have not registered their email address, physical copies of the Annual Report for the financial year 2016-17 is being sent in the permitted mode.
12. Soft copy of the Notice of the 25th Annual General Meeting of the Company, inter-alia, indicating the process and manner of remote 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 hardcopy of the same. For members who have not registered their email address, physical copies of the Notice of the 25th Annual General Meeting of the Company, inter-alia, indicating the process and manner of remote 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 25th Annual General Meeting and the Annual Report for the financial year 2016-17 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. Procedure for "Remote E-Voting" Pursuant to provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations

and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 25th Annual General Meeting (AGM) by electronic means and the business may be transacted through remote e-voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

- I. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- II. The remote e-voting period commences on 8th September, 2017 (9:00 a.m.) and ends on 10th September, 2017 (5:00 p.m.). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the cut off date of 4th September, 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, he / she shall not be allowed to change it subsequently.

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 bkg.majestic@gmail.com or secretarial@modern dairies.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.
- III. 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.nsd.com.
- IV. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote.
- V. 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).
- 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. 4th September, 2017.
- VII. Mr. Bhupesh Gupta, B.Com, LLB, IP, FCS, Practising Company Secretary (Membership No. FCS 4590) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- VIII. The scrutinizer shall, immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated scrutinizer's report of the total votes cast in the favour or against, if any, to the Chairman or a person authorised by him in writing who shall countersign the same.
- IX. The Chairman or a person authorised by him in writing shall declare the result of the voting forthwith. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.modern dairies.com and on the website of NSDL and communicated to the BSE Limited.

15. The route map showing directions to reach the venue of AGM is annexed.
16. 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
Anubha Garg
Company Secretary

Place : Chandigarh
Dated: 4th August, 2017

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

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. Mr. Goyal was appointed as Chairman & Managing Director of the Company for a period of three years w.e.f. 1st April, 2014 at a salary of ₹ 2,50,000 (Rupees Two Lacs Fifty Thousands only) per month as per the provisions of the Companies Act, 2013.

The Board of Directors of the Company at its meeting held on 27th May, 2017 has, subject to the approval of the shareholders, reappointed Mr. Krishan Kumar Goyal (DIN: 00482035) as Chairman & Managing Director of the Company for a further period of 3 years from the expiry of his present term, that is, with effect from 1st April, 2017 on terms and conditions including remuneration as recommended by the Nomination & Remuneration Committee of the Board and approved by the Board.

It is proposed to seek the members approval for the reappointment of and remuneration payable to Mr. Krishan Kumar Goyal as a Chairman and Managing Director of the Company, in terms of the applicable provisions of the Act.

The Board of Directors while approving reappointment 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 reappointment 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.

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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) Personal Accident Insurance.
- vii) Car: Free use of Company's car for Company's work as well as for personal 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 judgment, as may be approved by the Board of Directors from time to time.
- x) Reimbursement of Expenses: Reimbursement of expenses incurred by Mr. Krishan Kumar Goyal during the course of and in connection with the business of the Company.
- xi) 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. Approval of the members is also being sought authorizing Board of Directors to accept any change in the proposed term of appointment including remuneration as may be prescribed by any Statutory/Govt. authority while giving its consent, if required.

4. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of reappointment, 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 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 reappointment. 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 reappointment of Mr. Krishan Kumar Goyal under Section 190 of the Act.

The details of Mr. Krishan Kumar Goyal whose reappointment as Chairman & Managing Director is proposed at Item No. 4 is provided as a part of notice pursuant to the provisions of the SEBI (LODR) Regulations, 2015 and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India.

The Board commends the Special Resolution set out at Item No. 4 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 is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The relatives of Mr. Krishan Kumar Goyal may be deemed to be interested in the resolution set out at Item No. 4 of the Notice, to the extent of their shareholding interest, if any, in the Company.

ITEM NO. 5

Mr. Ashwani Kumar Aggarwal was appointed as the Executive Director of the Company w.e.f 1st April, 2014 for a period of three years at a salary of ₹ 1,50,000 (Rupees One Lac Fifty Thousands only) per month as per the provisions of the Companies Act, 2013.

The Board of Directors of the Company at its meeting held on 27th May, 2017 has, subject to the approval of the shareholders, reappointed Mr. Ashwani Kumar Aggarwal (DIN: 00486430) as Executive Director of the Company for a further period of 3 years from the expiry of his present term, that is, with effect from 1st April, 2017 on terms and conditions including remuneration as recommended by the Nomination & Remuneration Committee of the Board and approved by the Board.

It is proposed to seek the members approval for the reappointment of and remuneration payable to Mr. Ashwani Kumar Aggarwal as Executive Director of the Company, in terms of the applicable provisions of the Act.

The Board of Directors while approving reappointment 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 reappointment as given herein below:

TERMS & CONDITIONS
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) Car: Free use of Company's car for official purposes along with driver.
- (vii) Telephone/Telefax: Telephone, telefax and other communication facilities at Company's cost.
- (viii) 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.
- (ix) 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. Approval of the members is also being sought authorizing Board of Directors to accept any change in the proposed term of appointment including remuneration as may be prescribed by any Statutory/Govt. authority while giving its consent, if required.

3. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of reappointment, 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.

The details of Mr. Ashwani Kumar Aggarwal whose reappointment as Executive Director is proposed at Item No. 5 is provided as a part of notice pursuant to the provisions of the SEBI (LODR) Regulations, 2015 and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India.

The Board commends the Special Resolution set out at Item No. 5 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 is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The relatives of Mr. Ashwani Kumar Aggarwal may be deemed to be interested in the resolution set out at Item No. 5 of the Notice, to the extent of their shareholding interest, if any, in the Company.

ITEM NO. 6

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2018 subject to the ratification of the remuneration payable to the Cost Auditors by the shareholders of the Company in accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 6 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2018.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No.6 of the Notice.

The Board commends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the shareholders.

By order of the Board

Place : Chandigarh
Dated: 4th August, 2017

Anubha Garg
Company Secretary

Registered Office:

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

NOTICE OF 25th ANNUAL GENERAL MEETING

INFORMATION REGARDING DETAILS OF THE DIRECTOR SEEKING REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED ON 11TH SEPTEMBER, 2017, PURSUANT TO REGULATION 36(3) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

1. 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, aged 60 years, 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.

He is also Mg. Director of Modern Steels Ltd. He has served many positions in the Confederation of Indian Industry (CII) including Chairman, CII Chandigarh Council (NR) from 2003-2006. He has also served as member of Board of Governors, Punjab Engineering College, Chandigarh.

Qualification : B.Com, LLB

List of outside Directorships held :

- i) Modern Steels Limited
- ii) PHi Business Solutions Limited
- iii) Modern Automotives Limited
- iv) Chandigarh Finance Pvt. Ltd.
- v) 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 : Nil

Shareholding in the Company : As on 31st March 2017, Mr. Krishan Kumar Goyal holds 2295943 Equity Shares of the Company.

Note- For other details such as number of meetings of the Board attended during the year, remuneration drawn and relationship with other directors and key managerial personnel in respect of Mr. Krishan Kumar Goyal and Mr. Ashwani Kumar Aggarwal, please refer to the Corporate Governance Report.

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

Date of Birth : 02.10.1954

Date of Appointment : 02.01.1993

Expertise in specific functional area : Mr. Aggarwal, aged 62 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 :

- Audit Committee – Member
- 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, 2017, Mr. Ashwani Kumar Aggarwal holds 400 Equity Shares of the Company.

STATEMENT OF PARTICULARS (ITEM No. 4 & 5)

(Pursuant to Schedule V of the Companies Act, 2013)

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	22 nd 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)			
		2016-17	2015-16	2014-15	2013-14
	Sales and other Income	45772	49715	62673	64049
	Prior period expenses	5	(2)	(19)	(7)
	Profit before Depreciation, Interest, Exceptional Item and Tax but after Prior Period Items	(554)	(173)	(125)	2114
	Depreciation / Amortization	486	490	481	701
	Interest and Finance Charges	1667	1773	1790	1627
	Profit / (Loss) before Exceptional Items and Tax	(2707)	(2436)	(2396)	(214)
	Exceptional Item	(1371)	-	-	(1144)
	Profit / (Loss) before Tax	(1336)	(2436)	(2396)	930
(5)	Foreign investments or collaborations, if any. Nil				

II. Information about the appointee:

		Mr. Krishan Kumar Goyal	Mr. Ashwani Kumar Aggarwal
(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, 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 drawn ₹ 30 Lacs per annum during the year 2014-15, 2015-16 and 2016-17.	Mr. A.K. Aggarwal has drawn ₹ 26.86 Lacs, ₹ 26.92 Lacs and ₹ 26.92 lacs during the year 2014-15, 2015-16 and 2016-17 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 propose	₹ 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.	Mr. A. K. Aggarwal is the Executive director and a shareholder of the Company

NOTICE OF 25th ANNUAL GENERAL MEETING

III Other information:

(1)	Reasons of loss or inadequate profits	<p>Modern Dairies Limited was affected by external factors like foreign currency turmoil, World economy slowdown and blanket ban imposed by the Govt. of India on export of Casein for which the new unit of the Company was set up.</p> <p>The product prices of Milk Powders, Casein and other dairy commodities had a sharp decline. On the other hand, the major input cost i.e. Milk prices stood to its ground and did not soften up in tandem with the markets.</p> <p>The Company suffered losses and accordingly the debts of the Company were restructured / reworked on the CDR platform in 2009 and 2011.</p> <p>In spite of all odds, till 2012-13 the Company performed as per CDR projections. There after primarily on account of the following two reasons, the Company has fallen short of that projections; (i) working capital short fall (ii) On account of drastic decline in international prices of Casein.</p> <p>In terms of the CDR rework package the lenders were supposed to release the Need Based Working Capital (NBWC) to the Company. The NBWC was assessed by Punjab National Bank being the Lead Bank, for the year 2013-14, but the same was not released by a few of the Lenders, resulting into a situation of the tight liquidity and working capital shortfall. This resulted into low capacity utilization which consequently landed the Company in losses.</p> <p>In the JLF/Monitoring Committee meeting held on 16th June, 2015, the CAP/request for financial assistance was discussed and it was decided in principle to process the Company's request for financial assistance by the lenders. Subsequently the lenders decided that the CAP/request for financial assistance should be got vetted by TEV study from an outside agency i.e. Dun & Bradstreet.</p> <p>Dun & Bradstreet study was received in January 2016 which is positive. Still the additional financial assistance is not been released by the lenders to the Company in addition to non-release of working capital.</p> <p>In spite of the losses the company kept paying interest and installments to the lenders resulting into shortfall in NWC. The Company submitted rehabilitation proposal to all the lenders.</p>
(2)	Steps taken or proposed to be taken for improvement	<p>The Company has already given mandate to the renowned advisory M/s. Ernst & Young (E&Y) for finding out an investor for the funds requirement in the Company. E&Y is actively engaged on this mandate. They have advised that looking to the business model of the Company and the interest shown by the investors in the dairy sector, the Company has good chance of getting an investor</p> <p>The Company is doing all its best to get the funds inducted into the Company by the investor and as soon as the funds are available , the company is hopeful of turning around.</p> <p>The Company has started focusing more on the fresh dairy / sales under its own brand, which shall give better margins and shall reduce its dependence on the international market which is more volatile.</p>
(3)	Expected increase in productivity and profits in measurable terms.	<p>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.</p>

IV. Disclosures

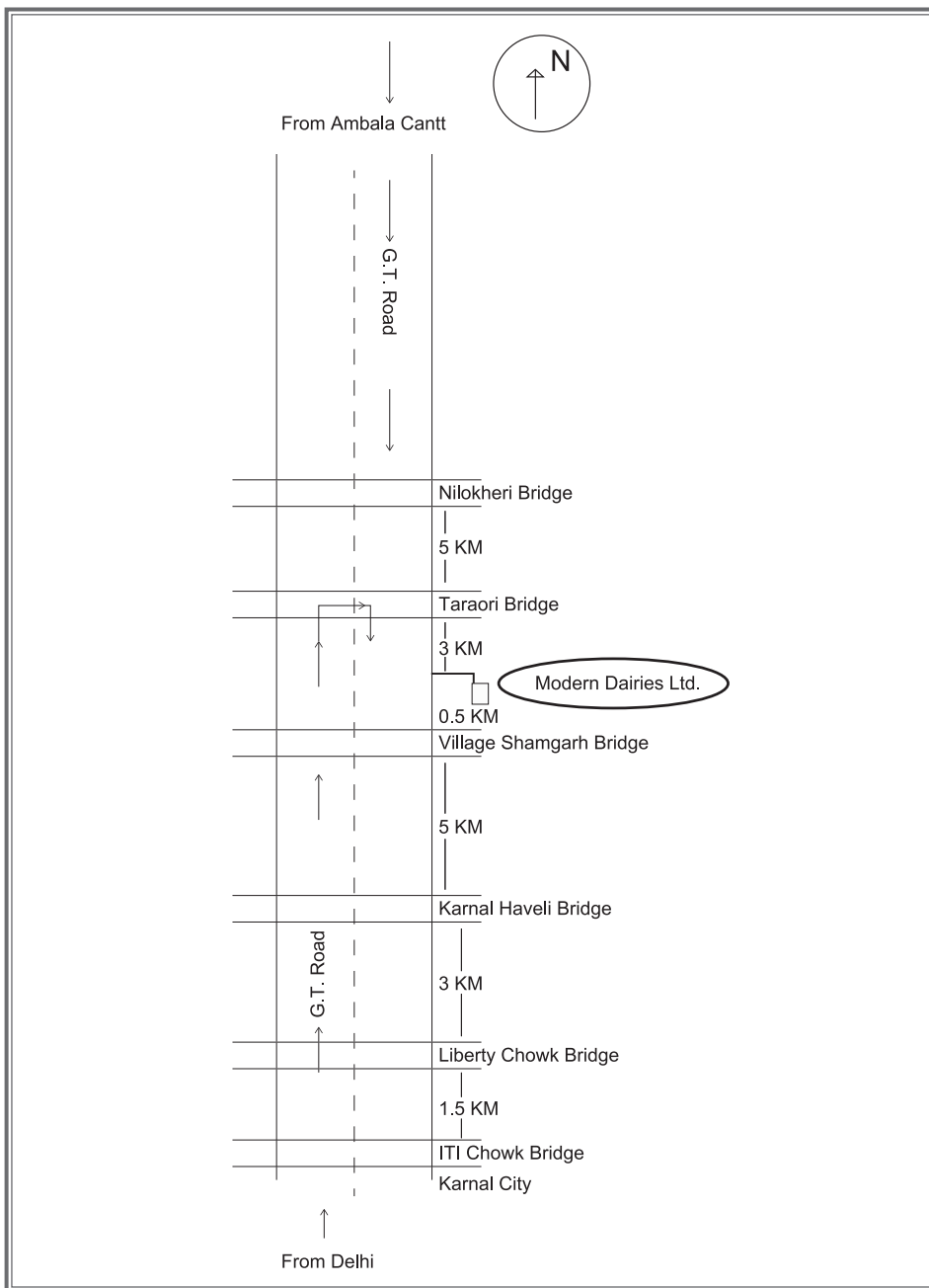
The following disclosures shall be mentioned in the Board of Directors Report under the heading "Corporate Governance", attached to the Annual Report.

- i. All elements of remuneration package such as salary, benefits, bonuses, stock options, pensions etc of all the Directors.
- ii. Details of fixed component and performance linked incentives along with the performance criteria.
- iii. Service contracts, notice period, severance fees.
- iv. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.

The necessary disclosure will be made in the Corporate Governance Report.

ROUTE MAP TO THE AGM VENUE

Venue: Modern Dairies Limited: 136 K. M., G. T. Road, Karnal - 132001 (Haryana)



NOTICE OF 25th ANNUAL GENERAL MEETING

MODERN DAIRIES LIMITED

CIN: L74899HR1992PLC032998

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

Email: secretarial@modern dairies.com, **Website:** www.modern dairies.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 Share Transfer Agent 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, SCO. 98-99, Sub City Centre, Sector 34, Chandigarh-160 022. Shareholders holding shares in demat mode are requested to register their email addresses with their respective Depository Participants.

E-COMMUNICATION REGISTRATION FORM

(As per the provisions of the Companies Act, 2013 and the rules made thereunder and the SEBI (LODR) Regulations, 2015)

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.



NOTICE OF 25th ANNUAL GENERAL MEETING

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

25TH 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 25th Annual General Meeting of the Company, to be held on **Monday, the 11th September, 2017 at 11:00 a.m** at Registered Office at : 136 K.M., G.T. Road, Karnal –132001 (Haryana).

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 2016-17 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 / Company 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 2016-17 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.



NOTICE OF 25th ANNUAL GENERAL 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/her

2. Name: _____ Address: _____
Email ID: _____ Signature: _____ or failing him/her

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 25th Annual General Meeting of the Company, to be held on **Monday, the 11th September, 2017 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, 2017, Statement of Profit & Loss for the year ended on that date, and the Directors' and Auditors' Reports thereon.
2. Reappointment of Mr. Krishan Kumar Goyal (DIN: 00482035), who retires by rotation.
3. Ratification of appointment of M/s. Aaryaa & Associates, Chartered Accountants, as Statutory Auditors and fixing their remuneration for the Financial Year 2017-18.

Special Business

4. Re-appointment of Mr. Krishan Kumar Goyal as Chairman & Managing Director of the Company.
5. Re-appointment of Mr. Ashwani Kumar Aggarwal as Executive Director of the Company.
6. Ratification of the remuneration payable to the Cost Auditors for conducting the audit of the cost records of the Company for the Financial Year ending 31st March, 2018.

Signed this ____ day of _____ 2017

Signature of Shareholder

Signature of Proxy holder(s)

Affix
revenue
stamp
₹1

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.



25th
**ANNUAL
REPORT**

2016-2017



MODERN DAIRIES LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director
Mr. Krishan Kumar Goyal

Dr. Bhupendra Nath Mathur
Prof. Satish Kapoor

Dr. A.K. Vashisht

Dr. Renu Vig

Mr. Sanjeev Kumar Bajaj, Nominee Director

Mr. A.K. Aggarwal, Executive Director

COMPANY SECRETARY

Ms. Anubha Garg

AUDITORS

M/s. Aaryaa & Associates
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 Share Transfer Agent Limited
F-65, First Floor, Okhla Industrial Area
Phase 1, New Delhi-110 020

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Auditors' Report -----	21
Balance Sheet -----	26
Statement of Profit & Loss -----	27
Cash Flow Statement -----	28
Notes -----	29

DIRECTORS' REPORT

Dear Members,

Your Directors hereby present their 25th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2017.

FINANCIALS

	₹ in Lacs	
	Year Ended 31.03.2017	Year Ended 31.03.2016
Net Sales and other Income	45772	49715
Operating Loss	(554)	(173)
Finance Cost	296	1773
Cash Loss	(850)	(1946)
Depreciation & Amortisation	486	490
Loss for the year	(1336)	(2424)

PERFORMANCE

During the year under review, the Company achieved Net Sales and Other Income of ₹ 457.72 crores against ₹ 497.15 crores in the previous year. In the current fiscal, the demand for milk & milk products remained strong and the prices of milk also remained high. The prices of milk in sachets & other Fresh Dairy products and Cheese did not go up in tandem with the milk prices increase, as a result, the margins on these products remained under pressure. On the other hand, the international market continued to be unviable for Indian manufacturers. This year the company's export turnover was only ₹ 4.57 crores as against ₹ 24.89 crores last year. The Company faced operating loss of ₹ 554 Lacs as against the operating loss of ₹ 173 Lacs, last year.

The Company revised its business strategy where focus was given on the sale of domestic products portfolio. The Company launched fresh dairy products like milk in sachets, fermented milk products and Cheese in its own brand.

To promote the sale of Fresh Milk and Fermented Milk Products, the team is putting in best efforts to increase its presence in the market and improve distribution, which will result into higher sales volumes and contribution. The quality of the products is appreciated.

CURRENT OPERATIONS

At present the company's operations are mainly focused on sale of Fresh Dairy Products like milk in sachets and fermented dairy products i.e. Dahi, Lassi and Chach & Cheese. The team is continuously striving to improve the operations and performance through sale of these products in the Modern Dairies Brand. With the improved spending power of the consumers the domestic market particularly for fresh dairy products has good demand. The

prices of raw milk in India are strong and the international prices for dairy products remain subdued, rendering the export market unviable for Indian Manufacturers.

With normal rainfall expected during this year, the production and availability of milk is also expected to be good.

MILK CESS

As the members are aware that the Company has filed a Special Leave Petition with the Hon'ble Supreme Court of India 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 Company's depositing 50% of the cess levied and demanded by the Government of Haryana which has been deposited by the Company with the Department within the stipulated time. In spite of that the Company continues to receive demand notice from Semen Bank officer. Demand notice at the year end stands at ₹ 108.42 Crores. The matter is yet to come up for hearing.

PLEDGE OF PROMOTER SHAREHOLDING

During the year the entire shareholding of promoter and promoter group aggregating to 10654779 shares, being 45.69 % of the entire share capital of the Company were pledged in favour of Punjab National Bank and other consortium members.

STATUS OF COMPANY'S ACCOUNTS WITH LENDERS

Due to inordinate delay by the lenders in release of the need based working capital and non-sanctioning of restructuring proposal, the accounts of the Company became NPA with the lenders, but the Company continues to be on the CDR platform.

The Company has submitted its proposal with the lenders which they are yet to decide leading to uncertainty with regard to the amount and time of any repayment falling due which are both crucial to identify the quantum of liability and its nature whether current or otherwise. The Company based on the opinion has not provided for such interest and shown the total debts payable as on the balance sheet date under the head long term borrowings instead of showing other current liabilities (also refer note 35-37 of Balance Sheet). The Company is in discussion with the Lenders to resolve the issue regarding the restructuring of its debts.

QUALITY, FOOD SAFETY & ENVIRONMENT STANDARDS

From the very beginning, the Company's focus has been to follow up best of the processing and management systems in the plant to comply with Good Management Practices (GMP) and Good Hygienic Practices (GHP).

Our Quality Management Systems, Food Safety Systems and Environment Management Systems have been certified

by DNV Netherlands. The Company's Management Systems are ISO 9001:2008, ISO 14001: 2004, HACCP Certification and Food Safety Systems certification i.e. ISO:22000:2005 and ISO/TS22002/1 certified, besides the Company's operations have been approved by the best multinationals operating in the country.

DIRECTORS

Consequent upon the winding up of BIFR, Mr. Mohan Lal Sharma ceased to be a Director on the Company's Board w.e.f. 1st December, 2016.

The nomination of Mr. Satish Kumar Dua was withdrawn by PNB and consequently he ceased to be a Director w.e.f 13th February, 2017.

Your directors place on record their high appreciation for the contribution made by Mr. Satish Kumar Dua and Mr. Mohan Lal Sharma during their tenure as Director of the Company.

Mr. Sanjeev Kumar Bajaj was appointed as the Nominee Director of Punjab National Bank on Company's Board w.e.f 27th May, 2017.

Mr. Krishan Kumar Goyal, Chairman & Managing Director of the Company shall retire by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment.

The terms of Mr. Krishan Kumar Goyal, Chairman & Managing Director and Mr. Ashwani Kumar Aggarwal, Executive Director of the Company are up to 31st March, 2017. The Board of Directors on the recommendation of the Nomination and Remuneration Committee has re-appointed Mr. Krishan Kumar Goyal, Chairman & Managing Director and Mr. Ashwani Kumar Aggarwal, Executive Director of the Company for a period of 3 (three) years with effect from 1st April, 2017, subject to approval of shareholders.

BOARD MEETINGS

During the year, five Board Meetings were convened and held, the details of which are given in the Corporate Governance Report

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received the necessary declaration from each Independent Director in accordance with Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence as laid out in Subsection (6) of Section 149 of the Companies Act, 2013 and SEBI (Listing Obligation and disclosure Requirement) Regulations, 2015.

BOARD DIVERSITY AND REMUNERATION POLICY

The Company has a policy for formation of the Board to have Executive Directors and Independent Directors of diverse background to maintain the independence of the Board. As on 31st March, 2017, the Board consists of six members out of which two are Executive Directors and four are independent directors.

The Board periodically evaluates the need for change in its composition and size.

We affirm that the remuneration paid to the Directors is as per the terms approved by the Nomination and Remuneration Committee of the Company.

AUDITORS

In the 24th Annual General meeting held on 30th September, 2016, M/s. Aaryaa & Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company to hold office till the conclusion of 27th AGM to be held in the year 2019, subject to the ratification by the members at every Annual General Meeting.

Accordingly the matter of ratification of the appointment of M/s. Aaryaa & Associates, Chartered Accountants, as statutory auditors of the Company for the FY 2017-18 shall be placed before the members. The Statutory Auditors have confirmed their eligibility to the effect that their appointment, if made would be within the prescribed limits under the Companies Act, 2013 and that they are not disqualified.

The Board of Directors have approved the appointment and remuneration of M/s. Aggarwal Vimal & Associates as Cost Auditors of the Company to conduct the cost audit for the year 2017-18 on the recommendations of the Audit Committee subject to the ratification of the remuneration by the Shareholders. The Board has appointed M/s. B.K. Gupta & Associates, Company Secretaries, to conduct Secretarial Audit for the Financial Year 2017-18. The Secretarial Audit Report in Form MR-3 for the Financial Year ended 31st March, 2017 is annexed herewith as Annexure 'A' to this report.

AUDITOR'S REPORT

All the comments of the Statutory Auditors on the Annual accounts are self explanatory and require no further explanation.

RISK MANAGEMENT

The Company recognises that risk is an internal and unavoidable component of business and is committed to managing the risk in a proactive and efficient manner. The Company has formulated Risk Management Policy to identify and then manage threats / risks that could have impact on the goals and objectives of the Company.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

MDL (Modern Dairies Limited) has aligned its current system of internal financial control with the requirement of Companies Act, 2013.

MDL's internal controls commensurate with its size and nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing

transactions with proper authorization and ensuring compliance of corporate policies.

The management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015) as of 31st March, 2017. The assessment involved self review and external audit.

M/s. Aaryaa & Associates, Chartered Accountants, the Statutory Auditors of MDL has audited the financial statements included in this annual report and has issued an attestation report on our internal control over financial reporting (as defined in Section 143).

The Audit Committee reviews reports submitted by the management and audit reports submitted by internal auditors and Statutory Auditors. Suggestions for improvement are considered and the Audit Committee follows up on corrective action. Based on its evaluations (as defined in Section 177 of Companies Act, 2013 and Clause 18 of SEBI Regulations, 2015), the Audit Committee has concluded that, as of 31st March, 2017, the internal financial controls were adequate and operating effectively.

MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no adverse material changes or commitments occurring after 31st March, 2017, which may affect the financial position of the Company.

FIXED DEPOSITS

Your Company did not invite or accept any fixed deposit pursuant to provisions of Chapter 5 of the Companies Act, 2013, during the year.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Loans, guarantees and investments covered under section 186 of the Companies Act, 2013 form part of the Notes to the Financial Statements provided in this Annual Report.

RELATED PARTY TRANSACTIONS

All contracts or arrangements entered into by the Company with Related Parties have been done at an arm's length and are in the ordinary course of business. Related Party disclosures as per AS-18 have been provided in the Notes to the Financial Statement.

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 Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

EXTRACT OF ANNUAL RETURN

The extract of annual return as provided under section 92(3) is annexed herewith as Annexure 'B'.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information on conservation of energy, technology absorption, foreign exchange earnings and outgo as per section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules 2014, is given in the Annexure 'C' and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134(5) of the Companies Act, 2013, your Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed:-
- (b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2017 and of the loss of the Company for the year;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the annual accounts are prepared on a going concern basis;
- (e) they had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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 and on behalf of the Board

Place: Chandigarh
Date: 27th May, 2017

Krishan Kumar Goyal
Chairman & Mg. Director
DIN: 00482035

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

The habits, requirements and taste of the Indian consumer are changing rapidly mainly due to increase in disposable income, international exposure and willingness to try new products. The transformation of the Indian consumers is also happening on various dimensions.

The Dairy Industry also has to prepare for the emerging future to meet the consumers aspirations from the Dairy Products anticipating healthy growth prospects in India, international dairy players have evinced keen interest for investments in dairy sector in India.

OPPORTUNITIES AND THREATS

Rising consumer willingness to buy quality packaged products, Milk consumption is shifting from unorganized to the organized sector. This is driven by increasing demand for packaged milk and value added products.

The forecasts indicate a quantum growth across fresh dairy products and fermented milk products apart from value-added products such as ice-cream, cheese, yogurt, flavoured milk and UHT milk going forward.

Milk, the prime raw material for the operations of the Company faces price volatility which is dependent on vagaries of nature, where alternatives are not available.

The world economies continue to be in trouble impacted by global slowdown affecting commodity prices. Milk prices in India are not impacted by these factors, thereby making the exports un-viable at present.

There is a legal case pending before Hon'ble Supreme Court regarding milk cess imposed by Govt. of Haryana in 2001. The total outstanding milk cess liability as demanded by Semen Bank Officer as on 31st March, 2017 is ₹ 108.42 crores.

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

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls including an internal audit process. Internal controls are supported by Management reviews.

The Board of Directors have an Audit Committee that is chaired by an Independent Director. The committee meets periodically with Management, Internal Auditor, Statutory Auditors to review the Company's program of internal

controls, audit plans and results, recommendations of the auditors and management's responses to those recommendations.

FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

During the year under review, the Company achieved Net Sales and Other Income of ₹ 457.72 crores against ₹ 497.15 crores in the previous year. In the current fiscal, the demand for milk & milk products remained strong and the prices of milk also remained high. The prices of milk in sachets & other Fresh Dairy products and Cheese did not go up in tandem with the milk prices increase, as a result, the margins on these products remained under pressure. On the other hand, the international market continued to be unviable for Indian manufacturers. This year the company's export turnover was only ₹ 4.57 crores as against ₹ 24.89 crores last year. The Company faced operating loss of ₹ 554 Lacs as against the operating loss of ₹ 173 Lacs, last year.

The Company revised its business strategy where focus was given on the sale of domestic products portfolio. The Company launched fresh dairy products like milk in sachets, fermented milk products and Cheese in its own brand.

To promote the sale of Fresh Milk and Fermented Milk Products, the team is putting in best efforts to increase its presence in the market and improve distribution, which will result into higher sales volumes and contribution. The quality of the products is appreciated.

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 and on behalf of the Board

Place: Chandigarh
Date: 27th May, 2017

Krishan Kumar Goyal
Chairman & Mg. Director
DIN: 00482035

ANNEXURE 'A' to Directors' Report
Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Modern Dairies Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Modern Dairies Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided to us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- Not applicable during the audit period;
 - (e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999-Not applicable during the audit period;
 - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008-Not Applicable during the audit period;
 - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009-Not Applicable during the audit period; and
 - (g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- Not Applicable during the audit period;
- (vi) We have relied on the representation made by the Company & its Officers for system and mechanism formed by the Company for compliances under other applicable Acts as Environmental Laws & Labour Laws as per list attached herewith.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange;

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

During the period under review, the Company has appointed Chief Financial Officer (CFO) but has not filed Form DIR-12 for his appointment with Ministry of Corporate Affairs (MCA) portal.

We further report that The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at the Board Meeting and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has not made any decisions which are having major bearing in the Company's affair in pursuance of above referred laws, rules, regulation, guidelines, standards, etc.

For B.K. Gupta & Associates
Company Secretaries

(Bhupesh Gupta)

Place: Chandigarh
Date: 27th May, 2017

FCS No: 4590
CP No: 5708

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

List of Labour Laws and Environmental Laws which have been verified during audit period

List of Labour Laws: Factories Act, 1948, Industrial Disputes Act, 1947, The Payment of Wages Act, 1936, The Minimum, Wages Act, 1948, Employee's State Insurance Act, 1948, The Payment of Bonus Act, 1972, The Contract Labour (Regulation and Abolition) Act, 1970, The Apprentices Act, 1961

List of Environmental Laws: Environment (Protection) Act, 1986, The Public Liability Insurance Act, 1991, Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981, Hazardous Waste (Management, Handling and Transboundary Movements) Rules, 2008

Other Laws: Food Safety and Standards Authority Act, 2006

'Annexure A'

To,
The Members
Modern Dairies Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For B.K. Gupta & Associates
Company Secretaries

(Bhupesh Gupta)

Place: Chandigarh
Date: 27th May, 2017

FCS No: 4590
CP No: 5708

ANNEXEURE 'B' to Directors' Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the Financial Year ended on 31st March, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i) CIN	L74899HR1992PLC032998
ii) Registration Date	22 nd April, 1992
iii) Name of the Company	Modern Dairies Limited
iv) Category / Sub-Category of the Company	Public Limited Listed Company
v) Address of the Registered office and contact details	136 K.M., G.T. Road, Karnal-132001 (Haryana), Tel: +91-172-2609001/2, Fax; +91-172-2609000, E- mail:secretarial@moderndairies.com, Website : www.moderndairies.com
vi) Whether listed Company Yes / No	Yes
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. MCS Share Transfer Agent Ltd., F-65, 1 st Floor, Okhla Industrial Area, Phase-I, New Delhi 110 020, Tel.No. : +91-11- 41406149, Fax No.: +91-11- 41709881, E-mail : admin@mcsregistrars.com, Website : www.mcsregistrars.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company are as follows:-

Name and Description of main products	NIC Code of the Product	% to total turnover of the Company
1. Liquid Milk	105105010504	57%
2. Pure Desi Ghee	105105010501	18%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES - Nil

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of shareholders	No. of shares held at the beginning of the year (as on 31 st March, 2016)				No. of shares held at the end of the year (as on 31 st March, 2017)				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	6501887	1432000	7933887	34.02%	7933887	-	7933887	34.02%	-
b) Bodies Corp.	771892	1949000	2720892	11.67%	2720892	-	2720892	11.67%	-
Total Shareholding of Promoters (A)	7273779	3381000	10654779	45.69%	10654779	-	10654779	45.69%	-
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	-	9400	9400	0.04%	-	9400	9400	0.04%	-
b) Others - FFI (IFC)	4143109	-	4143109	17.77%	-	-	-	-	-17.77%
Sub-total (B) (1)	4143109	9400	4152509	17.81%	-	9400	9400	0.04%	-17.77%
(2) Non-Institutions									
a) Bodies Corp - Indian	890544	14900	905444	3.88%	1121077	14900	1135977	4.87%	0.99%
b) Individual shareholders									
i) Holding nominal share capital upto ₹ 1 lakh	3482087	1770677	5252764	22.52%	5572654	1756577	7329231	31.43%	8.91%

ii) Holding nominal share capital in excess of ₹ 1 lakh	1772289	12600	1784889	7.65%	3354712	12600	3367312	14.44%	6.79%
c) Others - NRIs	484076	85400	569476	2.44%	738462	84700	823162	3.53%	1.09%
Sub-total (B) (2)	6628996	1883577	8512573	36.50%	10786905	1868777	12655682	54.27%	17.77%
Total Public Shareholding (B) = (B) (1) + (B) (2)	10772105	1892977	12665082	54.31%	10786905	1878177	12665082	54.31%	-
Grand Total (A + B)	18045884	5273977	23319861	100.00%	21441684	1878177	23319861	100.00%	-

(ii) Shareholding of Promoters

Name of the Shareholder	Shareholding at the beginning of the year (As on 31 st March 2016)			Shareholding at the end of the year (As on 31 st March 2017)			% change in share holding during the year
	No. of shares	% of total shares of the Company	% of shares pledged to total shares	No. of shares	% of total shares of the Company	% of shares pledged to total shares	
1. Alka Goyal	2828972	12.13%	-	2828972	12.13%	100%	-
2. Krishan Kumar Goyal	2295943	9.85%	-	2295943	9.85%	100%	-
3. Krishan Kumar Goyal (HUF)	1280000	5.49%	-	1280000	5.49%	100%	-
4. Aditya Goyal	878772	3.77%	-	878772	3.77%	100%	-
5. Chandigarh Finance Pvt. Ltd.	772292	3.31%	-	772292	3.31%	100%	-
6. Shree Ganesh Invest. & Inds. Ltd.	720000	3.09%	-	720000	3.09%	100%	-
7. Times Finvest and Commerce Ltd	670000	2.87%	-	670000	2.87%	100%	-
8. Nabha Commerce Pvt. Ltd.	528600	2.27%	-	528600	2.27%	100%	-
9. Amarjit Goyal	500200	2.14%	-	500200	2.14%	100%	-
10. Amarjit Goyal (HUF)	150000	0.64%	-	150000	0.64%	100%	-
11. Bharat Forgings Pvt. Ltd	30000	0.13%	-	30000	0.13%	100%	-
Total	10654779	45.69%	-	10654779	45.69%	100%	-

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

There is no change in the Promoters' shareholding during the year.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Name of the shareholder	Shareholding at the beginning of the year		Purchases during the year	Sales during the year	Cumulative shareholding at the end of the year	
	No. of shares	% of total shares of the Company	No. of shares	No. of shares	No. of shares	% of total shares of the Company
1. Shyamadevi Omprakash Agrawal	-	-	603150	-	603150	2.59%
2. Suresh Poonati	377440	1.62%	44907	-	422347	1.81%
3. Rachnadevi Raju Agarwal	-	-	210850	-	210850	0.90%
4. Ajay Goyal	132371	0.57%	-	-	132371	0.57%
5. Vijay Garg	125089	0.54%	-	-	125089	0.54%
6. Usha Singal	122287	0.52%	-	-	122287	0.52%
7. Arcadia Share & Stock Broker P Ltd	112962	0.48%	-	(2102)	110860	0.48%
8. Veda Equity Services Private Limited	-	-	83700	-	83700	0.36%
9. Sanjay Goyal	78644	0.34%	-	-	78644	0.34%
10. Veenu Garg	75565	0.32%	-	-	75565	0.32%

(v) Shareholding of Directors and Key Managerial Personnel:

Mr. Krishan Kumar Goyal (Chairman & Managing Director) and Mr. Ashwani Kumar Aggarwal (Executive Director) hold 2295943 and 400 shares respectively at the beginning and at the end of the year. Mr. Mukesh Sehgal, GM (Corporate Finance) and CFO and Ms. Anubha Garg, Company Secretary hold Nil equity shares at the beginning and at the end of the year. There was no increase or decrease in the shareholding of Directors or KMP during the year.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ in Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	47,21.13	56,55.02	-	1,03,76.15
ii) Interest due but not paid	3,56.93	-	-	3,56.93
iii) Interest accrued but not due	29.34	-	-	29.34
Total (i+ii+iii)	51,07.40	56,55.02	-	1,07,62.42
Change in Indebtedness during the financial year				
– Addition	61.55	86.97	-	148.52
– Reduction	-	-	-	-
Net Change	61.55	86.97	-	148.52
Indebtedness at the end of the financial year				
i) Principal Amount	50,57.82	57,41.99	-	1,07,99.81
ii) Interest due but not paid	81.79	-	-	81.79
iii) Interest accrued but not due	29.34	-	-	29.34
Total (i+ii+iii)	51,68.95	57,41.99	-	1,09,10.94

Note: Refer Note No. V and XXXV to XXXVII of the Balance Sheet.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The remuneration of Directors and Key Managerial Personnel appears in the Corporate Governance Report and Note XXXI of the Balance Sheet.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

For and on behalf of the Board

Place: Chandigarh
Dated: 27th May, 2017

Krishan Kumar Goyal
Chairman & Mg. Director
DIN: 00482035

ANNEXURE 'C' to Directors' Report

Information as per Section 134(3)(m) of the Companies Act, 2013 read with rule 8 of the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended 31st March, 2017.

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

	Current year 2016-17	Previous Year 2015-16
POWER		
a) Electricity Power		
Purchase Units (Kwh)	1,36,71,120	1,38,97,380
Total Amount ₹	10,82,46,986	10,63,25,115
Rate per Unit ₹	7.92	7.65
b) Other Generation Through Diesel Generator		
Unit (Kwh)	1,58,209	2,50,260
Total Amount ₹	21,63,384	36,04,159
Unit per litre of Diesel Oil	3.26	3.29
Cost / Unit ₹	13.67	14.40
FUEL		
Quantity (MT)	17,923	18,608
Total Amount ₹	4,49,35,293	6,81,53,818
Rate / Unit ₹ per MT	2,507.04	3,662.61

B) CONSUMPTION PER UNIT OF PRODUCTION

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

Unit per 1000 kgs. of milk processed

Electricity (kwh)	112.56	119.66
Fuel Quantity (Kgs.)	136.33	155.17

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 and on behalf of the Board

Place : Chandigarh
Dated : 27th May, 2017

Krishan Kumar Goyal
Chairman & Mg. Director
DIN: 00482035

CORPORATE GOVERNANCE REPORT

In line with the requirement for providing a "Report on Corporate Governance" as per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 of the Stock Exchange as applicable, given below is a Report on Company's Corporate Governance norms:

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

A. Composition and category 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 on 31st March, 2017 is set out below:-

Name of the Director	Category of the Director	No. of Board meetings attended	Last AGM attended	No. of other Directorships in Public Company	No. of Committee positions held		Relationship with directors interse
					Chairman	Member	
Mr. Krishan Kumar Goyal	Chairman & Mg. Director Non Independent (Promoter) Director	5	Yes	3	-	-	NA
Dr. Bhupendra Nath Mathur	Non Executive Independent Director	4	Yes	-	-	2	NA
Prof. Satish Kapoor	Non Executive Independent Director	5	Yes	-	2	-	NA
Dr. A.K. Vashisht	Non Executive Independent Director	5	Yes	-	-	1	NA
Dr. Renu Vig	Non Executive Independent Director	4	No	-	-	-	NA
Mr. Satish Kumar Dua*	Non Executive (Nominee) Director	1	No	4	-	-	NA
Mr. Mohan Lal Sharma#	Non Executive (Nominee) Director	4	Yes	1	-	-	NA
Mr. A.K. Aggarwal	Non Independent Executive Director	5	Yes	-	-	2	NA

* The nomination of Mr. Satish Kumar Dua was withdrawn by PNB and consequently he ceased to be a Director w.e.f 13th February, 2017. Mr. Sanjeev Kumar Bajaj was appointed as the Nominee Director of Punjab National Bank w.e.f. 27th May, 2017.

Consequent upon the winding up of BIFR, Mr. Mohan Lal Sharma ceased to be a Director on the Company's Board w.e.f. 1st December, 2016.

Note: In accordance with the provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Membership/ Chairmanship of the Audit Committee and Stakeholders Relationship Committee in all Public Limited Companies (listed/unlisted) have been considered.

B. Board Meetings and Attendance

During the financial year ended on 31st March, 2017, 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
30 th May, 2016	8	6
13 th August, 2016	8	6
31 st August, 2016	8	7
7 th November, 2016	8	8
13 th February, 2017	6	6

None of the non executive Directors are holding any equity shares in the Company.

3. AUDIT COMMITTEE

a. Terms of reference of Audit Committee

- i. The recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
- ii. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
- iii. Examination of the financial statement and the auditors' report thereon.
- iv. Approval or any subsequent modification of transactions of the Company with related parties.
- v. Scrutiny of inter-corporate loans and investments.
- vi. Valuation of undertakings or assets of the Company, wherever it is necessary.
- vii. Evaluation of internal financial controls and risk management systems.
- viii. Monitoring the end use of funds raised through public offers and related matters.
- ix. To oversee the vigil mechanism as per section 177 of the Companies Act, 2013.
- x. The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the Company.
- xi. The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (4) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company.
- xii. The auditors of a Company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

b. Composition of Audit Committee

- i. The Company has an Audit Committee as per provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and under Section 177 of the Companies Act, 2013. Prof. Satish Kapoor, Dr. Bhupendra Nath Mathur, Dr. A.K. Vashisht and Mr. A.K. Aggarwal are the members of the Committee.
- ii. The Chairperson of the Audit Committee, Prof. Satish Kapoor is a Non Executive Independent Director.
- iii. All of the above Directors are financially literate and have accounting and related financial management expertise.
- iv. The Chairman of the Audit Committee was present at the last Annual General Meeting to answer the Shareholders queries.
- v. The Company Secretary of the Company is the Secretary of the Audit Committee.

c. Meetings and attendance of Audit Committee

The Committee met five times during the year on 30th May 2016, 13th August 2016, 31st August 2016, 7th November 2016 and 13th February 2017. The status of attendance of members at the Audit Committee during the year 2016-17 was as under:

Name of Director	No. of Meetings held	No. of Meetings attended
Prof. Satish Kapoor	5	5
Dr. Bhupendra Nath Mathur	5	4
Dr. A.K. Vashisht	5	5
Mr. A.K. Aggarwal	5	5

4. NOMINATION AND REMUNERATION COMMITTEE

The Company has constituted a Nomination and Remuneration Committee as per section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

a. The terms of reference of the Committee are as follows.

- i. The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- ii. The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- iii. The Nomination and Remuneration Committee shall, while formulating the policy ensure that—
 - the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks, and
 - remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.'
- iv. Formulation of criteria for evaluation of Independent Directors and the Board.
- v. Devising a policy on Board diversity.

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

b. Composition of Nomination and Remuneration Committee

The constitution of the Nomination and Remuneration Committee is as under:

Name of Director	Category of the Director	Member/Chairman
Dr. Bhupendra Nath Mathur	Non Executive Independent Director	Chairman
Prof. Satish Kapoor	Non Executive Independent Director	Member
Dr. A.K. Vashisht	Non Executive Independent Director	Member

- c. During the year, no meeting of the Committee was held.
- d. Performance evaluation criteria: The Company has a policy for formation of the Board to have Executive Directors and Independent Directors of diverse background to maintain the independence of the Board. As on 31st March, 2017, the Board consists of six members out of which two are Executive/Whole Time Directors and four Independent Directors. The Board of Directors does the performance evaluation of Directors at the time of fixing the remuneration of Executive Directors and sitting fee of Independent Director.

5. REMUNERATION OF DIRECTORS

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, 2013. The Non-Executive Directors are paid sitting fee of ₹ 20,000 per Board Meeting and ₹ 10,000 for Committee Meetings attended by them.

a. Details of Remuneration paid to the Directors during the Financial year ended 31st March, 2017
Amount in ₹

Name of the Director	Salary	Perquisites	Benefits	Stock Option	Sitting Fee	Total
Mr. Krishan Kumar Goyal	30,00,000	-	-	-	-	30,00,000
Dr. Bhupendra Nath Mathur	-	-	-	-	1,50,000	1,50,000
Prof. Satish Kapoor	-	-	-	-	2,00,000	2,00,000
Dr. A.K. Vashisht	-	-	-	-	1,60,000	1,60,000
Dr. Renu Vig	-	-	-	-	80,000	80,000
Mr. Satish Kumar Dua	-	-	-	-	20,000	20,000
Mr. Mohan Lal Sharma	-	-	-	-	80,000	80,000
Mr. A.K. Aggarwal	25,20,000	1,71,540	-	-	-	26,91,540

- b. There was no pecuniary relationship or transactions of the non-executive Directors viz-a-viz the Company.
c. The non-executive Directors are not paid any remuneration except the sitting fees for attending the Board/Committee meetings.

6. STAKEHOLDERS RELATIONSHIP COMMITTEE

- a. The Company has formed a Stakeholders Relationship Committee under the Chairmanship of a non Executive Independent Director who looks into the redressing of shareholders and investors complaints like transfer of shares, non receipt of Balance Sheet, change of address etc. 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

- b. Ms. Anubha Garg, Company Secretary is the Compliance Officer of the Company.
c. During the financial year ended 31st March, 2017, four meetings of the Stakeholders Relationship Committee were held on 30th May 2016, 13th August 2016, 7th November 2016 and 13th February, 2017.
d. During the year 2016-2017, the Company has received two shareholder complaints and all the complaints were resolved to the satisfaction of the shareholders and no complaint is pending.

7. 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 share allotment, transfer, duplicate share certificates and related matters.

8. BANKING & FINANCE COMMITTEE

The Company has formed a Banking & Finance Committee under the Chairmanship of Prof. Satish Kapoor. Mr. A. K. Aggarwal and Dr. A.K. Vashisht are the members of the Committee.

The Committee oversees the Company's banking operations and borrowing from banks and financial institutions and allied matters, which otherwise require the consent of Board of Directors.

One meeting of the Committee was held on 31st August, 2016 during the year.

9. ALLOTMENT COMMITTEE

The Company has formed an Allotment Committee under the Chairmanship of Prof. Satish Kapoor, a Non-Executive Independent Director. The composition of the Committee is as follows:

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

The Committee approves the allotment of Securities i.e Shares/Debentures/Warrants etc. from time to time. During the year, no meeting of the Committee was held.

10. GENERAL BODY MEETINGS
Details of last three Annual General Meetings (AGMs)

Financial Year	Location	Date	Time
2013-14	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	24 th September, 2014	11.00 A.M.
2014-15	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	28 th September, 2015	11.00 A.M.
2015-16	Registered office : 136 KM., G.T. Road, Karnal 132 001 (Haryana)	30 th September, 2016	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 22nd AGM dated 24th September, 2014, the following Special Resolutions were passed :
- Appointment of Mr. Krishan Kumar Goyal as Chairman & Managing Director of the Company.
 - Appointment of Mr. Ashwani Kumar Aggarwal as Executive Director of the Company.
 - Approval under Section 180(1)(c) of the Companies Act, 2013 regarding borrowing powers to the Board of Directors.
 - 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.
 - Approval under section 186 regarding powers to the Board of Directors to invest.
- (ii) In the 23rd AGM dated 28th September, 2015, the following Special Resolutions were passed :
- Approval of the Material Related Party transactions with Modern Dairyfarms Limited. The Company passed no resolution through postal ballot during the year.
- (iii) In the 24th AGM dated 30th September, 2016, the following Special Resolutions were passed:
- Appointment of M/s. Aaryaa & Associates, Chartered Accountants as Statutory Auditors of the Company and fixation of their remuneration.
 - Approval of change in the terms and conditions of the Optionally Convertible Debentures (OCDs) allotted to State Bank of India.

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

11. MEANS OF COMMUNICATION

Quarterly results: The quarterly /Half yearly/ Yearly results of the Company, Notice of Board Meeting and information relating to Annual General Meeting, Book Closures is published in The Financial World/The Financial Express and Aaj Samaj i.e in English and regional language newspaper and is also notified to the Stock Exchange as required under the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. 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.

Website: www.moderndairies.com

Annual Report: The Annual Report containing Audited Financial Statement, Directors' Report, Auditors' Report, Corporate Governance Report is circulated to the members by email or by post.

BSE Corporate Compliance & Listing Centre (the 'Listing Centre'): BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like Shareholding Pattern, Corporate Governance report, media releases, among others are also filed electronically on the Listing Centre.

SEBI Complaints Redress System (SCORES): The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned Companies and online viewing by investors of actions taken on the complaint and its current status.

Designated email-id: The Company has designated following email ID exclusively for Investor Servicing: secretarial@moderndairies.com

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

GENERAL SHAREHOLDER INFORMATION

1. Company Registration Details:

The Company is registered in the State of Haryana, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L74899HR1992PLC032998.

2. Annual General Meeting:

Day, Date & Time : Monday, the 11th September, 2017 at 11:00 a.m
Venue : 136 K.M., G.T. Road, Karnal 132 001 (Haryana)

3. Financial Calendar for:

Adoption of Results for the quarter ended:-	In the Month of (tentative)
30 th June, 2017	September, 2017 (2 nd week)
30 th September, 2017	November/December, 2017 (2 nd week)
31 st December, 2017	February, 2018 (2 nd Week)
31 st March, 2018	May, 2018
Annual General Meeting	By September, 2018

4. Book Closure Date:

From 5th September, 2017 to 11th September, 2017 (both days inclusive)

5. Listing on Stock Exchanges:

Your Company's shares are listed at BSE Limited (BSE).

6. Stock Code:

BSE : 519287

ISIN No. Equity : INE617B01011

Optionally Convertible Debentures (OCDs): INE617B08016

7. Stock Data:

Month	MODERN DAIRIES LTD. ON BSE				BSE SENSEX		
	High ₹	Low ₹	Close ₹	Volume	High	Low	Close
2016							
April	10.49	6.50	6.64	2403190	26100.54	24523.20	25606.62
May	9.75	5.85	8.26	6821600	26837.20	25057.93	26667.96
June	12.90	8.05	11.57	4449302	27105.41	25911.33	26999.72
July	12.87	9.80	10.14	2063425	28240.20	27034.14	28051.86
August	10.64	8.21	9.04	1074286	28532.25	27627.97	28452.17
September	11.30	8.30	9.56	2496771	29077.28	27716.78	27865.96
October	14.90	9.32	14.44	3304860	28477.65	27488.30	27930.21
November	14.73	8.80	10.68	1399458	28029.80	25717.93	26652.81
December	11.94	9.70	10.37	848149	26803.76	25753.74	26626.46
2017							
January	11.70	10.01	10.80	594519	27980.39	26447.06	27655.96
February	12.60	9.75	10.24	942269	29065.31	27590.10	28743.32
March	12.73	10.28	12.22	1428640	29824.62	28716.21	29620.50

8. Registrars and Share Transfer Agents (For Physical as well as for Demat Segment) :

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

All shareholders of the Company can avail online services from our Registrars & Share Transfer Agents M/s. MCS Share Transfer Agent Limited, with regard to Investor Grievances. Please login on the site of M/s. MCS Share Transfer Agent Limited at www.mcsregistrars.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 Share Transfer Agent Limited on priority basis.

9. Share transfer System:

91.95 % of the equity shares of the Company are in the electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with M/s. MCS Share Transfer Agent Limited or with Company at their mentioned addresses.

10. Distribution of Shareholdings as on 31st March, 2017:

SHAREHOLDING		SHAREHOLDERS		NO. OF SHARES	
From	To	Number	% of total	Number	% of total
1	500	11930	79.77%	2650606	11.37%
501	1000	1556	10.40%	1298617	5.57%
1001	2000	664	4.44%	1066055	4.57%
2001	3000	260	1.74%	673094	2.89%
3001	4000	97	0.65%	358116	1.54%
4001	5000	143	0.96%	689163	2.96%
5001	10000	158	1.06%	1227670	5.26%
10001	50000	118	0.79%	2435815	10.45%
50001	100000	8	0.05%	569192	2.44%
100001	And above	21	0.14%	12351533	52.95%
TOTAL		14955	100.00%	23319861	100.00%

Shareholding Pattern of the Company as on 31st March, 2017:

Category	No. of shares held	%age of shareholding
1. Promoters & Promoter Group	10654779	45.69%
2. Mutual Funds & Banks	9400	0.04%
3. Bodies Corporate (not included above)	1135977	4.87%
4. Indian Public	10696543	45.87%
5. NRIs/OCBs	823162	3.53%
TOTAL	23319861	100.00%

11. 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 scripless 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 Dematerialization of Company's shares as on 31st March, 2017

No. of Shares : 21441684	91.95 % of the total equity
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12. Plant Location of the Company:

Registered Office & Works: 136 K.M., G.T. Road, Karnal 132 001(Haryana),

13. Correspondence Address:

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

Modern Dairies Limited
 SCO 98-99, Sub City Centre
 Sector 34, Chandigarh-160022
 Tel.: +91-172- 2609001, 2609002, 2609003
 Fax.: +91-172- 2609000
 E-mail:secretarial@moderndairies.com
 Company's Website: www.moderndairies .com

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

14. Other Disclosures:

- a) Disclosure on materially significant related party transactions: Nil
- b) Details of non compliance by listed Company, penalties: Nil
- c) Detail of establishment of vigil mechanism, whistle blower policy:

The Company has established a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 for Directors and employees to report concerns about unethical behavior. No person is denied access to the Chairman of the Audit Committee.

- d) Details of compliance with mandatory requirements:

The Company is complying with all the mandatory requirements as given by Stock Exchange/Registrar of Companies.

- e) The Company is not having any subsidiary, therefore no policy for determining material subsidiaries.

Declaration regarding compliance by the Board Members and Senior Management Personnel with the Company's 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.

Place : Chandigarh
Date : 27th May, 2017

Sd/-
A. K. Aggarwal
Executive Director

AUDITOR'S CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER SEBI (LISTING OBLIGATION AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To,
**The Members of
Modern Dairies Limited**

We have examined the compliance of the conditions of the Corporate Governance by Modern Dairies Limited for the year ended 31st March, 2017, as stipulated in Regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an 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 and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above-mentioned SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We state that no investor grievance is pending for a period of exceeding one month against the Company as per the records maintained by the Stakeholder Relationship Committee of the Company.

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

For B.K. Gupta and Associates
Company Secretaries

(Bhupesh Gupta)
FCS- 4590
CP-5708

Place : Chandigarh
Date : 27th May, 2017

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, which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the preparation and presentation of these standalone 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 subject to the issues enumerated in Emphasis of Matters, below:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;
 - (b) In the case of the Statement of Profit and Loss, of the Profit/Loss of the Company for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter**1. Interest on Non-Convertible Debentures:**

Referring to the point no 35 of Notes to Accounts, The Company's Corporate Debt Restructuring (CDR) package was approved by Corporate Debt Restructuring Empowered Group (CDREG) vide letter dated 19 October 2011. Per CDR approval, at the end of two years i.e. 1 April 2013, outstanding balance of Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) taken from respective banks has been converted into 496530325 unsecured optionally convertible debentures (OCD) at a coupon rate of 0.001%. The said OCDs had an option of conversion into equity during 18 months from date of allotment of OCD as per then applicable SEBI guidelines. Since the conversion could not take place because of the issue of conversion price and as suggested by the lenders, the Company proposed to increase the rate of interest from its existing level of 0.001% to Coupon rate at 5 year G-Sec or 8.00% p.a. whichever is higher, in lieu of conversion. State Bank of India vide its letter dated 31 July 2015 has already conveyed its approval for increase in the interest rate in lieu of conversion and the proposal is under consideration of Punjab National Bank and Canara Bank. Any change in the terms of issue will require the approval of shareholders at the general meeting. The proposal has been accepted by the State Bank of India. However, the Company has still not provided for any interest payable to state bank of India in the books of accounts due to the reason as explained in point no. 2 below.

2. Interest provisioning on facilities from Consortium banks:

Referring to the point no 36 of the Notes to Accounts, The Company's various credit facilities have been declared "Non Performing Assets" by its respective banks. There is a usual practice that banks discontinue to account for as "income" in respect to the accrued interest on such assets, subsequent to the declaration of these as "Non performing assets". The bankers of the Company too have not accounted as "income"

in respect to the interest subsequent to NPA declaration date. In order to achieve the desired congruency on this issue the management of the Company has not provided for such interest i.e. interest on credit facilities subsequent to the date of declaration of these credit facilities as non performing. Such interest amounts to Rs. 16.11 Crores. Had the said interest been provided in the books in the normal course, the present losses of Rs. 13.36 Crore would have risen to Rs. 29.47 Crores and the outside liabilities of the Company would have risen by Rs. 16.11 Crores. The Earning per share has also been affected by the above effect in the profit & loss account. Statement on Impact of above auditor's observation for the Financial Year ended March 31,2017.

S. No.	Particulars	Audited Figures (as reported before adjusting for auditor's observation) (Amt. ₹ in Cr.)	Adjusted Figures (audited figures after adjusting for auditor's observation) (Amt. ₹ in Cr.)
1	Turnover/Total Income	457.72	457.72
2	Total Expenditure	471.08	487.19
3	Net Profit/ (Loss)	(13.36)	(29.47)
4	Earnings Per Share	(5.73)	(12.64)
5	Total outside Liabilities	222.72	238.83

3. Referring to the point no 37 of the Notes to Accounts, The Company has applied and pursuing with its lenders for restructuring its credit facilities including term loans. The Company has requested its lenders for deferment of the installments of the term loan. In light of the above and the expert opinion available with the Company the Board of Directors of the Company has decided that the installments of the term loans falling due for repayment within one year from the end of the balance sheet date, as per existing CDR sanctions, has not been shown as current liability, as otherwise required as per Schedule-III under section 129 of the Companies Act, 2013. The detail of such installments of the term loans falling due for repayment within one year from the end of the balance sheet date i.e. 31st March 2017 are as follows:

Type of Loan	Amount (₹ in lacs) (Not shown as Current Liability)
Term Loan	903.71
Corporate Loans	360.15
Total	1263.86

This has resulted in understatement of current liabilities by Rs. 1263.86 lacs and overstatement of long term liabilities by the same amount.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in

terms of sub-section (11) of section 143 of the Act, we give in the Annexure, a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.

2. 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 Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with Accounting Standards specified under section 133 of the Act read with Rule 7, The Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors as on March 31, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of Section 164(2) of the Act.
 - f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - The Company has disclosed the impact of pending litigations on its financial position in its financial statements;
 - The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
 - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
3. With respect to the other matters to be included in the Auditor's Report in accordance with the Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:

The Company has provided requisite disclosures in the Financial Statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures and relying on the management representation, we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management.

For **Aaryaa & Associates**
Chartered Accountants
Firm's Registration No.: 015935N

Harsharanjit Singh Chahal
Partner
Membership No.:091689

Place: Chandigarh
Date: 27th May, 2017

The Annexure 1 referred to in our report to the members of the Company for the year ended 31st March, 2017.

To the best of our knowledge and belief and information & explanation given to us, we further 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 years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) According to information and explanations given to us, the title deeds of all the immovable properties (which are included under the head "fixed assets") are mortgaged with banks from which borrowings are obtained by the Company. The Company has maintained certified copies of the title deeds. Based on our examination of these records and other sufficient appropriate audit evidences, in our opinion, the title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company.
- (ii) In our opinion, 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. No material discrepancies were noticed on the aforesaid verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) 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 sub-section (1) of Section 148 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.

- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to 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, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues

Name of the statute	Nature of dues	Amount (₹) in lac	Amount paid under protest (₹) in lac	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	17,42.91	5,91.00	2001-02 to 2016-17	Hon'ble Supreme Court of India
The Haryana Murrah Buffalo and Other Milch Animal Breed (Preservation and Development of Animal Husbandry and Dairy Development Sector) Act, 2001	Interest on milk cess	20,22.04	-	2001-02 to 2016-17	Hon'ble Supreme Court of India
Central Excise Act, 1944	CENVAT credit interest	82.4	82.4	2005-06	Custom Excise and Service Tax Appellate Tribunal.
Central Excise Act, 1944	CENVAT credit interest	1,78.85	15	2007-08 to 2009-10	Custom Excise and Service Tax Appellate Tribunal.

Customs Act, 1962	Penalty and redemption fine	10.6	10.6	2011-12	Custom Excise and Service Tax Appellate Tribunal.
Haryana Tax on Entry of Goods into Local Areas Act, 2003	Entry Tax	1,57.08	-	2007-08 to 2016-17	Hon'ble Supreme Court of India

(viii) There are no loans or borrowings payable to financial institutions or government and no dues payable to debenture-holders. The Company has defaulted in repayment of loans/borrowings (as per Corporate Debt Restructuring package) to the following banks:

Sr. No.	Name of the bank	Nature of Loan	Amount of default	Period of default
1	Punjab National Bank			
	-Interest	Cash Credit	69122858	31.12.2015 To 31.03.2017
	-Interest	Packing Credit	9924736	31.12.2015 To 31.03.2017
	-Interest	Term Loan	29078499	30.11.2015 To 31.03.2017
	-Interest	Corp Loan	12245634	30.11.2015 To 31.03.2017
	-Principal	Term Loan	60895500	31.12.2015 To 31.03.2017
	-Principal	Corp Loan	32370900	31.12.2015 To 31.03.2017
2	State Bank of India			
	-Interest	Cash Credit	36757297	31.01.2016 To 31.03.2017
	-Interest	Term Loan	19794966	30.11.2015 To 31.03.2017
	-Interest	Corp Loan	10175719	30.11.2015 To 31.03.2017
	-Principal	Term Loan	31160700	31.12.2015 To 31.03.2017
	-Principal	Corp Loan	18862200	31.12.2015 To 31.03.2017

3	Canara Bank			
	-Interest	Cash Credit	7113935	28.02.2016 To 31.03.2017
	-Interest	Term Loan	31051189	31.10.2015 To 31.03.2017
	-Interest	Corp Loan	1683932	31.10.2015 To 31.03.2017
	-Principal	Term Loan	43500000	31.12.2015 To 31.03.2017
	-Principal	Corp Loan	2790000	31.12.2015 To 31.03.2017

- (ix) In our opinion, the Company has applied moneys raised by way of the term loans for the purposes for which these were raised. The Company did not raise moneys by way of initial public offer/ further public offer (including debt instruments) during the year.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid and provided by the Company in accordance with the requisite approvals as required under Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the Directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Aaryaa & Associates
Chartered Accountants
Firm Registration No. 0015935N

Harsharanjit Singh Chahal

Place : Chandigarh
Date : 27th May, 2017

Partner
Membership No.: 091689

Annexure 2**Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. In conjunction with our audit of the financial statements of Modern Dairies Limited ("the Company") as of and for the year ended 31st March 2017, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company of as of that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A Company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles. A Company's IFCoFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Aaryaa & Associates
Chartered Accountants
Firm Registration No. 0015935N

Harsharanjit Singh Chahal

Partner

Place : Chandigarh
Date : 27th May, 2017

Membership No.: 091689

BALANCE SHEET AS AT MARCH 31, 2017

	Notes	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share capital	III	23,35.89	23,35.89
b) Reserves and surplus	IV	(94,64.50)	(81,28.09)
		<u>(71,28.61)</u>	<u>(57,92.20)</u>
2 Non-current liabilities			
a) Long-term borrowings	V	1,07,99.81	84,80.37
b) Deferred tax liabilities (net)	VI	-	-
c) Long-term provisions	VII	68.27	68.73
		<u>1,08,68.08</u>	<u>85,49.10</u>
3 Current liabilities			
a) Short-term borrowings	VIII	68,82.55	69,59.95
b) Trade payables	IX		
Payable to micro and small enterprises		10.41	24.28
Other payables		24,59.61	28,65.11
c) Other current liabilities	X	5,10.06	32,70.33
d) Short-term provisions	XI	15,41.86	15,33.77
		<u>1,14,04.49</u>	<u>1,46,53.44</u>
Total		<u>1,51,43.96</u>	<u>1,74,10.34</u>
II ASSETS			
1 Non-current assets			
a) Fixed assets	XII		
Tangible assets		74,57.52	78,98.22
Intangible assets		3.19	2.15
Capital Work in Progress		28.61	22.36
b) Non-current investments	XIII	1.16	1.16
c) Long-term loans and advances	XIV	2,37.53	2,18.51
		<u>77,28.01</u>	<u>81,42.40</u>
2 Current assets			
a) Inventories	XV	36,03.89	45,37.87
b) Trade receivables	XVI	27,58.40	30,42.56
c) Cash and bank balances	XVII	1,17.39	6,25.11
d) Short-term loans and advances	XVIII	9,36.27	10,62.40
		<u>74,15.95</u>	<u>92,67.94</u>
Total		<u>1,51,43.96</u>	<u>1,74,10.34</u>

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

This is the balance sheet referred to in our report of even date.

For **Aaryaa & Associates**
Chartered Accountants

Harsharanjit Singh Chahal
Partner

A K Aggarwal
Director
(DIN: 00486430)

Mukesh Sehgal
GM (Corporate Finance) & CFO

For & on behalf of the Board of Directors

Satish Kapoor
Director
(DIN: 00009122)

Anubha Garg
Company Secretary

Place : Chandigarh
Date : 27th May, 2017

Place : Chandigarh
Date : 27th May, 2017

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2017

	Notes	For the year ended March 31, 2017 Amount in ₹ Lacs	For the year ended March 31, 2016 Amount in ₹ Lacs
REVENUE			
Revenue from operations (gross)	XIX	4,59,07.63	4,98,72.25
Less : Excise duty		1,73.74	1,83.05
Revenue from operations (net)		4,57,33.89	4,96,89.20
Other income	XX	38.30	25.60
Total		4,57,72.19	4,97,14.80
EXPENSES			
Cost of materials consumed	XXI	4,18,26.93	4,30,96.26
Changes in inventories of finished goods and work-in-progress	XXII	8,79.65	29,66.87
Employee benefit expenses	XXIII	7,06.98	6,99.34
Finance costs	XXIV	16,67.40	17,73.05
Depreciation and amortisation expense	XXV	4,86.10	4,89.92
Other expenses	XXVI	29,07.08	31,27.57
Prior period expenses	XXVII	5.24	(1.83)
Total		4,84,79.38	5,21,51.18
Loss before exceptional items and tax		(27,07.19)	(24,36.38)
Exceptional items	XXVIII	(13,70.78)	-
Loss before tax		(13,36.41)	(24,36.38)
Tax expense			
Deferred tax credit		-	(12.83)
Loss for the year		(13,36.41)	(24,23.55)
Basic and diluted loss per share (In ₹) (Nominal value of equity share ₹ 10 each)	XXXIII	(5.73)	(10.39)
Notes I to XLI form an integral part of these financial statements.			

This is the statement of profit and loss referred to in our report of even date.

For **Aaryaa & Associates**
Chartered Accountants

For & on behalf of the Board of Directors

Harsharanjit Singh Chahal
Partner

A K Aggarwal
Director
(DIN: 00486430)

Satish Kapoor
Director
(DIN: 00009122)

Mukesh Sehgal
GM (Corporate Finance) & CFO

Anubha Garg
Company Secretary

Place : Chandigarh
Date : 27th May, 2017

Place : Chandigarh
Date : 27th May, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

Particulars	Year ended 31 March, 2017 Amount ₹ in Lacs	Year ended 31 st March, 2016 Amount ₹ in Lacs
A. Cash flow from Operating Activities:		
Loss before tax and after prior period items	(13,36.41)	(24,36.38)
Adjusted for :		
Depreciation and amortisation	4,86.10	4,85.66
Bad debts	-	2.98
Balances written off	-	0.12
Liabilities written back	(17.90)	(3.01)
Interest expense	16,67.40	17,73.05
Interest income	(14.86)	(9.83)
Employee benefits	18.20	-
Unrealised exchange rate fluctuation	-	0.70
Operating loss before working capital changes	8,02.53	(1,86.71)
Adjustments for movement in:		
(Increase) in long-term loans and advances	(15.35)	(74.88)
Decrease in inventories	9,33.98	29,02.02
Decrease/(Increase) in trade receivables	2,84.16	91.96
(Increase)/Decrease in short term loans and advances	1,26.13	(1,16.58)
Increase in long-term provisions	(0.46)	1.42
(Decrease)/Increase in trade payables	(4,01.47)	(76.61)
Increase in other current liabilities	(27,60.27)	4,61.27
Increase in short-term provisions	(10.11)	5.52
Net Cash Generated from Operations	(10,40.86)	30,07.40
Taxes Paid	3.67	(7.64)
Net cash generated from operating activities	(10,44.53)	30,15.04
B. Cash Flow from investing activities		
Purchase of fixed assets (including capital work in progress and movement in creditors for capital goods)	(52.76)	(2,15.83)
Proceeds from sale of fixed assets	0.06	0.23
Interest received	14.86	15.94
Net Cash used In investing activities	(37.83)	(1,99.66)
C. Cash Flow from Financing Activities		
Repayment of long-term borrowings	(10,15.36)	(7,57.55)
Proceeds from short term borrowings	(77.40)	1,41.61
Interest paid	16,67.40	(16,20.26)
Net Cash used in financing activities	5,74.64	(22,36.20)
Net increase/(decrease) in cash and cash equivalents	(5,07.73)	5,79.18
Cash and cash equivalents at the beginning of the year	6,25.11	45.93
Cash and cash equivalents at the end of the year	1,17.38	6,25.11
Components of cash and cash equivalents :-		
Cash in hand	16.35	14.27
Cheques in hand	-	5,41.52
Balances with Scheduled Banks		
In current accounts	1,01.03	69.32
Cash and cash equivalents in cash flow statement:	1,17.38	6,25.11

Note:

The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard 3 (AS-3) on "Cash flow statements" as specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Notes I to XLI form an integral part of these financial statements

This is the cash flow statement referred to in our report of even date

For **Aaryaa & Associates**
Chartered Accountants

Harsharanjit Singh Chahal
Partner

A K Aggarwal
Director
(DIN: 00486430)

Mukesh Sehgal
GM (Corporate Finance) & CFO

For & on behalf of the Board of Directors

Satish Kapoor
Director
(DIN: 00009122)

Anubha Garg
Company Secretary

Place : Chandigarh
Date : 27th May, 2017

Place : Chandigarh
Date : 27th May, 2017

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

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**

These financial statements have been prepared under the historical cost convention on a going concern basis, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP). Indian GAAP comprises mandatory accounting standards as specified under Section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting pronouncements of The Institute of Chartered Accountants of India. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of its assets and liabilities.

Exception to the general rule of accounting being followed by the Company.

As mentioned above, the Company is following accrual basis of accounting, however in case of interest on borrowings from banks, since the bankers of the Company have not accounted interest as "income" in respect to the interest due subsequent to NPA declaration date, the management of the Company has decided to follow cash basis of recording of the Interest expense amount on these advances.

(ii) Use of estimates

In preparing the 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 asset and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the report amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized in the 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.

Tangible fixed assets under construction are disclosed as capital work-in-progress.

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

Pursuant to the notification in Part II of Schedule II to the Companies Act, 2013, effective from 1 April 2014, the management has reassessed and changed, wherever necessary the useful lives to compute depreciation, to conform to the requirements of the Companies Act, 2013. Depreciation on fixed assets for year ended 31st March, 2017 and 31st March, 2016 are provided on straight line method based on life prescribed as per Schedule II of the Companies Act, 2013.

Useful lives of assets are as below:

Block of asset	Useful life as per the management (in years)
Buildings	30
Plant and equipment	10-25
Furniture and fixture	10
Office equipment	5
Vehicles	5-10

Computer software are amortised over the period of 5 years on a straight line method.

(v) Investments

Long-term investments are stated at cost. Provision is made if there is a diminution, other than temporary, in the value of investments. Current investments are stated at lower of cost and market value.

(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 realizable value. Net realizable 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 recognized 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 recognized 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 recognized 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 recognized 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 currency transactions

Transactions in foreign currency are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at exchange rates prevailing at the reporting date. Exchange gains or losses arising out of fluctuation in exchange rates on settlement during the period /year or on translation at the Balance Sheet date are recognized in the statement of profit and loss.

Differences arising on foreign currency translations of transactions settled during the year are recognized 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 losses recognized in the statement of profit and loss immediately. Any gain is ignored and not recognized 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 amortized as expense or income over the life of the contract.

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

(ix) Employee benefits

The Company's obligation towards various employee benefits has been recognized as follows:

Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and short-term compensated absences and bonus etc. are recognized in the Statement of profit and loss in the period in which the employee renders the related service.

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 be compensated for absences which are non-accumulating in nature.

Expense on non-accumulating compensated absents is recognized in the period in which the absence is occurring.

(x) Current and deferred taxes

Income-tax expense comprises current tax (i.e. the amount of tax for the period/ year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between the accounting income and taxable income for the year/ period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted as of the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty of realization. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

Minimum Alternative Tax ("MAT") under the provisions of the Income-tax Act, 1961 is recognized as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability.

MAT credit recognized as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

(xi) Provisions, contingent liabilities and contingent assets

A provision is recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A contingent liability is recognized where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. The Company does not recognize assets which are of contingent nature until there is virtual certainty of the realization of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the financial statements of the year in which the change occurs.

(xii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (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 carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

For assets that are not ready for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognized in Statement of profit and loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is recorded only to the extent that the carrying amount of the assets does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

(xiv) Leases

Where the Company is lessee, lease payments under operating leases are recognized as an expense in the Statement of profit and loss on a straight line basis over the lease term.

Where the Company is lessor, assets given under operating lease are shown in the Balance Sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognized in the Statement of profit and loss on a straight-line basis over the lease term.

(xv) 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 recognized 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 a part of shareholders' funds.

(xvi) Cash and cash equivalents

Cash and cash equivalents comprise cash and deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

(xvii) Cash deposit during demonetisation

Particulars	SBNs	Other denomination notes	Total
	Amount (in ₹)	Amount (in ₹)	Amount (in ₹)
Closing Cash in hand as on 08.11.2016	11,25,000	53,637	11,78,637
(+) Amount withdrawn from Banks.	-	2,60,000	2,60,000
(+) Permitted receipts.	-	1,46,80,765	1,46,80,765
(-) Permitted payments	-	55,44,491	55,44,491
(-) Amount deposited into banks	11,25,000	67,85,200	79,10,200
Closing Cash in hand as on 30.12.2016	-	26,64,711	26,64,711

NOTE: III**SHARE CAPITAL**

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number	Amount in ₹ Lacs	Number	Amount in ₹ Lacs
Authorised Share Capital				
Equity Shares of ₹ 10/- each	30000000	30,00.00	30000000	30,00.00
	<u>30000000</u>	<u>30,00.00</u>	<u>30000000</u>	<u>30,00.00</u>
Issued Subscribed and Fully Paid Up				
Equity Shares of ₹ 10/- each	23319861	23,31.99	23319861	23,31.99
	<u>23319861</u>	<u>23,31.99</u>	<u>23319861</u>	<u>23,31.99</u>
Forfeited shares				
Amount originally paid up	76900	3.90	76900	3.90
Total	<u>23396761</u>	<u>23,35.89</u>	<u>23396761</u>	<u>23,35.89</u>

- (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) There is no movement in equity share capital during the current year and previous year.

(c) Shareholders holding more than 5% of the shares	Number	Amount in ₹ Lacs	% holding	Number	Amount in ₹ Lacs	% holding
Equity shares of ₹ 10 each						
International Finance Corporation	–	–	–	4143109	4,14.31	17.71%
Alka Goyal	2828972	2,82.90	12.09%	2828972	2,82.90	12.09%
Krishan Kumar Goyal	2295943	2,29.59	9.81%	2295943	2,29.59	9.81%
Krishan Kumar Goyal (HUF)	1280000	1,28.00	5.47%	1280000	1,28.00	5.47%
	<u>6404915</u>	<u>6,40.49</u>	<u>27.37%</u>	<u>10548024</u>	<u>10,54.80</u>	<u>45.07%</u>

- (d) The Company has not issued any share pursuant to a contract without payment being received in cash in the current year and preceding five years. The Company has not issued any bonus shares nor has there been any buy-back of shares in the current year and preceding five years.

NOTE: IV**RESERVES AND SURPLUS****Capital reserves**

Balance at the beginning and at the end of year

2,23.74

2,23.74

Securities premium reserve

Balance at the beginning and at the end of year

30,73.42

30,73.42

Deficit in the statement of profit and loss

Balance at the beginning of year

(1,14,25.25)

(90,01.70)

Add: Transferred from Statement of Profit and Loss

(13,36.41)

(24,23.55)

(1,27,61.66)(1,14,25.25)**Total**(94,64.50)(81,28.09)

NOTE: V
LONG-TERM BORROWINGS

0.001% Unsecured optionally convertible debentures (OCD)

From banks (Secured)

- Term loans

- Corporate loans

From others (unsecured)

Less: Current maturities of long term borrowings

	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
	49,65.30	49,65.30
	36,73.14	33,70.05
	13,84.68	13,51.08
	7,76.69	6,89.72
	<u>1,07,99.81</u>	<u>1,03,76.15</u>
	-	18,95.78
	<u>1,07,99.81</u>	<u>84,80.37</u>

(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 and 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 from banks

Corporate loans are secured by way of mortgage 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, following interest rates and schedules of repayment have been agreed with the Company:

(i) Term loans:

Amount in ₹ Lacs

Name of Bank	Amount Outstanding As at 31 st March, 2017	Financial Year	2017-18	2018-19
		Rate of Interest No of installments in a year	16.50% 4	17.00% 2
Punjab National Bank				
Amount due as at 31 March 2017	6,08.96			
Amount not due as at 31 March 2017	8,53.78	Amount payable per quarter	1,01.49	1,26.87
State Bank of India				
Amount due as at 31 March 2017	3,11.61			
Amount not due as at 31 March 2017	5,00.62	Amount payable per quarter	51.93	64.92
Canara Bank				
Amount due as at 31 March 2017	4,35.00			
Amount not due as at 31 March 2017	9,63.18	Amount payable per quarter	72.50	90.63
Total	36,73.15			

(ii) Corporate loans:

Amount in ₹ Lacs

Name of Bank	Amount Outstanding As at 31 st March, 2017	Financial Year	2017-18	2018-19
		Rate of Interest No of installments in a year	14% 4	14% 2
Punjab National Bank				
Amount due as at 31 March 2017	3,23.71			
Amount not due as at 31 March 2017	4,87.67	Amount payable per quarter	53.95	67.44
State Bank of India				
Amount due as at 31 March 2017	1,88.62			
Amount not due as at 31 March 2017	3,00.04	Amount payable per quarter	31.44	39.30
Canara Bank				
Amount due as at 31 March 2017	27.90			
Amount not due as at 31 March 2017	56.74	Amount payable per quarter	4.65	5.81
Total	13,84.68			

(iii) Period and amount of continuing default as on the balance sheet date

	As at March 31, 2017		As at March 31, 2016	
	Range of delays	Amount	Range of delays	Amount
Principal of term loans from banks	0-91 days	13,55.57	-	4,52.00
Principal of corporate loans from banks	0-91 days	5,40.23	-	1,80.00
Interest on term loans from banks	0-183 days		30-60 days	2,75.73
Interest on corporate loans from banks	0-183 days		30-60 days	81.20

(iv) 0.001% Unsecured optionally convertible debentures (OCD):

The Company's Corporate Debt Restructuring (CDR) package was approved by Corporate Debt Restructuring Empowered Group (CDREG) vide letter dated 19th October 2011. Per CDR approval, at the end of two years i.e. 1st April 2013, outstanding balance of Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) taken from respective banks has been converted into 496530325 unsecured optionally convertible debentures (OCD) at a coupon rate of 0.001%. The said OCDs had an option of conversion into equity during 18 months from date of allotment of OCD as per then applicable SEBI guidelines. Since the conversion could not take place because of the issue of conversion price and as suggested by the lenders, the Company proposed to increase the rate of interest from its existing level of 0.001% to Coupon rate at 5 year G-Sec or 8.00% p.a. whichever is higher, in lieu of conversion. State Bank of India vide its letter dated 31st July, 2015 has already conveyed its approval for increase in the interest rate in lieu of conversion and the proposal is under consideration of Punjab National Bank and Canara Bank. Any change in the terms of issue will require the approval of shareholders at the general meeting.

(v) From related parties (unsecured):

Loans taken from related party is interest free and is due for repayment in the financial year 2018-19.

(vi) From others (unsecured):

Loans taken from others have interest rate ranging from 10% to 12%. All these loans along with interest are due for repayment in the financial year 2018-19.

NOTE: VI

DEFERRED TAX LIABILITIES (NET)

Deferred tax liabilities

Timing difference on depreciation and amortisation of tangible and intangible assets

13,78.43

13,69.62

Deferred tax assets

Unabsorbed depreciation as per tax laws (the deferred tax asset is restricted to the extent of deferred tax liability)

(13,78.43)

(13,69.62)

Deferred tax liabilities (net)

-

-

NOTE: VII

LONG-TERM PROVISIONS

Provisions for gratuity [refer note VII (a) below]

68.27

68.73

(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*	99.51	92.58
Service cost	11.53	11.07
Interest cost	7.46	7.19
Actuarial gain	(0.79)	(7.00)
Benefits paid	(10.57)	(4.33)
Projected benefit obligation at the end of the year*	1,07.14	99.51

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*	1,07.14	99.51
Liability recognised in the balance sheet*	1,07.14	99.51

*This includes short term portion of ₹ 30.78 lacs (previous year ₹ 25.26 lacs) as disclosed under note XI.

Components of net gratuity costs are

Service cost	11.53	11.07
Interest cost	7.46	7.19
Recognized net actuarial gain	(0.79)	(7.00)
Net gratuity costs	18.20	11.26

Actuarial assumptions

Discount rate	7.50%	7.50%
Long-term rate of compensation increase	5.00%	5.00%
Rate of return on plan assets	N.A	N.A
Average remaining life (years)	17.35	18.56

Demographic assumptions

Mortality table	Indian assured lives mortality (1994-96)	Indian assured lives mortality (1994-96)
Retirement age	58	58
Withdrawal rates		
- upto 30 years	3%	3%
- from 31 to 44 years	2%	2%
- above 44 years	1%	1%

	As at <u>31 March 2017</u>	As at 31 March 2016	As at 31 March 2015	As at 31 March 2014	As at 31 March 2013
Defined benefit obligation	1,07.14	99.51	92.57	92.77	81.47
Experience adjustment	(0.79)	(7.00)	(4.37)	(0.34)	2.06

**NOTE: VIII
SHORT TERM BORROWINGS**

Working capital borrowings from banks (secured)

As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
<u>68,82.55</u>	<u>69,59.95</u>
<u>68,82.55</u>	<u>69,59.95</u>

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 and 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 and 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**

Dues to micro and small enterprises [refer note (a) below]

Dues to others

As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
10.41	24.28
<u>24,59.61</u>	<u>28,65.11</u>
<u>24,70.02</u>	<u>28,89.39</u>

- (a) On the basis of confirmation obtained from suppliers who have registered themselves under the Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act, 2006) and based on the information available with the Company, the following are the details:

	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
Principal amount remaining unpaid	5.12	18.99
Interest due thereon	-	3.23
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 end of the year	5.29	5.29
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, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
Current maturities of long term borrowings	-	18,95.78
Interest accrued but not due on borrowings	29.34	29.34
Interest accrued and due on borrowings	81.79	3,56.93
Statutory & Other Dues	10.30	57.99
Employee related payables	1,10.69	1,11.27
Other payables		
Book overdraft	96.93	6,87.38
Advance from customers	92.97	29.03
Security deposits	86.43	83.90
Creditors for capital goods	1.61	18.71
	<u>5,10.06</u>	<u>32,70.33</u>

NOTE: XI**SHORT-TERM PROVISIONS**

	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
Provision for gratuity [Also, refer note VII (a)]	38.87	30.78
Provision for milk cess [Also, refer note XXVIII (b)]	15,02.99	15,02.99
	<u>15,41.86</u>	<u>15,33.77</u>

NOTE: XII
FIXED ASSETS

 For the year ended 31st March, 2017

Amount in ₹ Lacs

Particulars	Gross block			Accumulated depreciation and amortisation				Net block		
	As on 1 st April, 2016	Additions during the year	Sales/ Adjustment during the year	As on 31 st March, 2017	As on 1 st April, 2016	For the year	Sales/ Adjustment during the year	As on 31 st March, 2017	As on 31 st March, 2017	As on 31 st March, 2016
Tangible assets										
Freehold land	1,89.93	-	-	1,89.93	-	-	-	-	1,89.93	1,89.93
Buildings	19,21.31	1.17	-	19,22.48	6,68.69	66.08	-	7,34.77	11,87.71	12,52.62
Plant and equipment (refer note a below)	1,26,05.44	41.82	-	1,26,47.26	62,10.40	4,07.66	-	66,18.06	60,29.19	63,95.04
Furniture and fixture	41.84	0.59	-	42.43	32.54	3.00	-	35.54	6.89	9.30
Office equipments	60.83	1.20	0.08	61.95	50.85	2.66	0.02	53.50	8.45	9.98
Vehicles	98.57	-	-	98.57	57.22	6.00	-	63.22	35.35	41.35
Total	1,49,17.92	44.77	0.08	1,49,62.61	70,19.70	4,85.41	0.02	75,05.09	74,57.52	78,98.22
Intangible assets										
Computer software	37.06	1.74	-	38.80	34.91	0.69	-	35.60	3.19	2.15
Total	37.06	1.74	-	38.80	34.91	0.69	-	35.60	3.19	2.15
Grand Total	1,49,54.98	46.51	0.08	1,50,01.41	70,54.61	4,86.10	0.02	75,40.69	74,60.71	79,00.37

 For the year ended 31st March 2016

Amount in ₹ Lacs

Particulars	Gross block			Accumulated depreciation and amortisation				Net block		
	As on 1 st April, 2015	Additions during the year	Sales/ Adjustment during the year	As on 31 st March, 2016	As on 1 st April, 2015	For the year	Sales/ Adjustment during the year	As on 31 st March, 2016	As on 31 st March, 2016	As on 31 st March, 2015
Tangible assets										
Freehold land	1,89.93	-	-	1,89.93	-	-	-	-	1,89.93	1,89.93
Buildings	18,99.31	22.00	-	19,21.31	5,99.83	68.86	-	6,68.69	12,52.62	12,99.48
Plant and equipment	1,24,19.57	1,85.87	-	1,26,05.44	58,02.74	4,07.66	-	62,10.40	63,95.05	66,16.83
Furniture and fixture	41.02	0.82	-	41.84	29.44	3.10	-	32.54	9.30	11.58
Office equipments	58.70	2.38	0.25	60.83	51.36	(0.49)	0.02	50.85	9.98	7.34
Vehicles	95.03	3.54	-	98.57	51.21	6.01	-	57.22	41.35	43.82
Total	1,47,03.56	2,14.62	0.25	1,49,17.93	65,34.58	4,85.14	0.02	70,19.70	78,98.24	81,69.00
Intangible assets										
Computer software	36.61	0.45	-	37.06	34.39	0.52	-	34.91	2.15	2.22
Total	36.61	0.45	-	37.06	34.39	0.52	-	34.91	2.15	2.22
Grand Total	1,47,40.17	2,15.06	0.25	1,49,54.98	65,68.97	4,85.66	0.02	70,54.60	79,00.39	81,71.22

a) The plant and equipment includes asset held for disposal of ₹ 5 lacs on which no depreciation has been charged.

NOTE: XIII
NON-CURRENT INVESTMENTS

Non trade investments (at cost, unquoted)

Investment in equity shares (unquoted)

 As at
March 31, 2017
Amount in ₹ Lacs

 As at
March 31, 2016
Amount in ₹ Lacs

0.76

0.76

Aricent Technologies (Holdings) Limited

(1,069 equity shares (Previous year 1,069) of ₹ 10 each fully paid up)

Government securities

National savings certificates (pledged with sales tax authorities)

0.40

0.40

1.16

1.16

NOTE: XIV LONG-TERM LOANS AND ADVANCES	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
(unsecured considered good, unless otherwise stated)		
Security deposits	2,19.88	2,05.12
Advance tax (including tax deducted at source and wealth tax)	15.02	11.35
Prepaid expenses (paid for more than one year)	2.63	2.04
	<u>2,37.53</u>	<u>2,18.51</u>
NOTE: XV INVENTORIES	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
(valued at lower of cost and net realisable value)		
Raw materials	96.10	2,52.85
Work-in-progress	84.37	2,82.55
Finished goods	26,01.85	32,48.08
Stores and spares	5,81.57	5,51.11
Packing materials	2,40.00	2,03.28
	<u>36,03.89</u>	<u>45,37.87</u>
NOTE: XVI TRADE RECEIVABLES	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
(Unsecured)		
Debts outstanding for a period exceeding six months from the date they are due for payment		
Considered good	4,05.45	2.24
Considered doubtful	27.68	27.68
	<u>4,33.13</u>	<u>29.92</u>
Less: Allowance for bad and doubtful debts	27.68	27.68
	<u>4,05.45</u>	<u>2.24</u>
Other debts - considered good	23,52.95	30,40.32
	<u>27,58.40</u>	<u>30,42.56</u>
NOTE: XVII CASH AND BANK BALANCES	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
Cash and cash equivalents		
- Cash in hand	16.35	14.27
- Cheques in hand	-	5,41.52
- Balances with banks in current account	1,01.03	69.32
	<u>1,17.38</u>	<u>6,25.11</u>
NOTE: XVIII SHORT-TERM LOANS AND ADVANCES	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
(unsecured considered good, unless otherwise stated)		
Advances to suppliers	37.31	52.99
Loans and advances to employees	0.15	0.42
Prepaid expenses	22.45	29.53
Balances with statutory and government authorities	1,70.47	1,83.70
Security deposits	-	1.00
Milk cess paid under protest	5,91.00	5,91.00
Grant recoverable	-	25.00
Others	1,14.89	1,78.76
	<u>9,36.27</u>	<u>10,62.40</u>

NOTE: XIX
REVENUE

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Revenue from operations		
Sale of products		
Export	4,63.48	25,12.70
Domestic	4,53,81.17	4,72,85.24
Other operating revenue	<u>62.98</u>	<u>74.31</u>
Revenue from operations (Gross)	4,59,07.63	4,98,72.25
Less : Excise duty	<u>1,73.74</u>	<u>1,83.05</u>
Revenue from operations (Net)	<u>4,57,33.89</u>	<u>4,96,89.20</u>
Details of products sold (contributing more than 10% of the total revenue)		
Manufactured goods (inclusive of excise duty)		
Milk	2,59,60.19	2,12,88.80
Ghee	82,37.80	1,24,90.73
Skimmed milk powder (SMP)	9,26.40	37,09.94
Others	<u>1,07,20.27</u>	<u>1,23,08.47</u>
	<u>4,58,44.66</u>	<u>4,97,97.94</u>

NOTE: XX
OTHER INCOME

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Interest income		
from banks	14.86	9.83
others	0.16	-
Profit on sale of fixed assets	-	-
Exchange fluctuation (net)	4.90	12.45
Liabilities written back (refer to Note below)	17.90	3.01
Miscellaneous income	<u>0.48</u>	<u>0.31</u>
	<u>38.30</u>	<u>25.60</u>

Note: The Company has written back Liabilities amounting to ₹ 17.90 lacs during the year. The same represent the payables outstanding in the books of the Company for more than 3 years and have not been claimed by the creditors. The same have been shown as Income in the Profit & Loss Account

The management has decided to write them back and consider it as Income in the current year. The Company will claim the same as expense again in the year when it arises again.

NOTE: XXI
COST OF MATERIALS CONSUMED

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Opening stock		
Raw materials	2,52.85	1,60.21
Packing materials	<u>2,03.28</u>	<u>2,15.77</u>
	4,56.13	3,75.98
Add : Purchases of raw materials during the year	4,03,85.11	4,19,14.10
Add : Purchases of packing materials during the year	<u>13,21.79</u>	<u>12,62.31</u>
	4,17,06.90,	4,31,76.41
Less : Closing stock		
Raw materials	96.10	2,52.85
Packing materials	<u>2,40.00</u>	<u>2,03.28</u>
	3,36.10	4,56.13
	<u>4,18,26.93</u>	<u>4,30,96.26</u>

NOTE: XXII**CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS**

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Opening stock		
Manufactured goods	32,48.08	62,91.92
Work-in-progress	2,82.55	2,10.01
	<u>35,30.63</u>	<u>65,01.93</u>
Closing stock		
Manufactured goods	25,60.41	32,48.08
Work-in-progress	84.37	2,82.55
	<u>26,44.78</u>	<u>35,30.63</u>
Excise duty on change in stocks	(6.20)	(4.43)
	<u>8,79.65</u>	<u>29,66.87</u>

NOTE: XXIII**EMPLOYEE BENEFIT EXPENSE**

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Salaries, wages and bonus	6,76.01	6,66.66
Contribution to provident and other defined contribution funds	29.35	30.94
Staff welfare expenses	1.62	1.74
	<u>7,06.98</u>	<u>6,99.34</u>

NOTE: XXIV**FINANCE COSTS**

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Interest expenses		
–to banks	16,10.94	17,22.67
–others	56.46	50.38
	<u>16,67.40</u>	<u>17,73.05</u>

NOTE: XXV**DEPRECIATION AND AMORTISATION EXPENSE**

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Depreciation of tangible assets [refer note XII]	4,85.41	4,89.40
Amortisation of intangible assets [refer note XII]	0.69	0.52
	<u>4,86.10</u>	<u>4,89.92</u>

NOTE: XXVI
OTHER EXPENSES

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Consumption of stores and spare parts [refer note 30(d)]	5,96.03	5,19.32
Power and fuel	15,52.20	17,88.37
Rent	19.16	22.66
Repairs to		
building	25.57	17.32
machinery	51.98	36.53
others	11.44	13.69
Insurance	19.11	22.19
Legal and professional expenses	43.21	52.53
Payment to auditors (refer note XXXVIII)	11.13	19.73
Rates and taxes	5.85	7.23
Bad debts	-	2.98
Travelling and conveyance	62.82	67.19
Loss on sale/write off of fixed assets (net)	(0.02)	-
Commission on sale	9.71	14.69
Freight and forwarding charges	1,88.73	2,10.43
Miscellaneous expenses	3,10.16	3,32.71
	<u>29,07.08</u>	<u>31,27.57</u>

NOTE: XXVII
PRIOR PERIOD ITEMS

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Expenses related to previous year	5.38	2.43
Incomes related to previous year	(0.14)	(4.26)
	<u>5.24</u>	<u>(1.83)</u>

Note: The Prior Period Expenses represent the expenses of previous years incurred by the Company in the current financial year i.e FY 2016-2017. The same relate to Legal & Professional Fee for the previous years.

NOTE: XXVIII
CONTINGENT LIABILITIES AND PROVISIONS:-

	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
a) Contingent liabilities:		
Claims against the Company not acknowledged as debts:-	4,28.93	4,04.69
(i) Excise duty [amount deposited under protest ₹ 97.40 lacs (previous year ₹ 97.40 lacs)]*	2,61.25	2,61.25
(ii) Custom Duty [amount deposited under protest ₹ 10.60 lacs (previous year ₹ 10.60 lacs)]*	10.60	10.60
(iii) Entry tax	1,57.08	1,32.84

(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 and 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. 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 CENVAT 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 14 October 2012 which was adjourned to 11 December 2012 and thereafter on the request of department representative the same was adjourned to 12 February 2013. On this date, CESTAT ordered to deposit ₹ 15 lacs as predeposit within 12 weeks which was deposited by Company on 15 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.

On dated 06.10.16, the case is remanded back to the adjudicated authority to pass an appropriate order.

- (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 07 May 2012 confiscated the goods and imposed a penalty of ₹ 3.60 lacs and redemption fine of ₹ 7 lacs stating that re-imported goods had violated the prescribed condition under the Food Safety and Standards Act, 2006 (FSA) 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 27 June 2013. The Company aggrieved by the order of Commissioner of Customs (Appeals), Mumbai has preferred an appeal before CESTAT, Mumbai on 10 October 2013. The case is pending in CESTAT and is awaited for regular hearing. The case is remanded back to the adjudicated authority for re-assess.
- (iii) Entry tax: Local Area Development Tax ('LADT') was imposed in the state of Haryana with effect from 1 April 2000. In 2007-08, the LADT was quashed and declared ultra-vires by the Hon'ble High Court of Punjab and Haryana in its order dated 1 April 2008. The State Government replaced the LADT with Entry Tax and it was also declared ultra-vires 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 30 October 2009, directing all assesses to file all the returns and staying recovery of tax till final order. The final order is still awaited.

* Amount deposited under protest is included under the head "Short-term loans and advances" under note 18.

	As at March 31, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
b) Milk cess:		
Milk cess	1,19.78	1,20.14
Interest on Milk cess	20,22.04	17,59.44

- c) Exceptional Items : Interest amounting to Rs. 1370.78 lacs has been reversed in the Profit & Loss Account. The same represent interest reversal amount that was provided for in the books of accounts in the first three quarters of the current financial year. The same has been reversed because the banks have declared the accounts of the Company as NPA, so they have not considered any interest income in their accounts. The Company has also reversed the amounts following the banks. The same may be payable as and when the outcome of the related matters are finally determined. Management has taken the decision based on legal advice in respect of the said matter.

- 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, 2017 Amount in ₹ Lacs	As at March 31, 2016 Amount in ₹ Lacs
Trade receivables	USD	-	1.13
	INR	-	74.70

NOTE: XXIX

During the year ended 31 March 2017, the Company has incurred a net loss of ₹ 1,336.41 lacs (previous year ₹ 2,423.55 lacs) and as of that date, its accumulated losses aggregate ₹ 12,761.75 lacs with total liabilities exceeding the total assets by ₹ 7,128.70 lacs. The management has taken steps including revision in business strategy and plans. Looking at the emerging market, the Company has increased its focus on fresh dairy products in the domestic market. The management believes that the projections drawn based on the revised business strategy are achievable.

NOTE: XXX

The Information required by paragraph of general instructions for preparation of the statement of profit and loss as per schedule III of Companies Act, 2013

Particulars	For the Year March 31, 2017 Amount in ₹ Lacs	For the Year March 31, 2016 Amount in ₹ Lacs
(a) Earnings in foreign currency		
Export value of goods on FOB basis	4,57.33	24,89.29
(b) Expenditure in foreign currency		
Professional and consultation fees	5.35	4.92
Others	-	0.90
(c) Value of imports (Calculated on C.I.F basis)		
Components and spare parts	8.87	5.98
(d) Imported and indigenous consumption		
Raw materials and packing materials		
Imported		
– Amount	-	-
– Percentage	-	-
Indigenous		
– Amount	4,18,26.93	4,30,96.26
–Percentage	100.00%	100.00%
Total		
– Amount	4,18,26.93	4,30,96.26
–Percentage	100.00%	100.00%
Stores and spares		
Imported		
– Amount	8.87	5.98
–Percentage	1.49%	1.15%
Indigenous		
– Amount	5,87.16	5,13.34
–Percentage	98.51%	98.85%
Total		
– Amount	5,96.03	5,19.32
–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, Nabha Commerce Private Limited, Bharat Forgings Private Limited, PHI Business Solutions Limited, Modern Automotives Limited, Krishan Kumar Goyal (HUF), Amarjit Goyal (HUF)
Key management personnel (KMP)	Mr. Krishan Kumar Goyal - (Chairman and Managing Director - CMD), Mr. A.K. Aggarwal - (Executive Director), Mr. Mukesh Sehgal (Chief Financial Officer), Mrs. Anubha Garg (Company Secretary)
Relatives of KMP	Mr. Amarjit Goyal, Father of CMD, Mrs. Alka Goyal, Wife of CMD, Mr. Aditya Goyal, Son of CMD, Ms. Sonam Jhunjhunwala, Daughter of CMD

b) Transactions with related parties:-

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
Companies in which directors of the Company are able to exercise control or have significant influence		
Rent paid		
Mala Builders Private Limited	2.48	2.74
Unsecured loan taken		
Krishan K Goyal	25.00	-
Sale of goods		
Modern Steels Limited	-	8.75
Sharing of expenses (payment)		
Modern Steels Limited	20.84	22.75
Closing Balance:		
Unsecured Loans (included in Long term borrowings)		
Chandigarh Finance Private Limited	3,57.00	3,57.00
Krishan K. Goyal	25.00	-
Key management personnel (KMP)		
Remuneration Paid :-		
Krishan Kumar Goyal	30.00	30.00
A.K. Aggarwal	26.92	26.92
Mukesh Sehgal	24.92	23.30
Anubha Garg	6.43	5.85
Closing Balance:		
Amount payable		
Krishan Kumar Goyal	37.19	36.46
A.K. Aggarwal	1.63	2.24
Mukesh Sehgal	2.55	1.96
Anubha Garg	0.71	0.51

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" as specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Secondary segment information- Geographical

Amount in ₹ Lacs

Particulars	Year ended March 31, 2017		Year ended March 31, 2016	
	Within India	Outside India	Within India	Outside India
Revenue	4,53,81.17	4,63.48	4,72,85.24	25,12.70
Trade Receivables (net of provisions)	27,16.96	41.44	29,67.86	74.70

**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" as specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Net loss after tax (A)	(13,36.41)	(24,23.55)
Net loss attributable to equity shareholders for Basic EPS (B)	(13,36.41)	(24,23.55)
Net loss attributable to equity shareholders for Dilutive EPS (C)	(13,36.41)	(24,23.55)
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)	2,33.20	2,33.20
Loss per share (₹) (B/D) - Basic	(5.73)	(10.39)
Loss per share (₹) (C/E) -Diluted	(5.73)	(10.39)
Face value per equity share (₹)	10.00	10.00

**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 ₹ 19.16 lacs (Previous year ₹ 22.66 lacs).

NOTE: XXXV

The Company's Corporate Debt Restructuring (CDR) package was approved by Corporate Debt Restructuring Empowered Group (CDREG) vide letter dated 19th October, 2011. Per CDR approval, at the end of two years i.e. 1st April, 2013, outstanding balance of Working Capital Term Loan (WCTL) and Funded Interest Term Loan (FITL) taken from respective banks has been converted into 49,65,30,325 unsecured optionally convertible debentures (OCD) at a coupon rate of 0.001%. The said OCDs had an option of conversion into equity during 18 months from date of allotment of OCD as per then applicable SEBI guidelines. The conversion could not take place because of the issue of conversion price. The Company proposed to increase the rate of interest from its existing level of 0.001% to Coupon rate at 5 year G-Sec or 8.00% p.a. whichever is higher, in lieu of conversion. State Bank of India vide its letter dated 31st July, 2015 has already conveyed its approval for increase in the interest rate in lieu of conversion. The proposal has been accepted by the State Bank of India. However, the Company has still not provided for any interest payable to state bank of India in the books of accounts due to the reason as explained in Note 36 below. This has resulted in under statement of losses by ₹ 1.15 crores and outside liabilities have been understated by the same amount.

NOTE: XXXVI

The Company's various credit facilities have been declared "Non Performing Assets" by its respective banks. There is a usual practice that banks discontinue to account for as "income" in respect to the accrued interest on such assets, subsequent to the declaration of these as "Non performing assets". The bankers of the Company too have not accounted as "income" in respect to the interest subsequent to NPA declaration date. In order to achieve the desired congruency on this issue the management of the Company has not provided for such interest i.e. interest on credit facilities subsequent to the date of declaration of these credit facilities as non performing. This has resulted in under statement of losses by ₹ 16.11 crores and outside liabilities has been understated by the same amount.

NOTE: XXXVII

The Company has applied and pursuing with its lenders for restructuring its credit facilities including term loans. The Company has requested its lenders for deferment of the installments of the term loan. In light of the above and the expert opinion available with the Company the Board of Directors of the Company has decided that the installments of the term loans falling due for repayment within one year from the end of the balance sheet date, as per existing CDR sanctions, has not been shown as current liability, as otherwise required as per Schedule-III under section 129 of the Companies Act, 2013. It has resulted in understatement of current liabilities by ₹ 1263.86 lacs and overstatement of long term liabilities by the same amount.

NOTE: XXXVIII**PAYMENTS TO AUDITORS**

	Year ended March 31, 2017 Amount in ₹ Lacs	Year ended March 31, 2016 Amount in ₹ Lacs
As auditor		
Statutory audit*	2.59	8.27
Limited review*	5.69	7.72
Tax audit*	0.58	1.15
	<u>8.86</u>	<u>17.14</u>
Reimbursement of expenses	2.27	2.59
	<u>11.13</u>	<u>19.73</u>
* Inclusive of service tax		

NOTE: IXL

The Company had made a reference to BIFR under section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 and was declared sick by BIFR board on 8th February, 2012. The Ministry of Finance (MoF), vide notification nos. S.O. 3568(E) and 3569(E), has notified 1st December, 2016 (appointed date) as the date on which the provisions of Sick Industrial Companies (Special Provisions) Repeal Act, 2003 (Repeal Act) shall come into force. Therefore, the SICA is repealed with effect from 1st December, 2016. The BIFR and AIFR stand dissolved with effect from that date, and all proceedings before them stand abated.

NOTE: XL

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 known liabilities have been made in accounts.

NOTE: XLI

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

This is the summary of significant accounting policies and other explanatory information for the year ended 31st March, 2017 referred to in our report of even date.

For **Aaryaa & Associates**
Chartered Accountants

For & on behalf of the Board of Directors

Harsharanjit Singh Chahal
Partner

A K Aggarwal
Director
(DIN: 00486430)

Satish Kapoor
Director
(DIN: 00009122)

Mukesh Sehgal
GM (Corporate Finance) & CFO

Anubha Garg
Company Secretary

Place : Chandigarh
Date : 27th May, 2017

Place : Chandigarh
Date : 27th May, 2017