



## PRABHAT DAIRY LIMITED

(CIN: U15203PN1998PLC013068)

Regd. Office: Gat No. 121/2A, At Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720

Tel. No. : +91-2422-645901, +91-22- 41287700, E-mail: investor@prabhatdairy.in Website: www.prabhatfresh.com

### NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Prabhat Dairy Limited ('the Company') will be held on Friday, September 30, 2016 at 2.30 p.m. at the registered office of the Company at Gat No. 121/2A, At Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720 to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statements (standalone) of the Company for the financial year ended March 31, 2016 together with the Report of the Directors and Auditors.
2. To receive, consider and adopt the consolidated financial statements of the Company for the financial year ended March 31, 2016 together with the Report of the Directors and Auditors.
3. To declare dividend at the rate of Rs. 0.40 per equity share of Rs. 10/- each for the financial year ended March 31, 2016.
4. To appoint a Director in place of Mr. Vivek S. Nirmal (DIN: 00820923) who retires by rotation and being eligible, offers himself for re-appointment.
5. 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, 140, 141, 142 and all other applicable provisions, if any, of the Companies Act, 2013 and The Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. B S R & Associates LLP, Chartered Accountants, Pune (Firm Registration No. 116231W/W-100024) as statutory auditors of the Company to hold office from the conclusion of this Eighteenth Annual General Meeting till conclusion of the Twenty Third Annual General Meeting of the Company subject to ratification by the shareholders at every Annual General Meeting, in place of M/s. B S R & Co. LLP, Chartered

Accountants, Pune (Firm Registration No. 101248W / W-100022), the existing auditors of the Company whose appointment was subject to ratification at this Eighteenth Annual General Meeting but who have expressed their unwillingness for re-appointment and that M/s. B S R & Associates, LLP be paid such remuneration inclusive of service tax and such other tax(es) (as may be applicable) and reimbursement of all out – of – pocket expenses in connection with the audit of the accounts of the Company (including terms of payment) as may be fixed by the Board of Directors of the Company, based on the recommendation of the Audit Committee in connection with the audit of the accounts of the Company for the year ending on March 31, 2017.

#### SPECIAL BUSINESS:

6. Appointment of Mr. Rajesh Srivastava as an Independent Director of the Company:

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Rajesh Srivastava (DIN: 00302223) who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office pursuant to section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 alongwith a deposit of Rs. 100,000 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company pursuant to the provisions of section 149,152 read with Schedule IV and other applicable provisions, if any of the Companies Act, 2013 and the Rules made thereunder,(including any statutory modification(s) or re-enactment thereof for the time being in force) for a period of 3 (three) years with effect from the date of this Annual General Meeting."

7. Appointment of Mr. Raphael Plihon as a Non-Executive Director of the Company:

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Raphael Plihon (DIN: 06814236) who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office pursuant to section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 alongwith a deposit of Rs. 100,000 from a member proposing his candidature for the office of Director, be and is hereby appointed as a Non-executive Director of the Company liable to retire by rotation effective from the date of this Annual General Meeting.”

8. Appointment of Mr. Soundararajan Bangarusamy as an Independent Director of the Company:

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr. Soundararajan Bangarusamy (DIN: 00063462) who was appointed as an Additional Director of the Company by the Board of Directors and who ceases to hold office pursuant to section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 alongwith a deposit of Rs. 100,000 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company pursuant to the provisions of section 149, 152 read with Schedule IV and other applicable provisions, if any of the Companies Act, 2013 and the Rules made thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) for a period of 3 (three) years with effect from the date of this Annual General Meeting.”

By Order of the Board  
For Prabhat Dairy Limited

Place : Navi Mumbai

Date : 30.08.2016

**Vivek S. Nirmal**

*Joint Managing Director*

DIN: 00820923

**Notes:**

1. The relevant Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 in respect of item nos. 6,7 and 8 set out in the Notice is annexed hereto.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday 23rd September, 2016 to Friday, the 30th September, 2016 (both days inclusive) for the purpose of Annual General Meeting and payment of Dividend, if declared. Dividend for the year ended March 31, 2016, at the rate of Rs. 0.40 per equity share of Rs. 10/- each if declared at the Annual General Meeting, will be paid on and from October 1, 2016:
  - (i) To those Members, holding shares in physical form, whose names appear on the Register of Members of the Company, at the close of business hours on September 22, 2016 after giving effect to all valid transfers in physical form lodged on or before September 30, 2016 with the Company and / or its Registrar and Transfer Agent; and
  - (ii) In respect of shares held in electronic form, to all beneficial owners as per the details furnished by National Securities Depository Limited (NSDL

and Central Depository Services (India) Limited (CDSL) at the close of the business hours on September 22, 2016.

3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY(IES) IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED / CORPORATE OFFICE FORTY – EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN 10% OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS.
4. Corporate members intending to send their authorized representatives to attend the meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting.
5. The Company's Registrar and Transfer Agents for its

share registry work (Physical and Electronic) are Karvy Computershare Private Limited (RTA).

6. Members can avail of the facility of nomination in respect of securities held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed form duly filled in to RTA. Members holding shares in electronic mode may contact their respective Depository Participant (DP) for availing this facility.
7. **Members are requested to:**
  - (a) Intimate to the DP, changes, if any, in their registered addresses and / or changes in their bank account details, if the shares are held in dematerialized form.
  - (b) Intimate to the Company's RTA, changes, if any, in their registered addresses, in their bank account details, if the shares are held in physical form (share certificates).
  - (c) Consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names.
  - (d) Dematerialize their physical shares to electronic form (demat) to eliminate all risks associated with physical shares. Our Registrar and Transfer Agents viz. Karvy Computershare Private Limited (Tel. No. 040-67162222) maybe contacted for assistance, if any in this regard.
8. The route map for the AGM Venue is provided on page no. 13 of this Notice.
9. The Securities and Exchange Board of India has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form who have not done so are requested to submit their PAN to their DP with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to RTA.
10. There is no amount due to be transferred by the Company to Investor Education and Protection Fund (IEPF) administered by the Central Government.
11. In order to save the natural resources, members are requested to register their e-mail address / addresses and bank account details with the Depository Participants, if the shares are held in dematerialized form and with the Company's Registrar and Transfer Agents, if the shares are held in physical form, in case you have not registered your e-mail ids.
12. Pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the information about the Directors proposed to be appointed / re-appointed is given in the Annexure I to the Notice.
13. This Notice and the Annual Report of the Company circulated to the Members of the Company, will be made available on the Company's website at [www.prabhatfresh.com](http://www.prabhatfresh.com) and on the website of the Karvy Computershare Pvt. Limited at <https://evoting.karvy.com/>
14. Members desirous of getting any information about the accounts and / or operations of the Company are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to keep the information ready at the Meeting.
15. During the period beginning 24 hours before the time fixed for the commencement of the Meeting and ending with the conclusion of the Meeting, a Member would be entitled to inspect the proxies lodged with the Company between 9.00 a.m. IST and 6.00 p.m. IST at the registered office of the Company, provided that a requisition for the same from a Member of received in writing not less than 3 days before the commencement of the Meeting.
16. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the registered office of the Company between 11.00 a.m. IST and 1.00 p.m. IST on all working days from the date hereof upto the date of the Meeting. The relevant documents referred to in the Notice and Explanatory Statement will also be available for inspection by the Members at the meeting.
17. Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 permits sending of soft copies of annual reports to all those Members who have registered their e-mail addresses for the said purpose.

The Companies Act, 2013 has also recognised serving of documents to any Member through electronic mode. E-mail addresses made available by the Depository for your respective Depository Participant accounts as a part of the beneficiary position downloaded from the Depositories from time to time will be deemed to be your registered e-mail address for serving notices /

documents including those covered under sections 101 and 136 of the Companies Act, 2013 read with Section 20 of the Companies Act, 2013 and the underlying rules relating to transmission of documents in electronic mode. For those Members whose Depository Participant accounts do not contain the details of their email address, printed copies of the Notice of Annual General Meeting and Annual Report for the year ended march 31, 2016 would be dispatched.

The Notice of Annual General Meeting and the copies of audited financial statements, directors' report, auditors' report, etc. will also be displayed on the website of the Company at [www.prabhatfresh.com](http://www.prabhatfresh.com) and the other requirements as applicable will be duly complied with. Members holding shares in electronic mode are requested to ensure to keep their email addresses updated with the Depository Participants. Members who have not registered their email id with the Depository Participants are requested to do so and support the green initiative. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company quoting their folio number.

18. Voting through electronic means:

Pursuant to the provisions of section 108 of the Companies Act, 2013 read with 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide members the facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited.

A member may exercise votes at any General Meeting by electronic means and the Company may pass any resolution by electronic voting system in accordance with Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015.

During the e-voting period, members of the company holding shares either in physical form or dematerialized form, as on the cut off date i.e. 23rd September, 2016, may cast their votes electronically.

The e-voting period commences at 9.00 a.m. IST on Tuesday, 27th September, 2016 and ends at 5.00 p.m. IST on Thursday, 29th September, 2016. The e-voting module shall be disabled by Karvy Computershare Private Limited. (e-voting shall remain open for not less than one day and not more than 3 days, voting period shall be completed 3 days prior to the date of general meeting).

Once the vote on a resolution is cast by a shareholder, the shareholder shall not be allowed to change it subsequently.

A member may participate in the Annual General Meeting even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.

A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut off date only shall be entitled to avail the facility of remote e-voting or voting at the AGM through ballot paper.

A copy of this notice has been placed on the website of the Company at [www.prabhatfresh.com](http://www.prabhatfresh.com) and website of Karvy Computershare Pvt. Ltd. at <https://evoting.karvy.com>.

Mr. Shravan Gupta, Practising Company Secretary (ACS: 27484 CP:9990) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and 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 shall make, not later than 48 hours of the conclusion of the Annual General Meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

The Results declared alongwith the Report of the Scrutinizer shall be placed on the website of the Company and on the website of Karvy Computershare Pvt. Ltd. Immediately after the declaration of results by the chairman or a person authorised by him in writing. The results shall also be immediately forwarded to the BSE Limited and the National Stock Exchange of India Ltd., Mumbai.

## PROCEDURE AND INSTRUCTIONS FOR e-VOTING

- I. **Remote e-voting:** In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Karvy Computershare Private Limited (Karvy) on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (Remote e-voting).
- (A) In case a Member receives an email from Karvy [for Members whose email IDs are registered with the Company/Depository Participants (s)]:**
- i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
  - ii. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) xxxx followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
  - iii. After entering these details appropriately, click on "LOGIN".
  - iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
  - v. You need to login again with the new credentials.
  - vi. On successful login, the system will prompt you to select the "EVENT" i.e., "Prabhat Dairy Limited"
  - vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
  - viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat accounts.
  - ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
  - x. You may then cast your vote by selecting an appropriate option and click on "Submit".
  - xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution(s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
  - xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email [cs.shravangupta@gmail.com](mailto:cs.shravangupta@gmail.com) with a copy marked to [evoting@karvy.com](mailto:evoting@karvy.com). The scanned image of the above mentioned documents should be in the naming format "Corporate Name\_Event No."
- (B) In case of Members receiving physical copy of Notice [for Members whose email IDs are**

**not registered with the Company/Depository Participants (s)]:**

- i. E-Voting Event Number – XXXX (EVEN), User ID and Password is provided in the Attendance Slip.
  - ii. Please follow all steps from Sl. No. (i) to (xii) above to cast your vote by electronic means.
  - iii. The members who have not cast their vote through remote e-voting can exercise their voting rights at the AGM. The Company will make necessary arrangement in this regard at the AGM venue. Members who have already cast their vote by remote e-voting are eligible to attend the meeting; however those members are not entitled to cast their vote again in the meeting.
- II. A Member can opt for only single mode of voting i.e. through Remote e-voting or voting at the AGM. If a Member casts votes by both modes then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

**OTHER INSTRUCTIONS**

- a. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of <https://evoting.karvy.com> (Karvy Website) or contact 040-67162222, (Unit: Name of the Company) of Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 or at [evoting@karvy.com](mailto:evoting@karvy.com) or phone no. 040 – 6716 1500 or call Karvy's toll free No. 1-800-34-54-001 for any further clarifications.
- b. 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).
- c. The remote e-voting period commences on Tuesday, 27th September, 2016 (9.00 A.M. IST) and ends on Thursday, 29th September, 2016 (5.00 P.M. IST). During

this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 23rd September, 2016, may cast their votes electronically. A person who is not a Member as on the cut-off date should treat this Notice for information purposes only. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently.

- d. The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date i.e. 23rd September, 2016.
- e. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting i.e. 23rd September, 2016, he/she may obtain the User ID and Password in the manner as mentioned below :
  - i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may sendSMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399  
Example for NSDL:  
MYEPWD <SPACE> IN12345612345678  
Example for CDSL:  
MYEPWD <SPACE> 1402345612345678  
Example for Physical:  
MYEPWD <SPACE> XXXX1234567890
  - ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
  - iii. Member may call Karvy's toll free number 1800-3454-001.
  - iv. Member may send an e-mail request to [evoting@karvy.com](mailto:evoting@karvy.com). However, Karvy shall endeavour to send User ID and Password to those new Members whose mail ids are available.

## EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013:

Item No. 5:

**Appointment of Auditors and Fixation of their remuneration:**

The shareholders of the Company at the Sixteenth Annual General Meeting (AGM) held on September 30, 2014 have appointed M/s. B S R & Co. LLP, Chartered Accountants, Pune (Firm Registration No. 101248W / W-100022) as statutory auditors of the Company for a period of five years viz. from the conclusion of Sixteenth AGM till the conclusion of Twenty First AGM subject to ratification of appointment at every Annual General Meeting. M/s. B S R & Co. LLP have given their unwillingness for ratification of appointment at the ensuing Eighteenth Annual General Meeting.

The Company, therefore proposes to appoint M/s. B S R & Associates LLP, Chartered Accountants, Pune (Firm Registration No. 116231W/W-100024) as the statutory auditors of the Company for a period of five years to hold office from the conclusion of the Eighteenth Annual General Meeting till the conclusion of the Twenty Third Annual General Meeting of the Company. The Company has received an eligibility certificate and consent for appointment from M/s. B S R & Associates LLP.

The Audit Committee of the Board of Directors at its meeting held on August 29, 2016 has recommended the appointment of M/s. B S R & Associates LLP, Chartered Accountants as the statutory auditors of the Company.

Your Directors recommend the resolution at Item No. 5 of the accompanying Notice for approval of the members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives are in any way, directly or indirectly are concerned or interested, financially or otherwise, in the proposed resolutions.

**Item Nos. 6 and 7:**

**Appointment of Mr. Rajesh Srivastava as an Independent Director of the Company and Appointment of Mr. Raphael Plihon as a Non-Executive Director of the Company:**

Mr. Rajesh Srivastava was acting as a Nominee Director of the Company with effect from September 28, 2012 nominated by India Agri Business Fund Ltd. ('IABF') and Mr. Raphael Plihon was also acting as a Nominee Director of the Company with effect from March 20, 2014 nominated by Societe De Promotion Et De Participation Pour La Cooperation Economique ("PROPARCO"). Both IABF and PROPARCO have made private equity investment in the

Company in accordance with the terms and conditions of a Shareholders' Agreement. The terms of the said Shareholders' Agreement have become inoperative and ineffective from the date of listing of the shares of the Company on BSE Ltd. and National Stock Exchange of India Limited on September 21, 2015 and consequently Mr. Rajesh Srivastava and Mr. Raphael Plihon have ceased to act as Nominee Directors. However, considering their valuable contribution to the Company, the Board of Directors of the Company has co-opted Mr. Rajesh Srivastava and Mr. Raphael Plihon as Additional Directors of the company effective from September 25, 2015. As Additional Directors both of them hold office as Directors upto the date of the Eighteenth Annual General Meeting.

In terms of Section 160 of the Companies Act, 2013, the Company has received a notice from Members along with the requisite deposit of Rs. 100,000 signifying intention to propose Mr. Rajesh Srivastava as a candidate for the office of Independent Director of the Company in accordance with section 149 of the Companies Act, 2013 for period of 3 (three) years and Mr. Raphael Plihon as a candidate for the office of Non-Executive Director liable to retire by rotation. The Company has received a consent and confirmation of non-disqualification to act as a Director, if appointed from Mr. Rajesh Srivastava and Mr. Raphael Plihon. As per the Policy of the Company, Independent Directors and Non-Executive Directors are hitherto paid only sitting fees and reimbursement of expenses for participation in the Board and Committee meetings and the same will be paid to Mr. Rajesh Srivastava and Mr. Raphael Plihon on their being appointed as Directors. The required details in terms of Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are provided hereinafter.

Your Directors recommend the resolutions at Item Nos. 6 and 7 of the accompanying Notice for approval of the members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. Rajesh Srivastava and Mr. Raphael Plihon who are interested to the extent of their appointment, are in any way, directly or indirectly are concerned or interested, financially or otherwise, in the proposed resolutions.

**Item No. 8:**

Appointment of Mr. Soundararajan Bangarusamy as an

Independent Director of the Company:

The Board of Directors of the Company has co-opted Mr. Soundararajan Bangarusamy as an Additional Independent Director of the company effective from November 10, 2015. As Additional Director, Mr. Soundararajan Bangarusamy hold office as Director upto the date of the Eighteenth Annual General Meeting.

In terms of Section 160 of the Companies Act, 2013, the Company has received a notice from a Member along with the requisite deposit of Rs. 100,000 signifying intention to propose Mr. Soundararajan Bangarusamy as a candidate for the office of Independent Director of the Company as provided under section 149 of the Companies Act, 2013 for a period of 3 (three) years. The Company has received a consent, confirmation of non-disqualification to act as a Director, if appointed and confirmation of independence from Mr. Soundararajan Bangarusamy. As per the Policy of the Company, Independent Directors are hitherto paid only sitting fees and reimbursement of expenses for participation in the Board and Committee meetings and the same will be paid to Mr. Soundararajan Bangarusamy on his being

appointed as an Independent Director. The required details in terms of Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are provided hereinafter.

Your Directors recommend the resolution at Item No. 8 of the accompanying Notice for approval of the members of the Company.

None of the Directors, Key Managerial Personnel of the Company and their relatives except Mr. Soundararajan Bangarusamy who is interested to the extent of his appointment, are in any way, directly or indirectly are concerned or interested, financially or otherwise, in the proposed resolutions.

By Order of the Board  
For Prabhat Dairy Limited

Place : Navi Mumbai  
Date : 30.08. 2016

**Vivek S. Nirmal**  
Joint Managing Director  
DIN: 00820923

## ANNEXURE – 1 TO ITEM NOS. 4, 6, 7 and 8

**DETAILS PURSUANT TO REGULATION 36(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND SECRETARIAL STANDARD 2 (SS-2) ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA, FOLLOWING INFORMATION IS FURNISHED ABOUT THE DIRECTORS PROPOSED TO BE APPOINTED / RE-APPOINTED:**

### Item No. 4:

**Mr. Vivek S. Nirmal**

Name of the Director	:	Mr. Vivek S. Nirmal
Age	:	33 years
Date of first appointment on Board	:	May 1, 2012
Qualification	:	B.Com
Brief resume including experience	:	Mr. Vivek S. Nirmal was instrumental in the incorporation of Sunfresh Agro Industries Pvt. Ltd. (SAIPL), which later became a subsidiary of the Company. He is currently the Managing Director of SAIPL. He has approximately seven years of professional experience in the dairy industry. He is currently a member of the CII National Committee on Dairy, 2015-16. As the Joint Managing Director of the Company he is involved in the operational activities of the Company and its Subsidiaries.
Expertise on specific functional areas	:	Accounts, Finance, Marketing, Management and Administration specifically in dairy industry.



Other Directorships	:	Cheese Land Agro (India) Pvt. Ltd. – Director, Sunfresh Agro Industries Pvt. Ltd. – Managing Director
Chairmanship / Membership of Committees in companies in which position of Director is held	:	Member of the following Committees in Sunfresh Agro Industries Pvt. Ltd.: 1. Audit Committee 2. CSR Committee
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	:	Mr. Vivek S. Nirmal is the son of Mr. Sarangdhar R. Nirmal, Chairman & Managing Director of the Company.
No. of equity shares held on the Company (as on August 30, 2016)	:	1125000 equity shares
No. of Board meetings attended during the year 2015-16	:	4 out of 4
Terms and conditions of appointment or re-appointment	:	On being re-appointed, Mr. Vivek S. Nirmal will continue to act as the Joint Managing Director of the Company on the same terms and conditions as approved by the Members at the Extra ordinary General Meeting held on March 9, 2015

## Item No. 6:

### Mr. Rajesh Srivastava

Name of the Director	:	Mr. Rajesh Srivastava
Age	:	59 years
Date of first appointment on Board	:	Appointed as a Nominee Director on September 28, 2012 and ceased to act as such on September 21, 2015.  Appointed as an Additional Non-Executive Director effective from September 25, 2015.
Qualification	:	Graduate in Economics and also hold professional law degree.
Brief resume including experience	:	Mr. Rajesh Srivastava is a designated General Partner in the Rabo Equity Fund ('the Fund'), along with Rabobank. He had 28 years of professional experience prior to moving to the Fund, including 10 years in Rabo India Finance where his last assignment was as the Managing Director in charge of corporate and commercial banking. He had also worked in agribusiness consulting for 2 years and with the South Asian Regional Apex Fund (sponsored by Lazard India) for 3 years. He started his career with the Bank of Baroda, where he worked for 12 years in Credit, 9 years in Regional/Zonal Offices in Merchant Banking and Business Development and for 2 years as a Branch Manager.
Expertise on specific functional areas	:	Investment Banking, Finance, Management, etc.
Other Directorships	:	1. Global Green Company Ltd. 2. LT Foods Ltd. 3. Daawat Foods Limited 4. Rabo Equity Advisors Pvt. Ltd. 5. Vacmet India Limited 6. Rabo Equity Management Company Ltd. 7. Beloorbayir Biotech Ltd. 8. Bayir Extracts Pvt. Ltd. 9. REAL Trust, Trustee 10. REAL Trust II, Trustee

Chairmanship / Membership of Committees in companies in which position of Director is held	: Member of the following Committees in Global Green Company Ltd.: 1. Audit Committee 2. Nomination and Remuneration Committee  Member of the following Committees in LT Foods Ltd.: 1. Nomination and Remuneration Committee 2. Audit Committee 3. CSR Committee 4. Corporate Governance Committee  Member of the following Committees in Vacmet India Limited: 1. Nomination and Remuneration Committee  Member of the following Committees in Beloorbayir Biotech Ltd.: 1. Nomination and Remuneration Committee
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	: None
No. of equity shares held on the Company (as on August 30, 2016)	: NIL
No. of Board meetings attended during the year 2015-16	: 3 out of 4
Terms and conditions of appointment or re-appointment	: Will be appointed as an Independent Director for a period of 3 (three) years not liable to retire by rotation.

## Item No. 7:

### Mr. Raphael Plihon

Name of the Director	: Mr. Raphael Plihon
Age	: 34 years
Date of first appointment on Board	: Appointed as a Nominee Director on March 20, 2014 and ceased to act as such on September 21, 2015.  Appointed as an Additional Non-Executive Director effective from September 25, 2015.
Qualification	: Master's Degree in Business Administration from ESSEC.
Brief resume including experience	: Mr. Raphael Plihon has approximately eight years of experience in corporate and project finance (both debt and equity) as an investment officer and project manager for Dexia Credit Local and as an investment officer at Proparco (French Development Financial Institution). He is currently a senior investment officer in the manufacturing, agribusiness and services division of Proparco.
Expertise on specific functional areas	: Corporate Finance, Project Finance, Investment Banking, etc.
Other Directorships	: NIL
Chairmanship / Membership of Committees in companies in which position of Director is held	: NIL
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	: None

No. of equity shares held on the Company (as on August 30, 2016)	:	Nil
No. of Board meetings attended during the year 2015-16	:	3 out of 4
Terms and conditions of appointment or re-appointment	:	Will be appointed as a Non-Executive Director liable to retire by rotation.

## Item No. 8:

### Mr. Soundararajan Bangarusamy

Name of the Director	:	Mr. Soundararajan Bangarusamy
Age	:	55 years
Date of first appointment on Board	:	November 10, 2015
Qualification	:	Higher Secondary
Brief resume including experience	:	Mr. Soundararajan, an entrepreneur hails from a teacher's family at Udumalpet, near Coimbatore and have a strong agricultural background. Mr. Soundararajan started his career as a trader for egg and poultry feed in the year 1985. In 1986, the business expanded, along with his brother by setting up a poultry farm with 200 egg laying birds (layers). In 1988, they set up Suguna's first feed mill to meet the feed requirements of the neighbourhood poultry farmers. In 89-90 however, the poultry prices collapsed due to an oversupply of birds in the local market. Out of this was born the idea of contract farming. The two entrepreneurs worked with poultry farmers who had the infrastructure, by providing the chicks and feed. The farmer reared the birds and returned them to Suguna in return for a growing charge. Through building personal relationships with the farmers and winning their trust, Suguna was able to go from strength to strength, today becoming a world class poultry enterprise. He is a dynamic person who actively contributes to the industry and society. He served as President of the Indian Breeders Association from 2002 to 2007. He was Chairman for National Poultry Committee in 2006-07 and Vice Chairman for CLFMA from 2005 till date. He was recognized for his contribution and achievements and awarded the Best Entrepreneur and influential people by Business Today and CII (Confederation of Indian Industry). Under his able leadership, Suguna Poultry Farm Limited won the National Productivity Council Awards 7 times successively, since 1994-95 and won the Best Asian Poultry Company in 2008.
Expertise on specific functional areas	:	Accounts, Finance, Business Management & Administration, etc.

Other Directorships	:	<ol style="list-style-type: none"> <li>1. Suguna Holdings Pvt. Ltd.</li> <li>2. Suguna Foods Pvt. Ltd.</li> <li>3. Globion India Pvt. Ltd.</li> <li>4. Suguna Fincorp Pvt. Ltd.</li> <li>5. Suguna Poultry Pvt. Ltd.</li> <li>6. Suguna Capital Ventures Pvt. Ltd.</li> <li>7. Bovian Health Care Pvt. Ltd.</li> <li>8. Suguna Foods and Feeds Bangladesh Pvt. Ltd.</li> <li>9. Aminovit Private Limited</li> <li>10. Suguna Holdings Singapore Pte. Ltd.</li> <li>11. Suguna Poultry (Kenya) Limited</li> </ol>
Chairmanship / Membership of Committees in companies in which position of Director is held	:	<p>Member of the following Committees in Suguna Foods Pvt. Ltd.:</p> <ol style="list-style-type: none"> <li>1. Audit Committee</li> </ol> <p>Member of the following Committees in Globion India Pvt. Ltd.:</p> <ol style="list-style-type: none"> <li>1. CSR Committee</li> </ol>
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	:	None
No. of equity shares held on the Company (as on August 30, 2016)	:	NIL
No. of Board meetings attended during the year	:	1 out of 1
Terms and conditions of appointment or re-appointment	:	Will be appointed as an Independent Director for a period of 3 (three) years not liable to retire by rotation.

By Order of the Board  
For Prabhat Dairy Limited

Place : Navi Mumbai  
Date : 30.08.2016

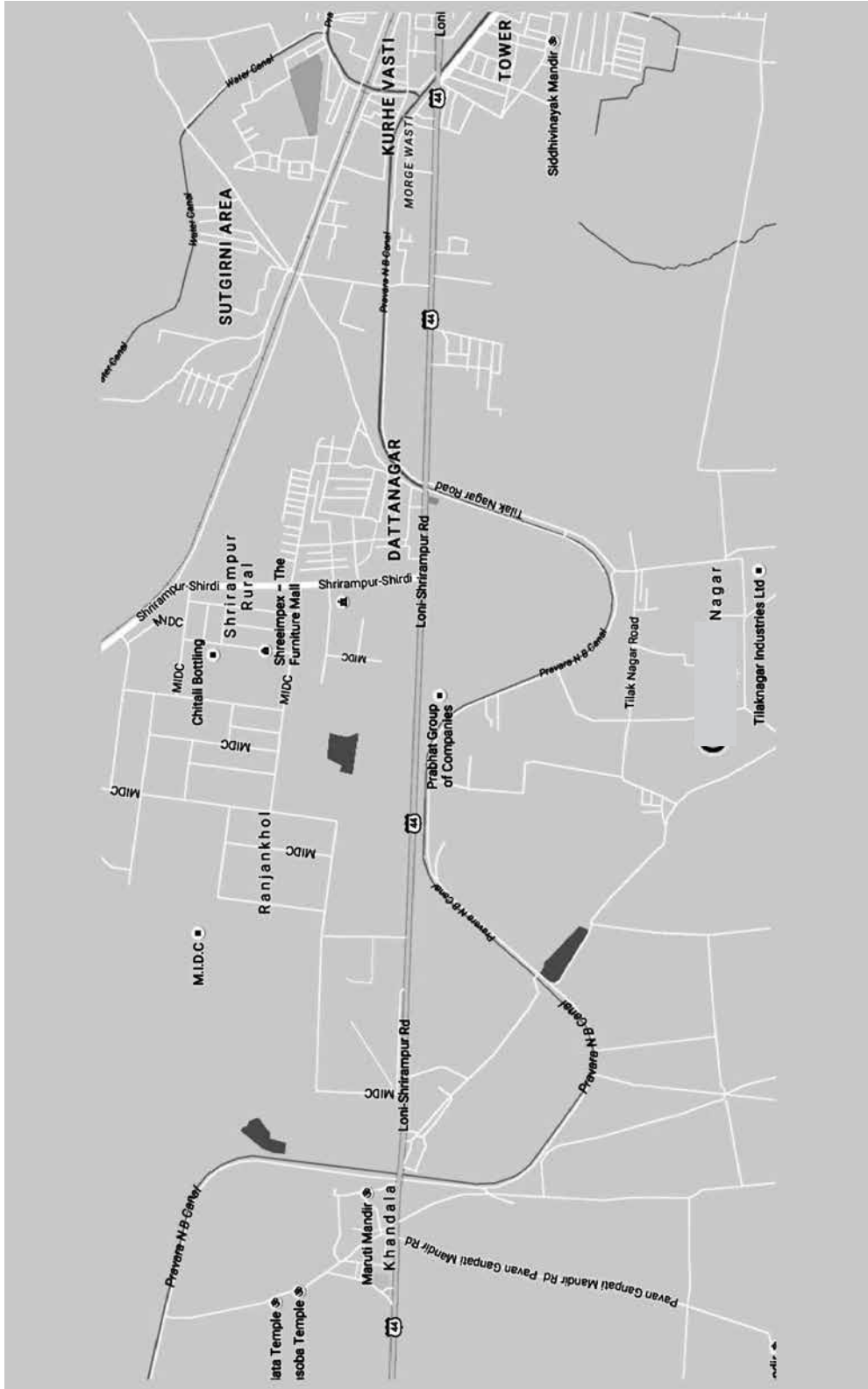
**Vivek S. Nirmal**  
*Joint Managing Director*  
DIN: 00820923

## ROUTE MAP FOR ANNUAL GENERAL MEETING VENUE:

### Venue:

Prabhat Dairy Limited, Gat No. 121/2A, at Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720

Landmark: Opposite to Reliance Petrol Pump



KEPT BLANK INTENTIONALLY



## PRABHAT DAIRY LIMITED

(CIN: U15203PN1998PLC013068)

Regd. Office: Gat No. 121/2A, At Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720  
Tel. No.: +91-2422-645901, +91-22- 41287700, E-mail: investor@prabhatdairy.in Website: www.prabhatfresh.com

(Please fill this attendance slip and hand it over at the entrance of the Meeting Hall)

### ATTENDANCE SLIP

EIGHTEENTH ANNUAL GENERAL MEETING

FRIDAY, SEPTEMBER 30, 2016 at 2.30 P.M.

I / We hereby record my / our presence at the Eighteenth Annual General Meeting held at the registered office of the Company at Gat No. 121/2A, at Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720.

Member's Folio / DP ID-client ID No. : \_\_\_\_\_

Member's / Proxy's name in Block Letters: \_\_\_\_\_

Member's / Proxy's Signature: \_\_\_\_\_

No. of Shares : \_\_\_\_\_

**Notes:**

1. Please complete the Folio / DP ID – Client ID No. and name, sign this Attendance Slip and hand it over at the Attendance Verification Counter at the entrance of the Meeting Hal.
2. Members holding shares in physical form are requested to advice the change in their address, if any, to the Registrar and Transfer Agent of the company viz. Karvy Computershare Ltd., Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 quoting their folio number. Members holding shares in electronic form may update such details with their respective Depository Participant(s).
3. **Members are requested to bring this slip along with them as duplicate slips will not be issued at the venue of the Meeting.**
4. Please read carefully the instructions given in the Notice of the Eighteenth Annual General Meeting under the Heading 'Voting through Electronic Means'.

KEPT BLANK INTENTIONALLY





## PRABHAT DAIRY LIMITED

(CIN: U15203PN1998PLC013068)

Regd. Office: Gat No. 121/2A, At Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720  
Tel. No.: +91-2422-645901, +91-22-41287700, E-mail: investor@prabhatdairy.in Website: www.prabhatfresh.com

FORM NO. MGT – 11

### PROXY FORM

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

**EIGHTEENTH ANNUAL GENERAL MEETING**

**FRIDAY, SEPTEMBER 30, 2016 at 2.30 P.M.**

Name of the Member(s)	:	
Registered Address	:	
E-mail id	:	
Folio No. / Client Id	:	
DP ID	:	

I / We, being the member(s) of Prabhat Dairy Ltd. holding \_\_\_\_\_ Equity shares of Rs. 10/- each of the above named company, hereby appoint:

1.	Name	:	
	Address	:	
	E-mail Id	:	
	Signature	:	
	<b>OR failing him</b>	:	
2.	Name	:	
	Address	:	
	E-mail Id	:	
	Signature	:	
	<b>OR failing him</b>	:	
3.	Name	:	
	Address	:	
	E-mail Id	:	
	Signature	:	

As my / our proxy to attend and vote (on a poll) or me / us and on my / our behalf at the Eighteenth Annual General Meeting of the Company to be held on 30th day of September, 2016 at 2.30 p.m. at the registered office of the Company at Gat No. 121/2A, at Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720 and at any adjournments thereof in respect of such resolutions as are mentioned in the notice of the meeting as indicated below:

Sr. Nos.	Resolutions	Optional*	
		For	Against
<b>Ordinary Business</b>			
1.	To receive, consider and adopt the financial statements (standalone) of the Company for the financial year ended March 31, 2016 together with the Report of the Directors and Auditors.	:	
2.	To receive, consider and adopt the consolidated financial statements of the Company for the financial year ended March 31, 2016 together with the Report of the Directors and Auditors.		
3.	To declare dividend at the rate of Rs. 0.40 per equity share of Rs. 10/- each for the financial year ended March 31, 2016.		
4.	To appoint a Director in place of Mr. Vivek S. Nirmal (DIN: 00820923) who retires by rotation and being eligible, offers himself for re-appointment.		
5.	To appoint statutory auditors and to fix their remuneration.		
<b>Special Business</b>			
6.	Ordinary Resolution for appointment of Mr. Rajesh Srivastava (DIN: 00302223) as an Independent Director of the Company.		
7.	Ordinary Resolution for appointment of Mr. Raphael Plihon (DIN: 06814236) as a Non-Executive Director of the Company.		
8.	Ordinary Resolution for appointment of Mr. Soundararajan Bangarusamy (DIN: 00063462) as an Independent Director of the Company.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2016

Signature of Shareholder

Affix  
Revenue  
Stamp

Signature of Proxy holder(s)

**Notes:**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered / Corporate Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Eighteenth Annual General Meeting.
3. \*It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.





Prabhat Dairy Limited  
18<sup>th</sup> Annual Report, 2015-16

# Spirit of Partnership




### Forward-looking statement

In this Annual report, we have disclosed the Company's objectives, expectations and forecasts to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make may be forward-looking within the meaning of applicable securities laws and regulations. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. Although we believe that we have been prudent in our assumption, actual results may differ materially from those expressed in the statement. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions.

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**P**rabhat Dairy Limited is one of the fastest growing dairy companies in India.

Over the years, we have been asked for the secret of our sectoral outperformance.

**There is only one:** The 'spirit of partnership'.

A participative and inclusive approach that guarantees the growth of all stakeholders.

Partnership with dairy farmers. Partnership with employees. Partnership with distributors and retailers. Partnership with public agencies. Partnership with consumers. Partnership with institutional customers. Partnership with shareholders.

Over the years, this spirit of partnership has transformed into a sustainable growth engine, generating year-on-year revenue increment, profitable growth and attractive return on investment.

The year 2015-16 was no different. We grew our revenues by 17% and our PBT by 32%, capping off another year of profitable growth.

# Prabhat Dairy Limited Enriching stakeholders. Enhancing lifestyles.

## VISION

TO BE A HIGHLY-RESPECTED AND LEADING MILK FOOD COMPANY THAT IS COMMITTED TO THOUGHTFUL & SUSTAINABLE SOCIO ECONOMIC DEVELOPMENT

## PARTNERS IN PROGRESS PHILOSOPHY

WE BELIEVE IN SHARING AND GROWING WITH EACH OTHER AS WE ARE THERE FOR OUR CLIENTS AND OTHER STAKEHOLDERS

## VALUES

- ACT LIKE AN OWNER WITH PASSION
- RESPECT AND WARMTH IN BEHAVIOUR
- LEARN, THINK, IMPROVISE AND SHARE
- BE HONEST TO SELF
- SORRY, NO COMPROMISE ON QUALITY
- PARTNERING IN PROGRESS WITH OUR FAMILY OF FARMERS, CUSTOMERS, EMPLOYEES AND ASSOCIATES
- COST-CONSCIOUSNESS
- SAVE NATURAL RESOURCES





44%

Promoters' holding  
(March 31, 2016)

31%

Institutional holding  
(March 31, 2016)

1,200+

Team size  
(March 31, 2016)

1,172

Revenues in 2015-16  
(Rs. in Crore)

### Corporate snapshot

Prabhat Dairy Limited is an integrated milk and dairy products company catering to institutional as well as retail customers. The Company was incorporated in 1998 by Mr. Sarangdhar R Nirmal.

The Company sells its products under their retail consumer brands as well as ingredient products or co-manufactured products to a number of institutional and multinational companies.

The Company had an aggregate milk processing capacity of 1.5 million litres per day as on March 31, 2016 accessed from more than 85,000 milk farmers with 70% of the milk procured from direct channels.

### Products

The Company's portfolio comprises fresh, dry, frozen, cultured and fermented dairy products:

- Pasteurised, flavoured and sweetened condensed milk
- Clarified butter (*ghee*)
- Yoghurt
- Dairy whitener

- Cheese, Paneer
- Milk powder
- Lassi
- *Chaas*

### Facilities

The Company's state-of-the-art production facilities are strategically located in Shirampur, proximate to milk generating regions, and in Navi Mumbai, a target market for end products.

### Certifications

The Company received several quality certifications relating to its products and production facilities, including certifications from the Food Safety and Standards Authority of India (FSSAI) for certain products;

The AGMARK quality certification for *ghee* and butter; the IS 1166:1986 certification for condensed milk, partly skimmed and skimmed condensed milk.

The Company also received 'Halal' certifications for its skimmed milk powder, whole milk powder, dairy whitener, sweetened condensed milk and UHT milk varieties.



### Accolades

- Recognised as one of 'Asia's fastest-growing marketing brands – FMCG sector' award at the World Consulting and Research Corporation Leaders' Summit, 2014
- Recognised by Abbott Healthcare Pvt.

Ltd. as a 'Most Trusted Partner' in 2012

- Bestowed the 'National Award for Food Safety' in 2014' by the Confederation of Indian Industry
- Awarded "Commitment to supplier quality expectations" by Mondelez International in year 2012

Numbers speak louder than words



Highest among industry peers



Milk processing capacity

**2,452.48**

(₹ in Lakhs)  
Consolidated PAT



**938.95**

(₹ in Lakhs)  
Standalone PAT

**45,421.46**

(₹ in Lakhs)  
Consolidated net block  
(including CWIP)



**11,783.50**

(₹ in Lakhs)  
Standalone net block  
(including CWIP)

Say cheese!



Third-largest cheese plant in India



Procured orders from major burger and pizza chains



Repeat high quantity orders from the institutional segment



Presence in major metropolitan cities of country for HORECCA segment distribution network



Established presence in Maharashtra and Gujarat; planned foray in South and North India by the next quarter



Planning to operate in less populated segments like mozzarella cheese for small and mid-sized pizza chains

## Milestones

**1998**

- Incorporated by the Nirmal family

**1999**

- Started selling packaged milk under the Prabhat brand

**2005**

- Introduced value-added products (*ghee*, milk powder)

**2008**

- Commenced selling condensed milk to Cadbury's

**2010**

- Set up a dedicated condensed milk plant for Cadbury's

**2011**

- Forged B2B ties with reputed industry players
- Launched 'Prabhat Dairy Quality Mission' for connecting directly with farmers

## Proud partners

### Partnered Abbott to support dairy farmers

- Provided training in business skills, veterinary care, feeding and dairy development as well as financial help for marginal farmers, especially female farmers
- Provided critical infrastructure including new bulk milk chiller facilities in local communities, enhancing safety, reliability and qualitative consistency
- Provided a marketplace that ensured high transparency in terms of milk pricing

### Partnered BAIF – Phase-I

- Will establish 50 cattle breeding centres to provide doorstep services to ~100,000 cattle of 25,000 dairy farmers belonging to Prabhat's value chain across ~500 villages
- Will perform about 275,000 artificial inseminations in five years to add 55,000 female calves in milk shed
- Will generate an additional 100,000 litres per day, adding Rs. 80 crore per annum to the rural economy

## High points, FY2015-16



Achieved a remarkable growth in value-added products – ghee, ice cream, lassi, butter



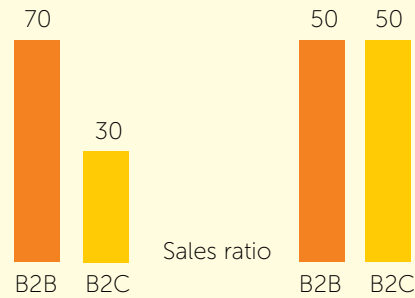
Increased retail presence along with the retail outlets and modern trade



Started the Raftaar project to increase B2C sales in Maharashtra

as on 31st March 2016

by 2020



## What sets Prabhat apart?

- Specialty premium dairy ingredients supplier now foraying into retail through value-added products
- Strategically located - proximity to sourcing network and clientele
- Two state-of-the-art facilities manufacture almost every kind of dairy product
- 70% of milk directly procured from 85,000+ farmers
- Targeting 55,000+ retail outlets by 2016-17
- Credit rating – 'A with stable outlook'
- Most preferred supplier to B2B client's with longstanding relationship with globally-respected players

## 2012

- Received awards for best strategic supplier from Kraft and Abbott

## 2013

- Received private equity from leading private equity funds
  - Added new capacities for curds, ice creams, powders and processed cheeses
- Commissioned new plant at Navi Mumbai

## 2014

- Initiated ATL and BTL marketing and branding activities

## 2015

- Commissioned manufacturing of cheese, paneer and shrikhand
- Successfully got listed on the BSE and NSE bourses

## 2016

- Launched new value added products like ghar jaisa dahi, mishti doi, fresh paneer
- Expanded reach of retail products to different parts of India

# Our products snapshot



## Sweetened condensed milk

### Attributes

- Toned cow milk
- Wet bending- perfect blend and test
- 100% milk purity



## Ghee

### Attributes

- Contains BETA CAROTENE-very important for Brain Cells Development
- Rich vitamins A,D,E &K
- Pure Cow milk
- Double anti residual Filtration.



## Cheese

Mozzarella, cheddar, processed and pizza cheese

### Attributes

- Produced from fresh milk
- Qualitative consistency



## Paneer

Paneer in cubes, malai paneer, low fat paneer, hot dip paneer

### Attributes

- Pure Buffalo Milk
- Rich in Protein & Calcium.



## Skimmed milk powder

### Attributes

- The most preferred powder.
- Easy to dissolve.
- perfect blend and taste.
- 100% milk purity.



## Dairy whitener

### Attributes

- Easy to dissolve.
- Unique evaporation process to dry milk & sugar solutions together.
- 18% Fat.
- perfect blend and taste.
- 100% milk purity.



## Flavoured milk

### Attributes

- Flavored energy health milk drink.
- perfect blend and taste.
- 100% milk purity.
- Available in 7 mouth watering flavors



## UHT milk

### Attributes

- 100 days shelf life.
- No preservatives.
- No refrigeration
- 0% bacteria
- perfect blend and taste.
- 100 % milk purity.



## Shrikhand

### Attributes

- No added flavours.
- Natural Ingredients for perfect blend and premium taste.
- Fresh & pure Chakka-100% milk purity.
- Available in Mango, Elaichi and dry fruits flavours



## Curd

### Attributes

- NO Powder
- No Preservatives
- Natural home made taste
- 100% milk purity.



### Lassi

#### Attributes

- Contains Natural Ingredients -Real Mango Pulp.
- Toned Cow Milk.
- Perfect Blend and taste.
- 100% Milk purity
- Also available in mango flavour.



### Chaas

#### Attributes

- Active lactic Properties for improved digestion.
- 100% Milk purity.



### Misthi doi

#### Attributes

- Easy-to-digest
- Natural vitamins and minerals
- Great creamy taste



### Gulab jamun mix

#### Attributes

- Only for soft & milky Gulab Jamuns
- 42% milk powder
- Toned cow milk
- Perfect blend and taste
- 100% milk purity



### Whole milk powder

#### Attributes

- Nutritious
- Cost-efficient source of milk fats
- Food formulations



### Prabhāt Gold

#### Attributes

- Pasteurised, homogenised
- Toned milk
- 3.5% milk fat



### Prabhāt Fresh

#### Attributes

- Pasteurised, homogenised
- Toned milk
- 3.0% milk fat



### Prabhāt Popular

#### Attributes

- Pasteurised, homogenised double-toned milk
- 1.5% milk fat




### Prabhāt Rich

#### Attributes

- Pasteurised, homogenised
- Toned milk
- 6.0% milk fat

Chairman and  
Managing Director's  
Statement



“At Prabhat Dairy, we expect to grow attractively across the years on account of the four-pillar strategy that we selected for investment over the last decade.”

Sarangdhar R Nirmal, *Chairman & Managing Director*

## Dear Shareholders

I welcome shareholders to our first Annual Report following our successful initial public offer that was completed in September, 2015.

Now that we are a publicly listed company, I encounter a number of people with a keen interest in our prospects. One of the first things they inevitably ask is how well we are likely to perform over the years. Does the Company have a good future? Is it likely to report sustainable growth? Is the value of their investment likely to grow?

I essentially use one overarching argument to convince them about the prospects of India's dairy sector: India has the largest cattle head count in the world at one end and one of the most under-consumed dairy product markets in the world at the other.

From a macro perspective, this single line encapsulates the rich potential in our business. Over the foreseeable future, I see cattle yields rising, I foresee stronger supply chains, I see a larger quantum of private capital driving sectoral growth, I see a lot more entrepreneurial interest in the sector, I see more milk resource allocated towards branded value-added products, I see a lot more Indian companies working

directly with farmers to address the complete value chain of the business and I see – as a result – a larger number of dairy companies accessing capital from the country's secondary markets.

The result is that I see the country's dairy sector perched today at the bottom end of a long J-curve translating into years of growth in revenues and profits.

### Our integration model

At Prabhat Dairy, we expect to grow attractively across the years on account of the four pillars that we selected for investment over the last decade.

One, world-class infrastructure in terms of scale and sophistication. Two, excellent talent, reconciling the entrepreneurial with the professional. Three, a robust supply chain based around direct product sourcing, making it possible to source critical milk resource directly from farmers. Four, the ability to package and brand the value-added end product for wider consumption.

At Prabhat, we believe that the interplay of these four business drivers will strengthen our foundation, leading to enhanced revenues, margins, profits and shareholder value across the foreseeable future.

### World-class infrastructure

Even while we were relatively small, one of our priorities was to invest in adequate scale, sophisticated technologies and confidence-enhancing certifications. This combination assures our customers that we will deliver products around the highest quality standards. This priority has generated a recall that if it is a Prabhat product, then its quality must be unquestionably best-in-class. Complementing this quality standard is our manufacturing scale (aggregate milk processing capacity of 1.50 million litres per day) that generates consistent supply, assuring customers that we will never face unexpected downtime that could affect our ability to feed our consuming markets with a resource critical for everyday consumption. The result is an ability to process large orders; our cheese manufacturing capacity is the third largest in India, our sweetened condensed milk capacity is the largest in Asia and our yoghurt plant is considered to be a national showpiece. Our technology infrastructure connects procurement and production processes. Our computerised milk testing facilities and quality certifications serve as a trust mark. And lastly, this forward-looking investment in

**We possess state-of-the-Art Manufacturing facilities to manufacture almost all types of dairy products; we are now focussing on increasing their capacity utilisation.**

technology has made it possible for us to maximise operating efficiencies and moderate related costs, widening our spread for onward reinvestment and sustainable growth.

#### **Professional talent**

The right management mindset is often the difference between success and failure in the dairy sector. The rich promoter experience in the sector helped strengthen relationships with dairy farmers and registered milk vendors. Besides, in a completely rural business, we do not have the luxury of executives with management degrees monitoring milk quality; we have an army of rural professionals trained in our system and priorities.

Over the years, we have created some of the best teams across our various functions translating into significant advantages. The result has been consistent product development, effective retail marketing, stronger institutional relationships and the seamless management of our

large partner network (dealers, distributors and stockists).

The bottomline is not scattered pockets of quality orientation but an overarching quality-obsessed culture; not a generally high operating standard but a consistently high quality benchmark translating into sectoral outperformance and a number of awards: 'Asia's fastest growing marketing brands – FMCG sector' at the World Consulting and Research Corporation Leaders' Summit, 2014; recognised by Abbott Healthcare Private Limited as the 'Most Trusted Partner' in 2012 and awarded the 'CII National Awarded for Food Safety 2014' by the Confederation of Indian Industry for our commitment to hygiene and manufacturing practices; awarded for 'Commitment to supplier quality expectations' 2012 by Mondelez International.

#### **Direct sourcing model**

At the heart of our competitiveness lies the ability to aggregate milk directly from 1,200 villages twice a day, resulting in more than 700 procurement cycles a year. This is a challenging engagement; in the absence of large cattle breeding and dairy farming operations in the country, the Company needs to work collaboratively with hundreds of dairy farmers and vendors, resulting in assured and affordable

quantities on the one hand and quality raw milk availability on the other.

The Company procures a majority of its raw milk requirements directly from dairy farmers and registered milk vendors in Ahmednagar, Pune, Nashik and adjoining Maharashtra districts, among the largest cow milk producing regions in India. The Company's success in this space has been drawn from its ability to educate dairy farmers in cattle breeding, cattle feed, nutrition and medication, cattle insurance cum financing as well as training in milking, storage and milk delivery to collection centres. Besides, this commitment has been complemented by adequate infrastructure: more than 440 milk collection centres, over 20 milk chilling plants and over 100 bulk milk coolers ensuring quality protection and delivery.

#### **Downstream value-addition**

Over the years, we have grown our exposure in extending beyond milk to downstream branded products like curd, *lassi*, *chaas*, *paneer* and *shrikhand*. We outlined decisive initiatives to scale our cheese capacity. However, the true impact of these initiatives will be manifested over the years. This forward extension addresses two business segments – the business-to-business segment addressing institutional customers and the



business-to-consumer segment addressing retail consumers. The B2B segment of value-added product sales accounted for 70% of our revenues during the financial year review. We are focusing on growing the B2C segment to generate 50% of our targeted double-digit revenues from this segment by FY2019-20.

In the B2B segment, our objective is to ride the national consumption growth story, work with fast-growing brands and segments (quick service restaurants being one), evolve from product delivery to solutions, become integral to their success and graduate to strategic alliance partnerships. We are well-placed to make this happen. We provide large dairy product multinational, Indian corporate and institutional customers specialty ingredients and co-manufactured products (UHT milk, specialty milk powders, curd (dahi), clarified butter (*ghee*), flavoured milk, dairy whitener, yoghurts, processed and concentrated milk. Our institutional customers include some of the well-established and fastest growing brands. The Company intends to ride these relationships to increase wallet share within India and with their affiliates the world over.

In the B2C segment, we intend to

expand retail consumer product offerings, increase the availability of Prabhat products, such as ghee, curd, *paneer*, *lassi*, *chaas*, *shrikhand*, cheese, flavoured milk by expanding our cold chain network. This will allow us to strengthen our regional footprint across Western India, increase distribution channels and periodically replenish retail shelves.

#### Outlook

We are optimistic of our prospects for a number of reasons. India is the second largest population in the world but relatively under-consumed in the area of FMCG products. Even as India is the world's largest dairy consumer, a major part of this consumption in unbranded and unpackaged. The country has arrived at an inflection point marked by an increase in disposable incomes, aspirations, youthfulness and proportion of young earners. We believe that the following factors are likely to generate robust sustainable growth: a declining availability of time to cook every product, a growing willingness to buy branded products, a growing preference to experiment with new tastes and an increasing inclination to pay slightly higher for superior quality products.

Even as this is clearly a long-

We are optimistic of our prospects for a number of reasons. India is the second largest population in the world but relatively under-consumed in the area of FMCG products.

term direction marked by robust prospects, the first couple of quarters of 2016-17 have proved to be challenging on account of drought-like conditions during the past two years in Western India.

However, as long as we stick to plans of widening our procurement footprint, generating attractive economies-of-scale, increasing the proportion of revenues derived from branded downstream products, leveraging our across-the-table presence (procurement to branding) and strengthening relationships with institutional customers for their growing needs, we will continue to consistently outperform and emerge as one of the attractive proxies of this fast-growing sector.

Sarangdhar R Nirmal  
Chairman & Managing Director

# Prabhat Dairy intends to grow profitably and sustainably across the foreseeable future

## GOAL

At Prabhat Dairy, our performance ambition is to create one of the most profitable dairy product companies in India, servicing a large community of dairy farmer at the one end and addressing the growing needs of consumers of downstream dairy products at the other.

## PROBABLE GOAL CONTRIBUTORS

- Qualitative consistency
- Pocket-friendly pricing
- Efficient logistics
- In-depth experience
- Strong procurement network

## WE ARE MEASURING OUR PERFORMANCE AMBITION THROUGH:

- Robust growth  
**Volumetric sales**  
*Grew by 17% in 2015-16 against 17.30% growth in 2014-15*  
**EBIDTA margin stood at 10.30% in 2015-16**

## OUR STRATEGIC DIRECTION

- Credibility and trust
- Marketing branded downstream products
- Enhancing farmer prosperity
- Motivating our people
- Engaging in quality recruitment
- High employee engagement

## WE PRIORITISED INVESTMENTS IN

- Widening and deepening our milk procurement channels
- Cutting-edge equipment
- Downstream manufacture of dairy products
- Retail network building

# The Indian milk and dairy products industry represents multi-decade potential





“Prabhat Dairy strengthened the foundation for sustainable growth in 2015-16”

Mr. Vivek Nirmal, Joint Managing Director, reviews the Company's 2015-16 performance

Dear Shareholders

We are pleased that our first performance report to our shareholders following our IPO is a fitting showcase of our passion and determination.

The Company reported a 17% improvement in revenues and a 32% growth in PBT. This profitable growth – percentage increase in bottomline higher than the percentage increase in topline – was achieved in some of the most challenging circumstances.

During the year under review, the Maharashtra Government declared that 14,708 of the state's 43,000 villages had been affected by drought-like conditions, accounting for a little more than a third of the state. This second successive year of drought in Maharashtra affected our procurement and margins. As regional milk supply declined, there was a consequent increase in milk prices, which affected the margins of the region's dairy sector. In this challenging environment, we largely protected our EBIDTA margin at 10.30% vis a vis the EBIDTA margin of 10.4% that we reported in 2014-15.

#### Proactive initiatives

I have no hesitation in stating that the single most important reason behind the company remaining relatively insulated in the sectoral crisis was the result of various proactive initiatives that the company embarked upon across the last few years. The company could have remained a large and efficient convertor of raw milk into processed milk; the company selected to venture downstream into the manufacture of value-added dairy products. The company could have been an unbranded manufacturer of dairy products; it ventured to brand and retail these products. The company could have focused completely on the retail offtake of its brands; it ventured to work with prominent businesses with the objective to manufacture products on their behalf.

The combination of B2B institutional and B2C retail businesses provided the company

with a combination of volume on the one hand and value on the other. This combination reinforced the company's business model, protecting it from sectoral downsides, which we believe will translate into an attractive upside as soon as realities in Maharashtra improve.

Besides, the company continued to strengthen its supply chain management, operational efficiencies and cost optimisation as an ongoing discipline.

The dairy business is one of the most inclusive in India, tying in the interests of rural farmers, a professional company and thousands of semi-urban and urban consumers. At the point of origin, we touch the lives of thousands of farmers and rural intermediaries daily. The only sustainable means of growing one's business is by guaranteeing the growth of all intermediaries across the value chain. In view of this, we undertook a number of welfare initiatives for farmers, which helped correct demand-supply skews and reduce stocking needs of distributors. These initiatives allowed us to strengthen our business model across the medium-term and protect margins during the year under review.

One of our biggest priorities was the ability to work closely with all intermediaries, weaving their growth and prosperity into our business model – and vice-versa. We strengthened our procurement footprint. As the sectoral environment turned challenging, we increased the number of procurement partners – *Prabhat Mitras* – to accelerate milk procurement from farmers and registered vendors. We went wider and deeper into rural pockets; we convinced farmers about our corporate dependability in consistent procurement; we impressed upon them the virtues of partnership over vendorship. The result is that even as

the quantum of milk generation in Maharashtra increased only marginally during the year under review, the quantum of procurement at our company increased substantially.

Two, we did not strengthen procurement in isolation; we balanced this enhanced procurement with the ability to produce a larger quantum of value-added downstream products – cheese, ghee, sweetened condensed milk, paneer, dahi, lassi and shrikhand – that would more than recoup the higher cost of milk. In view of this priority, we engaged with downstream retail chains and retailers, widening the number of relationships. The result was that the proportion of revenues derived from value-added products increased on a y-o-y basis.

### Our strategy

The objective at Prabhat Dairy is to be differently effective. Both words have been prudently used; we believe that 'different' will strengthen our brand in consumer minds; the 'effective' will represent an unmistakable focus on value delivery.

For instance, during the year under review, the Company's 'Raftar' approach helped deliver fresh curd in chilled vans directly to local grocery stores; chilling boxes attached to two-wheelers ensured rapid cost-effective delivery to the country's rural heartland. The Company widened its distribution channels in FY2015-16, established a distribution channel to address the specialized needs of the HORECA segment, worked closely with various chefs, established a growing presence at food festivals to engage with diverse stakeholders and opinion-makers, and broke new ground by establishing a Prabhat Sales Academy (Eklavya) with the objective to enhance the skill of our sales personnel. We believe that these initiatives will extend beyond simplistic capacity accretion; they will enhance

business quality and sustainability.

### Our optimism

There are a number of long-term sectoral opportunities in addition to medium-term corporate initiatives that enhance my optimism. Let me start with the former. India is passing through a period of increased urbanisation and exposure to different cultures, which is resulting in palate transition manifested in a growing consumption of new and value-added products.

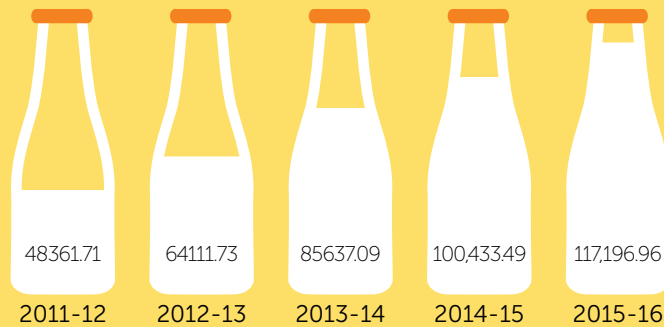
Prabhat Dairy stands at the inflection point of its existence. The Company has been consistently engaged in enlarging its procurement at one end and widening its product mix at the other. We started our branding activities in 2012-13 and are young in this respect. However, growing investments in widening our footprint will enhance the proportion of revenues from branded points faster than before, strengthening our overall margins. Here I must add that our successful IPO helped right-size the Company's Balance Sheet through substantial net worth infusion on the one hand and enhanced corporate visibility on the other (that we expect will translate into superior recruitment, among other things). Lastly, we believe that we now possess the capacity to address a wider customer base that will make it possible to focus on consolidation and enhancing capacity utilisation.

We believe that the combination of these initiatives should serve as an effective hedge against procurement challenges, preparing us for the organic market growth on the one hand and overcome supply chain challenges on the other.

In view of these realities, I am optimistic of the Company's prospects across the foreseeable future.

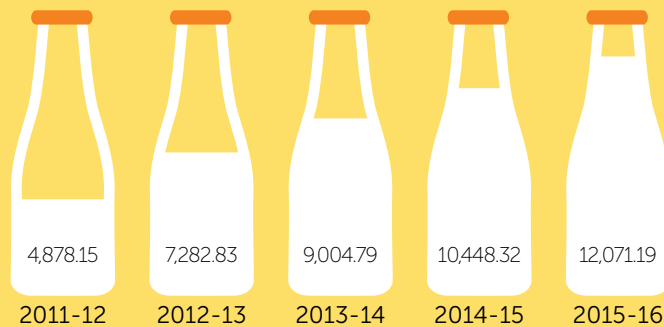
# This is how Prabhat Dairy emerged as one of the fastest-growing dairy companies in India

## Total income (Rs. lac)



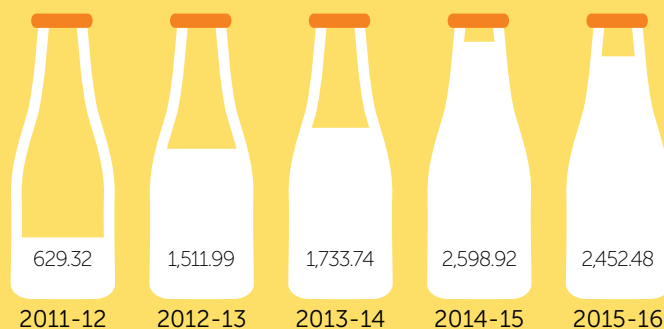
NEW PRODUCT ADDITION AND GROWTH IN CONVENTIONAL BUSINESS LINES DROVE VOLUMES AT A CAGR OF 25% OVER THE YEAR

## EBIDTA (Rs. lac)



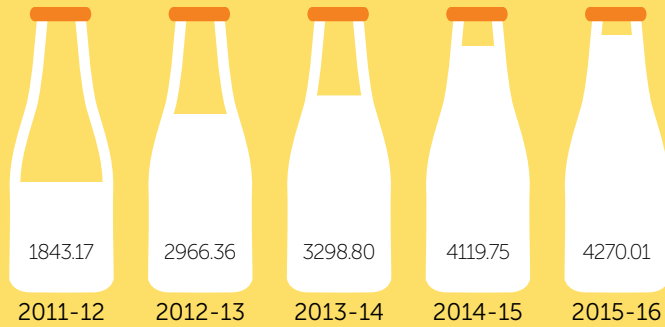
A VALUE-ADDED PRODUCTS FOCUS AND OPERATIONAL EFFICIENCY ENHANCED THE COMPANY'S EBIDTA

## Net profit (Rs. lac)



THE COMPANY'S STRATEGY HELPED STRENGTHEN THE BOTTOMLINE ACROSS THE YEARS ENDING IN 2015-16.

### Interest (Rs. lac)



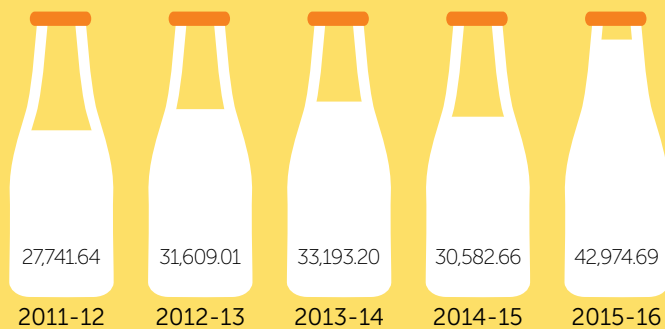
A MARGINAL INCREASE IN INTEREST EXPENSE WAS MORE THAN OFFSET BY A CONSIDERABLE INCREASE IN REVENUES

### Debt-equity ratio (x)



THE INCREASE IN EARNINGS HELPED PROTECT THE COMPANY'S GEARING

### Net block\* (Rs. lac)



THE COMPANY INVESTED IN ITS FUTURE AND ACCELERATED ASSET-BUILDING

\*Tangible/Intangible (excluding WIP)



# These elements of Prabhat Dairy's business model are helping enrich stakeholders and enhance lifestyles.



## INTEGRATED OPERATIONS

Prabhat Dairy is an end-to-end home-grown dairy company. The company's business model extends from the purchase of cow fodder to captive dairying (milk processing) to distribution (chilled, cold and ambient) to the branded manufacture of downstream dairy products. While some competitors are milk aggregators with no downstream branding, or largely brand-driven who procure milk from focused aggregators, Prabhat is engaged in aggregation, processing and branding (value-added products) – a sustainable business model across market cycles.



## CATTLE WELFARE

The Company has extended beyond mere procurement, processing, packaging and branding. Over the years, the Company engaged extensively with farmers with the objective to educate farmers in cattle breeding, nutrition, medical care (preventive and curative) and fodder cultivation across seasonal cycles. The result is that yields have strengthened in the catchment areas addressed by the Company, increasing regional throughput.



## ROBUST PROCUREMENT

Coming from a modest farming background, the management invested in the direct procurement of milk from farmers and engaged extensively in educating them in cattle breeding, nutrition, medication, insurance and financing. These engagements gradually transformed into enduring win-win relationships that enhanced farmer yields and income at one end and the Company's raw material security at the other. As of March 31, 2016, the Company's milk collection platform comprised more than 440 milk collection centres, over 20 milk chilling centers within the radius of 20 kilometres and over 100 bulk milk coolers. The Company intends to grow its direct milk procurement network by increasing the number of Prabhat Mitras.

## Prabhat Dairy. Making a positive transformation







### RELATIONSHIP-DRIVEN APPROACH

The Company's commitment to responsible partnership is reflected in that fact that a significant number of dairy farmers have been engaged with the Company for more than five years.



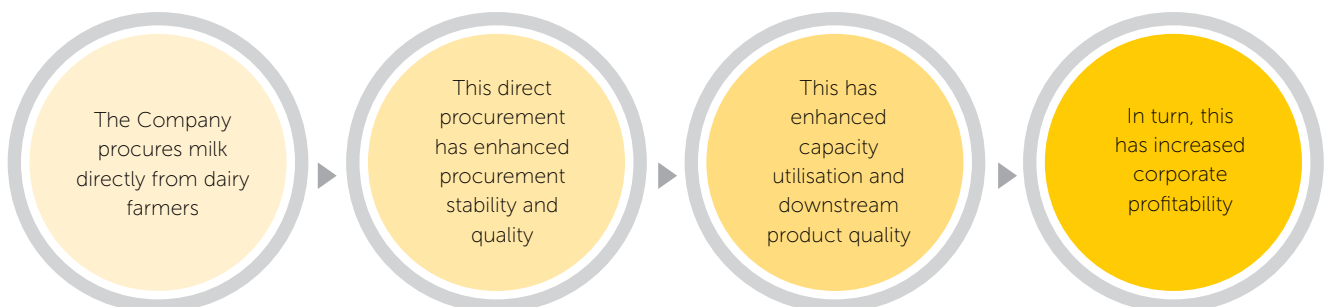
### STRATEGIC LOCATION

The Company's Shirampur manufacturing facility is strategically located in the vicinity of India's largest dairy cow milk producing district of Ahmednagar among population clusters in India. The Navi Mumbai facility leverages the ease of access to local milk producing regions on the one hand and proximity to one of the largest urban milk consuming centres in the world.



### GROWING SCALE

The Company has prudently invested in scale beyond its immediate utilisation capability. This has been done from the perspective of generating superior equipment procurement deals, providing farmers the confidence that the Company has abundant processing capacity (incentivising additional sales to the Company), making it possible for the Company to address diverse customer types (retail and institutional) and enhance the Company's preparedness to address sudden increases in demand. The Company expanded capacities at its Shirampur facility for the manufacture of mozzarella, cheddar and processed cheese, paneer and shrikhand.





## STRATEGIC DIVERSITY

The Company has extended its dependence from the marketing of packaging milk to the manufacture of value-added branded downstream products and supplying products to branded institutional customers. As a further de-risking, the Company extended to the manufacture of diverse products - cheese, ghee (clarified butter), fresh milk, paneer, curd, yoghurt, milk powder and dairy-based beverages – that moderated its dependence on the success of any single product. Besides, the Company's products are marketed across diverse customer categories – retail, hospitality and institutional – safeguarding the Company from an over-dependence on any customer segment.



## DISTRIBUTION CHANNELS

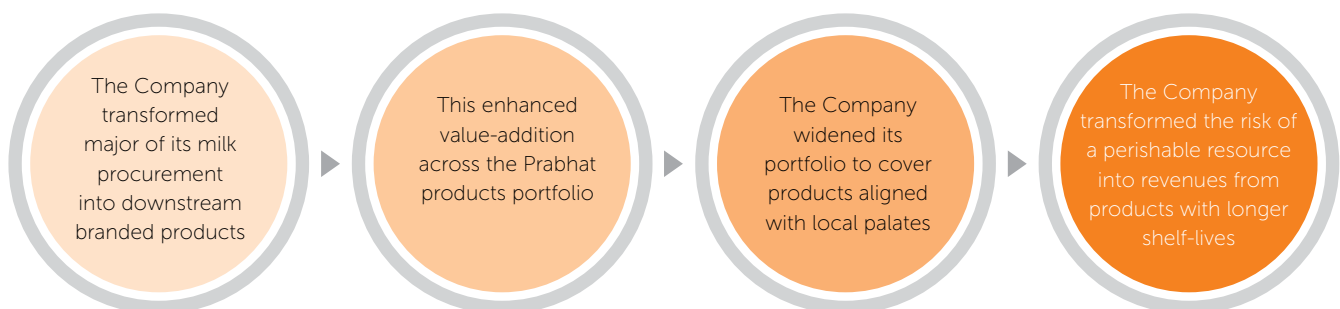
The Company leverages modern trade channels (supermarkets and hypermarkets) and conventional trade channels (downtown and neighbourhood stores). These are concentrated in Maharashtra, Gujarat and some parts of Madhya Pradesh pockets, given the premium on the short shelf-life and need for the freshness of milk-based products.



## INSTITUTIONAL CLIENTELE

The Company, in addition to servicing the needs of a large number of retail customers, also entered into large and enduring arrangements to manufacture on behalf of some of the most prominent food brands of the country. About 70% of the Company's revenues were derived from institutional brands. The Company has consistently reinforced its commitment to responsible partnership with institutional customers.

## Prabhat Dairy. Making a positive transformation





## BRAND VISIBILITY

Tactical product promotional initiatives helped enhance visibility of the Company's prominent dairy brands in Maharashtra, its principal market. The effectiveness of the Company's marketing and brand building was validated by its recognition as one of 'Asia's fastest-growing marketing brands – FMCG sector' at the World Consulting and Research Corporation Leaders' Summit in 2014. The Company plans to widen offerings to tap into attractive downstream segments.



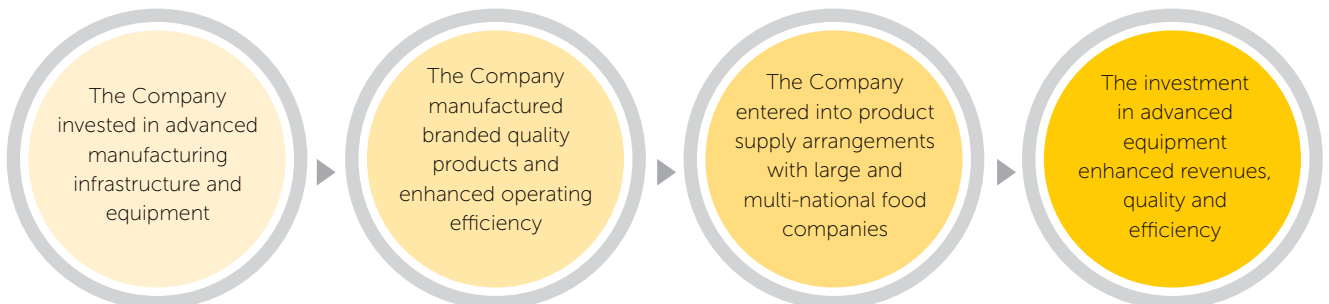
## TECHNOLOGY INVESTMENT

The Company has been a proactive investor in cutting-edge sectoral technologies. This has helped the Company enhance operating efficiencies and attract credible institutional customers. The company has invested in equipment manufactured by some of the most credible global vendors, reinforcing the Company's brand as one driven by global quality standards. As a result, this proactive investment has strengthened operating efficiencies, food hygiene and capacity utilisation, enhancing overall viability. The Company has started setting up a captive cogeneration facility to produce power along with steam, reducing costs. The Company will continue to upgrade automation to address changing customer preferences.



## QUALITY CONTROL

Prabhat is a responsible food company. Over the years, the Company invested extensively in qualitative consistency and food safety – from procurement to dispatch. The Company's standards were certified by the Food Safety and Standards Authority of India for pasteurised milk, flavoured milk, butter, ghee and fermented milk products. The Company has also been certified with the Agmark for ghee and butter and Halal accreditation for UHT and flavoured milk products, skimmed milk powder, whole milk powder, dairy whitener, and sweetened condensed milk. This wide complement of certifications has made it possible for the Company to address diverse government regulations on the one hand and a growing consumer need for unquestionable quality on the other.



### Partnered with BAIF

In a post-Balance Sheet development, Prabhat Dairy tied up with a five decade-old NGO called BAIF for a period of five years to commission cattle breeding centres. BAIF possess a rich track record in this respect; it implemented similar viable programmes across 26 states. These cattle breeding centres conduct artificial insemination, vaccination and de-worming.

BAIF will provide quality breeding services to dairy farmers in Ahmednagar and Aurangabad districts. In Phase-I, 50 cattle breeding centres will provide doorstep services to about 25,000 milk producers across 500 villages.

About 275,000 insemination procedures are likely to be performed over five years; about 55,000 female calves will be added to the Company's milk sheds likely to generate an additional 100,000 litres of milk a day from the third year of the programme, enriching the rural economy by an estimated Rs. 80 crore a year.

In Phase-II, BAIF will help increase the number of these centres to 200.

### Partnered with Abbott

Abbott and Prabhat Dairy came together with dairy farmers in Shirirampur to celebrate the launch and early success of their program Nirmal Dhara focusing on developing local economies and increasing farmer capacity to produce quality milk.

Early results of the 'Nirmal Dhara' program in the first five villages were encouraging, with more than 350 farmer households already participated in the program since initial efforts began in March 2016.

The program aims to expand from five initial villages (Kolhar, Ozer, Bhandgaon, Bel-Pimpalgaon and Nimgaonwagha) to five additional villages by the end of 2016, with the goal of reaching upto 1,500 farmers.



## Driver of excellence Procurement management

### Overview

Procurement management represents the heart of the Company's competitiveness. Any deviation from the budgeted plan – in terms of volumes purchased, or even the time taken to procure and transports – could affect the Company's viability. The complexities related to procurement revolve around the distance from the point of procurement to the plant, product freshness, the engagement with dairy farmers twice a day (resulting in more than 700 supply chain cycles a year), the need to engage with farmers beyond the transaction and transform a commercial engagement to one based on mutual trust.

The Company procures a significant proportion of milk directly from dairy farmers and registered vendors, in a cost-competitive manner. Over the years,

the Company enhanced procurement volumes by engaging repeatedly, pricing transparently, handing out advances and undertaking welfare activities.

The Company's direct procurement makes it possible to control raw milk costs and maximise quality. Over the years, the Company's direct engagement with farmers translated into increasing volumes procured: during the year, the Company achieved the maximum milk procurement level of 10,00,000 litres per day.

### Initiatives

The Company strengthened its procurement through proactive investments in the supply chain, advanced equipment and a growing team. This is how the Company made it happen:



#### Prabhat Dairy Quality Mission:

The Company brought to its milk procurement a differentiated approach – the creation of a comprehensive initiative directed at enhancing procurement and raising procurement quality. The Company created a team of *Prabhat Mitras* to not just coordinate milk procurement from dairy farmers and registered vendors, but to foster livestock ownership, increase milk output for commercial sale and engage with the Company for milk sales. Besides, the Company partnered veterinarians (*Pashu Mitras*) to assist dairy farmers in cattle medication, de-worming, vaccination and cattle welfare. The Company educated farmers in modern fodder manufacturing techniques to counter drought, protecting cattle health and milk output. The Company has dedicated collection centers in more than 440 villages and plans are underway to

take this to 2000 villages by 2017-18. The Company's decision to channelise payments directly to farmer bank accounts increased financial inclusion and transparency. The result is that the Company now enjoys a farmer retention ratio in excess of 90%, enhancing procurement security.

**Bulk milk coolers:** The Company commissioned 100 bulk milk coolers (capacity of 2,000 litres) across 95 villages. Each such facility is equipped with advanced equipment for collecting, testing and storing raw milk. The milk from these coolers is directly transported to the Company's procurement centres for specialised inspection.

**Associated chilling plant:** The Company procured milk from independent channels to address incremental and unforeseen demand, enhancing its procurement flexibility. The raw milk collected from these sources – prices influenced by fat and SNF content in milk quality - was tested through automated equipment following which it was transported to production facilities.

Automated milk collection units and in-house developed Milk ERP (Prabhat milk procurement system) is efficiently managing milk procurement automation at our more than 440 milk collection centers, 100 Bulk Milk Coolers and over 20 chilling centers. It also revolutionized milk producer payment methods by using the in-house D2B concept (dairy-to-bank) providing banking services to milk producers.

#### Highlights, 2015-16

- The Company reorganised procurement routes, increased capacities and added more centres along existing routes, enhancing economies-of-scale coupled with larger procurement.
- The Company educated farmers in advanced techniques like hydroponics

to grow fodder and boost milk yields, increasingly relevant in droughts and helping small farmers save water and money.

- The Company supplied cattle feed to farmers at concessional rates.

- The Company collaborated with farmers, helping them procure fodder in a manner that made it possible for round-the-year use without compromising nutritive integrity; this helped increase milk output without incurring higher expenditure.

- The Company demonstrated the benefits of a loose cattle housing system (cattle to be fed only when hungry and watered only when thirsty), which moderated disease incidence; this increased milk output 5-10% and saved resources.

- The Company commenced training at Shirampur where local youth were taught a range of subjects from economics to cattle nutrition, empowering a number to commence their businesses with minimal capital investment.

- The Company collaborated with TATA Capital to finance farmers in livestock purchase and management; the Company worked with an insurance company to protect itself from cattle diseases and mortality.

- The Company encouraged women's self-help groups (*Prabhat Sakhis*) to kickstart a milk collection centre; the Company intends to create 100 more SHGs; these SHGs commenced cattle farming using techniques like hydroponics to strengthen prospects.

#### Outlook

The Company embarked on the ambitious target to double the number of milk chilling centres and extend into new geographies resulting in wider procurement.

# Quality control



IN THE BUSINESS OF MILK PROCUREMENT AND DAIRY PRODUCTS MANUFACTURE, QUALITY IS NOT AN ISSUE THAT NEEDS TO BE ADDRESSED AT SOME POINT OF THE VALUE CHAIN; IT IS A SUBJECT THAT WARRANTS COMPLETE AND CONTINUOUS ATTENTION.

There are a number of reasons that enhance the quality imperative. **One**, raw milk is a perishable product with a usability period not exceeding two days. **Two**, the resource needs to be chilled and transported in a refrigerated condition. **Three**, the products need to be transformed to prevent deterioration. **Four**, as one transforms milk into downstream products, there is a growing emphasis to refrigerate, prolong shelf life and market with speed to accelerate consumption before the expiry date.

The Company deployed a dedicated quality control team responsible for enhanced compliance with GMP guidelines set down by the relevant regulatory agencies. The Company's comprehensive quality control system extends from procurement to storage to product delivery. The Company enhanced its regular safety-related training drills for employees to increase awareness, provide safety equipment and ensure relevant warning signs continued to be displayed prominently at key locations

(in English, Hindi and Marathi languages).

The result of these initiatives is that the Company's products and facilities were validated by the Food Safety and Standards Authority of India, Agmark, Halal and ISO 22000:2005 certification. Besides, the Company's quality commitment was recognised by the Confederation of Indian Industry and Mondelez International, endorsing its quality practices.

### Procurement and storage

The Company's raw milk procurement passes through an array of tests – sensory, boiling, tasting, grain alcohol, acidity, microbiological, adulterant and antibiotic residual – to ensure compliance with applicable quality standards. The Company's association with credible institutional customers resulted in increased quality benchmarks especially in co-manufactured and specialty ingredient products. The Company strengthened hygiene standards through periodic inspections of operating and storage

facilities.

### Raw milk delivery

The Company's milk trucks are equipped with temperature control equipment to protect in-transit raw milk quality. As a matter of precaution, each milk truck is sealed at collection facilities and unsealed by authorised personnel at the production facilities. At this delivery point, the milk is comprehensively inspected to ascertain quality. Besides, the Company regularly reviews services provided by third-party logistics partners for dispatch timeliness and delivery, vehicle condition and raw milk quality.

### Raw material supply

The Company implemented stringent raw milk quality checks before engaging external suppliers. Following qualification, the suppliers are subject to routine inspection and evaluation. The Company also conducts UV testing at its production facilities to remove impurities from water.

### Packaging, storing and delivering

The Company engaged periodically in batch-wise quality product inspection to ensure compliance with food safety standards laid down by the Food Safety and Standards Authority of India. The Company implemented comprehensive quality standards in the areas of packaging and product loading, delivery and

unloading to ensure a compliance with product transportation guidelines leading to product quality and safety. The Company made customised investments in product packaging (milk powder and curd) sensitive to temperature and humidity changes; the Company established a sterile room equipped with top-of-the-line HVAC systems, vacuum and nitrogen

flushing technology to remove air bubbles and impurities before sealing the packages with the objective to increase shelf-life and product freshness. As a precaution, the Company stores samples per batch to facilitate traceability. Besides, the Company conducts retail sampling to measure transportation and storage standards.

## Research and development



IN THE BUSINESS OF MILK PROCESSING AND DOWNSTREAM PRODUCT MANUFACTURE, THERE IS A PREMIUM ON THE ABILITY TO RESEARCH NEW WAYS TO ENHANCE PRODUCT INTEGRITY AND INTRODUCE NEW PRODUCTS.

Over the years, Prabhat invested in cutting-edge technologies to address emerging product safety benchmarks and offer customised products. The Company invested in advanced laboratories to eliminate microbial components. The R&D team is divided into two segments, one for improving market products and the second for developing new ones. The R&D team conducts feasibility studies and prepares standard operating procedures to enhance process discipline, analysis of quality norms

and adherence to parameters. The Company's trained sensory advisors evaluate products in terms of taste and aesthetic appeal.

#### Highlights, 2015-16

- Created a process to utilise solid ghee residues, helping recover 21% of the material, which was remaining unused.
- Leveraged customer feedback to address solubility issues with skimmed milk powder.

#### Product launches, 2015-16

- Commenced *mishti doi* supply to Indian Railways
- Introduced *shrikhand* in diverse flavours (mango, *elaichi* and dry fruit)
- Produced a variety of cheeses including cheddar and mozzarella (shredded and blended)
- Added a variety of instant mixes – *gulab jamun* and ice cream – to the portfolio

## Pioneering developments, 2015-16

- Launched *mishti doi* in Maharashtra and thus brought the flavours of West Bengal to Maharashtra
- Introduced a mango-flavoured *lassi* to cater to a wider range of palates
- Began manufacturing of *shrikhand* in three flavours

- Offered flavoured milks such as *badam* and butterscotch
- Launched different paneer varieties (hot dip, cube, *malaai* and low-fat)
- Unveiled fresh pasteurised paneer with 45-day shelf-life at affordable costs

### Outlook

The Company's newly introduced product *ghar jaisa dahi*, which replicates the taste and texture of homemade dahi. Containing high-fat and protein, this product enjoys attractive prospects. The Company is also reformulating its cooled milk product in new flavours (cold coffee and chocolate). Moreover, the Company is focusing on supplying processed cheese sticks to QSR chains. With growing protein

deficiency among children and youth, the Company is focusing on producing instant milk with high protein content. The Company intends to capitalise on popular international culinary trends through the introduction of a Greek yoghurt variant.

Prabhat Cheese is produced from the fresh and unadulterated milk procured directly from dairy farmers to offer the best quality cheeses to its consumers. The manufacturing facility located at Shirampur is one of India's largest and capable of manufacturing 20 tonnes of cheese (mozzarella, cheddar and processed) on a daily basis.

## Operations



IN THE BUSINESS OF MILK PROCESSING AND THE DOWNSTREAM MANUFACTURE OF PROCESSED DAIRY PRODUCTS, THERE IS A PREMIUM ON THE ABILITY TO MANUFACTURE AROUND THE HIGHEST PRODUCT QUALITY ON THE ONE HAND AND AT THE HIGHEST OPERATING EFFICIENCY ON THE OTHER. THE FORMER ENHANCES THE BRAND THAT DRIVES OFFTAKE AND, IN TURN, LEADING TO HIGHER CAPACITY UTILISATION; THE LATTER MAKES IT POSSIBLE FOR THE COMPANY TO MANUFACTURE THE LARGEST QUANTITY AT ONE OF THE LOWEST PER UNIT COSTS, STRENGTHENING COMPETITIVENESS.



Over the years, Prabhat invested in sophisticated manufacturing facilities comprising cutting-edge equipment sourced from some of the most respected global technology suppliers. This advanced equipment ensured product integrity that enhanced consumption safety. The high proportion of investments in the Company's manufacturing equipment in the five years leading to 2015- 16 is a validation of contemporary equipment.

**The Company's manufacturing facilities were invested with cutting-edge equipment:**

- Advanced refrigeration facilities comprising vapour absorption mechanisms with enhanced efficiency.
- Express feeder connections that ensure uninterrupted power supply
- Boilers comprising variable fluid bed designs to improve fuel efficiencies.
- The Company invested in cost-effective direct steam injection technology to ensure an uninterrupted supply of hot water at specified temperatures for various activities.
- The Company installed homogenisers, separators and centralised cleaning units as well as vapour absorption machines to reduce energy costs.
- The Company implemented SCADA (supervisory control and data acquisition) automation technology systems to enable real-time monitoring, system modifications, troubleshooting, increasing equipment life and automatic report generation
- The Company's facilities complied

with GFSI guidelines.

**The Company invested in advanced manufacturing facilities comprising the following:**

- Processing equipment including bactofuges, UHT sterilisers, milk pasteurisers, cheese making vats, block formers, mozzarella stretching lines, ultra-filtration (cheese milk) and nano-filtration units, among others
- Contemporary Italian steam stretching technology as opposed to the conventional hot water option for mozzarella cheese stretching
- State-of-the-art multistage drying, continuous cheese manufacturing and packaging facilities
- The latest Quark technology for the manufacture of shrikhand comprising culinary steam filters to undertake the bactofugation of milk to avoid pathogenic hazards
- Robust effluent treatment plant armed with reverse osmosis and demineralisation facilities to guarantee safe downstream use in the manufacture of various milk products

**The Company invested in international standards comprising the following:**

- Co-gen plant in which we are having captive 3 MW power plant at Shirampur which is completion. The Company will be able to save energy and utility costs
- Safety and quality standards benchmarked with the best in the world
- Infrastructure facilities designed, constructed, maintained and inspected in accordance with applicable food safety standards and

regulations

- Sampling tests to ensure that appearance, colour, odour, taste and nutrients comply with applicable safety and quality standards

The Company implemented stringent safety and quality standards at each stage of the production process. The infrastructure and facilities in the production facilities were designed, constructed, maintained and inspected in accordance with applicable food safety standards, laws and regulations. Major tests included sampling checks to ensure that appearance, colour, odour, taste and nutrients complied with applicable safety and quality standards.

**The year, 2015-16**

- Completed the commissioning of a new fermented milk products manufacturing facility and successfully launched the products in the Indian market
- Added Shirampur capacity for the manufacture of mozzarella, cheddar and processed cheese, paneer and shrikhand
- Installed a quick freezing unit for paneer manufacturing
- Achieved full capacity utilisation (30 tonnes per day) at its drying plant
- Saved electricity consumption to a considerable extent by installing variable frequency drives for all electrical motors and pumps
- Invested necessary systems and processes for the installation of a 40 metric tonne-capacity milk powder plant, which is under construction process.

# Sales, marketing and distribution



IN THE DAIRY BUSINESS, THERE IS A GROWING NEED TO MANUFACTURE AND MARKET BRANDED DOWNSTREAM PRODUCTS. OVER THE YEARS, THE COMPANY HAS INCREASED SALES OF A VARIETY OF PRODUCTS, WHICH CAUSED THE PROPORTION OF REVENUES FROM DOWNSTREAM PRODUCTS TO INCREASE INCREMENTALLY.

**Sales:** Since a major proportion of the Company's products have a limited life, there is a premium on the need to market products soonest after manufacture. The Company's products are largely distributed inside Maharashtra, the state where the Company has two manufacturing facilities. For products (*ghee*, cheese and UHT milk) with longer shelf-lives, the Company enjoys a strong pan-India marketing network (except the Southern region).

**Marketing:** The Company's sales and marketing team engages in a variety of marketing and promotional activities addressing different consumer groups. Products are promoted through branding and advertising (across print, electronic and online media). The marketing competence was recognised at the WCRC Leaders' Summit 2014 where the Company was recognised as one

of Asia's fastest-growing brands in the FMCG sector.

**Distribution:** The Company's distribution network comprises super-stockists, C&F, CSA, modern trade retail shops third-party distributors as well as modern and specialty channels. Currently, the Company's retail distribution network covers Maharashtra, Madhya Pradesh, Goa, Gujarat, Rajasthan, Himachal Pradesh, Jammu and Kashmir, West Bengal, Assam, Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Punjab, Haryana and other North Eastern states where it markets packaged products with a longer shelf-life.

**Raftar:** For the distribution of curd with a relatively short life-span, the Company distributes the product to Mumbai metropolitan area retail outlets and proximate towns through a large refrigerated fleet. Through this model the Company reached 9,000

outlets in the Mumbai metropolitan area, reporting sales of 100 tonnes of curd a month (against 10 tonnes a month a year ago).

**Third-party distributors:** The Company's third-party distributors penetrate new markets and leverage their established relationships with local sales channels.

## The year, 2015-16

- Appointed C&F and CSA agents (carrying and forwarding) for multiple delivery points in the Maharashtra, Goa, Gujarat, Haryana, Himachal Pradesh, Punjab, Jammu and Kashmir, Assam and West Bengal. This model will help Prabhat penetrate the market deeper. The Company plans to appoint a C&F for its HORECA (hotels, restaurants and catering) business in Southern India.
- Mapped neighbourhood retail stores and replenished stocks weekly.

## Product-wise growth

Figures in Crores

Year	FY 15-16			FY 14-15			Growth %		
	Quantity	Value	Per Unit Price Rs.	Quantity	Value	Per Unit Price Rs.	Quantity	Value	Per Unit Price
Milk	8.80	242.17	27.53	7.73	236.83	30.66	14%	2%	-10%
Milk Powders	1.86	333.61	178.93	1.26	299.91	237.20	47%	11%	-25%
Butter + Ghee	0.89	245.91	277.10	0.35	110.27	314.58	153%	123%	-12%
Condensed Milk	4.32	268.91	62.30	4.14	283.72	68.54	4%	-5%	-9%
Curd	0.37	18.76	50.05	0.28	15.01	53.84	34%	25%	-7%
Ice Cream	0.16	12.07	77.65	0.12	9.54	77.67	26%	26%	0%
Flavored Milk	0.01	0.84	68.22	0.02	1.13	69.11	-25%	-26%	-1%
UHT	0.29	11.76	40.14	0.16	6.12	37.80	81%	120%	6%
Cheese, Paneer & Shrikhand	0.01	2.19	221.54	0.00	0.00		-	-	
<b>Total Products Sale</b>	<b>37.67</b>	<b>1136.22</b>		<b>32.33</b>	<b>962.53</b>		<b>16%</b>	<b>18%</b>	
Trading & Others		26.53			29.86				
Revenue from Services		8.24			11.08				
<b>Total Revenue</b>		<b>1,171.97</b>			<b>1004.33</b>			<b>17%</b>	

Quantity of Milk, UHT Milk, Flavored Milk and Ice Cream are in Litres. Curd, Milk Powders, Butter, Ghee, Condensed Milk, Cheese, Paneer and Shrikhand are in Kgs.

**Note :** Despite a decline in global milk prices over the past two years, we were able to grow our topline by 17% and retain our margins in 2015-16, on the back of our ability to process and market a higher quantum of value-added products including cheese, paneer, ghee, flavoured milk, etc.

### Evolving product mix

Prabhat Dairy's revenue profile, 2014-15	Prabhat Dairy's revenue profile, 2015-16
Milk: 24%	Milk: 21%
Other value added products: 72%	Other value added products: 76%

### Comparison of B2B and B2C

B2B:76% FY 2014-15	B2B:70% FY 2015-16
B2C:24% FY 2014-15	B2C:30% FY 2015-16

- Provided distributors with two-wheelers customised with chillers and sipper boxes for product distribution.
- Equipped distributors with refrigerators and other assets to retain product quality.
- Engaged with modern retail brand like Big Bazaar, Reliance, hypercity and D-Mart to enhance stocking and

product availability

- Merged its longer shelf-life and shorter shelf-life segments, creating one point of connect that enhanced seamless delivery.

#### Outlook

The Company plans to deliver 'just-in-time' across South Mumbai to

optimise storage costs and ensure zero inventory levels. Besides, the Company plans to deploy vehicles with GPS and temperature-tracking systems in Mumbai. From a marketing perspective the Company intends to promote its branded products by airing its first television commercial in 2016-17.

# Human resource competence



**A**T PRABHAT, OUR BIGGEST ASSET IS OUR 1200-MEMBER TEAM. THIS TEAM POSSESSES AN AGGREGATE EXPERIENCE EXTENDING TO SEVERAL HUNDRED YEARS OF CUMULATIVE INDUSTRY EXPERIENCE. THE COMPANY'S EXPERIENCE IS MARKED BY A RICH INSIGHT INTO TERRAIN CHARACTERISTICS, INDUSTRY REALITIES, FARMER RELATIONSHIPS AND MARKET CYCLES.

At Prabhat, this experience has translated into the following competencies:

- Processes and systemic robustness resulting in organisational scalability
- Ongoing governance in all dealings, strengthening organisational credibility
- Recruitment of professionals and creation of focused teams contributing to growth.

Over the years, the company has reinforced employee productivity through training, enunciation of key result areas, empowerment and accountability.

## Activities, 2015-16

- Conducted its 286th training programme, an exercise begun five years ago, to hone skills of Prabhat employees in the realms of food safety management system, quality assurance, GMP, GLP, GHP, among others.
- Conducted awareness enhancing programmes (food safety management system, information safety management system and worker safety).
- Celebrated Safety Week comprising live fire extinguisher demonstrations and LPG gas awareness sessions for employees.
- Signed MoU with Directorate of Skill Development, Employment and Entrepreneurship (DSDE & E), Government of Maharashtra, to facilitate youth employment for the dairy sector.
- Celebrated employee get-togethers during Ganesh Utsav, Safety Week, World Yoga Day, World Milk Day, Prabhat Foundation Day and World Environment Day.
- Arranged employee health camps (eye tests, blood pressure, sugar and ECG) and blood donation camps.
- Conducted awards programme for the children of employees who excelled in their Board examinations.
- Started a free-of-cost clinic for the benefit of all Prabhat employees and their family members

# Corporate Information

## Board of Directors

Mr. Sarangdhar R. Nirmal, Chairman & Managing Director  
Mr. Vivek S. Nirmal, Joint Managing Director  
Mr. Ashok Sinha, Independent Director  
Mrs. Seemantinee Khot, Independent Director  
Mr. Omprakash Venkatswamy Bundellu, Independent Director  
Mr. Soundararajan Bangarusamy, Additional Independent Director  
Mr. Rajesh Srivastava, Additional Director  
Mr. Raphael Plihon, Additional Director

## Chief Financial Officer

Mr. Raviraj Vahadane

## Company Secretary & Compliance Officer

Ms. Priya Nagmoti  
E-mail : priya.nagmoti@prabhatdairy.in

## Statutory Auditors

B S R & Co. LLP  
Chartered Accountants  
Godrej Castlemine, 7th Floor  
Bund Garden Road  
Near Ruby Hall  
Pune – 411 001

## Bankers / Lenders:

ICICI Bank Ltd.  
Rabobank International  
Indusind Bank Ltd.  
Societe Generale  
Kotak Mahindra Bank Ltd.  
HDFC Bank Ltd.

## Registrar & Share Transfer Agents

Karvy Computershare Private Limited  
"Karvy Selenium Tower B" Plot No. 31 & 32, Gachibowli,  
Financial District, Nanakramguda, Serilingampally,  
Hyderabad - 500 032, Telangana  
Tel. no. - +91 40 67162222

## Wholly Owned Subsidiaries

1. Cheese Land Agro (India) Private Limited
2. Sunfresh Agro Industries Private Limited

## Website:

[www.prabhatfresh.com](http://www.prabhatfresh.com)

## Members of Audit Committee

1. Mr. Omprakash Venkatswamy Bundellu, Chairman
2. Mr. Ashok Sinha
3. Mr. Soundararajan Bangarusamy
4. Mrs. Seemantinee Khot
5. Mr. Rajesh Srivastava
6. Mr. Vivek S. Nirmal
7. Mr. Raphael Plihon, Observer

## Members of CSR Committee

1. Mrs. Seemantinee Khot, Chairperson
2. Mr. Sarangdhar R. Nirmal
3. Mr. Rajesh Srivastava
4. Mr. Raphael Plihon

## Members of Risk Management Committee

1. Mr. Sarangdhar R. Nirmal, Chairman
2. Mr. Vivek S. Nirmal
3. Mr. Omprakash Venkatswamy Bundellu
4. Mr. Rajesh Srivastava
5. Mr. Raphael Plihon

## Stakeholders' Relationship Committee

1. Mr. Ashok Sinha, Chairman
2. Mr. Sarangdhar R. Nirmal
3. Mr. Vivek S. Nirmal

## Nomination & Remuneration Committee

1. Mr. Ashok Sinha, Chairman
2. Mr. Omprakash Venkatswamy Bundellu
3. Mr. Rajesh Srivastava
4. Mr. Raphael Plihon

## Registered & Corporate Office

**Regd. Office & facilities :** 121/2A, At Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720

Tel. no. - +91 2422 645901

Fax - +91 2422 265816

**Corporate Office & facilities :** Plot No. D37/4, TTC Industrial Area, Turbhe, Navi Mumbai – 400 705

Tel No. - +91 22 41287700

## Corporate Identification Number (CIN)

U15203PN1998PLC013068

## Financial Highlights (Consolidated)

(Amount in ₹ Lakhs)

Particulars	Consolidated				
	2015-16	2014-15	2013-2014	2012-13	2011-12
Domestic Sales (excluding excise duty)	116194.00	98799.02	84946.77	63823.86	48257.24
Sale of Services	804.38	1107.75	461.88	11.19	0.00
Other operating revenue	52.02	429.44	127.38	75.62	44.81
Total Sales	117050.40	100336.21	85536.03	63910.67	48302.05
<b>% Growth</b>	<b>16.66</b>	<b>17.30</b>	<b>33.84</b>	<b>32.31</b>	
<b>CAGR%</b>	<b>25%</b>				
Other Income	146.56	97.28	101.05	201.06	59.66
Total Income	117196.96	100433.49	85637.09	64111.73	48361.71
Total Expenses	105125.77	89985.17	76632.29	56828.90	43483.56
Gross Margin	26226.78	22814.51	18380.82	13409.50	9985.74
<b>Gross Margin %</b>	<b>22.38</b>	<b>22.72</b>	<b>21.46</b>	<b>20.92</b>	<b>20.65</b>
Profit before Depreciation, Interest, Extra ordinary Items and Tax	12071.19	10448.32	9004.79	7282.83	4878.15
% to Total Income (EBIDTA Margin)	10.30	10.40	10.52	11.36	10.09
<b>CAGR % in EBIDTA margin</b>	<b>25.42%</b>				
Depreciation	3989.95	3440.02	3346.29	2500.37	1586.15
EBIT	8081.23	7008.30	5658.50	4782.47	3292.00
Interest (incl. finance cost)	4270.01	4119.75	3298.80	2966.36	1843.17
Extra ordinary Items of Expenses	0.00	0.00	0.00	0.00	0.00
Profit Before Tax / (Loss)	3811.22	2888.56	2359.70	1816.11	1448.83
(% to Total income)	3.25	2.88	2.76	2.83	3.00
Tax	1358.73	289.64	625.97	304.11	819.51
Profit after Tax / (Loss)	2452.48	2598.92	1733.74	1511.99	629.32
(% to Total income (PAT Margin))	2.09	2.59	2.02	2.36	1.30
Gross Block (incl. CWIP)	61593.96	58671.99	51143.90	36978.13	30596.12
Net Block (incl. CWIP)	45421.46	46489.21	42418.55	31609.01	27741.64
Gross Block (excl. CWIP)	59147.19	42765.44	41918.55	36978.13	30596.12
Net Block (excl. CWIP)	42974.69	30582.66	33193.20	31609.01	27741.64
Investments	5.32	7.32	7.32	2.32	0.54
Current Assets	40844.29	33007.00	23407.40	13135.71	11741.27
Current Liabilities	19112.72	27712.14	23587.51	18107.95	18350.70
Capital Employed	69371.79	28736.81	16122.52	15822.67	16955.47
Capital Employed (excluding Revaluation Reserve)	68061.44	27426.46	14798.38	14484.74	15590.30
Equity Share Capital	9767.61	7142.87	300.00	300.00	29.90

(Amount in ₹ Lakhs)

Particulars	Consolidated				
	2015-16	2014-15	2013-2014	2012-13	2011-12
Preference Share Capital	0.00	0.00	2413.79	1379.31	0.00
Reserves & Surplus	55719.84	28021.41	29923.00	23237.80	12404.43
Networth	65487.45	35164.28	32636.79	24917.11	12434.33
Networth (excluding Revaluation Reserve)	64177.10	33853.93	31312.65	23579.18	11069.16
Loan Funds (Long term and short term)	15855.59	41177.39	29648.66	27307.60	28720.57
Loan Funds (Long Term)	3884.34	21593.94	13408.73	14143.36	16925.57
Loan Funds (Short Term)	11971.25	19583.44	16239.93	13164.25	11795.00
Fixed Asset Turnover Ratio	2.72	3.28	2.58	2.02	1.74
Debt Equity Ratio	0.35	1.40	1.13	1.29	2.84
Current Ratio	2.14	1.19	0.99	0.73	0.64
Return on Capital Employed	11.65	24.39	35.10	30.23	19.42
Return on Capital Employed (excluding Revaluation Reserve)	11.87	25.55	38.24	33.02	21.12
Return on Networth	3.74	7.39	5.31	6.07	5.06
Return on Networth (excluding Revaluation Reserve)	3.82	7.68	5.54	6.41	5.69
Earnings per Share (Diluted) (Rs.)	2.85	3.64	3.72	5.39	21.05
Dividend (%)	0.04		NA	NA	NA
Book Value per Share (Rs.)	67.05	49.23	1087.89	830.57	4158.64

## Financial Highlights (Standalone)

(Amount in ₹ Lakhs)

Particulars	Standalone				
	2015-16	2014-15	2013-2014	2012-13	2011-12
Domestic Sales (excluding excise duty)	99086.04	86334.39	77570.03	55972.36	46561.63
Sale of Services	847.42	1051.11	356.77	0.00	0.00
Other operating revenue	36.55	45.98	31.78	21.40	26.01
Total Sales	99970.01	87431.48	77958.58	55993.76	46587.63
% Growth	14.34	12.15	39.23	20.19	
<b>CAGR%</b>	<b>.21%</b>				
Other Income	49.02	55.86	37.97	137.04	34.95
Total Income	100019.04	87487.35	77996.55	56130.80	46622.59
Total Expenses	95307.44	83261.89	74649.38	53987.91	44556.91

(Amount in ₹ Lakhs)

Particulars	Standalone				
	2015-16	2014-15	2013-2014	2012-13	2011-12
Profit before Depreciation, Interest, Extra ordinary Items and Tax	4711.60	4225.46	3347.17	2142.89	2065.68
<b>% to Total Income (EBIDTA Margin)</b>	4.71	4.83	4.29	3.82	4.43
<b>CAGR % in EBIDTA margin</b>	<b>0.23%</b>				
Depreciation	1512.65	1652.63	1560.01	683.11	574.67
EBIT	3198.95	2572.83	1787.16	1459.79	1491.01
Interest (incl. finance cost)	1753.13	1905.02	1430.72	1006.03	1045.72
Extra ordinary Items of Expenses	0.00	0.00	0.00	0.00	0.00
Profit Before Tax / (Loss)	1445.82	667.81	356.44	453.76	445.29
(% to Total income)	1.45	0.76	0.46	0.81	0.96
Tax	506.87	307.76	47.04	251.79	181.13
Profit after Tax / (Loss)	938.95	360.06	309.40	201.97	264.16
(% to Total income (PAT Margin))	0.94	0.41	0.40	0.36	0.57
Gross Block (incl. CWIP)	19179.06	18681.80	17931.07	11122.08	6876.21
Net Block (incl. CWIP)	11783.50	12798.77	13700.66	9037.18	5474.41
Gross Block (excl. CWIP)	19027.47	18555.35	17880.02	7276.78	6876.21
Net Block (excl. CWIP)	11631.91	12672.31	13649.61	5191.88	5474.41
Investments	16165.00	17.00	17.00	38.00	38.00
Current Assets	37425.09	18431.35	7141.27	5385.93	7225.46
Current Liabilities	10175.60	14688.54	11700.21	6624.46	8806.44
Capital Employed	13606.70	15586.38	6810.57	3417.11	8476.38
Equity Share Capital	9767.61	7142.87	300.00	300.00	29.90
Preference Share Capital	0.00	0.00	2413.79	1379.31	0.00
Reserves & Surplus	42573.32	16388.42	20515.09	14931.53	5380.94
Networth	52340.93	23531.30	23228.88	16610.84	5410.84
Loan Funds (Long term and short term)	9366.87	15036.56	10877.39	6078.50	13388.69
Loan Funds (Long term)	3839.09	8443.51	4096.78	1737.80	8446.48
Loan Funds (Short Term)	5527.79	6593.05	6780.61	4340.70	4942.21
Fixed Asset Turnover Ratio	8.59	6.90	5.71	10.78	8.51
Debt Equity Ratio	0.27	0.98	0.68	0.50	3.19
Current Ratio	3.68	1.25	0.61	0.81	0.82
Return on Capital Employed	23.51	16.51	26.24	42.72	17.59
Return on Networth	1.79	1.53	1.33	1.22	4.88
Earnings per share (Diluted) (₹)	1.09	0.50	1.03	0.72	8.83
Dividend (%)	0.04	NA	NA	NA	NA
Book Value per share (₹)	53.59	32.94	774.30	553.69	1809.65



# Directors' Report

*Dear members*

Your Directors are pleased to present the Eighteenth Annual Report on the business and operations of Prabhat Dairy Limited ('the Company') along with the audited financial statements for the year ended March 31, 2016.

## Financial Highlights (Standalone & Consolidated):

The financial performance for the fiscal 2016 is summarized in the following table:

(Amount in ₹ Lakhs)

Particulars	Standalone		Consolidated	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Income	100,019.04	87,487.35	117,196.96	100,433.49
Profit before Interest, Depreciation and tax	4,711.60	4,225.46	12,071.19	10,448.32
Interest (incl. finance cost)	1,753.13	1,905.02	4,270.01	4,119.75
Depreciation & amortization	1,512.65	1,652.63	3,989.95	3,440.02
Profit before tax	1,445.82	667.81	3,811.22	2,888.56
Provision for taxation	506.87	307.76	1,358.73	289.64
Profit after tax	938.95	360.06	2,452.48	2,598.92
Balance brought forward from previous year	3,484.72	3,182.31	8,514.20	7,076.22
Transfer to capital reserve on consolidation	-	-	-	1,103.29
Profit available for appropriation	4,423.67	3,542.37	10,966.69	8,571.84
Dividend on Preference Shares (including tax)	-	0.27	-	0.27
Dividend (Proposed)	390.70	47.62	390.70	47.62
Tax on Dividend	79.54	9.75	79.54	9.75
Balance Carried forward	3,953.43	3,484.72	10,496.44	8,514.20

The details on financial performance has been explained in Management Discussion and Analysis.

## Material Changes and Commitments

There are no material changes or commitments affecting the financial position of the Company which have accrued between the end of the financial year and the date of this Report except for the two successive drought years in Maharashtra which has impacted the dairy industry in the last quarter with a reality expected to extend into the current fiscal as well.

## Dividend

The profit after tax of the Company for fiscal 2016 is ₹938.95 lakhs after provision for taxes of ₹506.87 lakhs and all expenses. The disposable profit is ₹4,423.67 lakhs taking into account the balance of ₹3,484.72 brought forward from the previous year. The Company's dividend policy is based on the profitability and key financial metrics of the Company, the Company's capital position and requirements

for future. Given the financial performance and in line with the philosophy of the Company "Partners in Progress – a participative and an inclusive growth approach for stakeholders", your Directors are pleased to recommend a dividend of Re. 0.40 per equity share of face value of ₹10 each (4%) aggregating to ₹390.70 lakhs for the year ended March 31, 2016 and have appropriated the disposable profit as follows:

	Amount in ₹ Lakhs
Balance brought forward from previous year	3,484.72
Profit after tax	938.95
Disposable Profit	4,423.67
Dividend	390.70
Corporate dividend tax	79.54
Balance Carried forward to next year	3,953.43

During the year under review, the company retained the entire surplus in the profit and loss account and no amount from profit was transferred to General Reserves.

### Share Capital & Initial Public Offerings

The paid up Equity Share Capital of the Company at the beginning of the year as on April 1, 2015 was ₹714,287,100 comprising of 71,428,710 Equity shares of ₹10 each.

The Company has made an initial public offering ('IPO') of its shares including an offer for sales of shares by the existing shareholders in August – September, 2015 in accordance with the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. The Company has issued and allotted fresh 26,247,421 equity shares of ₹10 each in IPO at an issue price of ₹115 per share with a discount of ₹5 per share to retail individual investor. The existing shareholders (viz. the promoters and private equity investors i.e. India Agri Business Fund Ltd. and Societe De Promotion Et De Participation Pour La Cooperation Economique ('PROPARCO')) ('the Selling Shareholders') have also sold a minority of their shareholding to the extent of 4915925 (i.e. 6.89% of the then existing total capital) in the IPO. All the IPO proceeds and expenses have been shared proportionately between the Company and the Selling Shareholders. The IPO has been successfully completed and the equity shares of the Company got listed on BSE Ltd. and the National Stock Exchange of India Limited on September 21, 2015. As reviewed by the Audit Committee and the Board, the IPO proceeds have been utilized for the

purposes for which they have been raised. The unutilized funds earmarked to be utilized in the fiscal 2017, in order to save on a considerable amount of interest cost, have been parked by the Company in Cash Credit Account with the Scheduled Commercial Banks.

As on March 31, 2016, the issued, subscribed and paid up capital of the Company is ₹976,761,310 comprising of 97676131 equity shares of ₹10 each.

As on March 31, 2016, none of the Directors of the Company hold instruments convertible into equity shares of the Company.

### Details of Subsidiary / Associate / Joint Venture Companies

As on March 31, 2016, your Company has the following 2 subsidiaries:

1. Cheese Land Agro (India) Pvt. Ltd.
2. Sunfresh Agro Industries Pvt. Ltd. (material subsidiary)

The Company does not have any associate or joint venture company.

There has not been any material change in the nature of the business of the subsidiaries. As required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013, the Consolidated Financial Statements of your Company and all its subsidiaries are provided in this Annual Report. The Consolidated Financial Statements have been prepared in accordance with Accounting Standards AS 21 issued by the Institute of Chartered Accountants of India and shown the financial resources, assets, liabilities, income, profits and other details of your Company and its subsidiaries as a single entity. Since both the subsidiaries are wholly owned subsidiaries, there has been no minority interest.

The particulars of subsidiaries as on March 31, 2016 have been included in Form MGT – 9 which is annexed to this Report as Annexure -1.

The performance and financial position of subsidiaries included in the Consolidated Financial Statements is provided in accordance with the provisions of Section 129 of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 as a separate statement annexed to the Notes on Accounts containing the salient features of the financial statements of the Company's subsidiaries in Form AOC -1 and forms an integral part of this Report.

The Company will make available separate audited financial statements of the subsidiaries to any member upon request. These documents / details are available on the Company's website at [www.prabhatfresh.com](http://www.prabhatfresh.com) and will also be available for inspection by any Member of the Company at its registered office and corporate office.

The policy for determining material subsidiaries formulated by the Board of Directors is disclosed on the Company's website and is accessible on <http://www.prabhatfresh.com/wp-content/uploads/2016/01/Material-subsidiary-policy.pdf>

### Deposits

Your company has neither invited nor accepted any deposits within the meaning of section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) rules, 2014 from the public during the year under review.

### Particulars of Loans, Guarantees or Investments by the Company

As per the provisions of Section 186(4) of the Companies Act, 2013 full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security are given in the notes forming part of the financial statements.

### Vigil Mechanism / Whistle Blower Policy

Your Company has laid down a Whistle Blower Policy covering Vigil Mechanism with protective clauses for the Whistle Blowers to report genuine concerns or grievances. The Whistle Blower Policy has been hosted on the website of the Company at <http://www.prabhatfresh.com/wp-content/uploads/2015/12/whistle-blower.pdf>. Further details regarding the Vigil Mechanism is given in the Corporate Governance Report.

### Significant and material orders passed by the Regulators or Courts or Tribunals impacting the Going Concern status of the Company and its future operations:

There are no significant and / or material orders passed by the Regulators or courts or Tribunals that would impact the going concern and status of future operations of the Company. However, on October 9, 2015, a search was conducted by the Income Tax Department pursuant to the provisions of section 132(1) and 133A of the Income Tax Act, 1961 at the offices of the Company at Shirampur, Pune and Navi Mumbai and also at the offices of the subsidiaries of the Company and the residence of Executive Directors residing

at Shirampur. The Company has not received any demand notice with respect to the search.

### Directors and Other Key Managerial Personnel

#### Directors

#### (a) Changes in the composition of the Board of Directors and other Key Managerial Personnel:

During the year under review, the shareholders of the Company have appointed Mr. Udayan Bose and Mr. O.V. Bundellu as Independent Directors for a period of 5 years with effect from July 15, 2015 in accordance with the provisions of section 149 of the Companies Act, 2013. Prior to that Mr. Udayan Bose and Mr. O.V. Bundellu were acting as Additional Independent Directors.

Mr. Udayan Bose has resigned from the Directorship of the Company with effect from November 10, 2015 due to his other preoccupations and engagements. The Board places on record the sincere contribution and guidance of Mr. Udayan Bose during his tenure.

Mr. Rajesh Srivastava and Mr. Raphael Plihon who were acting as Nominee Directors nominated by India Agri Business Fund Ltd. and Societe De Promotion Et De Participation Pour La Cooperation Economique respectively ceased as Nominee Directors with effect from September 21, 2015, i.e. the date when the shares of the Company got listed on BSE Ltd. and National Stock Exchange of India Ltd. pursuant to the provisions of the Shareholders' Agreement. The Board thought it appropriate that the Company should continue to avail the benefit of vast experience and expertise of Mr. Rajesh Srivastava and Mr. Raphael Plihon and therefore co-opted Mr. Rajesh Srivastava and Mr. Raphael Plihon as Additional Non-executive Directors of the Company with effect from September 25, 2015. Mr. Rajesh Srivastava and Raphael Plihon hold office as Directors till the date of the next Annual General Meeting pursuant to the provisions of section 161 of the Companies Act, 2013. The Company has received notices under section 160 of the Companies Act, 2013 from members of the Company proposing the candidature of Mr. Rajesh Srivastava for appointment as Independent Director in accordance with section 149, 152 of the Companies Act, 2013 and Mr. Raphael Plihon for appointment as a Non-Executive Director of the Company liable to retire by rotation in the forthcoming Annual General Meeting. Your Board recommends to appoint them as an Independent Director and as a Non-Executive Director respectively in the forthcoming Annual General Meeting.

Your Board has also co-opted Mr. Soundararajan Bangarusamy as an Additional Independent Director of the Company in accordance with the provisions of section 161 of the Companies Act, 2013. Mr. Soundararajan Bangarusamy holds office till the date of the date of the next Annual General Meeting pursuant to the provisions of section 161 of the Companies Act, 2013. The Company has received a notice under section 160 of the Companies Act, 2013 from a member of the Company proposing the candidature of Mr. Soundararajan Bangarusamy for appointment as an Independent Director of the Company in the forthcoming Annual General Meeting. Your Board recommends to appoint him as Independent Director in the forthcoming Annual General Meeting.

#### **(ii) Independent Directors:**

The Board of the Company as at March 31, 2016 consisted of eight Directors, out of which four are Independent Directors, two are Executive Directors and two are Non-Executive Directors.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under section 149(6) of the Companies Act, 2013 and Regulation 16(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which have been relied by the Company and were placed at the Board Meeting held on May 18, 2016.

#### **(iii) Retirement by Rotation:**

In terms of Section 152(6)(c) of the Companies Act, 2013 and the Company's Articles of Association, Mr. Vivek S. Nirmal is liable to retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

### **Key Managerial Personnel**

The following are the key managerial personnel of the Company:

1. Mr. Sarangdhar R. Nirmal : Chairman & Managing Director
2. Mr. Vivek S. Nirmal: Joint Managing Director
3. Mr. Raviraj Vahadane (Mr. Keyur Shah upto December 11, 2015 and Mr. Amit Gala from December 12, 2015 upto April 26, 2016): Chief Financial Officer
4. Ms. Priya Nagmoti : Company Secretary & Compliance Officer

### **Committees of the Board:**

In order to strengthen its functioning and smoothen the functioning of the Company, the Board of Directors has constituted the following Committees:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Stakeholders' Relationship Committee

4. Corporate Social Responsibility Committee
5. Risk Management Committee
6. Finance Committee
7. Business Strategy Committee

### **Board and Committee Meetings:**

A calendar of Board and Committee Meetings is circulated in advance to all the Directors. The details of the Committees along with their composition, number of meetings and attendance at the meetings are provided in the Corporate Governance Report.

### **Nomination and Remuneration Policy:**

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This Policy amongst others lays down the criteria for selection and appointment of Board members. The details of this Policy are annexed as Annexure - 2 and forms an integral part of this Report.

### **Board Evaluation:**

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, composition of the Board and its committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the independent Directors was completed. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

### **Auditors:**

#### **Statutory Auditors:**

At the AGM held on September 30, 2014, the members approved the appointment of M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W / W-100022) as statutory auditors for a period of five years commencing from the conclusion of the Sixteenth Annual General Meeting till the conclusion of the Twenty First Annual General Meeting subject to the ratification by the members at every Annual General Meeting. M/s. B S R & Co. LLP have given their unwillingness for ratification of their appointment at the ensuing Annual General Meeting. Therefore, the Company proposes to appoint M/s. B S R & Associates LLP, Chartered Accountants, Pune (Firm Registration No. 116231W / W-100024) as the statutory auditors of the Company for a period of five years to hold office from the conclusion of the Eighteenth Annual General Meeting till the conclusion of the Twenty Third Annual General Meeting of the Company. The

Audit Committee of the Board of Directors at its meeting held on August 29, 2016 has recommended the appointment of M/s. B S R & Associates LLP, Chartered Accountants as the statutory auditors of the Company by the shareholders at the ensuing Annual General Meeting. The appointment is accordingly proposed in the Notice of the forthcoming Annual General Meeting vide item no. 5 for ratification by Members.

M/s. B S R & Associates LLP have given a written confirmation to the Company to the effect that their appointment, if made would satisfy the criteria provided in section 141 of the Companies Act, 2013 and would also be in confirmation within the limits specified in section 139 of the Companies Act, 2013.

There are no qualifications, reservation or adverse remark or disclaimer made by the statutory auditors M/s. B S R & Co LLP in the audit report on the financial statements of the Company for the year ended March 31, 2016 except that in the Auditors' Report on Consolidated financial statements of the Company the auditor have drawn attention to note 40 to the Financial Statements, which explains that the material subsidiary has not recognised Other Income which it is entitled to receive under the Package Scheme of Incentives 2007 ('the Scheme') of Government of Maharashtra as the Company is in the process of quantifying the benefits receivable under the Scheme. These benefits are in the nature of Government Grants in accordance with Accounting Standard 12 'Accounting for Government Grants'. In view of the Auditors, the Company should have recognised the Other Income on accrual basis. In the absence of quantification of the Scheme's benefits to be recognised as on 31 March 2016, the Auditors were unable to determine the impact on the Other Income, Profit Before Tax, Tax Expense, Net Profit After Tax, Other non-current assets, Provision for Tax, Reserves and Surplus and Earnings Per Share for the year ended 31 March 2016.

The Company has received an Eligibility Certificate from the Department of Industries, Government of Maharashtra under the Package Scheme of Incentives, 2007 pursuant to which the Company is eligible to receive benefits in the form of Electricity Duty exemption, Stamp Duty exemption and Industrial Promotion Subsidy (in the form of refund of Value Added Tax and Central Sales Tax), subject to fulfilment of certain conditions under the Scheme and acceptance of the claim by the Department. These benefits are in the nature of Government Grants in accordance with Accounting Standard 12 'Accounting for Government Grants'. The Company has not yet filed its claim for the eligible incentives since the management is in the process of evaluating and quantifying the benefits receivable from such incentive scheme as at March 31, 2016 based on sales

made by the eligible unit. Also since there is uncertainty of the timings when the actual amount of the admitted claim will be received from the Government which depends on a number of factors beyond the control of the Company, therefore the management has not recognized the income related to the Government Grant during the year ended March 31, 2016 on accrual basis. If the said benefits have been accounted, the impact shall have been an increase in other income, increase in profit before and after tax, increase in tax expenses and increase in earnings per share, reserves & surplus, etc.

#### **Cost Auditors:**

Though not mandatory for the Company to appoint Cost auditors under the provisions of section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, but since the cost audit is mandatory for the wholly owned subsidiary of the Company viz. Sunfresh Agro Industries Pvt. Ltd. whose accounts are consolidated with the Company, your Company has been carrying out cost audit of its cost records.

The Board of Directors on the recommendation of Audit Committee, has appointed M/s. JNP & Associates, Cost Accountants (Firm Registration No. 000572) as the Cost Auditor to audit the Cost accounts of the Company for the financial year 2016-17.

#### **Secretarial Auditors:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. Shravan A. Gupta & Associates, a firm of Company Secretaries in practice (C.P. No. 9990) to undertake the Secretarial Audit of the Company for the financial year ended March 31, 2016. The Secretarial Audit Report is annexed herewith as Annexure -3 and forms an integral part of this Report. There are no qualifications, reservation or adverse remark or disclaimer made in the Secretarial Audit Report.

#### **Internal Control Systems and their Adequacy**

Your Company has an effective internal control and risk mitigation system, which are constantly assessed and strengthened with new / reviewed standard operating procedures. The Company's internal control system is commensurate with its size and complexities of its operations. The main thrust of internal audit is to test and review controls, appraisal of risks and business processes.

The Audit Committee of the Board of Director actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements to strengthen the same. The Company has a robust periodical review

systems which is an integral part of the control mechanism.

The Audit Committee of the Board of Directors, statutory auditors and the respective business heads are periodically apprised of the internal audit findings and corrective actions taken. Audit plays a key role in providing assurance to the Board of Directors. Significant audit observations and corrective actions taken by the management are presented to the Audit Committee of the Board. To maintain its objectivity and independence, the Internal Auditors directly interacts with the Chairman and other members of the Audit Committee.

The Company has adequate internal controls and processes in place with respect to financial statements which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. These controls and processes are driven through various policies, procedure and certifications. The processes and controls are reviewed periodically. The Company has a mechanism of testing the controls at regular intervals for their design and operating effectiveness to ascertain the reliability and authenticity of financial information for safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of financial information.

### Related Party Transactions:

All transactions entered with Related Parties for the year under review were on arm's length basis and in the ordinary course of business and that the provisions of section 188 of the Companies Act, 2013 and the Rules made thereunder

are not attracted. Further, there are no material related party transactions during the year under review with the promoters, Directors or key managerial personnel. The Company has developed a framework through Standard Operating Procedures for the purpose of identification and monitoring of such related party transactions.

All related party transactions even though carried on the ordinary course of business of business and on an arms' length basis are placed before the Audit Committee for approval. Omnibus approval for few transactions is given by the Audit Committee on an annual basis and the details of actual transactions against such approval is placed before the Audit Committee for every quarter for review and monitoring.

The Policy on Related Party Transactions as approved by the Board of Directors has been hosted on the website of the Company. The weblink of the same has been provided in the Corporate Governance Report. None of the Directors has any material pecuniary relationship or transactions vis – a vis – the company except as members of the Company and except as disclosed in the financial statements.

The particulars of Related Party Transactions in prescribed Form AOC – 2 are annexed as Annexure - 4 and forms an integral part of this Report.

The disclosure as required by Schedule V, Clause A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

Particulars	Name of the Subsidiary	Maximum amount of loans / advances / investments outstanding during the year ended March 31, 2015	Amount at the end of the year i.e. March 31, 2016
Loans and advances in the nature of loans to subsidiary	Sunfresh Agro Industries Pvt. Ltd.	NIL	NIL
	Cheese Land Agro (India) Pvt. Ltd.	₹1,530,038,000	₹1,454,506,800
Loans and advances in the nature of loans to associates	NIL	NIL	NIL
Loans and advances in the nature of loans to firms / companies (excluding subsidiary of the Company) in which Directors are interested	NIL	NIL	NIL

None of the aforesaid subsidiary, associate company or the Company or firm in which Directors are interested hold any shares of or other investment in the Company.

### Corporate Governance:

As per Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on corporate governance practices followed by the Company, together with a Certificate from the Company's Auditors confirming compliance forms an integral part of this Report.

### Management Discussion and Analysis Report:

A detailed analysis of your Company's performance is discussed in the Management Discussion and Analysis Report, which forms part of this Annual Report.

### Extract of Annual Return:

Pursuant to the provisions of section 134(3)(a) of the Companies Act, 2013, the extract of the Annual Return in Form MGT – 9 is annexed herewith as Annexure - 1 and forms an integral part of this Report.

### Managerial Remuneration:

Disclosure of the ratio of the remuneration of each Director to the median employee's remuneration and other details as required pursuant to section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided as Annexure – 5.

Except as disclosed under, none of the Directors or Managing Director of the Company received any remuneration or commission from any subsidiary of your Company during the financial year ended March 31, 2016:

Sr. No.	Name of the Director of the Company	Designation in the Company	Name of the Subsidiary from remuneration received	Capacity in which remuneration received	Amount of remuneration received (Rs.)
1.	Mr. Vivek S. Nirmal	Joint Managing Director	Sunfresh Agro Industries Pvt. Ltd.	Managing Director	3,600,000

The details of the remuneration paid to the Director including Executive Directors of the Company are given in Form MGT – 9 forming part of the Directors' Report.

### Personnel:

The statement containing particulars of employees as required under section 197(12) of the Companies Act, 2013 read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in Annexure - 5 and forms part of this Report.

### Business Responsibility Reporting:

Business Responsibility Report as stipulated under Regulation 34(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable to your Company for the financial year ended March 31, 2016.

### Risk Management:

Risk management is embedded in your Company's operating framework. Your Company believes that managing risks helps in maximizing returns. The Company's approach to addressing business risks is comprehensive and includes periodic review of such risks and a framework for identifying and addressing the risks has been laid down by the Board of Directors. The Risk Management Committee of the Board of Directors periodically reviews the Risk Management framework, identified risks with criticality and mitigations

plan. The elements of risk as identified for the Company with impact and mitigation strategy are set out in the Management Discussion and Analysis Report.

### Anti – Sexual Harassment Policy:

Your Company laid down an Anti Sexual Harassment Policy and it is made available on the website of the Company. The Company has zero tolerance on Sexual Harassment at workplace. During the year under review, there were no cases filed pursuant to the Sexual Harassment of women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and there were no cases pending to be addressed / resolved either at the beginning or at the end of the year.

### Quality, Environment and Safety:

Your Company continues its focus on quality and strives to exceed customer expectations at all times. It is certified under various standards to meet client demands and enhance value delivery. In addition to these, your Company is conscious of the importance of environmentally clean and safe operations and therefore maintains its commitment to health, safety and environment by continually improving its processes in accordance with ISO 14001 and OHSAS 18001 standards.

The Company's policy requires conduct of operations in such a manner, so as to ensure safety of all concerned, compliances of environmental regulations and preservations of natural resources.

The Company is certified as Agmark, IS 1166:1986, Halal, FSSAI, etc. which are a testimony of the robustness of business processes and at large the quality culture imbibed in the organization.

### **Human Resources and Industrial Relations:**

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of its business.

The Company has a structured induction process at all locations and management development programs to upgrade skills of managers. Objective appraisal systems based on Key Result Areas (KRAs) are in place for senior management staff.

The Company is committed to nurturing, enhancing and retaining talent through superior Learning & Organizational Development. This is a part of corporate HR function and is a critical pillar to support the organisation's growth and its sustainability in the long run.

### **Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to section 134(3)(m) of the Companies Act, 2013 read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 is annexed as Annexure - 6 and forms an integral part of this Report.

### **Green Initiatives in Corporate Governance:**

In line with the 'Green Initiative' the Company has effected electronic delivery of Notice of Annual General Meeting and Annual Report to those members whose e-mail ids were registered with the respective Depository Participants and downloaded from the depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited. The Companies Act, 2013 and the underlying rules as well as Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 permit the dissemination of financial statements and annual report in electronic mode to the members. Your Directors are thankful to the members for actively participating in the Green initiative and seek your continued support for implementation of the Green Initiative.

### **Directors' Responsibility Statement:**

To the best of knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement / confirm in terms of Section 134 of the Companies Act, 2013:

1. That in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. That the Directors 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 March 31, 2016 and of the profit of the Company for the year ended on that date;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That annual accounts have been prepared on a going concern basis;
5. That the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
6. That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **Corporate Social Responsibility (CSR):**

As a part of its initiative under the 'Corporate Social Responsibility' (CSR) drive, the Company has undertaken projects in the area of livelihood and rural development. These projects are in accordance with Schedule VII of the Companies Act, 2013 and the Company's CSR Policy. The Report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as Annexure - 7 and forms an integral part of this Report.

### **Cautionary Statement:**

Statements in this Directors' Report and in Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the Company's operations include raw material availability and its prices, cyclical demand and pricing in the Company's principle markets, changes in Government regulations, tax



regimes, economic developments within India and other ancillary factors.

### **Appreciation and Acknowledgements:**

The Company is grateful to the Government of India, Securities and Exchange Board of India and other Regulators for their continued co-operation, support and guidance. The Company wishes to thank its investors, banking community, rating agencies and stock exchanges for their support.

The Company would like to take this opportunity to express sincere thanks to its all its valued customers, dealers, agents and suppliers for their continued support and patronage. The Directors express their deep sense of appreciation to all the employees whose outstanding professionalism,

commitment and initiative has mad the organization's growth and success possible and continues to drive its progress. Finally, the Directors wish to express their gratitude to the members for their trust and support.

For and on behalf of the  
Board of Directors of Prabhat Dairy Ltd.

Place : Navi Mumbai

Date : 30.06.2016

**Sarangdhar R. Nirmal**  
*Chairman & Managing Director*  
DIN : 00035234

# ANNEXURE - 1

## FORM NO. MGT – 9

Extract of Annual Return as on the financial year ended on March 31, 2016  
[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	:	U15203PN1998PLC013068
(ii)	Registration Date	:	November 25, 1998
(iii)	Name of the Company	:	Prabhat Dairy Limited
(iv)	Category / Sub-Category of the Company	:	Company Limited by Shares / Indian Non – Government Company
(v)	Address of the Registered Office and contact details	:	121/2A, At post Ranjankhol, Tilak Nagar, Taluka Rahata, Ahmednagar-413720, Maharashtra. Tel No. +91-2422-645901
(vi)	Whether listed Company (Yes / No)	:	Yes
(vii)	Name, address and contact details of Registrar and Transfer Agent, if any	:	Karvy Computershare Private Limited "Karvy Selenium Tower B" Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032, Telangana Tel. No. +91 40 67162222

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sr. No.	Name and description of main products / services	NIC Code of the Product / service	% to total turnover of the Company
1.	Ghee	10504	15.70%
2.	Pouch Milk	10501	15.21%
3.	Skimmed / standardized milk	10502	49.92%

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name and Address of the Company	CIN/GLN	Holding /subsidiary /Associate	% of shares held	Applicable section
1.	Cheese Land Agro (India) Private Limited ('CLAIPL')  Gat No. 121/2A, At Ranjankhol, Tilak Nagar, Taluka Rahata, Dist. Ahmednagar - 413720, Maharashtra.	U15209PN2010PTC136135	Subsidiary	100%	2(87)
2.	Sunfresh Agro Industries Private Limited Gat No. 121/2A, At Ranjankhol, Tilak Nagar, Taluka Rahata, Dist. Ahmednagar - 413720, Maharashtra.	U01122PN2007PTC129505	Subsidiary	Direct holding – 27.78%  Holding through CLAIPL – 72.22%	2(87)

Note: The Company does not have any Holding or Associate Company.

#### IV. SHAREHOLDING 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				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoter and Promoter Group</b>									
(1) Indian									
(i) Individual / HUF	43875000	0	43875000	61.43	43208483	0	43208483	44.24	(17.19)
(ii) Central Govt.	0	0	0	0	0	0	0	0	0
(iii) State Govt.(s)	0	0	0	0	0	0	0	0	0
(iv) Bodies Corporate	0	0	0	0	0	0	0	0	0
(v) Banks / FI	0	0	0	0	0	0	0	0	0
(vi) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(1)</b>	<b>43875000</b>	<b>0</b>	<b>43875000</b>	<b>61.43</b>	<b>43208483</b>	<b>0</b>	<b>43208483</b>	<b>44.24</b>	<b>(17.19)</b>
(2) Foreign									
(a) NRIs – Individuals	0	0	0	0	0	0	0	0	0
(b) Other – Individuals	0	0	0	0	0	0	0	0	0
Bodies Corporate	0	0	0	0	0	0	0	0	0
(d) Banks / FI	0	0	0	0	0	0	0	0	0
(e) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)</b>	<b>43875000</b>	<b>0</b>	<b>43875000</b>	<b>61.43</b>	<b>43208483</b>	<b>0</b>	<b>43208483</b>	<b>44.24</b>	<b>(17.19)</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
(a) Mutual funds	0	0	0	0	3286137	0	3286167	3.36	3.36
(b) Banks / FI	0	0	0	0	45792	0	45792	0.05	0.05
(c) Central Govt.	0	0	0	0	0	0	0	0	0
(d) State Govt. (s)	0	0	0	0	0	0	0	0	0
(e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
(f) Insurance Companies	0	0	0	0	0	0	0	0	0
(g) FIs	0	0	0	0	4480255	0	4480255	4.59	4.59
(h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
(i) Others:	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7812184</b>	<b>0</b>	<b>7812184</b>	<b>8.00</b>	<b>8.00</b>
<b>2. Non-Institutions</b>									
(a) Bodies Corporate									
(i) Indian	0	0	0	0	16244315	0	16244315	16.63	16.63
(ii) Overseas	26371680	0	26371680	36.92	22516760	0	22516760	23.05	(13.87)
(b) Individuals									
(i) Individual shareholders holding nominal share capital upto ₹1 lakh	0	0	0	0	1737130	3	1737133	1.78	1.78
(ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	1125000	0	1125000	1.57	5415528	0	5415528	5.54	3.97
(c) Others:									
(i) Clearing Members	0	0	0	0	658465	0	658465	0.67	0.67
(ii) Non Resident Indians	0	0	0	0	75063	0	75063	0.08	0.08
(iii) Trusts	57030	0	57030	0.08	8200	0	8200	0.01	(0.07)
<b>Sub-total (B)(2)</b>	<b>27553710</b>	<b>0</b>	<b>27553710</b>	<b>38.57</b>	<b>46655461</b>	<b>3</b>	<b>46655464</b>	<b>47.77</b>	<b>9.2</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>27553710</b>	<b>0</b>	<b>27553710</b>	<b>38.57</b>	<b>46655461</b>	<b>3</b>	<b>46655464</b>	<b>47.77</b>	<b>9.2</b>
<b>A. Shares held by Custodian for GDRs and ADRs</b>	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	<b>71428710</b>	<b>0</b>	<b>71428710</b>	<b>100</b>	<b>97676128</b>	<b>3</b>	<b>97676131</b>	<b>100</b>	<b>0</b>

ii. Shareholding of Promoters and Promoter Group:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged /en-cumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged /en-cumbered to total shares	
1.	Sarangdhar R. Nirmal, Trustee of Nirmal Family Trust	40500000	56.70	Nil	39833483	40.78	Nil	(15.92)
2.	Sarangdhar Ramchandra Nirmal	1125000	1.57	Nil	1125000	1.15	Nil	(0.42)
3.	Vivek Sarangdhar Nirmal	1125000	1.57	Nil	1125000	1.15	Nil	(0.42)
4.	Kishor Ramchandra Nirmal	1125000	1.57	Nil	1125000	1.15	Nil	(0.42)

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

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	<b>Sarangdhar R. Nirmal, Trustee of Nirmal Family Trust</b>				
	At the beginning of the year	40500000	56.70	40500000	56.70
	Sold during the year in IPO	1053317	1.47	39446683	40.38
	Bought during the year on:				
	01/03/2016	186800	0.19	39633483	40.58
	02/03/2016	200000	0.20	39833483	40.78
	At the end of the year	39833483	40.78	39833483	40.78
2.	<b>Sarangdhar Ramchandra Nirmal</b>				
	At the beginning of the year	1125000	1.57	1125000	1.57
	Bought during the year	0	0	0	0
	Sold during the year	0	0	0	0
	At the end of the year	1125000	1.15	1125000	1.15
3.	<b>Vivek Sarangdhar Nirmal</b>				
	At the beginning of the year	1125000	1.57	1125000	1.57
	Bought during the year	0	0	0	0
	Sold during the year	0	0	0	0
	At the end of the year	1125000	1.15	1125000	1.15
4.	<b>Kishor Ramchandra Nirmal</b>				
	At the beginning of the year	1125000	1.57	1125000	1.57
	Bought during the year	0	0	0	0
	Sold during the year	0	0	0	0
	At the end of the year	1125000	1.15	1125000	1.15

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

Sr. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	<b>India Agri Business Fund Ltd.</b>				
	At the beginning of the year	16238895	22.73	16238895	22.73
	Bought during the year	0	0	0	0
	Sold during the year in IPO	2199564	3.08	14039331	14.37
	At the end of the year	14039331	14.37	14039331	14.37

Sr. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
2.	<b>IL and FS Trust Company Limited</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	7391226	7.57	7391226	7.57
	Sold during the year	0	0.00	7391226	7.57
	At the end of the year	7391226	7.57	7391226	7.57
3.	<b>Societe De Promotion Et De Participation Pour La Cooperation Economique</b>				
	At the beginning of the year	10132785	14.19	10132785	14.19
	Bought during the year	0	0	0	0
	Sold during the year in IPO	1655356	2.32	8477429	8.68
	At the end of the year	8477429	8.68	8477429	8.68
4.	<b>Edelweiss Tokio Life Insurance Company Limited - shareholders fund - beyond solvency merge</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	3641400	3.73	3641400	3.73
	Sold during the year:				0.00
	25.09.2015	188540	0.19	3452860	3.54
	09.10.2015	3452860	3.54	0	0.00
	At the end of the year	0	0.00	0	0.0
5.	<b>HDFC Trustee Company Limited – HDFC Capital Builder Fund</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	3044700	3.12	3044700	3.12
	Sold during the year:				
	31.12.2015	39200	0.04	3005500	3.08
	01.01.2016	16100	0.02	2989400	3.06
	08.01.2016	1141800	1.17	1847600	1.89
	15.01.2016	274600	0.28	1573000	1.61
	22.01.2016	68400	0.07	1504600	1.54
	29.01.2016	3700	0.00	1500900	1.54
	12.02.2016	97300	0.10	1403600	1.44
	11.03.2016	98000	0.10	1305600	1.34
	At the end of the year	1305600	1.34	1305600	1.34
6.	<b>Payone Enterprises Private Limited</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	2999922	3.07	2999922	3.07
	Sold during the year on:				
	25.12.2015	105599	0.11	2894323	2.96
	31.12.2015	2894323	2.96	0	0.00
	At the end of the year	0	0	0	0.00
7.	<b>EW Clover Scheme</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	2608650	2.67	2608650	2.67
	Sold during the year on:				
	09.10.2015	769559	0.79	1839091	1.88
	16.10.2015	485000	0.50	1354091	1.39
	11.12.2015	1354000	1.39	91	0.00
	25.12.2015	91	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00
8.	<b>Styrax Commodities Ltd.</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	2434740	2.49	2434740	2.49
	Sold during the year on	2434740	2.49	0	0.00
	18.12.2015				

Sr. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	Bought during the year on 25.12.2015	2434740	2.49	2434740	2.49
	At the end of the year	2434740	2.49	2434740	2.49
9.	<b>Lata Bhanshali</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	1739100	1.78	1739100	1.78
	Bought during the year on 25.09.2015	200000	0.20	1939100	1.99
	Sold during the year	0	0.00	1939100	1.99
	At the end of the year	1939100	1.99	1939100	1.99
10.	<b>Reliance Capital Limited</b>				
	At the beginning of the year	0	0	0	0
	Bought during the year on 31.12.2015	2744000	2.81	2744000	2.81
	Sold during the year	0	0	2744000	2.81
	At the end of the year	2744000	2.81	2744000	2.81

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
<b>Mr. Sarangdhar R. Nirmal, Chairman &amp; Managing Director</b>					
	At the beginning of the year	1125000	1.57	1125000	1.57
	Bought during the year	0	0	0	0
	Sold during the year	0	0	0	0
	At the end of the year	1125000	1.15	1125000	1.15
<b>Mr. Vivek S. Nirmal, Joint Managing Director</b>					
	At the beginning of the year	1125000	1.57	1125000	1.57
	Bought during the year	0	0	0	0
	Sold during the year	0	0	0	0
	At the end of the year	1125000	1.15	1125000	1.15
<b>Mr. Amit Manhar Gala, Chief Financial Officer (for the period from December 12, 2015)</b>					
	At the beginning of the year	0	0	0	0
	Bought during the year on:				
	08/01/2016	10000	0.01	10000	0.01
	12/01/2016	10000	0.01	20000	0.02
	Sold during the year	0	0	0	0
	At the end of the year	20000	0.02	20000	0.02
<b>Mr. Keyur Bipinbhai Shah, Chief Financial Officer (upto December 11, 2015)</b>					
	At the beginning of the year	0	0	0	0
	Bought during the year in IPO	17442	0.02	17442	0.02
	Sold during the year on:				
	25/09/2015	5000	0.01	12442	0.01
	09/10/2015	12400	0.01	42	0.00
	At the end of the year	42	0.00	42	0.00

## V. INDEBTEDNESS:

(Amount in ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year:</b>				
(i) Principal Amount	1,453,726,867	49,907,145	0	1,503,634,012
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	22,407	0	0	22,407
<b>Total (i+ii+iii)</b>	<b>1,453,749,274</b>	<b>49,907,145</b>	<b>0</b>	<b>1,503,656,419</b>
<b>Change in Indebtedness during the financial year:</b>				
Addition	0	0	0	0
Reduction	517,039,765	49,907,145	0	566,946,910
Net Change	-517,039,765	-49,907,145	0	-566,946,910
<b>Indebtedness at the end of the financial year:</b>				
(i) Principal Amount	936,687,102	0	0	936,687,102
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>936,687,102</b>	<b>0</b>	<b>0</b>	<b>936,687,102</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole –time Directors and / or Manager: (Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total amount
		Mr. Sarangdhar R. Nirmal	Mr. Vivek S. Nirmal	
1.	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income tax Act, 1961	7,000,000	2,400,000	9,400,000
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	Nil	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	Nil	Nil	Nil
2.	Stock Options	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission:	Nil	Nil	Nil
	- As % of profit			
	- Others, specify			

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total amount
		Mr. Sarangdhar R. Nirmal	Mr. Vivek S. Nirmal	
5.	Others, please specify	Nil	Nil	Nil
	<b>Total (A)</b>	<b>7,000,000</b>	<b>2,400,000</b>	<b>9,400,000</b>
	Ceiling as per the Act	7,698,377	7,698,377 (12,854,431 in the aggregate from the Company and its subsidiary Sunfresh Agro Industries Pvt. Ltd.)	15,396,754

## B. Remuneration to other Directors:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of Directors							Total amount
		Mr. Ashok Sinha	Mr. O.V. Bundellu	Mr. B. Soundararajan	Mrs. Seemantinee Khot	Mr. Rajesh Srivastava	Mr. Raphael Plihon	Mr. Udayan Bose	
1	<b>Independent Directors:</b>								
	Fee for attending Board / Committee meetings	200,000	275,000	50,000	200,000	300,000 (out of which 250,000 has been paid to RABO Equity Advisors Pvt. Ltd. which has nominated Mr. Rajesh Srivatsava)	N.A. (225,000 paid to Societe De Promotion Et De Participation Pour La Cooperation Economique which has nominted Mr. Raphael Plihon)	275,000	1,525,000
	Commission	Nil	Nil	Nil	Nil	N.A.	N.A.	Nil	Nil
	Others, please specify	Nil	Nil	Nil	Nil	N.A.	N.A.	Nil	Nil
	<b>Total (1)</b>					N.A.	N.A.		
2.	<b>Other Non-Executive Directors:</b>								
	Fee for attending Board / Committee meetings	N.A.	N.A.	N.A.	N.A.			N.A.	
	Commission	N.A.	N.A.	N.A.	N.A.	Nil	Nil	N.A.	
	Others, please specify	N.A.	N.A.	N.A.	N.A.	Nil	Nil	N.A.	
	Total (2)	N.A.	N.A.	N.A.	N.A.			N.A.	
	<b>Total (B) = (1+2)</b>	<b>200,000</b>	<b>275,000</b>	<b>50,000</b>	<b>200,000</b>	<b>300,000</b>	<b>225,000</b>	<b>275,000</b>	<b>1,525,000</b>
	Total Managerial Remuneration	₹9,400,000 and sitting fee of ₹1,525,000 (excl. service tax of ₹226,250)							
	Overall Ceiling as per the Act	₹16,936,429							



C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD: (Amount in ₹)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel					Total
		CMD	CEO	Company Secretary	CFO		
		Mr. Sarangdhar R. Nirmal	Mr. Vivek S. Nirmal	Ms. Priya Nagmoti	Mr. Keyur Shah	Mr. Amit Gala	
1	<b>Gross Salary</b>						
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	7,000,000	2,400,000	2,233,396	1,225,640	961,140	13,820,176
	(b) Value of Perquisites u/s 17(2) of the Income Tax Act, 1961	Nil	Nil	Nil	Nil	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961	Nil	Nil	Nil	Nil	Nil	Nil
2	Stock Option	Nil	Nil	Nil	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil	Nil	Nil	Nil
4	Commission: - As % of profit - Others, specify	Nil	Nil	Nil	Nil	Nil	Nil
5	Others, please specify	Nil	Nil	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>7,000,000</b>	<b>2,400,000</b>	<b>2,233,396</b>	<b>1,225,640</b>	<b>961,140</b>	<b>13,820,176</b>

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

(Amount in ₹)

Type	Section of the Companies Act	Brief Description	Detail of Penalty / Punishment / Compounding fees imposed	Authority [RD/ NCLT/Court]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty					
Punishment			Not applicable		
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			Not applicable		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			Not applicable		
Compounding					

# ANNEXURE - 2

## Nomination, Remuneration and Evaluation Policy

### Introduction:

The Company considers human resources as its invaluable assets. This policy on nomination, remuneration and evaluation of Directors, Key Managerial Personnel (KMPs) and other employees has been formulated in terms of the provisions of the Companies Act, 2013 and the listing agreement with stock exchanges in order to pay equitable remuneration to the Directors, KMPs and other employees of the Company and to harmonise the aspirations of human resources consistent with the goals of the Company.

### Objective and Purpose of the Policy:

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the senior management. The Company aims to retain, motivate and promote talent and ensure long term sustainability of talented managerial persons and create competitive advantage and achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

### Applicability:

This Nomination, Remuneration and Evaluation Policy (the "Policy") applies to the Board of Directors (the "Board"), Key Managerial Personnel (the "KMP") and the Senior Management Personnel of Prabhat Dairy Limited (the "Company").

"Key Managerial Personnel (KMP) means—

- (i) Chairman & Managing Director;
- (ii) Company Secretary,
- (iii) Whole-time Director;
- (iv) Chief Financial Officer; and
- (v) Such other Officer as may be prescribed.

The term "Senior Management Personnel" means to include all members other than the Directors and KMPs of the Company, who are the functional heads of the departments/divisions/branches of the Company.

### Accountabilities:

1. The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.
2. The Board has delegated responsibility for assessing and selecting the candidates for the role of Directors, Key Managerial Personnel and the Senior Management

of the Company to the Nomination and Remuneration Committee which makes recommendations & nominations to the Board.

### Nomination and Remuneration Committee:

The Board has constituted a Nomination and Remuneration Committee which is responsible for:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
2. identifying individuals suitably qualified to be appointed as the KMPs or in the senior management of the Company;
3. recommending to the Board on the selection of individuals nominated for directorship;
4. making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Officials so appointed/reappointed;
5. assessing the independence of independent directors;
6. such other key issues/matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provision of the Companies Act, 2013 and Rules thereunder.
7. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
8. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
9. to devise a policy on Board diversity;
10. to develop a succession plan for the Board and to regularly review the plan;

The Nomination and Remuneration Committee comprises of the following:

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

#### Chairman of the Committee:

- a) Chairman of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

#### Committee Members' Interest:

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

#### Voting:

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

#### Appointment of Directors / KMPs / Senior Officials:

1. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/a level below KMP are the basis for the Nomination

and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee shall have regard to:

- assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
- the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
- the skills and experience that the appointee brings to the role of KMP/Senior Official and how an appointee will enhance the skill sets and experience of the Board as a whole;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;

2. Personal specifications:

#### Qualification:

- Degree holder in relevant disciplines (e.g. management, accountancy, legal); or
- Recognised specialist

#### Experience:

- Experience of management in a diverse organisation
- Experience in accounting and finance, administration, corporate and strategic planning or fund management
- Demonstrable ability to work effectively with a Board of Directors

#### Skills:

- Excellent interpersonal, communication and representational skills
- Demonstrable leadership skills
- Extensive team building and management skills
- Strong influencing and negotiating skills

- Having commitment to continuous professional development to refresh knowledge and skills

#### **Abilities and Attributes:**

- Commitment to high standards of ethics, personal integrity and probity
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace

#### **Letters of Appointment:**

Each Director/KMP/Senior Officials is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

#### **Remuneration of Directors, Key Managerial Personnel and Senior Management:**

The Company shall remunerate all its personnel reasonably and sufficiently as per industry benchmarks and standards. The remuneration shall be commensurate to retain and motivate the human resources of the Company. The compensation package will also take into account the experience of the personnel, the complexity of the job, work duration and risks & responsibilities associated with the work.

The objective is to set the total remuneration at levels to attract, motivate and retain high-calibre and high potential personnel in a competitive global market. The total remuneration level is to be reset annually based on a comparison with the relevant peer group present globally, established through independent compensation surveys, from time to time.

#### **General:**

1. The remuneration / compensation / commission, etc. to Directors, KMPs and other senior officials will be determined by the Committee and recommended to the Board for approval.
2. The remuneration payable to Directors, KMPs and other senior officials shall be valued as per the provisions of the Income Tax Act, 1961 and the rules framed thereunder.
3. All the remuneration payable by the Company shall be subject to deduction of tax at source at the applicable rates.
4. The Nominations & Remuneration Committee shall determine individual remuneration packages for Directors, KMPs and Senior Officials of the Company taking into account factors it deems relevant, including but not limited to market, business performance and

practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee may consult with the Chairman of the Board as it deems appropriate. Remuneration of the Chairman shall be recommended by the Committee to the Board of the Company.

#### **Remuneration to Executive Directors:**

1. The remuneration including commission / increments to be paid to the Managing Director / Whole time Director / Manager / Executive Directors shall be in accordance with the provisions of the Companies Act, 2013 and the Rules made thereunder as well as within the limits approved by the shareholders of the Company, if any.
2. Where any insurance taken by the Company on behalf of its Managing Director, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as a part of the remuneration payable to any such personnel. Provided that if such person is proved guilty, the premium paid on such insurance shall be treated as part of the remuneration.

#### **Remuneration to Non-executive / Independent Directors:**

1. The remuneration payable to each Non-executive Director shall be based on the remuneration structure as determined by the Board and as revised from time to time depending on individual contribution, the Company's performance, and the provisions of the Companies Act, 2013 and the Rules made thereunder.
2. The remuneration to the Non-executive Directors including Independent Director may be paid within the monetary limit approved by the shareholders, subject to the overall limits not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.
3. The Non-executive Directors including Independent Directors shall be entitled to receive sitting fees for every meeting of the Board of Directors or any Committee thereof. The amount of the sitting fee shall be such amount as approved by the Board of Directors as per the provisions of the Companies Act, 2013 and the Rules made thereunder.
4. The Non – executive Directors including Independent Directors shall also be entitled to be reimbursed for the

travelling expenses for attending the Board / committee meetings. They shall also be reimbursed for the accommodation expenses maximum for a period of 2 days if all the meetings of the Board and Committee are scheduled in a single day and for 3 days if the meetings are scheduled for 2 consecutive days, and for attending those meetings they are required to stay in a hotel. Alternatively, the Company may make arrangement at its own cost for their stay.

5. The Independent Directors shall not be entitled to any stock options of the Company.

### Remuneration to KMPs and other senior officials:

The Directors, Key Management Personnel and other senior official's salary shall be based and determined on the individual person's responsibilities, performance, experience, leadership abilities, initiative taking abilities, knowledge base and in accordance with the limits as prescribed statutorily, if any.

### Components of Remuneration:

The Committee would determine the remuneration of Directors and KMPs and formulate guidelines for remuneration payable to other employees.

The remuneration and reward structure for Directors, KMPs and other senior officials may comprise of two broad components:

1. Annual Remuneration;
2. Long term rewards

1. **Annual Remuneration:** It refers to the annual compensation payable to the employees of the Company. This may comprise of the following:

- a. Fixed compensation: The fixed salaries shall be competitive and based on the individual personnel's responsibilities, performance, designation and grade.
- b. Variable compensation: The variable compensation shall be a performance linked variable component based on the extent of achievement of the individual's objectives and performance of the business unit. Every employee shall sign a performance contract which clearly articulates the key performance measures for that particular defined role. This variable compensation will be directly linked to the performance on individual components of the performance contract and

the overall performance of the business. Provided however that such variable salaries shall not exceed 10% percentage of the fixed annual salaries of such individual employee. An employee's variable pay would therefore, be directly dependent on key performance measures that represent the best interest of shareholders.

- c. Non-monetary benefits: Senior management personnel of the Company may be entitled to customary non-monetary benefits such as Company cars and free internet access, laptops, mobiles, accommodation (furnished / unfurnished), etc. within the overall limits of remuneration approved for such personnel.
- d. Gratuity/group insurance: Personnel may also be entitled to group insurance and other key man insurance protection. Further as required by the law necessary gratuity shall be paid to the personnel.
- e. Commission: The directors may be paid commission if approved by the shareholders. The shareholders may authorise the Board to declare commission to be paid to any director of the Board.

2. **Long term Rewards:** This may include long – term incentive plans under which incentives may be granted to eligible key employees based on their contribution to the performance of the Company, relative position in the company and length of service under the supervision and approval of the Committee. The company could implement various long term awards / schemes that could include long term incentive programme spread over several years with payouts in multiple tranches linked to the Company's performance. Another form of long term awards could be in the nature of stock options of the Company which may be granted to key employees and high performers in the Company who would be selected by the Committee based on their criticality, past performance and potential. The grant, vesting and other scheme details would be formulated by the Committee from time to time. These long term reward schemes would be implemented to attract and retain key talent in the industry.

### Evaluation / Assessment of Directors/ KMPs/ Senior Officials of the Company:

The evaluation/assessment of the Directors, KMPs and the senior officials of the Company is to be conducted on an annual basis and to satisfy the requirements of the Listing

Agreement.

The following criteria may assist in determining how effective the performances of the Directors/KMPs/Senior officials have been:

- Leadership & stewardship abilities
- contributing to clearly defined corporate objectives & plans
- Communication of expectations & concerns clearly with subordinates
- obtain adequate, relevant & timely information from external sources.
- review & approval achievement of strategic and operational plans, objectives, budgets
- regular monitoring of corporate results against projections
- identify, monitor & mitigate significant corporate risks
- assess policies, structures & procedures
- direct, monitor & evaluate KMPs, senior officials
- review management's succession plan
- effective meetings
- assuring appropriate board size, composition, independence, structure
- clearly defining roles & monitoring activities of committees
- review of company's ethical conduct

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/ Non-Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along

with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

### **Deviations from the Policy:**

The Nomination and Remuneration Committee or the Board may deviate from this Policy if there are specific reasons to do so in an individual case and in case of any such deviations, the statutory approvals, if any as required shall be obtained by the Company and remuneration shall be paid subject to such statutory approvals.

### **Amendments to the Policy:**

This Policy is framed based on the provisions of the Companies Act, 2013 and the Rules thereunder and the listing agreement with stock exchanges.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions of this Policy inconsistent with the act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions of this Policy would be modified in due course to make it consistent with the law.

This Policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modifications in the Policy as recommended by the Committee would be given for approval of the Board of Directors.

## ANNEXURE - 3

FORM No. MR -3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31st March, 2016

[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 Board of Directors  
**M/s. PRABHAT DAIRY LIMITED**  
**CIN: U15203PN1998PLC013068**  
121/2A At Post Ranjankhol Rahata, Dist Ahmednagar  
Maharashtra 413720

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. PRABHAT DAIRY LIMITED (hereinafter called the "company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my/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 my/our opinion, the company has, during the audit period covering the financial year ended on 31st March 2016, 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, 2016 according to the provisions of:

- (i) The Companies Act 2013 and the Rules made thereunder;
- (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
- (iv) Foreign Exchange Management Act, 1999 and the applicable rules and regulations made thereunder;
- (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 (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee

- Stock Purchase Scheme) Guidelines, 1999;  
**Not Applicable**
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;  
**Not Applicable**
- (f) 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;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009- **Not Applicable**
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998  
**Not Applicable**
- (vi) The laws as are applicable specifically to the Company are as under:
- a. The Bombay Rent Act, 1947
  - b. The Companies Act, 2013
  - c. The Payment of Bonus Act, 1965
  - d. The Payment of Gratuity Act, 1972
  - e. The Payment of Wages Act, 1936
  - f. The Employees Provident Funds and Miscellaneous Provisions Act, 1952
  - g. The Shop & Establishment Act, 1948
  - h. The Negotiable Instrument Act, 1881
  - i. The Information technology Act, 2000
  - j. The Contract Labour Act, 1970
  - k. The Income Tax Act, 1961
  - l. The Central Sales Tax 1956
  - m. Central Excise Act, 1944
  - n. The Financial Act, 1994
  - o. Intellectual Property Act 2008
  - p. LBT as per Maharashtra Municipal Corporation Act, 1949- Accounts
  - q. The Employee State Insurance Act, 1948
  - r. Food Safety and Standards Act, 2006
  - s. Legal Metrology Act, 2009
  - t. Bureau of Indian Standard Act, 1986
  - u. The Sale of Goods Act, 1930
  - v. The Factories Act, 1948
  - w. The Maharashtra Agricultural Produce Marketing Act, 1963
  - x. Infant Milk Substitutes Feeding Bottles and Infant Foods Act, 1992
  - y. The Environment Protection Act, 1986
  - z. Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
    - aa. Minimum Wages Act, 1948
    - bb. Maternity Benefit Act, 1961
    - cc. Industrial Disputes Act, 1947
    - dd. Employees Compensation Act, 1923
    - ee. Prevention of food Adulteration Act, 1954
- (vii) The Listing Agreements entered into by the Company with BSE Listed and National Stock Exchange of India Limited,
- During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.
- We have also examined compliance with the applicable clauses of the following:**
- (i) Secretarial Standards issued by The Institute of Company Secretaries of India-
  - (ii) Corporate Governance Voluntary Guidelines- 2009 issued by Ministry of Corporate Affairs Government of India,
  - (iii) Corporate Social Responsibility Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India;
  - (iv) The Company has been a holding of following companies. The company has non Government Company /non financial company.
    - a) Sunfresh Agro Industries Private Limited
    - b) Cheese Land Agro (India) Private Limited
- During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.
- We Further report that, during the year under review:
- The status of the Company during the financial year has been that of a Public Company.
- 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 Companies Act, 2013.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda are sent at least seven days in advance, 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. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**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** the Company has complied with the provisions of the Act and Rules made under that Act in carrying out the following changes:

- (a) Share Capital (Issued, Subscribed, Paid-up,)
- (b) The changes in the provisions of the Memorandum of Association.
- (c) Promoters
- (d) Directors/KMP
- (e) The changes in the provisions of the Article of Association

#### **We Further Report that:**

- a) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.
- b) The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and

arrangements, shareholdings/debenture holdings and directorships in other companies and interests in other entities.

- c) The company has advanced loans, given guarantees and provided securities amounting to ₹NIL to companies in which directors were interested, and has complied with the provisions of the Companies Act, 2013.
- d) The Company has made loans and investments; or given guarantees or provided securities to other business entities and has complied with the provisions of the Companies Act, 2013 and any other statutes as may be applicable.
- e) The amount borrowed by the Company from its directors, members, bank(s)/ financial institution(s) and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws.
- f) The Company has not defaulted in the repayment of public deposits, unsecured loans and debentures, facilities granted by bank(s)/financial institution(s) and non-banking financial companies.
- g) The Company has created, modified or satisfied charges on the assets of the company and complied with the applicable laws.
- h) All registrations under the various state and local laws as applicable to the company are valid as on the date of report.
- i) The Company has issued and allotted the securities to the persons-entitled thereto and has also issued letters and certificates thereof as applicable to the concerned persons its shares within the stipulated time in compliance with the provisions of the Companies Act, 2013 and other relevant statutes during the period under review.
- j) The Company has paid all its Statutory dues During the Period Except the Following under review.

Nature of the statute	Nature of the Dues	Period to Which it Relates	Amount Demanded ₹	Amount paid under Protest ₹	Forum where Dispute is Pending
The Income Tax Act, 1961	Income Tax	AY 2007-08	1,609,413	-	Commissioner of Income Tax (Appeals), Pune
The Income Tax Act, 1961	Income Tax	AY 2008-09	2,825,447	1,900,000	Commissioner of Income Tax (Appeals), Pune
The Income Tax Act, 1961	Income Tax	AY 2011-12	1,695,240	-	Deputy Commissioner of Income Tax, Ahmednagar
The Income Tax Act, 1961	Income Tax	AY 2012-13	25,702,172	23,000,000	Commissioner of Income Tax (Appeals), Pune

- k) The Company has complied with the provisions of the Listing regulation during the period under review.
- l) The Company has provided a list of statutes in addition to the laws as mentioned above and it has been observed that there are proper systems in place to ensure compliance of all laws applicable to the company.

Shravan A. Gupta & Associates  
Practicing Company Secretary

Sd/-  
Shravan A. Gupta  
ACS: 27484, CP: 9990  
Place: Mumbai  
Date: 18.05.2016

## ANNEXURE - 4

### FORM AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

From for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis:

Sr. No.	Name (s) of the related party & nature of relationship	Nature of contracts/arrangements/transaction	Duration of the contracts/arrangements/transaction	Salient terms of the contracts or arrangements or transaction including the value, if any	Justification for entering into such contracts or arrangements or transactions'	Date of approval by the Board	Amount paid as advances, if any	Date on which the special resolution was passed in General meeting as required under first proviso to section 188
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N.A.

2. Details of contracts or arrangements or transactions at Arm's length basis:

(Amount in ₹)

Sr. No.	Name (s) of the related party & nature of relationship	Nature of contracts/arrangements/transaction	Duration of the contracts/arrangements/transaction	Salient terms of the contracts or arrangements or transaction including the value, if any	Date of approval by the Board	Amount paid as advances, if any
1.	Sunfresh Agro Industries Pvt. Ltd., wholly owned subsidiary of the Company	Purchase of goods in the ordinary course of business at an arm's length price	April 1, 2015 to March 31, 2016	308,089,465	Since these related party transactions are in the ordinary course of business and are at an arm's length basis, approval of the Board is not applicable. However, these are reported to the Audit Committee / Board at their quarterly meetings.	Nil
		Sale of goods in the ordinary course of business at an arm's length price		4,885,267,648		Nil
		Re-imburement of expenses		5,711,096		Nil

2.	Prabhat Agro Multi State Co-operative Society Limited, a co-operative society in which the Chairman of the Company is the Chairman	Purchase of goods in the ordinary course of business at an arm's length price	April 1, 2015 to March 31, 2016	205,425,000	Nil
3.	Mr. Sarangdhar R. Nirmal, Chairman and Managing Director of the Company	Availing various transport vehicles on lease in the ordinary course of business at an arm's length price	April 1, 2015 to March 31, 2016	1,200,000	Nil

For and on behalf of the Board of Directors of Prabhat Dairy Ltd.

Place : Navi Mumbai  
Date : 30.06.2016

Sarangdhar R. Nirmal  
Chairman & Managing Director  
DIN : 00035234

## ANNEXURE - 5

DISCLOSURE AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013  
READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF  
MANAGERIAL PERSONNEL) RULES, 2014

1 & 2. Ratio of the remuneration of each director to the median remuneration of the employees of the Company and the percentage increase in remuneration of Directors & KMPs in the Financial Year:

Sr. No.	Name of the Director / KMP	Designation	Ratio of Remuneration of each Director to Median Remuneration of Employees	Percentage increase in Remuneration during FY 2015-16
1.	Mr. Sarangdhar R. Nirmal	Chairman & Managing Director	42.30	0
2.	Mr. Vivek S. Nirmal	Joint Managing Director	14.50	0
3.	Mr. Ashok Sinha	Independent Director	14.50*	1
4.	Mrs. Seemantinee Khot	Independent Director	14.50*	
5.	Mr. O.V. Bundellu	Independent Director	19.94*	
6.	Mr. Soundararajan Bangarusamy (from November 10, 2015)	Independent Director	3.63*	NA
7.	Mr. Udayan Bose (upto November 10, 2015)	Independent Director	19.94*	NA
8.	Mr. Rajesh Srivastava	Non-executive Director	21.75*	
9.	Mr. Raphael Plihon	Non-executive Director	16.32*	
10.	Mr. Keyur Shah (upto December 11, 2015)	Chief Financial Officer	18.15	10.11%
11.	Mr. Amit Gala (from December 12, 2015)	Chief Financial Officer	21.88	NA
12.	Ms. Priya Nagmoti	Company Secretary	13.18	51%

**Note :** The ratio of median remuneration of each Independent Director to median remuneration of employees has been calculated on total amount of sitting fee to Independent Directors paid during the year against the median per month remuneration of employees.

3.	Percentage increase in the median remuneration of employees in the financial year	48%
4.	Number of permanent employees on the rolls of the Company as at March 31, 2016	744

5.	Explanation on the relationship between average increase in remuneration and Company performance	Average increase in remuneration was 27.87%. The turnover of the Company increased by 14.34 % and Profit Before Tax increased by 116.50%	
6.	The key parameters for any variable component of remuneration availed by the Directors	Total Revenue	₹10,001,903,596
		Profit Before Tax	₹144,581,572
		Total remuneration to KMPs	₹14,791,134
		Total Remuneration of KMPs as % to:	
		Total Revenue	0.15%
		Profit Before Tax	10.23%
7.	i. Variations in the market capitalization of the Company	The market capitalization as on March 31, 2016 was ₹10,715.10. The shares of the Company were not listed as on March 31, 2015.	
	ii. Price Earnings ratio of the Company as at the closing of March 31, 2016 and March 31, 2015	100.64 based on standalone EPS and 38.49 based on consolidated EPS as on March 31, 2016.	
	iii. Percentage increase over / decrease in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer in the year:	(4.61%)	
8.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average increase in remuneration of the employees other than managerial personnel was 25% as compared to the decrease of about 27% in managerial remuneration which is on account of cessation of two whole time Directors of the Company.	

9. Comparison of the each remuneration of the Key Managrial Personnel against the performance of the Company:

Name of the KMPs	Remuneration in FY 2015-16 (in ₹)	Revenue (in ₹)	Remuneration as % of revenue	Profit Before Tax (PBT) (in ₹)	Remuneration (as % of PBT)
Mr. Sarangdhar R. Nirmal	7,000,000	10,001,903,596	0.07%	144,581,572	4.84%
Mr. Vivek S. Nirmal	2,400,000	10,001,903,596	0.02%	144,581,572	1.66%
Mr. Keyur Shah (upto December 11, 2015)	2,002,645	10,001,903,596	0.02%	144,581,572	1.39%
Mr. Amit Gala (from December 12, 2015)	1,207,049	10,001,903,596	0.01%	144,581,572	0.83%
Ms. Priya Nagmoti	2,181,440	10,001,903,596	0.02%	144,581,572	1.51%

10.	The key parameters for any variable component of remuneration availed by the Directors	Not Applicable
11.	Ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	Not Applicable
12.	Affirmation that the remuneration is as per the remuneration policy of the Company	It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, KMPs and other employees.

Other than as disclosed above, there was no employee who:

- (i) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than sixty lakh rupees;
- (ii) If employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than five lakh rupees per month;
- (iii) If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole – time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

For & on behalf of the Board of Directors of Prabhat Dairy Ltd.

Place: Navi Mumbai

Date: 30.06.2016

Sarangdhar R. Nirmal

*Chairman & Managing Director*

DIN : 00035234

## ANNEXURE - 6

### Particulars of conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under the Companies (Accounts) Rules, 2014:

The information as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is as follows:

#### A. Conservation of Energy:

1. Some of the energy conservation measures undertaken during 2015-16 are:
  - (a) The Company has stopped using low capacity compressors and connections extended from high capacity compressors.
  - (b) Sugar syrup chilling stopped by IBT and given tapping from cooling tower.
  - (c) All steam condensate being used as a boiler feed water.
  - (d) Cow condensate filtered and being used as a CIP water and other ends.
  - (e) ETP out water started to be used for gardening and civil / project work.
  - (f) Improved power factor.
  - (g) IBT + VAM lines modified
  - (h) Installed the recovery room and using that powder as RC.
  - (i) Cold tunnel erected in cheese / FMP dispatches.
  - (j) Tubular heat exchanger installed for transferring butter to ghee section.
  - (k) Installation of co-generation plant.
2. Additional investments and proposals, if any being implemented for reducing energy consumption:

Your Company has already implemented the initiatives stated above and will extend and expand them wherever applicable. Your Company is continuously striving to achieve the quality production with further reduction in the consumption of electricity, fuel, water and other resources. It is also intended to reduce the packing material cost by optimization of packing material by marinating high quality.

#### 3. Impact of measures at (1) and (2) above:

Fuel and energy costs have seen a decline in the past year with the successful energy reduction plan undertaken in both electricity / fuel consumptions. There has also been a reduction in the consumption of water.

#### B. Technology Absorption, Adaptation and Innovation:

- (a) Efforts in brief, made towards absorption, adaptation and innovation:

Your Company is planning to increase its product range, for eg. By making use of nano filtration and UF plant, whey generated during cheese manufacturing is intended to be used for manufacture of other whey products fetching a good margin for the Company. In order to achieve economies, your Company is planning to import various products that will be used as raw materials for manufacture of different products. sors.

- (b) Benefits derived as a result of the above:

The above initiatives resulted and will further result in achieving higher productivity and better energy utilization with reduced energy cost and has enhanced process capability to give superior and consistent product quality, new products, achieve economies.

- (c) Details of imported technology:

Your company is going to import a high pressure pump cum homogeniser for being used in its 40 TPD new Drier plant which will increase its efficiency. Also, high speed packaging machines, UHT Sterilizer, Cream Sterilizer, Stephen Cooker for cheese plant, etc. are under consideration for being imported in order to achieve higher efficiency, quality, speed and economies.

#### C. Technology Absorption

Your Company has undertaken efforts to absorb the best available technology for processing of milk and manufacturing of milk products.

Research and Development (R&D)

Details of efforts made in technology absorption are as follows:

- (a) Core areas of research by the Company:

- Your Company R&D team's core focus is to continue to deliver significantly superior and organoleptically advantaged innovations, renovating the core to be superior to competition, process development, value



engineering of the product and packaging, building healthier product portfolio backed up with solid nutrition science and claim substantiation process, building state-of-the-art analytical excellence and ensuring regulatory compliance.

- Improve product safety and shelf life
- Process improvement is underway for mix preparations and processing for enhancing product quality, stability and food safety.
- Product Diversification
- Quality enhancement to achieve International Standards.

**(b) Benefits delivered as a result of above R&D initiatives:**

These core areas of research will help your Company to launch certain new to market disruptive advantaged, nutritionally superior products. Core products range will continue to be renovated to stay relevant and competitive in the market place. Health and wellness category will see range of products based on nutritional benefits and fortification in coming year. Strong pipeline of

innovations and few category innovations will be the key benefits from the above initiatives.

**(c) Expenditure on R & D:**

In view of insignificant amount incurred, the expenses incurred on the research and development cannot be specifically segregated and presented.

**(d) Future plan of action:**

Your Company's R&D team will continue to focus on consumer winning technology & ingredients led disruptive and core innovations, strong health and wellness innovations based on nutrition claims, work on new adjacent category innovations for launch and reducing the cost of product and packaging recipe while continuing to build product advantage.

More importance will be given on product / process development / innovation, to bring down cost without compromising on product quality and to achieve international standards in quality and taste.

**D. Foreign Exchange Earnings and Outgo:**

During the year under review, there were no foreign exchange earnings. Expenditure incurred in foreign exchange were ₹12,469,270 (previous year ₹1,070,336).

For & on behalf of the Board of Directors of Prabhat Dairy Ltd.

Place: Navi Mumbai  
Date: 30.06.2016

Sarangdhar R. Nirmal  
Chairman & Managing Director  
DIN : 00035234

# ANNEXURE - 7

## Annual Report on CSR Activities

### Prabhat CSR is guided by a well thought Policy:

Prabhat believes that business sustenance is possible only with Inclusive Growth, and is committed to well-being of local communities and environmental sustainability.

Prabhat aspires to integrate sustainability perspective across all its business policies and operations.

Prabhat's CSR operations focus on improvements in agro based livelihoods of local communities, as they are the primary stakeholders.

Prabhat implements development initiatives in partnership with Nirmal Rural Multi Purpose Institute, Sunfresh Agro Industries Pvt Ltd, local SHGs, educational institutions, Govt departments and is open to partnership with organizations with common goals of local area development.

Prabhat spends 2% of its profit for CSR, and makes public disclosures of CSR outcomes.



Farmers taking cattle health insurance policy

### Prabhat conceives CSR as ...

- A mission for inclusive growth that contributes to well-being and sustainability of its surroundings
- Local community, particularly small and marginal farmers, women and youth
- Local environment and natural resources like water, soil, vegetation and livestock
- Protecting long term interests of both the company and its key stakeholders
- A focused response to socio-economic and environmental issues raised by business operations

### Prabhat's CSR ethos

- **Prabhat's Motto:** "Health & Happiness for all"
- **Prabhat's Vision:** "To be a highly respected and leading milk food company that is committed to thoughtful & sustainable socio-economic development"
- **Prabhat Dairy Quality Mission:** aims transformation in dairy business
- Prabhat's track record / extension services

### Prabhat's CSR Values:

Prabhat upholds three values that guide its CSR operations;

- A. **Environmental Sustainability:** Minimizing environmental foot print of the business operations, by demonstrating and promoting efficient use of natural resources, particularly water, soil (land) and livestock, which directly contribute to milk production.
- B. **Stakeholder's Responsiveness:** Responding to stakeholder interests, particularly of local community to which primary stakeholders - the milk producing farmers - belong. By providing timely, quality extension services, and improving their access to inputs, finance and information etc.
- C. **Business Responsibility:** Doing business ethically and taking responsibility that business operations will not harm environment, employees, stakeholders or civil society at large.



Vaccination at the door step of farmers

## CSR Performance 2015-2016

### Veterinary care

**Rational:** Reliable Vet services not accessible or affordable to majority of the milk producers.

**Focus:** Preventive Health Care and breed improvement, to make dairy business affordable for poorer sections of society.

**Activities:** Provide veterinary services support

1. Artificial Insemination for breed improvement
2. Vaccination
3. Tick Control
4. De-worming

#### Output:

- 75 cows inseminated
- 30 female calves born
- 400 cattle vaccinated against Theileriosis
- 2500 cattle de-wormed
- 2745 cattle tick control

#### Outcome:

- Vaccination helped in reducing cost of health care
- At least 10% increase in production

### Extension and Input supply

**Rational:** Due to lack of awareness and access to quality inputs farmers are facing problems in continuing dairy business.

**Focus:** increasing access to quality supply / drudgery reduction

#### Activities:

1. Nutrition awareness / guidance on balance ration , and fodder management
2. Demonstrate silage making
3. Distribute silage to landless at subsidized rate or free in extreme drought condition
4. Avail chaff cutter, milking machine and mineral mixture

**Outreach:** 37000 families from 10 villages

#### Output:

- 125 families in drought prone areas given free mineral mixture
- 218 families received fodder seeds
- 1 family received milking machine
- 3700 families receiving cattle feed supply
- 14500 families in 5 villages received tanker Water supply during scarcity
- 12500 families in 5 villages benefited from better access road

#### Outcome:

- 85% families accessing extension services sustain milk production in drought / dry period



Dairy farmers testing about hydroponics

### Capacity Building

**Rational:** Milk Producers follow traditional methods, they need knowledge, awareness and skills to adopt appropriate

technology and techniques to improve production and productivity. Youth are falling out of dairy business and need to be guided on advantages of modern dairy farming.



Inauguration of Prabhat training center

**Focus:** Awareness generation for adaptation of improved practices.

**Activities:**

1. Training for youths: Profitable Dairy Farming” to become successful milk entrepreneur
2. Radio programs on dairy farming
3. Information and Education materials like calendars, posters and pamphlets
4. Capacity building of women to increase their participation in dairy business

**Outreach:** approx 20000 families in milkshed area.

**Output:**

- 51 Radio programs, approx. 30000 families

- 37 youth trained in Profitable Dairy Farming techniques
- 725 farmers introduced a range of good practices in feeding, breeding and management
- 20000 calendars to approx. 20000 families
- 600 farmers participating in exhibitions
- 150 participated in the women’s day program
- 8 SHGs are functioning effectively

**Outcome:**

- 85% youths adopted improved dairy farming / got employment
- At least 25% farmers adopted silage making
- Greater engagement of women



Women SHG started milk collection center

1. The following is the brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken:

- A well thought mission for inclusive growth, that contributes to well being and sustainability of its surroundings:
  - local community, particularly small and marginal farmers, women and youth.
  - local environment, and natural resources like water, soil, vegetation and livestock
- Protecting long term interests of both the company and its key stakeholders.
- A focused response to socio-economic and environmental issues raised by business operations.

2. The following is a reference to the web-link to the CSR Policy and projects or programs:

<http://www.prabhatfresh.com/wp-content/uploads/2015/12/csr-policy.pdf>

3. The following is the Composition of the CSR committee:

- Mrs. Seemantinee Khot, Chairman (Independent Director)
- Mr. Sarangdhar R. Nirmal, Member (Chairman & Managing Director)
- Mr. Rajesh Srivastava, Member (Additional non-executive Director)
- Mr. Raphael Plihon, Member (Additional non-executive Director)

4. The following is the Average net profit of the Company for last three financial years.

Year	Net Profit (₹)
2012-13	54,375,713
2013-14	53,382,965
2014-15	89,664,716
Total	197,423,394
<b>Average</b>	<b>65,807,798</b>

5. The following is the Prescribed CSR expenditure (2% of the amount as in item 4 above):  
₹1,316,156/- (Rupees Thirteen Lacs Sixteen Thousand One Hundred and Fifty Six only)
6. The following are the details of CSR spent during the financial year:
- (a) total amount to be spent for the financial year :  
₹1,316,156/-
- (b) amount unspent, if any : NIL

(c) manner in which the amount spent during the financial year is detailed below: (Amount in ₹)

(1) Sr. No.	(2) CSR Project or activity identified	(3) Sector in which the pro- ject is covered	(4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	(5) Amount outlay (budget) project or programs wise	(6) Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads	(7) Cumulative expenditure upto the reporting period	(8) Amount spent: Direct or through implementing agency
1.	Cattle Feed Dis- tribution	Animal Welfare	Dist. Ahmednagar, Maharashtra		867,444	867,444	Direct
2.	Radio Program	Promoting Education			91,918	91,918	Direct
3.	Veterinary Ser- vices	Animal Welfare			5,105	5,105	Direct
4.	Water Supply	Rural Develop- ment Projects			256,950	256,950	Direct
5.	Other CSR ex- penses				5,995	5,995	Direct
6.	Capacity Building	Rural Develop- ment Projects				231,401	231,401
<b>TOTAL</b>					<b>1,458,813</b>	<b>1,458,813</b>	

The CSR Committee hereby confirm and certify to the Board that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company during the financial year ended on March 31, 2016.

**Seemantinee Khot**  
Chairperson, CSR Committee  
DIN: 07026548

**Sarandhar R. Nirmal**  
Chairman & Managing Director  
DIN: 00035234

# Management Discussion & Analysis

## Corporate overview

Prabhat Dairy Limited ('Prabhat') is an integrated dairy company. Prabhat Dairy Limited ('Prabhat') is a fast-growing Indian dairy company integrated backwards into quality milk procurement. The company's sustainability has been centered around enlarging its presence within profitable and attractive retail niches, capitalizing on robust brand building and manufacturing foundation. Even as the Company was earlier a back-end producer of specialty ingredient products for multinational companies, it has progressively evolved into a consumer-facing value-added product manufacturer.

## Economic overview

The global economy disappointed in terms of growth due to activity deceleration in key emerging and developing economies (largely China, Brazil and Russia), overshadowing a modest recovery in major high income countries. The deceleration was accompanied by a decline in commodity prices, subdued global trade, financial market volatility and weakening capital flows. India proved to be a notable exception, growing 7.6% in FY 2015-16 as per the Central Statistical Office estimates, despite a decline in exports. Inflation declined; industrial activity and consumption were not quite buoyant.

Going ahead, three key transitions will influence global growth outlook – the pace of rebalancing in China, commodity prices and monetary policy actions in the US and other major economies. Even as long-term growth prospects in India remain bright, the actual pace of reforms will depend on a revival in private investment, rural consumption and reforms implementation.

## Industry structure

The Indian foods industry is growing rapidly. The Food Products Export Development Authority (APEDA), under the Ministry of Commerce, is investing a substantial share of its budgeted allocation in promoting technology upgradation and value-addition in key segments (rice, wheat, pulses,

oilseeds, spices, and dairy products, among others).

India is one of the world's largest milk producing nations, accounting for around 18% of the global milk production. The country reported an attractive increase in milk production during the last two decades, growing 4.3% CAGR - producing 147 million tonnes in 2014-15 compared with 116 million tonnes in 2009-10.

The Indian dairy industry comprises dairy co-operatives and private players. These co-operatives strengthened their business models during Operation Flood and the National Dairy Plan – 1 & 2. Specifically, they added farmers to their network, created an ecosystem that helped increase yields, educated farmers in quality cattle breeding and passed 80-85% of consumer prices back to farmers, strengthening mutual viability and sustainability.

Private and regional dairy players built proprietary milk procurement networks on the back of remunerative prices and timely payment. Besides, they educated cattle owners in quality breeding, provided yield-enhancing fodder and graduated into value-added product manufacture.

The market for dairy products improved on the back of population increase, growth in per capita incomes and rising preference for value-added products. Given this sustainable reality, it is estimated that milk production will need to increase by over 1.8% per annum over the foreseeable future to address an increasing appetite.

The prospects of the country's dairy sector are increasingly attractive. The sector's growth is being catalysed by modern retail format growth, making it possible to stock a large product variety under one roof coupled with customer-centric distribution schemes. A majority of e-commerce players (Amazon, Nature's Basket, Big Basket, and Flipkart, among others) have also contributed to growth of dairy sales in India. Besides, the sector is being driven by a growing population, higher incomes and enhanced health consciousness. The market share of value-added products



in the milk and milk derivatives segment is rising faster than liquid milk.

### Analysis and review

The Indian dairy industry is not just one of the fastest growing dairy segments across the world; it is a dependable pillar of the Indian economy. It catalyses India's economic growth through large rural and semi-urban employment opportunities, creating an alternative livelihood means for millions otherwise dependant on monsoon-reliant agriculture. The success of this national industry depends has been driven by the integration of milk collection, transportation, processing and the distribution networks.

#### 1. Financial Position / Performance with respect to operational performance:

Your Company prepares its financial statements in compliance with the requirements of the Companies Act, 2013 and the Generally Accepted Accounting Principles (GAAP) in India. These financial statements were prepared on a historical cost basis. Your management accepts the responsibility for integrity and objectivity of the financial statements as well as estimates and judgments used. These estimates and judgments relating to financial statements are prudently made to reflect in a true and fair manner the form and substance of transactions. This also enables in reasonably presenting the Company's state of affairs and profits and cash flows for the year ended March 31st, 2016.

The financial statements of the Company and its subsidiaries were consolidated on a line-by-line basis by adding assets, liabilities, income and expenses after eliminating intra-group transactions and unrealized gains or losses in accordance with the Accounting Standard – 21 (AS-21) on 'Consolidated Financial Statements.'

The subsidiaries of the Company are wholly-owned. To view the performance of the Group, including the Company, as a whole, the discussion on financial performance in the Management Discussion and

Analysis relates primarily to the consolidated accounts of the Company.

The following was the financial position as on March 31st, 2016 vis-à-vis March 31st, 2015:

1. Share Capital: The authorized share capital of the Company is ₹100 Crore divided into 10,00,00,000 Equity Shares of ₹10 each, as on March 31st, 2016. The paid-up share capital stood at ₹976,761,310 as on March 31st, 2016, compared to ₹714,287,100 as on March 31st, 2015. The increase in paid-up capital during the year is due to a fresh issue of 26,247,421 equity shares of ₹10 each in the initial public offering of the Company.

#### 2. Reserves and Surplus

(a) Securities Premium Account: The addition to the Securities Premium Account of ₹2,737,525,780 during the year was due to the issue of 26,247,421 equity shares of ₹10 each in the initial public offering (including an offer for sale) of the Company at a price of ₹115 per share, with a discount of ₹5 per share to retail individual investors. All the IPO proceeds and IPO expenses were shared between the Company and selling shareholders in proportion of the number of shares offered / sold by them to the public. The deduction from the Securities Premium Account of ₹165,907,168 was a write-off of the share of expenses of the Company in relation to the IPO.

(b) Surplus in the Statement of Profit and Loss: The surplus in the Statement of Profit and Loss as on March 31, 2016 was ₹10,496.44 Lakhs after making appropriation for the proposed dividend of ₹470.24 Lakhs (including tax on dividend of ₹79.54 Lakhs), compared to ₹8,514.20 Lakhs as on March 31st, 2015.

### 3. Borrowings:

The borrowings as on March 31, 2016 and March 31, 2015 are as under:

(Amount In ₹ Lakhs)

Borrowings	March 31, 2016	March 31, 2015
Long term	3,884.34	21,593.94
Short-term (including current maturities of long-term borrowings)	11,971.25	19,583.44

During the year under review, the Company substantially reduced its high interest long-term debt to the tune of ₹18,500 Lakhs from the IPO proceeds. The repayment substantially reduced the interest outflow, which will enhance profits and accruals, relieving the Company from borrowing large working capital sums.

Following increasing launch of value-added products, working capital requirements are expected to decline on account of superior realizations, higher margins and shorter

receivables. The higher accruals would be reinvested in brand-building.

The Company continued to focus on the judicious management of working capital, ensuring that borrowing costs are competitive. Receivables, inventories and other working capital parameters were controlled through continuous monitoring.

The Company improved its credit rating to 'A with stable outlook'.

### 4. Fixed Assets:

The movement in fixed assets is shown in the table below:

(Amount In ₹ Lakhs)

As of March 31	2016	2015
<b>Gross Book Value</b>		
Land : Freehold	26.38	26.38
Leasehold	6,580.32	6,580.32
Buildings	13,293.52	8,867.92
Plant and Equipment	37,909.69	26,172.16
Office Equipment	156.80	145.52
Furniture and fixtures	429.11	406.74
Vehicles	271.41	168.58
Computers	246.39	221.20
Software	233.57	176.63
<b>Total</b>	<b>59,147.19</b>	<b>42,765.44</b>
Less: Accumulated Depreciation & amortization	16,172.50	12,182.78
<b>Net Block</b>	<b>42,974.69</b>	<b>30,582.66</b>
Add: Capital Work-in-Progress	2,446.77	15,906.55
<b>Net Fixed Assets</b>	<b>45,421.46</b>	<b>46,489.21</b>

During the year under review, your Company commissioned a 20 metric tonnes per day cheese plant - India's third largest state-of-the-art cheese manufacturing plant – to address the growing needs of the institutional HORECA (Hotels, Restaurants and Catering) segment.

During the year under review, your Company also commissioned 5 metric tonnes per day paneer and 5 metric tonnes per day shrikhand plants.

Your Company also installed a 3 MW co-generation captive power plant, which is nearing completion. The commissioning of this plant will moderate energy and utility costs, enhancing efficiencies and margins.

The Company also installed a 40-tonne per day sprayer drier to enhance plant capacity.

Your Company, having completed almost all its planned capex, is focusing on increasing capacity utilization and increasing revenues.

#### 5. Investments:

On a consolidated level, the Company had non-current investments of ₹5.32 Lakhs as on March 31, 2016, compared to investments of ₹7.32 Lakhs as on March 31, 2015. These were mainly in few shares of co-operative societies and in mutual funds.

During the year under review, the Company made a direct investment in a wholly owned step-down subsidiary called Sunfresh Agro Industries Pvt. Ltd. (SAIPL), subscribing to 14,419,640 equity shares of ₹10 each of SAIPL at ₹112 per share. SAIPL is a material subsidiary of the Company engaged in processing milk and manufacturing various milk products at its plant in Taluka Rahata, Dist. Ahmednagar.

#### 6. Deferred Tax Asset / Liabilities:

Deferred tax liabilities (net) as at March 31, 2016 was ₹2,363.37 Lakhs compared to ₹1,776.08 Lakhs as at March 31, 2015. Deferred tax assets represent timing differences in the financial and tax books arising from

depreciation of assets, provisions for debtors, leave encashment and gratuity. The Company assessed the likelihood that the deferred tax asset would be recovered from future taxable income before carrying it as an asset. Deferred tax assets and liabilities were offset as they related to the same governing taxation laws.

#### 7. Sundry Debtors:

Sundry debtors were ₹22,653.69 Lakhs (net of provision for doubtful debts of ₹100.37 Lakhs) as of March 31, 2016, compared to ₹20,840.27 Lakhs (net of provision for doubtful debts of ₹46.28 Lakhs) as of March 31, 2015. Debtor-days as of March 31, 2016 were 71 days as compared to 76 days as of March 31, 2015.

#### 8. Cash and Bank Balances:

The bank balance includes the balance of different current accounts, balances held as security against borrowings and other commitments and also bank deposits. The cash and bank balance as of March 31, 2016 was ₹1,197.41 Lakhs compared to a balance of ₹2,154.07 Lakhs as of March 31, 2015.

#### 9. Loans and Advances:

Loans and advances as on March 31, 2016 were ₹8,081.41 Lakhs compared to ₹2,842.74 as on March 31, 2015. Significant items of loans and advances included advances to suppliers, security deposit to various authorities and parties, and subsidy income receivables.

#### 10. Long-term and short-term provisions:

Long-term provision includes provision for employee benefits i.e. gratuity which was ₹142.70 Lakhs as on March 31, 2016 and ₹107.34 Lakhs as on March 31, 2015. Short-term provisions included provision for gratuity, provision for income tax liability (net of advance tax), proposed dividend and tax on proposed dividend. The short-term provisions were ₹785.66 Lakhs as on March 31, 2016 and ₹499.12 Lakhs as on March 31, 2015.

The following are the Results of Operations during the year ended March 31, 2016:

The table sets forth certain income statement items as well as these items as a percentage of your Company's total income (consolidated) for the periods indicated:

Particulars	Fiscal year 2016		Fiscal year 2015	
	Amount in ₹ Lakhs	% of Total Income	Amount in ₹ Lakhs	% of Total Income
<b>INCOME</b>				
Revenue from operations	117,050.40	99.87	100,336.21	99.90
Other Income	146.56	0.13	97.28	0.10
<b>Total Income</b>	<b>117,196.96</b>	<b>100.00</b>	<b>100,433.49</b>	<b>100.00</b>
<b>EXPENDITURE</b>				
Personnel Cost	2,818.80	2.41	2,559.79	2.55
Operating and other expenses	102,306.97	87.29	87,425.38	87.05
Depreciation	3,989.95	3.40	3,440.02	3.43
Interest and Finance Cost	4,270.01	3.64	4,119.75	4.10
<b>Total Expenditure</b>	<b>113,385.74</b>	<b>96.75</b>	<b>97,544.93</b>	<b>97.12</b>
<b>Profit before tax</b>	<b>3,811.22</b>	<b>3.25</b>	<b>2,888.56</b>	<b>2.88</b>
Provision for taxation	1,358.73	1.16	289.64	0.29
<b>Profit after tax</b>	<b>2,452.48</b>	<b>2.09</b>	<b>2,598.92</b>	<b>2.59</b>

## 1. Revenue:

During the financial year under review, your Company reported healthy revenue growth from Ice cream, Curd, Butter, Ghee, Pouch Milk and Skimmed Milk Powder over the previous year. The other major products contributing to revenues comprised whole milk powder, skimmed / standardized milk and condensed milk-added sugar. Revenues (consolidated) increased to ₹117,050.40 Lakhs in fiscal 2016 from ₹100,336.21 Lakhs in fiscal 2015, a marginal growth of 17% despite a challenging environment. The increase in sales was led by huge volume growth despite a decline in realizations.

Raw milk prices remained stable through the first three quarters of FY2016 and increased in the last quarter. The two successive drought years in Maharashtra impacted the dairy industry in the last quarter, a reality expected to extend into the current fiscal as well.

The quantum of milk production and SMP stock are key factors influencing milk prices. With increased availability of raw milk / SMP, liquid milk prices are expected to remain stable.

Dairy exports and imports were imbalanced across 18

to 24 months due to European production increasing more than expected and lower imports into China and Russia, two of the world's largest dairy importers. However, the timeframe for rebalancing is over and largely depends on reduced production, particularly in Europe, in response to unsustainably low global dairy prices. SMP prices are estimated to marginally revive in the next few months following a production slowdown in Europe and Australia as a reaction to consistent price decline.

Your Company was judicious in its retail expansion plans. Its retail network covered a large number of regions (Maharashtra, Gujarat and Madhya Pradesh) and a marginal presence in the rest of India. The Company targeted Tier II and Tier III cities for expansion and reaching 55,000 outlets in Maharashtra.

The Company received an Eligibility Certificate from the Department of Industries, Government of Maharashtra, under the Package Scheme of Incentives, 2007 pursuant to which the Company is eligible to receive benefits in the form of Electricity Duty exemption, Stamp Duty exemption and Industrial Promotion Subsidy (refund of Value Added Tax and Central Sales Tax), subject to

fulfilment of certain conditions under the Scheme and acceptance of the claim by the Department. These benefits are in the nature of government grants in accordance with Accounting Standard 12 'Accounting for Government Grants'. The Company did not file its claim for eligible incentives since the management is in the process of evaluating and quantifying benefits receivable from such an incentive scheme as at March 31, 2016 based on sales made by the eligible unit. There was also uncertainty on timings when the actual amount of the admitted claim would be received from the Government, which depends on a number of factors beyond the Company's control. The management did not recognize the income related to the government grant during the year ended March 31, 2016 on an accrual basis. If these benefits were accounted, there would have been an increase in Other Income, increase in profit before / after tax, increase in tax expenses, increase in earnings per share and growth in reserves & surplus, among others.

## 2. Other Income:

Other Income includes interest income from banks, net gain on foreign currency transactions, liabilities written back to the extent not required and miscellaneous income. Other Income was ₹146.56 Lakhs in FY2016, compared to ₹97.28 Lakhs in FY2015. The increase in other income was mainly due to foreign exchange gains and liabilities written back to the extent not required compared to the previous year.

## 3. Expenditure:

Personnel cost includes salaries, wages and allowances, contribution to provident and other funds, gratuity expenses and staff welfare expenses. An increase in personnel cost in absolute value was mainly due to an increase in headcount and annual increments.

Operating and other expenses mainly include cost of materials consumed, co-packing and conversion charges, cost of stores and spare parts, power and fuel, water charges, rent, repairs and maintenance, insurance, rates & taxes, labour charges, travelling and conveyance, transport and forwarding expenses, business promotion expenses, legal and professional expenses, among others.

Increase in depreciation in absolute value was due to capitalization of CWIP during the year, in relation to plants for cheese, paneer and shrikhand.

The Company incurred interest and finance cost of ₹4,270.01 Lakhs in FY2016 compared to ₹4,119.75 Lakhs in FY2015.

During the year under review, the Company carried out various changes in its plant structure, which are detailed in Annexure – 6 to the Directors' Report. These changes will help the Company achieve operational efficiency and reduce power, fuel and utilities cost. The commissioning of a 3MW co-generation captive power plant will save power, fuel and utilities costs.

Particulars	Fiscal year 2016		Fiscal year 2015	
	Amount in ₹ Lakhs	% of Total Income	Amount in ₹ Lakhs	% of Total Income
<b>EXPENDITURE</b>				
Personnel Cost	2,818.80	2.41	2,559.79	2.55
Operating and other expenses	102,306.97	87.29	87,425.38	87.05
Depreciation	3,989.95	3.40	3,440.02	3.43
Interest and Finance Cost	4,270.01	3.64	4,119.75	4.10
<b>Total Expenditure</b>	<b>113,385.74</b>	<b>96.75</b>	<b>97,544.93</b>	<b>97.12</b>
<b>Profit before tax</b>	<b>3,811.22</b>	<b>3.25</b>	<b>2,888.56</b>	<b>2.88</b>
Provision for taxation	1,358.73	1.16	289.64	0.29
<b>Profit after tax</b>	<b>2,452.48</b>	<b>2.09</b>	<b>2,598.92</b>	<b>2.59</b>

#### 4. Profit Before Tax:

Profit Before Tax was ₹3,811.22 Lakhs in FY2016, as compared to ₹2,888.56 Lakhs in FY2015. Profit before tax as a percentage of total income was 3.25% in FY2016 compared to 2.88% in FY2015.

#### 5. Income Tax:

The provision for income tax for the year ended March 31, 2016 was ₹1,358.73 Lakhs as compared to ₹289.64 Lakhs in the previous year. The low tax in previous year was on account of various deduction benefits available to new industrial undertakings, which have since been

fully utilized and no longer available under the provisions of the Income Tax Act. Your Company has come under the full tax bracket.

#### 6. Profit After Tax:

Profit after tax was ₹2,452.48 Lakhs in FY2016 compared to ₹2,598.92 Lakhs in FY2015. Profit after tax as a percentage of revenue was 2.09% in FY2016 and 2.59% in FY2015. This reduction was mainly on account of deductions earlier available claimed under the Income Tax that were fully availed and no longer available.

#### 7. Cash Flow:

(Amount In ₹ Lakhs)

Particulars	Fiscal year	
	2016	2015
Net Cash Flow from operating activities	3,340.45	141.74
Net Cash Flow from investing activities	(2,427.75)	(5,326.14)
Net Cash Flow from Financing activities	(1,768.27)	6,913.89
Cash and Cash equivalents at the beginning of the year	2,023.15	293.66
Cash and Cash equivalents at the end of the year	1,167.57	2,023.15

#### 1. Increased use of Information technology:

By virtue of operating in a technology-driven economy, your Company adapted to the use of information technology (IT) in most of its functional areas – from procurement to delivery. Your Company installed milk analyzers across all its procurement centres to test procured milk quality, transferring the data to the Company's central server, on the basis of which farmers were paid.

The Company remitted payments directly into farmer bank accounts, reducing cash management. The robust SAP ERP is being extended to various distribution cities across India. Your Company developed a sales application in which real-time sales data is captured into the system. These technology-driven functions generate timely and reliable MIS, facilitating informed decision making. Your Company continued to invest in advanced technology to reduce costs.

**Quality and accolades:** Your Company emphasized its credible market position by winning awards and entering into trusted product supply partnerships with large multinational customers.

#### 2. Opportunities and Challenges:

The future of the Indian dairy industry appears promising, buoyed by demand growth of 2% per annum following population growth, growing Asian middle-class incomes, urbanization and favorable demographics. Milk production is growing at 4.3% and consumption at 5%, widening the gap between demand and supply. Following liberalization in 1991, the private sector's presence in the country's dairy sector increased and accounted for a significant share. The share of India's organized dairy segment at only 20% (by value) indicates attractive head room. While co-operatives command a major market share, private corporates are gradually gaining ground on the back of a shift in consumer tastes and preferences towards toned milk, flavoured milk and value-added products.

The processed milk and milk products segment is projected to record about 12-13% CAGR between FY2014 to FY2017. Growth will be driven by changing consumer lifestyles, cross-border influences of culture and food habits, growth in food services industry, increasing urbanisation, rising need for convenience

and better health awareness.

Your Company is focusing on the untapped Tier II and Tier III cities and villages to widen footprint.

The sector is marked room for considerable innovation in product development, packaging and presentation. Following technology advancements and investment in balancing equipment, the product mix flexibility is widening, enabling the Company to keep adding to its portfolio. Your Company is already in the forefront of these initiatives.

In addition to the growing demand for dairy products, there is a demand for milk and processed milk (in one or the other) for the manufacture of adjacent products like chocolates, sweets, bakery and infant foods, among others. This trend is a clear sign of an ever-growing demand and sustainability in the Indian dairy industry.

Your Company follows stringent quality measures in ensuring quality – from milk procurement, processing and manufacturing till its delivery to the end-consumer. At the same time, your Company aims to provide the best quality products at the most affordable / competitive price. Your Company's strength lies in its efficient and effective procurement and supply cold chain management. Your Company has a trained and experienced human resource pool to address dairy industry challenges. Your Company is progressing to become a fully integrated business model marked by backward and forward integration. There is also an effort to reduce marginal costs and achieve economies of integration and scale.

However, like every other business, there are several challenges / risks ahead for the dairy industry. Some of the key challenges are aimed at enhancing competitive strengths and global positioning in terms of climatic conditions, quality milk procurement, volatility in prices, perishable nature of product handled, requirement of strong cold chain, technology obsolescence, new product development, packaging economies and efficiencies, distribution economies and efficiencies, operational economies and efficiencies, competition risks, distribution challenges, logistic challenges, and credit risk, among others.

The Company's risk management framework is based on disciplined risk assessment and monitoring. The policies established are continuously benchmarked with

industry-best practices. The Board of Directors possess an oversight on all risks assumed by the Company. A specific Risk Management Committee was constituted to facilitate a focused supervision of various risks.

Your Company is well aware of industry realities, focusing on long-term goals and profitable development. Its backward and growing forward integration, coupled with a combination of B2B and B2C-directed portfolio, makes it possible to meet adverse sectoral conditions. Your Company remains confident of long-term prospects and its ability to sustain a fair return to shareholders.

### 3. Outlook:

The Indian economy has been facing headwinds for the last couple of years. In the first half of the year, your Company remained relatively insulated from the economic slowdown and Maharashtra drought following proactive management. However, the year's second half witnessed a nominal slowdown in the line with the economy and we expect it to improve but with slow pace. However, your Company expects the industry to rebound on the back of the socio-economic fundamentals.

### 4. Internal Control Systems:

The Company maintains an adequate internal control system, commensurate with the nature, size and complexity of its business. Among other things, this provides reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against significant misuse or loss of the Company's assets, maintaining proper accounting records and providing reliable financial information.

During the year under review, the Internal Financial Control (IFC) Audit was carried out by the Statutory Auditors, the Report of which has been reviewed by the Audit Committee along with having a discussion with the Statutory Auditors. There are no material observations of the auditors on the internal financial controls in the said report.

### 5. Human Resources and Industrial Relations:

Your Company has always believed that all its success is team-based woven around the concept of 'Partners in Progress'. Your Company prides in the commitment, competence and dedication of employees. The Company's structured induction at all levels and

management development programs have helped enhance competence. An objective appraisal system based on Key Result Areas (KRAs) is in place for the senior management.

The Company is committed to nurturing, enhancing and retaining top talent through superior learning and organizational development. This is a part of the Corporate HR function, representing a critical organizational support. The Company is retaining talent by investing in career development programs, talent engagement initiatives, employee well-being, rewards, recognition and empowerment.

During the year under review, your Company continued to maintain amicable industrial relations through participative management, ongoing communication, training and discussion forums.

The Company comprised 744 employees as on March 31st, 2016.

#### **Cautionary Statement:**

Certain statements made in the management discussion and analysis report relating to the Company's objectives, projection, outlook, expectations, estimates and others may constitute 'forward-looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on, whether express or implied. Several factors could make a significant difference to the Company's operations. These include economic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on over which the Company does not have any direct control.



# Corporate Governance Report

Your Directors present the Company's Report on Corporate Governance for the year ended March 31, 2016 in terms of Regulation 34(3) read with Schedule V Clause C of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

## Company's Philosophy on Code of Governance:

Prabhat ("the Company") governance philosophy is based on trusteeship, transparency and accountability. As a corporate citizen, our business fosters a culture of ethical behavior and disclosures aimed at building trust of our stakeholders and enhancement of value for all stakeholders. The Company's code of Business Conduct and Ethics, Internal Code of Conduct for Regulating, Monitoring and Reporting of Trades by Insiders are an extension of our values and reflect our commitment to ethical business practices, integrity and regulatory compliances.

The Company's governance framework is based on the following principles:

- Appropriate composition and size of the Board, with each member bringing in expertise and their respective domains;
- Availability of information to the members of the Board and Board Committees to enable them to discharge their fiduciary duties;
- Timely disclosure of material operational and financial information to the stakeholders;
- Systems and processes in place for internal control; and
- Proper business conduct by the Board, Senior Management and Employees.

The Company continues to focus its resources, strengths and strategies to achieve the vision of becoming a global leader in Dairy industry while upholding the core values of Quality, Trust, Leadership and Excellence.

A Report on compliance with the principles of Corporate Governance as prescribed by the Securities and Exchange Board of India (SEBI) in Chapter IV read with Schedule V of

the Listing Regulation is given below:

## Governance Structure:

1. **Board of Directors:** The Board is entrusted with an ultimate responsibility of the management, directions and performance of the Company. As its primary role is fiduciary in nature, the Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its responsibilities, thus ensuring that the management adheres to ethics, transparency and disclosures.
2. **Committees of the Board :** The Board has constituted the following Committees viz. Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders' Relationship Committee, Finance Committee, Risk Management Committee, Business Strategy Committee. Each of the said Committee has been mandated to operate within a given framework.

## The Board of Directors:

### Composition and Category of Directors:

Your Company has a balanced mix of eminent executive, non-executive and independent directors with relevant experience and expertise. The Company is managed by the Board of Directors in coordination with the Senior Management Team. The composition and strength of the Board is reviewed from time to time for ensuring that it remains aligned with statutory as well as business requirements. The Board functions either as a full Board or through various Committees constituted to oversee specific operations areas. The Board has constituted various Committees, namely Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Business Strategy Committee, Finance Committee, Risk Management Committee, Stakeholders' Relationship Committee. As at March 31, 2016, Independent Directors constituted a majority of these Board Committees and were chaired by Independent Directors.

As on March 31, 2016 the Board comprised of 8 Directors out of which two are Executive Directors, four are Independent Directors and two are Non-Executive Directors. The Chairman of the Board is an Executive Director.

The Board meets at regular intervals to discuss and decide on business strategies / policies and review the financial performance of the Company and its subsidiaries. The Board Meetings are pre-scheduled and a tentative annual calendar of the Board is circulated to the Directors well in advance to facilitate the Directors to plan their schedule. In case of business exigencies, the Board's approval is taken through circular resolutions. The circular resolutions are noted at the subsequent Board meeting.

The notice and detailed agenda along with the relevant notes and other material information are sent in advance

separately to each Director and in exceptional cases tabled at the Meeting with the approval of the Board. The Board reviews the performance of the Company vis – a – vis the budgets / targets.

During the year 2015-16, four meetings of the Board of Directors were held on June 24, 2015, July 24, 2015, November 10, 2015 and February 5, 2016. The interval between two meetings was well within the maximum period mentioned under section 173 of the Companies Act, 2013 and the Listing Regulations.

The names and categories of the Directors on the Board, their attendance at the Board and Annual General Meeting held during the year and the number of Directorships and Committee chairmanships / Memberships held by them in other companies as on March 31, 2016 are given below:

Sr. No.	Name of the Director	Category	No. of Board Meetings Attended	Attendance at the AGM held on August 27, 2015	Directorships in other Companies (excluding Prabhat)*	No. of Board Committees in which Chairman / Member (excluding Prabhat)**	
						Chairman	Member
1	Mr. Sarangdhar R. Nirmal (DIN 00035234)	Promoter and Executive Chairman	4	Yes	NIL	NIL	NIL
2	Mr. Vivek S. Nirmal (DIN 00820923)	Promoter and Executive Director	4	Yes	NIL	NIL	NIL
3	Mr. Ashok Sinha (DIN 00299600)	Independent and Non – executive Director	4	Yes	2	0	2
4	Mr. Omprakash Venkatswamy Bundellu (DIN 00032950)	Independent and Non – executive Director	4	Yes	1	1	0
5	Mr. Soundararajan Bangarusamy (DIN 00063462)***	Independent and Non – executive Director	1	NA	NIL	NIL	NIL
6	Mrs. Seemantinee Khot (DIN 07026548)	Independent and Non – executive Director	4	No	NIL	NIL	NIL
7	Mr. Rajesh Srivastava (DIN 00302223)	Non-executive Director	3	Yes	5	NIL	2
8	Mr. Raphael Plihon (DIN 06814236)	Non-executive Director	3	Yes	NIL	NIL	NIL
9	Mr. Udayan Bose (DIN 00004533)****	Independent and Non – executive Director	3	No	NA	NA	NA

\*Does not include private companies, foreign companies and companies established under section 8 of the Companies Act, 2013.

\*\* Represents Audit Committee and Stakeholders' Grievance Committee in public companies excluding that of Prabhat Dairy Limited.

\*\*\*Appointed as a Director with effect from November 10, 2015.

\*\*\*\* Ceased to be a Director with effect from November 10, 2015

There were no inter se relationship between any of the Directors except Mr. Sarangdhar R. Nirmal and Mr. Vivek S. Nirmal are related to each other.

None of the Non-executive Directors of the Company held any shares or convertible instruments of the Company as at March 31, 2016.

### Information placed before the Board:

The Company provides the information as set out in Regulation 17 read with Part A of Schedule II of Listing Regulations to the Board and the Board Committees to the extent it is applicable and relevant. Such information is submitted either as a part of the agenda papers in advance of the respective meetings or by way of presentations and discussions during the meeting.

### Post Meeting Mechanism:

The important decisions taken at the Board / Board Committee meetings are communicated to the concerned departments / divisions.

### Board Support:

The Company Secretary attends the Board meetings and advises the Board on compliances with applicable laws and governance.

### Independent Directors:

The Independent Directors have confirmed that they meet the criteria of independence as mandated by Regulation 16(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("The Listing Regulations") and section 149 of the Companies Act, 2013. None of the Independent Directors of the Company are serving as an Independent Director in more than seven listed companies. Independent Director meet at least in a year without the presence of executive management and non-independent directors. During the year under review, Mr. Udayan Bose, Independent Director has resigned with effect from November 10, 2015 from the Directorship of the Company due to his other engagements and preoccupations. The Board of Directors has co-opted Mr. Soundararajan Bangarusamy as an Additional Independent Director with effect from November 10, 2015.

### Familiarisation Programme for Directors:

At the time of appointing a Director, a formal letter of appointment is given to him, which inter alia explains the role, function, rights, duties and responsibilities expected of him as a Director of the Company. The Director is also explained in detail the compliance required from him under the Companies Act, 2013, Listing Regulation and other various statutes and an affirmation is obtained. The Chairman and Managing Director also has a one to one discussion with the newly appointed Director to familiarize him with the Company's operations, nature of industry, business model of the Company. Further, on an ongoing basis as a part of Agenda of Board / committee Meetings, presentations are regularly made to the Independent Directors in various matters inter alia covering the company's and its subsidiaries businesses and operations, economy, industry and regulatory updates, strategy, finance, risk management framework, role, rights, responsibilities of the Independent Directors under various statutes and other relevant matters. The details of the familiarization programme for Directors are available on the Company's website at <http://www.prabhatfresh.com/wp-content/uploads/2016/01/familiarisation-programme-for-directors.pdf>

## GOVERNANCE CODES

### Code of Business Conduct & Ethics:

The company has adopted Code of Business conduct & Ethics ("the Code") which is applicable to the Board of Directors and Senior Management Team (one level below the Board of Directors) of the Company. The Board of Directors and the members of Senior Management Team are required to affirm an annual Compliance of this code. The Code requires Directors and Employees to act honestly, fairly, ethically and with integrity, conduct themselves in professional, courteous and respectful manner. The Code is displayed on the Company's website at <http://www.prabhatfresh.com/wp-content/uploads/2016/01/code-of-conduct-ethics.pdf>

### Conflict of Interests:

Each Director informs the Company on an annual basis about the Board and the Committee positions he occupies

in other companies including Chairmanships and notifies changes during the year. The Members of the Board while discharging their duties, avoid conflict of interest in the decision making process. The members of the Board restrict themselves from any discussion and voting in transactions in which they have concern or interest.

### **Insider Trading Code:**

The Securities and Exchange Board of India (SEBI) has promulgated the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("The PIT Regulations"). The PIT Regulations has come into effect from May 15, 2015 and replaced the earlier Regulations. The object of the PIT Regulations is to curb the practice of insider trading in the securities of a listed company.

The Company has adopted an 'Internal Code of conduct for Regulating, Monitoring and Reporting of Trades by Insiders' ("the Code") in accordance with the requirements of the PIT Regulations.

The Code is applicable to Promoters and Promoters' Group, all Directors and such Designated Employees who are expected to have access to unpublished price sensitive information relating to the Company. The Company Secretary is the Compliance Officer for monitoring adherence to the said Regulations.

The Company has also formulated 'The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI)' in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, This Code is displayed on the Company's website at <http://www.prabhatfresh.com/wp-content/uploads/2015/11/code-of-fair-disclosure.pdf>

### **COMMITTEES OF THE BOARD:**

The Board of Directors have constituted various Board Committees to deal with specific areas and activities which concern the Company and requires a closer review. The Board Committees are formed with approval of the Board and function under their respective terms of reference and scope. These Committees play an important role in the overall management of day to day affairs and governance of the Company. The Board Committees meet at regular intervals and take necessary steps to perform its duties entrusted by the Board. The Minutes of the Committee meetings are placed before the Board for noting.

The Board currently has the following Committees:

### **(A) AUDIT COMMITTEE:**

#### **(a) Terms of Reference:**

The Audit Committee inter alia performs the functions of approving Annual Internal Audit Plan, review of financial reporting system, internal control system, discussion on financial results, interaction with statutory and internal auditors, one-on-one meeting with statutory and internal auditors, recommendation for the appointment of statutory and cost auditors and their remuneration, recommendation for the appointment and remuneration of internal auditors, review of business risk management plan, management discussion and analysis, review of internal audit reports, significant related party transactions. The Company has framed the Audit Committee charter for the purpose of effective compliance of the provisions of section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations. In fulfilling the above role, the Audit Committee has powers to investigate any activity within its terms of reference, to seek information from employees and to obtain outside legal and professional advice.

#### **(b) Functions of Audit Committee:**

The Audit Committee, while reviewing the annual Financial Statements also review the applicability of various Accounting Standards (AS) referred to in section 133 of the Companies Act, 2013, Compliance of the Accounting Standards as applicable to the Company has been ensured in the preparation of the financial statements for the year ended March 31, 2016.

The Audit Committee bridges the gap between the Internal Auditors and the Statutory auditors. The statutory auditors are responsible for performing Independent audit of the Company's financial statements in accordance with the generally accepted auditing practices and issuing reports based on such audits, while the Internal Auditors are responsible for the internal risk controls.

Besides the above, the Chairman and Managing Director, Whole time Director, Chief Financial Officer, Business Heads of the Company's divisions, the representatives of the statutory auditors and the Internal Auditors are permanent invitees to the Audit Committee meetings. The Company Secretary acts

as a Secretary to the Committee as required by Regulation 18(1) of the Listing Regulations.

The Company follows best practices in financial reporting. The Company has been reporting on quarterly basis, the unaudited Consolidated Financial Results as required by the Regulation 33 of the Listing Regulations. The Company's quarterly unaudited standalone financial results are made available on the website [www.prabhatfresh.com](http://www.prabhatfresh.com) and are also sent to the stock Exchanges where the Company's equity shares are listed for display at their respective websites.

The Audit Committee also oversees and review, the functioning of a vigil mechanism (implemented in the Company as a Fraud Risk Management Policy and Whistle Blower Policy) and reviews the finding of investigations into cases of material nature and the actions taken in respect thereof.

#### Internal Controls and Grievance Processes:

The Company continuously invests in strengthening its internal control and processes. The Audit Committee alongwith the CFO formulate a detailed plan to the Internal Auditors for the year, which is reviewed at the Audit Committee Meetings, The

Internal Auditors attend the meetings of the Audit Committee at regular intervals and submit their recommendations to the Audit Committee and provide a road map for the future.

#### (c) Composition:

Audit Committee of the Board of Directors ("the Audit Committee") is entrusted with the responsibility to supervise the Company's internal controls and financial reporting process. The composition, quorum, powers, role and scope are in accordance with section 177 of the Companies Act, 2013 and the provisions of regulation 18 of the Listing Regulations. All members of the Audit Committee are financially literate and bring in expertise in the fields of Finance, Taxation, Economics, Risk, etc. It functions in accordance with its terms of reference that defines its authority, responsibility and reporting function.

The composition of the Audit Committee, meetings held and attendance of the members are given below:

There were three meetings held on June 19, 2015, November 10, 2015 and February 5, 2016 during the Financial Year 2015-16.

Sr. No.	Name of Committee Member	Category	No. of Audit Committee Meetings attended
1	Mr. Ashok Sinha	Chairperson, Independent Director	3
2	Mr. Omprakash Venkatswamy Bundellu	Independent Director	3
3	Mr. Soundararajan Bangarusamy (w.e.f. 10/11/2015)	Independent Director	1
4	Mrs. Seemantinee Khot	Independent Director	3
5	Mr. Rajesh Srivastava	Non-Executive Director	2
6	Mr. Vivek S. Nirmal	Executive Director	3
7	Mr. Udayan Bose (upto 10/11/2015)	Independent Director	2
8	Mr. Raphael Plihon	Permanent Observer	2

The necessary quorum was present for all meetings. The Chairperson of the Audit Committee Meeting was present at the Annual General Meeting of the Company held on August 27, 2015.

#### NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors meets the criteria laid down under Section 178 of the Companies Act, 2013 read with Regulation 19 of Listing Regulations.

The terms of reference of the Nomination and Remuneration Committee are as under:

- Reviewing the overall compensation policy, service agreements and other employment conditions of Managing / Whole time Director(s) and Senior Management (one level below the Board);
- To help in determining the appropriate size, diversity and composition of the Board;
- To recommend to the Board appointment / re-appointment and removal of Directors;

- To frame criteria for determining qualifications, positive attributes and independence of Directors;
- To recommend to the Board remuneration payable to the Directors (while fixing the remuneration to Executive Directors the restrictions contained in the Companies Act, 2013 is to be considered);
- To create an evaluation framework for Independent Directors and the Board;
- To provide necessary reports to the Chairman after the evaluation process is completed by the Directors;
- To assist in developing a succession plan for the Board;
- To assist the Board in fulfilling responsibilities entrusted from time to time;
- Delegation of any of its powers to any member of the Committee or the Compliance Officer.

The composition of the Nomination and Remuneration Committee and particulars of meetings attended by the members are given below:

One meeting of the Committee was held on December 16, 2015 during the financial year 2015-16.

Sr. No.	Name of Committee Member	Category	No. of Nomination & Remuneration Committee meetings attended
1	Mr. Omprakash Venkatswamy Bundellu	Chairperson, Independent Director	1
2	Mr. Ashok Sinha	Independent Director	1
3	Mr. Rajesh Srivastava	Non-executive Director	1
4	Mr. Raphael Plihon	Non-executive Director	0

The Chairperson of the Committee was present at the Annual General Meeting of the Company held on August 27, 2015.

### Remuneration to Directors:

The details of remuneration paid to the Directors are given in Form MGT – 9 annexed as Annexure – 1 to the Directors’ Report.

#### (a) Remuneration to Non-Executive Directors:

The Non-Executive Directors are paid remuneration by way of sitting fees for each meeting of the Board or Committee of Directors attended by them. The Non-Executive Independent Directors do not have any material pecuniary relationship or transactions with the Company.

#### (b) Remuneration to Executive Directors:

The appointment and remuneration of Executive Directors including Chairman and Managing Director and Whole time Director is governed by the recommendation of the Nomination and Remuneration Committee, resolutions passed by the Board of Directors and shareholders of the Company. Payment of remuneration to Executive Directors is governed by the respective Agreements executed between them and the Company. The remuneration package of Chairman and Managing Director and Joint Managing Director comprises of salary, perquisites and allowances and

contributions to Provident and their Retirement Benefit Funds as approved by the shareholders at the General Meetings, Annual increments are linked to performance and as decided by the Nomination and Remuneration Committee and recommended to the Board for approval thereof.

The remuneration policy is directed towards rewarding performance, based on review of achievements. It is aimed at attracting and retaining high caliber talent.

The Nomination and Remuneration Policy is displayed on the company’s website viz. <http://www.prabhatfresh.com/wp-content/uploads/2016/08/nomination-remuneration-policy.pdf> and is also mentioned in this Annual Report as Annexure – 2 to the Directors’ Report.

No stock option was granted to any Director during the year.

### Performance Evaluation criteria for Independent Directors:

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) of the Listing Regulation, the Board has carried out the annual evaluation of its own performance, its Committees and Directors individually. A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the Board’s functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of

specific duties, obligations and governance.

The performance evaluation of the Chairman and Managing Director and the Non Independent Directors was carried out by the Independent Directors. The Directors express their satisfaction with the evaluation process and the evaluation results.

### Stakeholders' Relationship Committee:

The Stakeholders Relationship Committee of the Board of Directors meets the criteria laid down under section 178 of the Companies Act, 2013 read with Regulation 20 of the Listing Regulations. Mr. Ashok Sinha, Independent Director is the Chairperson of the Committee. Mr. Sarangdhar R. Nirmal and Mr. Vivek S. Nirmal are the other members of the Committee. During the year one meeting of the Committee was held on December 8, 2015 which was attended by all the members. The Company Secretary acts as the Secretary to the Committee.

The terms of reference of the Stakeholders Relationship Committee consists inter-alia of the following:

- Look into the redressing of the shareholders complaints and queries and to focus on the strengthening of investor relations;
- To monitor and review the performance and service standards of the Registrar and Transfer Agents (RTA) of the Company and provide continuous guidance to improve the service levels for investors.

- Monitor and review any investor complaints received by the Company or through SEBI, SCORES and ensure its timely and effective resolution, in consultation with the Company Secretary and Compliance Officer and RTA of the Company.

Name and designation of the Compliance Officer: Ms. Priya Nagmoti, Company Secretary and Compliance Officer.

The Secretarial Department of the Company and the Registrar and share Transfer Agent, Karvy Computershare Pvt. Ltd. attend to all grievances of the shareholders received directly or through SEBI, Stock Exchanges, Ministry of Corporate Affairs, Registrar of Companies, etc. Shareholders' / investors' complaints and other correspondence are normally attended to within seven working days except where constrained by dispute or legal impediments. The minutes of the Stakeholders' Relationship Committee are circulated to the Board and noted by the Board of Directors at the Board Meetings.

Continuous efforts are made to ensure that grievances are more expeditiously redressed to the complete satisfaction of the investors.

Shareholders are requested to furnish their updated telephone numbers and e-mail addresses to facilitate prompt action.

The status of complaints received and resolved during the financial year 2015-16 is as under:

Pending complaints as on April 1, 2015	Complaints received during the year	Complaints disposed during the year	Complaints pending as on March 31, 2016
NA*	2	2	Nil

\* The shares of the Company have been listed on BSE Limited and the National Stock Exchange of India Ltd. on September 21, 2015.

### Corporate Social Responsibility Committee:

#### Composition:

The Corporate Social Responsibility (CSR) Committee comprises of four Directors. Mrs. Seemantinee Khot, Independent Director is the Chairperson of the Committee. The other members of the CSR Committee include Mr. Sarangdhar R. Nirmal, Mr. Rajesh Srivastava and Mr. Raphael Plihon. The composition of CSR Committee meets the criteria laid down under section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014. During the year one meeting was held on November 9, 2015 which was attended by all the Committee members. The Company Secretary acts as the

Secretary to the Committee.

The company formulated CSR Policy which is uploaded on the website of the Company viz. <http://www.prabhatfresh.com/wp-content/uploads/2015/12/csr-policy.pdf>

#### Terms of Reference of the CSR Committee:

- Formulate and recommend to the Board, a CSR Policy indicating the activities from the specified list of activities in Schedule VII of the Act;
- Recommend the amount of expenditure to be incurred for the chosen activities;
- Monitor the CSR Policy and activities from time to time;

- To carry on such tasks and activities as maybe assigned by the Board of Directors from time to time.

#### Independent Directors' Meeting:

During the year under review, the Independent Directors met on March 31, 2016, inter alia, to discuss:

- Evaluation of performance of Non-Independent Directors and the Board of Directors as a whole;
- Evaluation of performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors;

- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Director were present for this meeting.

#### SHAREHOLDER INFORMATION:

##### General Body Meetings

The details of the last three Annual General Meetings of the company and the Special Resolutions passed thereat are as under:

AGM	Financial Year	Date and Time	Venue	Details of Special Resolution Passed
15th	2012-13	December 30, 2015 at 3.00 p.m.	Registered office of the Company	No Special Resolution was passed
16th	2013-14	September 30, 2014 at 4.00 p.m.	Registered office of the Company	No Special Resolution was passed
17th	2014-15	August 27, 2015 at 2.30 p.m.	Registered office of the Company	No Special Resolution was passed

Details of Special Resolution passed through Postal Ballot during the year 2015-16: NIL

None of the businesses proposed to be transacted in the forthcoming Eighteenth Annual General Meeting require a Special Resolution conducted through Postal Ballot.

During the year, no resolutions have been passed through postal ballot.

#### Means of Communication:

- The website of the Company [www.prabhafresh.com](http://www.prabhafresh.com) acts as the primary source of information regarding the operations of the Company.
- The quarterly, half yearly and annual results of the Company are published in leading newspapers in India viz. Financial Express (all editions) and Gawkari. The results are also displayed on the Company's website [www.prabhafresh.com](http://www.prabhafresh.com). Press Releases made by the Company from time to time and the presentations of any made to the institutional investors / analysts are

also displayed on the website. Further, the financial results, press releases and various compliance reports / information in accordance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are made available on the websites of the Stock Exchanges i.e. BSE Limited ([www.bseindia.com](http://www.bseindia.com)) and the National Stock Exchange of India Limited ([www.nseindia.com](http://www.nseindia.com)).

- The Annual Report which includes inter alia, the Directors' Report, the report on Corporate Governance and the Management Discussion and Analysis is the another channel of communication to the Shareholders.
- A separate dedicated section under "Investor Relations" on the Company's website gives the information on unclaimed dividends, quarterly compliance with the Stock Exchanges and other relevant information of interest to the Investors / public.



### General Shareholder Information:

1	Annual General Meeting – Date, time and venue	30th day, September, 2016 at 2.30 p.m. at the registered office of the Company at 121/2A, At Ranjankhol, Tilak Nagar, Taluka Rahata, Dist. Ahmednagar - 413720
2	Financial year	April 01 to March 31
Financial Calendar:		
<b>Sr. No.</b>	<b>Financial Reporting for</b>	<b>Tentative Dates</b>
1	First Quarter Results	In or before second week of August, 2016
2	Second Quarter and Half Yearly Results	In or before second week of November, 2016
3	Third Quarter and Nine-Months Results	In or before second week February, 2017
4	Fourth Quarter and Annual Results	In or before fourth week of May, 2017
5	Annual General Meeting for the year ending on March 31, 2017	In or before the fourth week of September, 2017
3	Book Closure / Record Date	September 23, 2016 to September 30, 2016 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend.
	Dividend Payment Date	Dividend, if declared would be paid on or before October 30, 2016.
4	Listing on Stock Exchanges	1. BSE Limited (BSE), P. J. Towers, Dalal Street, Mumbai – 400 001 2. National Stock Exchange of India Limited (NSE), Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Annual Listing fees for financial year 2016-17 has been paid to BSE Limited and National Stock Exchange of India Limited.
5	Stock code	1. BSE Limited – 539351 2. National Stock Exchange of India Limited – PRABHAT
	International Securities Identification Number (ISIN) with Depositories viz. NSDL and CDSL for the Company's equity shares	INE302M01033

6 Market price data – high, low during each month in last financial year:

Month	BSE			NSE		
	High Price (₹)	Low Price (₹)	Volume (Nos.)	High Price (₹)	Low Price (₹)	Volume (Nos.)
Sep-15	120	99.55	3935159	119.95	99.6	7883320
Oct-15	153.8	106.6	6360162	153.65	105.4	10887499
Nov-15	167.5	130.2	1023181	169	130.1	3787178
Dec-15	165	132.1	3534958	165.45	135	5627161
Jan-16	145.5	107.5	1038507	145.8	107.1	2376254
Feb-16	123.7	72	580691	123.7	71	1690799
Mar-16	118.5	77.8	1335848	118.5	77.1	5134963

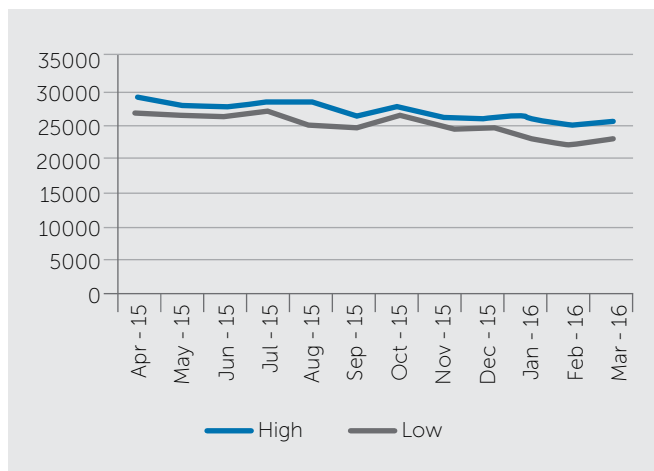
  

Particulars	BSE	NSE
Closing share price as on March 31, 2016 (₹)	109.70	109.55
Market capitalization as on March 31, 2016 (₹ in Crore)	1071.51	1070.04

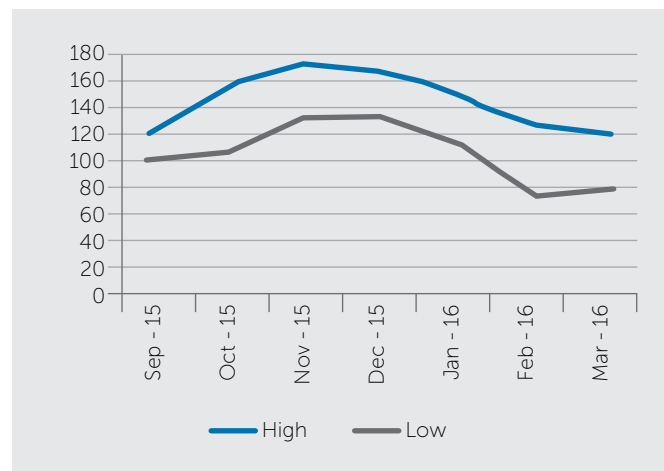
7 Stock Performance vis – a – vis BSE S&P Sensex:

Month	S& P BSE Sensex		BSE	
	High	Low	High	Low
Apr-15	29094.61	26897.54		
May-15	28071.16	26423.99		
Jun-15	27968.75	26307.07		
Jul-15	28578.33	27416.39		
Aug-15	28417.59	25298.42		
Sep-15	26471.82	24833.54	120	99.55
Oct-15	27618.14	26168.71	153.8	106.6
Nov-15	26824.3	25451.42	167.5	130.2
Dec-15	26256.42	24867.73	165	132.1
Jan-16	26197.27	23839.76	145.5	107.5
Feb-16	25002.32	22494.61	123.7	72
Mar-16	25479.62	23133.18	118.5	77.8

S&P BSE Sensex



BSE



8	Registrar and Transfer Agents	<p>Share transfer, dividend payment and all other investor related matters are attended to and processed by our Registrar and Transfer Agents i.e. Karvy Computershare Pvt. Ltd. having their office at:  Karvy Computershare Pvt. Ltd.  Karvy Selenium, Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032  Tel No. : +91 40 67162222  Fax No. : +91 40 23431551  Contact Person : Mr. M. Murlikrishna  E-mail id: prabhat.ipo@karvy.com</p>
9	Share transfer system	<p>The transfer of shares in physical form is processed and completed by the Registrar and Transfer Agent within a period of seven days from the date of receipt thereof provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL / CDSL through respective Depository Participants. In compliance with the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, a Practising Company Secretary carries out the audit of the system of share transfer and a certificate to that effect is issued.</p>
	Nomination of Shares	<p>Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in case of death of the registered shareholder(s). Nomination facility in respect of shares held in electronic form is also available with the Depository Participant as per the bye-laws and business rules applicable to NSDL and CDSL. Nomination forms can also be obtained from the Company's Registrar and Share Transfer Agent.</p>
	Electronic Clearing Service	<p>The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the Depositories for depositing dividends. Dividend will be credited to the Member's bank account through NECS wherever complete core banking details are available with the Company. In case where the core banking details are not available, dividend warrants will be issued to the Members with bank details printed thereon as available in the Company's records. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the accounts specified on the dividend warrants and ensures safety for the investors. The Company complies with the SEBI requirement.</p>
	Service of documents through electronic mode	<p>As a part of Green Initiatives, the members who wish to receive the notice / documents through e-mail, may kindly intimate their e-mail address to the Company's Registrar and Transfer Agent, Karvy Computershare Pvt. Ltd. to their dedicated e-mail id i.e. "prabhat.ipo@karvy.com"</p>

## 10 Distribution of Shareholding: as on March 31, 2016

DISTRIBUTION SCHEDULE AS ON 31/03/2016					
Sno	Category	Cases	% of Cases	Amount	% Amount
1	1 - 5000	6733	89.30	7989310.00	0.82
2	5001 - 10000	354	4.69	2793040.00	0.29
3	10001 - 20000	200	2.65	3067190.00	0.31
4	20001 - 30000	75	0.99	1947230.00	0.20
5	30001 - 40000	20	0.27	732010.00	0.07
6	40001 - 50000	35	0.46	1649320.00	0.17
7	50001 - 100000	41	0.54	3065470.00	0.31
8	100001 & ABOVE	82	1.09	955517740.00	97.83
	<b>Total:</b>	<b>7540</b>	<b>100.00</b>	<b>976761310.00</b>	<b>100.00</b>

## Categories of Shareholders as on March 31, 2016:

Sr. No.	Particulars	No. of Shares	% of holding
<b>(A)</b>	<b>Promoter Holding</b>		
(a)	Individuals	43208483	44.24
(b)	Bodies Corporate		
	<b>Sub - Total (A)(1)</b>	<b>43208483</b>	<b>44.24</b>
<b>(B)</b>	<b>Public Shareholding</b>		
<b>1</b>	<b>Institutions</b>		
(a)	Mutual Funds / UTI	3286137	3.36
(b)	Financial Institutions / Banks	45792	0.05
(c)	Foreign Portfolio Investor / Foreign Institutional Investors	4480255	4.59
(d)	Insurance Companies		
(e)	Foreign Financial Institution		
(f)	Foreign Mutual Fund		
(g)	Foreign Nationals	250	0.00
	<b>Sub - Total (B)(1)</b>	<b>7812434</b>	<b>8.00</b>
<b>2</b>	<b>Non-Institutions</b>		
(a)	Bodies Corporate	13455915	13.078
(b)	Individuals		
I	Individual Shareholders holding nominal share capital up to ₹2 Lacs	2000764	2.05
II	Individual Shareholders holding nominal share capital in excess of ₹2 Lacs	5151647	5.27
(c)	Trusts	8200	0.01
(d)	Foreign National		
(e)	Hindu Undivided Family		
(f)	Foreign Companies	22516760	23.05
(g)	Non Resident Indians (Non Repat)		
(h)	Non Resident Indians (Repat)	75063	0.08
(i)	Clearing Member	658465	0.67
(j)	NBFC registered with RBI	2788400	2.85
	<b>Sub-Total (B)(2)</b>	<b>46655214</b>	<b>47.76</b>
(B)	<b>Total Public Shareholding</b>	<b>54467648</b>	<b>55.76</b>
(C)	Shares held by Custodians and against which Depository Receipts have been issued		
	<b>GRAND TOTAL (A) + (B) + (C)</b>	<b>97676131</b>	<b>100</b>

11	Dematerialisation of shares and liquidity	100% (only 3 shares held in physical form) of the equity shares of the Company have been dematerialized (NSDL – 95.07% and CDSL- 4.93%) as on March 31, 2016. The company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) whereby shareholders have an option to dematerialize their shares with either of the Depositories. The face value of the shares is ₹10 each.
12	Reconciliation of Share Capital Audit Report	As stipulated by SEBI, a qualified Practising Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges where the Company's shares are listed. The audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CDSL) and total number of shares in physical form.
	Outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity	There are no outstanding global depository receipts or American depository receipts or warrants or any convertible instruments as on March 31, 2016.
13	Commodity price risk or foreign exchange risk and hedging activities	Please refer to the Risks point in Management Discussion and Analysis Report.
14	Plant locations	The facilities of the Company are being operated at the following locations: <ol style="list-style-type: none"> <li>1. Nirmalnagar, at Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720</li> <li>2. Plot No. D37/4, TTC Industrial Area, Turbhe, Navi Mumbai – 400705</li> </ol> The facilities of the material subsidiary of the Company i.e. Sunfresh Agro Industries Pvt. Ltd. are located at: Nirmalnagar, at Ranjankhol, Taluka Rahata, Dist. Ahmednagar – 413720.
15	Address for correspondence	<p><b>Correspondence with the Company:</b> Prabhat Dairy Limited Plot No. D37/4, TTC Industrial Area, Turbhe, Navi Mumbai – 400705 Ph. No. : +91 22 41287700 E-mail id: investor@prabhatdairy.in</p> <p><b>Compliance Officer:</b> Ms. Priya Nagmoti GM-Finance &amp; Company Secretary Ph. No. +91 22 4128 7700 E-mail id: priya.nagmoti@prabhatdairy.in</p> <p><b>Registrar &amp; Share Transfer Agent:</b> Karvy Computershare Pvt. Ltd. Karvy Selenium, Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032</p> <p><b>For Demat of Shares:</b> Respective Depository Participants of the shareholders.</p>
	Details of shares held in demat suspense account	NIL

## Disclosures:

1. There have been no materially significant related party transactions that may have potential conflict with the interests of the Company at large.
2. During the last three years, there were no instances of non-compliance by the Company and no penalty or strictures were imposed on the Company by the Stock Exchange(s) or SEBI or any statutory authority, on any matter related to the capital markets.
3. The Company has laid down a Whistle Blower Policy with detailed process for raising concerns by any of the employees, addressing the concerns and reporting to the Board. The Company affirms that no personnel had been denied access to the Audit Committee under Whistle Blower Policy.
4. The Company has complied with the mandatory requirements of Corporate Governance as specified in Regulations 17 to 27 and 46(2) of the Listing Regulations.
5. The Company has not adopted the non-mandatory requirements of Corporate Governance as prescribed in Part E of Schedule II to the Listing Regulations. The Company will consider their adoption at suitable time in future.
6. The Policy for determining Material Subsidiaries formulated by the Board of Directors is disclosed on the Company's website <http://www.prabhatfresh.com/wp-content/uploads/2016/01/material-subsiary-policy.pdf>
7. The Company has formulated a policy on materiality of Related Party Transactions and dealing with Related Party Transactions which has been uploaded on the Company's website <http://www.prabhatfresh.com/wp-content/uploads/2016/01/relatedpartytransactionspolicy.pdf>
8. The statutory auditors of the Company have certified that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulation and the same is annexed to this Report.

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## DECLARATION PURSUANT TO SCHEDULE V(D) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:

As required by Schedule V(D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to confirm that the Company has adopted a Code of Conduct for all Board members and Senior Management of the Company. The Code is available on the Company's website [www.prabhatfresh.com](http://www.prabhatfresh.com).

I confirm that the Company has in respect of the financial year ended March 31, 2016, received from all the Board members and Senior Management team, a declaration of compliance with the aforesaid Code of Conduct as applicable to them.

For Prabhat Dairy Limited

Place: Navi Mumbai  
Date: 18.05.2016

**Sarangdhar R. Nirmal**  
*Chairman & Managing Director*  
DIN: 00035234

## CEO / CFO Certification

In terms of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the certification by the Joint Managing Director and Chief Financial Officer on the financial statements and internal controls relating to financial reporting has been obtained as under:

We, Vivek Sarangdhar Nirmal, Joint Managing Director and Raviraj Vahadane, Chief Financial Officer of Prabhat Dairy Limited ('the Company') do hereby confirm and certify to the Board of Directors of the Company that:

1. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Prabhat Dairy Limited

Place: Navi Mumbai  
Date: 15.05.2016

**Vivek S Nirmal**  
*Joint Managing Director*  
DIN: 00820923

**Raviraj Vahadane**  
*Chief Financial Officer*

## Auditors' certificate on Corporate Governance

To

The Members of **Prabhat Dairy Limited**

We have examined the compliance of conditions of Corporate Governance by Prabhat Dairy Limited ('the Company'), for the year ended 31 March, 2016, as stipulated in Clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchanges for the period 21 September 2015 to 30 November 2015 and as per regulations 17-27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1 December 2015 to 31 March 2016.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as specified in clause 49 of the Listing Agreement or regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable.

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

### **Restrictions on Use**

This Certificate is issued solely for the purpose of complying with the aforesaid Regulations and may not be suitable for any other purpose.

For **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**

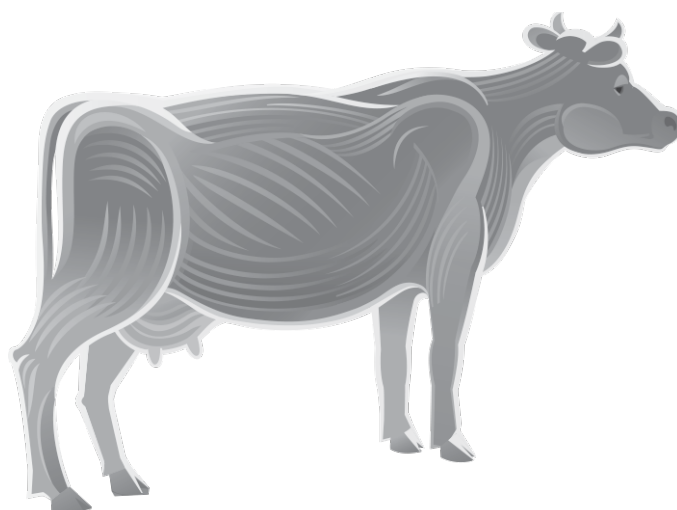
*Partner*

Membership number: 047483

Place of signature: Navi Mumbai

Date: 30.06.2016





# FINANCIAL STATEMENTS

# Independent Auditor's Report

To the members of  
Prabhat Dairy Limited

## Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Prabhat Dairy Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation 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 of 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

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 thereunder.

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.

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. 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.

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

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

## 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 B" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it 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 aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e) On the basis of the written representations received from the directors as on 31 March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our

separate Report in "Annexure A".

- g) 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:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 30 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any

material foreseeable losses;

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B S R & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/ W-100022

Juzer Miyajiwala

Partner

Place: Navi Mumbai

Date: 18th May 2016

Membership No.: 047483

## Annexure A to the Independent Auditors' Report of the even date on the Standalone Financial Statements of Prabhat Dairy Limited

Referred to in paragraph 2(f) in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of Prabhat Dairy Limited on the standalone financial statements for the year ended 31 March 2016.

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of Prabhat Dairy Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls:

The Company's management 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 (ICAI). 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 its business, including adherence to the 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 Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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 internal financial controls system over financial reporting.

#### Meaning of Internal Financial Control Over Financial Reporting

The Company's internal financial control over financial reporting 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 internal financial control over financial reporting 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 Control Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, 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 internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, 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 B S R & Co. LLP**

*Chartered Accountants*

Firm Registration No: 101248W/ W-100022

**Juzer Miyajiwala**

Partner

Place: Navi Mumbai

Date: 18th May 2016

Membership No.: 047483

### **Annexure B to the Independent Auditors' Report of the even date on Standalone Financials Statement – 31 March 2016**

With reference to the Annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets by which its fixed assets are verified in a phased manner over a period of three year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
- (c) The title deeds of the immovable properties are held in the name of the Company.
- (ii) The inventory, except goods in transit and stock lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable and there were no material discrepancies noted during such verification. In respect of significant stocks lying with third parties at the year end, written confirmations from major parties have been obtained.
- (iii) During the year 2012 and 2013, the Company had granted interest free unsecured loan to one of its subsidiary, which is a party covered in the register maintained under section 189 of the Act. According to the information and explanations given

to us and based on the audit procedures conducted by us, we are of the opinion that the terms and conditions of loans granted by the company are not prejudicial to the interest of the Company. As explained to us, the schedule of repayment of principal has been stipulated and the repayments are regular.

- (iv) According to the information and explanations given to us, there are no new loans, guarantees and securities made by the Company. The Company has complied with the Section 186 of the Companies Act, 2013, for the investment made in its subsidiary.
- (v) The Company has not accepted any deposits in accordance with the provisions of Section 73 to 76 of the Act and the rules made there under.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 148(1) of the Companies Act, 2013 in respect of its products and the Company is in the process of updating the prescribed accounts and records for the year.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Income tax, Service tax, Duty of Customs, Duty of Excise, Sales tax, Employees' State Insurance, and other material statutory dues have generally been regularly deposited during the year by the Company

with the appropriate authorities except for delays in payment of Income Tax amounting to ₹ 479,994 ranging from 4 to 30 days and delay of one day in payment of Service Tax amounting to ₹ 162,952. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income tax, Service tax, Duty of Customs, Duty of Excise, Sales tax, Employees' State Insurance and other statutory dues were in arrears as at 31 March 2016, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us there are no dues of Income tax, Service tax, Sales tax, value added tax, Duty of Customs and Duty of Excise which have not been deposited by the Company on account of disputes other than those stated in Appendix 1 to this Report.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its banks. The Company did not have any loan or borrowings from financial institutions, government or any debentures outstanding during the year.

(ix) In our opinion and according to the information and explanations given to us, money raised by way of initial public offer and term loans taken by the Company were applied for the purpose for which those were raised.

(x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us, the managerial remuneration is paid or provided in accordance

with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company as per the Act.

(xiii) In our opinion and according to the information and explanations given to us, all transactions with related parties are in compliance with section 177 and 188 of the Act and the details, as required by the applicable accounting standards have been disclosed in the standalone financial statements.

(xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partially convertible debentures during the year.

(xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year.

(xvi) In our opinion and according to the information and explanations given to us, the Company is not required to register under section 45-IA of the Reserve Bank of India Act, 1934.

For B S R & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/ W-100022

Juzer Miyajiwala

Partner

Place: Navi Mumbai

Date: 18th May 2016

Membership No.: 047483

## Appendix – 1

Details of amounts unpaid on account of disputes:

Name of the statute	Nature of the dues	Period to which the amount relates	Amount Demanded (₹)	Amount paid under protest (₹)	Forum where dispute is pending
The Income Tax Act, 1961	Income tax	AY 2007-08	1,609,413	-	Commissioner of Income Tax (Appeals), Pune
The Income Tax Act, 1961	Income tax	AY 2009-10	2,825,447	1,900,000	Commissioner of Income Tax (Appeals), Pune
The Income Tax Act, 1961	Income tax	AY 2011-12	1,695,240	-	Deputy Commissioner of Income Tax, Ahmednagar
The Income Tax Act, 1961	Income tax	AY 2012-13	25,702,172	23,000,000	Commissioner of Income Tax (Appeals), Pune

AY stands for Assessment Year

## Balance Sheet as at 31 March 2016

(Amount in ₹)

	Notes	31 March, 2016	31 March, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	976,761,310	714,287,100
Reserves and surplus	4	4,257,331,547	1,638,842,409
	(A)	<b>5,234,092,857</b>	<b>2,353,129,509</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	383,908,593	844,351,154
Deferred tax liabilities (net)	6	55,566,577	62,837,421
Long term provisions	7	10,199,002	9,222,651
	(B)	<b>449,674,172</b>	<b>916,411,226</b>
<b>Current liabilities</b>			
Short-term borrowings	8	550,560,656	550,678,811
Trade payables	9		
(i) Total outstanding dues of micro enterprises and small enterprises		259,497	2,787,434
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		356,501,950	493,847,404
Other current liabilities	10	51,467,379	411,173,287
Short-term provisions	11	58,770,083	10,366,586
	(C)	<b>1,017,559,565</b>	<b>1,468,853,522</b>
<b>Total</b>	<b>(A) + (B) + (C)</b>	<b>6,701,326,594</b>	<b>4,738,394,257</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	12A	1,153,476,732	1,258,263,450
Intangible fixed assets	12B	9,713,900	8,967,860
Capital work-in-progress	13	15,159,233	12,645,195
Non-current Investment	14	1,616,499,870	1,700,190
Long term loans and advances	15	163,668,083	1,608,982,324
Other non current assets	16	300,000	4,700,000
	(A)	<b>2,958,817,818</b>	<b>2,895,259,019</b>
<b>Current assets</b>			
Inventories	17	303,030,814	240,358,603
Trade receivables	18	1,147,998,284	754,958,583
Cash and bank balances	19	53,641,692	198,473,393
Short-term loans and advances	20	2,226,541,213	601,474,295
Other current assets	21	11,296,773	47,870,364
	(B)	<b>3,742,508,776</b>	<b>1,843,135,238</b>
<b>Total</b>	<b>(A) + (B)</b>	<b>6,701,326,594</b>	<b>4,738,394,257</b>
Significant accounting policies	2		
Notes to the financial statements	3 - 44		

The notes referred to above form an integral part of the financial statements

As per our attached report of even date

For B S R & Co. LLP  
Chartered Accountants  
Firm registration number: 101248W/W-100022

Juzer Miyajiwala  
Partner  
Membership No.: 047483  
Place: Navi Mumbai  
Date: 18th May 2016

For and on behalf of the Board of Directors of  
Prabhat Dairy Limited

Sarangdhar R Nirmal  
Chairman & Managing Director

Raviraj Vahadane  
Chief Financial Officer  
Place: Navi Mumbai  
Date: 18th May 2016

Vivek S Nirmal  
Joint Managing Director

Priya Nagmoti  
Company Secretary

## Statement of Profit and Loss for the year ended 31 March 2016

(Amount in ₹)

	Notes	31 March, 2016	31 March, 2015
<b>Revenue from operations</b>	22		
Sale of products (gross)		9,912,382,385	8,636,567,049
Less: Excise duty		3,778,263	3,127,568
Sale of products (net)		9,908,604,122	8,633,439,481
Sale of services		84,742,027	105,111,109
Other operating revenue		3,655,123	4,597,827
<b>Total</b>		<b>9,997,001,272</b>	<b>8,743,148,417</b>
<b>Other income</b>	23	4,902,324	5,586,448
<b>Total revenue</b>		<b>10,001,903,596</b>	<b>8,748,734,865</b>
<b>Expenses</b>			
Cost of material consumed	24	8,477,387,970	7,266,815,053
Purchases of stock-in-trade	25	246,200,980	242,142,235
Changes in inventories of finished goods and work-in-progress and stock-in-trade	26	(67,277,157)	(37,467,707)
Employee benefits expenses	27	212,470,346	216,278,303
Finance costs	28	175,313,066	190,501,637
Depreciation and amortization expense	12A & 12B	151,265,239	165,262,865
Other expenses	29	661,961,580	638,421,097
<b>Total expenses</b>		<b>9,857,322,024</b>	<b>8,681,953,483</b>
<b>Profit before tax</b>		<b>144,581,572</b>	<b>66,781,382</b>
<b>Tax expense</b>			
Current tax		59,736,398	33,650,830
Short / (excess) provision for tax relating to prior years		1,438,971	(5,963,680)
Short MAT credit relating to prior years		(3,217,756)	-
Deferred tax charge [includes deferred tax credit of ₹ Nil (2015: ₹ 13,237,687) related to prior year]		(7,270,844)	3,088,522
<b>Profit for the year</b>		<b>93,894,803</b>	<b>36,005,710</b>
<b>Basic earnings per equity share of face value of ₹ 10 each (2015 : ₹ 10 each)</b>	37	1.09	0.77
<b>Diluted earnings per equity share of face value of ₹ 10 each (2015 : ₹ 10 each)</b>	37	1.09	0.50
Summary of significant accounting policies	2		
Notes to the financial statements	3 - 44		

The notes referred to above form an integral part of the financial statements

As per our attached report of even date

**For B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**

Partner

Membership No.: 047483

Place: Navi Mumbai

Date: 18th May 2016

For and on behalf of the Board of Directors of

**Prabhat Dairy Limited**

**Sarangdhar R Nirmal**

Chairman & Managing Director

**Raviraj Vahadane**

Chief Financial Officer

Place: Navi Mumbai

Date: 18th May 2016

**Vivek S Nirmal**

Joint Managing Director

**Priya Nagmoti**

Company Secretary

## Cash flow statement for the year ended 31 March 2016

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax	144,581,572	66,781,382
<i>Adjustments for:</i>		
Depreciation and amortization expense	151,265,239	165,262,865
Finance cost	175,313,066	190,501,637
Profit on sale of assets (net)	(27,060)	-
Interest income	(3,845,238)	(2,355,662)
<b>Operating profit before working capital changes</b>	<b>467,287,579</b>	<b>420,190,222</b>
<i>Movements in working capital :</i>		
Decrease / (increase) in long term loans and advances	294,537,191	(345,532,985)
(Increase) in inventories	(62,672,211)	(50,793,001)
(Increase) in trade receivables	(393,039,701)	(420,056,116)
(increase) in short term loans and advances	(555,686,057)	(51,848,783)
Decrease in other current assets	26,683,963	-
Increase in long term provisions	976,351	3,505,886
(Decrease)/ increase in trade payables	(139,873,391)	112,594,529
(Decrease)/ increase in other current liabilities	(247,098,001)	198,549,368
Increase in short term provisions	580,190	2,389,245
	<b>(1,075,591,666)</b>	<b>(551,191,857)</b>
<b>Cash used in operations</b>	<b>(608,304,087)</b>	<b>(131,001,635)</b>
Income taxes paid	(69,858,499)	(10,519,361)
<b>Net cash used in operating activities</b>	<b>(678,162,585)</b>	<b>(141,520,996)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets including capital advances	(37,432,849)	(72,667,205)
Proceeds from sale of tangible and intangible fixed assets	143,465	-
Capital subsidy	-	2,500,000
Purchase of investments	(1,614,599,680)	-
Sale of investments	(200,000)	-
Bank / NBFC deposits not considered as cash and cash equivalents		
- Placed	(10,835,768)	(25,338,356)
- Matured	25,038,356	5,600,000
Realisation of loans and advances to subsidiary	75,531,200	222,700,176
Interest received	3,932,278	2,544,159
<b>Net cash (used) in / from investing activities</b>	<b>(1,558,422,998)</b>	<b>135,338,774</b>



## Cash flow statement for the year ended 31 March 2016

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity / preference shares (gross)	3,000,000,000	-
Share issue expenses (netted off against securities premium)	(165,907,178)	-
Proceeds from short term borrowings	-	18,947,827
Proceeds from long-term borrowings	-	402,631,283
Other receivables (refer note no 44)	-	(26,683,963)
Prepaid expenses	-	(6,346,674)
Repayment of long-term borrowings	(566,828,755)	-
Repayment of short term borrowings	(118,155)	-
Finance cost paid	(175,335,473)	(196,163,358)
Dividend paid (includes tax on dividend).	(56,557)	(5,741,869)
<b>Net cash from financing activities</b>	<b>2,091,753,882</b>	<b>186,643,246</b>
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(144,831,701)	180,461,024
Cash and cash equivalents at beginning of the year	197,933,584	17,472,560
<b>Cash and cash equivalents at end of the year</b>	<b>53,101,883</b>	<b>197,933,584</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	9,883,485	5,919,097
Balances with banks:		
On current accounts	43,218,398	192,014,487
<b>Total cash and cash equivalents (also refer note 19)</b>	<b>53,101,883</b>	<b>197,933,584</b>
Summary of significant accounting policies	2	
Notes to the financial statements	3 - 44	

The notes referred to above form an integral part of the financial statements

As per our attached report of even date

**For B S R & Co. LLP**

*Chartered Accountants*

Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**

*Partner*

Membership No.: 047483

Place: Navi Mumbai

Date: 18th May 2016

For and on behalf of the Board of Directors of

**Prabhat Dairy Limited**

**Sarangdhar R Nirmal**

*Chairman & Managing Director*

**Raviraj Vahadane**

*Chief Financial Officer*

Place: Navi Mumbai

Date: 18th May 2016

**Vivek S Nirmal**

*Joint Managing Director*

**Priya Nagmoti**

*Company Secretary*

## Notes to financial statements for the year ended 31 March 2016

### 1 BACKGROUND

Prabhat Dairy Limited ("Prabhat" or "the Company") is a public Company domiciled and headquartered in India. The Company was incorporated on 25 November 1998 as a Private Limited Company and converted to a Public Limited Company on 19 March 2015. Consequent to completion of the its Initial Public Offering ('IPO'), the equity shares of the Company were listed on the National Stock Exchange of India Limited and BSE Ltd. on 21 September 2015.

The Company is engaged in the business of procurement and processing of milk and sale of milk and milk products like Ghee, Flavored Milk, Skimmed Milk Powder, Whole Milk Powder and Condensed Milk etc. It caters to the needs of retail as well as the industrial trade sector.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the generally accepted accounting principles in India under historical cost convention on accrual basis. The Company has prepared these financial statements to comply in all material respects with the applicable accounting standards notified pursuant to Companies (Accounting Standards) Rules, 2006 which continue to apply under section 133 of the Companies Act, 2013, read together with rule 7 of the Companies (Accounts) Rules 2014.

#### 2.2 Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/ materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### 2.3 Current-non-current classification

All assets and liabilities are classified into current and non-current.

##### *Assets*

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realized within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include current portion of non-current financial assets. All other assets are classified as non-current.

##### *Liabilities*

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be settled within 12 months after the reporting date; or
- d) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

##### *Operating cycle*

## Notes to financial statements for the year ended 31 March 2016

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The operating cycle of the Company is less than 12 months.

### 2.4 Revenue recognition

#### a) *Product sales and Sale of service*

Revenue from sale of goods in the course of ordinary activities is recognised when property in goods or all significant risks and rewards of their ownership are passed onto the customers and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods and regarding its collection.

In view of the nature of services rendered, revenue from services is recognized under the proportionate completion method provided the consideration is reliably determinable and no significant uncertainty exists regarding the collection of the consideration. The amount recognised as revenue is exclusive of sales tax/ value added tax (VAT) and is net of returns, trade discounts, quantity discounts and rebates.

#### b) *Interest income*

Interest income is recognised on a time proportionate basis taking into account the amount invested and the rate applicable.

#### c) *Other*

Other items of income are accounted as and when the right to receive payment is established.

### 2.5 Fixed assets and depreciation / amortisation

#### *Tangible fixed assets*

Tangible fixed assets are carried at acquisition cost less accumulated depreciation and/or impairment loss if any. The cost of an item comprises its purchase price including inward freight, duties, taxes, relevant foreign exchange fluctuation differences and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Tangible fixed assets under construction are disclosed as capital work-in-progress. Projects under commissioning and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### *Depreciation on tangible fixed assets:*

Till the year ended 31 March 2014, depreciation rates prescribed under Schedule XIV were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act, 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/lower useful lives and residual values if such useful lives and residual values can be technically supported and appropriate disclosure is made in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II.

Accordingly, depreciation on tangible fixed assets is provided on straight line method at estimated useful lives, which in certain categories of assets is different than the estimated useful life as specified in Schedule II of the Companies Act, 2013 ('Schedule II') and are as under:

Category of asset	Useful life followed (in years)	Useful life as per Schedule II (in years)
Factory Building	15	30
Electrical installations	10	10
Plant and equipment	10	15*
Office equipment	3	5
Furniture & Fixtures	16	10
Vehicle	10.5	8
Computers	3	3
Software	3	3

\*For General laboratory equipment, the useful life as per Schedule II is 10 years.

Freehold land is not depreciated. Acquired assets consisting of leasehold land are recorded at acquisition cost and amortized on

## Notes to financial statements for the year ended 31 March 2016

straight-line basis based over the lease term.

Additions to tangible fixed assets individually costing ₹ 5,000 or less are depreciated fully in the year of acquisition.

Tangible fixed assets acquired wholly or part with specific grant/subsidy from government, are recorded at the net acquisition cost to the Company.

### *Intangible fixed assets and amortization*

Intangible fixed assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured. Intangible fixed assets are initially recorded at their acquisition price.

Intangible fixed assets comprising Computer software amortised over its estimated useful life of 3 years on a straight line basis, commencing from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset.

Amortization method and useful lives of the intangible fixed assets are reviewed at each reporting date. If the useful life of an asset is estimated to be significantly different from previous estimates, the amortization period is changed to reflect the changed pattern.

### **2.6 Impairment of assets**

In accordance with Accounting Standard 28 – Impairment of Assets (AS 28), the Company assesses, at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indications exist, the Company estimates the recoverable amount of the asset. If such recoverable amount of asset or recoverable amount of cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount is subject to a maximum of depreciable historical cost.

### **2.7 Government grants**

The Company is entitled to various incentives from government authorities in respect of manufacturing units located in developing regions. The Company accounts for its entitlement on accrual basis on approval of the initial claim by the relevant authorities.

Subsidy received under the Memorandum of Understanding (“MOU”) signed with the Government of Maharashtra (“GOM”) in respect of manufacturing units located in developing regions, is recognized when there is reasonable assurance regarding compliance with the specified conditions and consequent receipt of the grant.

Subsidy related to the specific fixed assets is reduced from the gross value of the assets.

Where the government grants are of the nature of promoters’ contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in respect thereof, the grants are treated as special capital incentive and are transferred to capital reserve.

### **2.8 Inventories**

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade and stores and spares are carried at the lower of cost and net realisable value. Cost of inventories comprise cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining cost “First in First out” method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and other costs necessary to make the sale.

Obsolete, defective and unserviceable inventories including slow moving stocks are provided based on technical evaluation. Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and selling expenses.

## Notes to financial statements for the year ended 31 March 2016

Raw material and other supplies held for use in production of inventories are not written down below cost, except in cases where material price have declined and it is estimated that the cost of the finished products will exceed their net realizable value.

### 2.9 Investments

Investments that are readily realizable and intended to be held for not more than a year from the date of the acquisition are classified as current investments. All other investments are classified as long-term investments. However, that portion of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as current portion of long term investments.

Long-term investments are valued at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are valued at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

### 2.10 Employee benefits

#### a) *Short term employee benefits*

Employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service. These benefits include salaries and wages and bonus. The undiscounted amount of short-term employee services is recognised as an expense as the related service is rendered by the employees.

#### b) *Post-employment benefits (defined benefit plans)*

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at each Balance Sheet date based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. The liability for gratuity is unfunded, wherein contributions are made and charged to revenue on annual basis. Actuarial gains and losses and past service costs are recognised immediately in the Statement of Profit and Loss.

#### c) *Post-employment benefits (defined contribution plans)*

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. Contribution to the provident fund which are defined contribution schemes are recognised as an expense in the Statement of Profit and Loss in the period in which the contribution is due.

### 2.11 Foreign exchange transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss of the year.

Monetary assets and liabilities denominated in foreign currency are translated at the year- end exchange rate and the resultant exchange differences are recognised in the Statement of Profit and Loss.

### 2.12 Taxation

Income-tax comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realized in future; however, where there is unabsorbed depreciation and carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realization of the assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written-up to reflect the amount that is reasonable/ virtually certain (as the case may be) to be realized.

Timing differences, which reverse within the tax holiday period, do not result in tax consequence and therefore no deferred taxes are

## Notes to financial statements for the year ended 31 March 2016

recognised in respect of the same. For this purpose, timing differences, which originate first, are considered to reverse first.

Minimum Alternate Tax (MAT) under the provisions of the Income Tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act, in respect of MAT paid is recognised as 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 recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

### 2.13 Provisions and contingencies

A provision is recognised in the Balance Sheet, when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The provisions are measured on an undiscounted basis. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

#### *Contingencies*

Provision in respect of loss contingencies relating to claims, litigations assessment, fines, penalties etc are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

### 2.14 Operating lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Operating lease rentals are recognised over the period of the lease in the Statement of Profit and Loss on a straight line basis.

### 2.15 Borrowing costs

Borrowing costs are expensed in the year in which they are incurred except for borrowing costs directly attributable to the acquisition or construction of those qualifying assets which necessarily take a substantial period of time to get ready for their intended use. These costs are capitalized as part of cost of such assets. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 2.16 Segment reporting

The Company is engaged mainly in processing and manufacturing of milk and dairy products. Accordingly, revenue from processing and manufacturing of milk and dairy products comprises the primary and only reportable segment. The Company's operations are primarily in India, accordingly there is no reportable secondary geographical segment.

### 2.17 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year.

The diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity and equivalent potential dilutive equity shares outstanding during the year, except where the result would be anti-dilutive.

### 2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## Notes to financial statements for the year ended 31 March 2016

### 3. SHARE CAPITAL

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Authorised:</b>		
100,000,000 (2015 : 90,000,000 ) Equity shares of ₹ 10 each with voting rights	1,000,000,000	900,000,000
	<b>1,000,000,000</b>	<b>900,000,000</b>
<b>Issued, subscribed and paid up:</b>		
97,676,131 Equity shares of ₹ 10 each (2015: 71,428,710 Equity shares of ₹ 10 each) with voting rights	976,761,310	714,287,100
	<b>976,761,310</b>	<b>714,287,100</b>

#### 3.1 Reconciliation of shares outstanding at the beginning and at the end of the year:

(Amount in ₹)

Particulars of shares	31 March, 2016		31 March, 2015	
	No of shares	Amount	No of shares	Amount
At the commencement of the year				
- Equity shares of ₹ 10 each (2015 : ₹ 1 each)	71,428,710	714,287,100	30,000,000	30,000,000
- 0.01% Compulsorily Convertible Preference Shares	-	-	24,137,932	241,379,320
Add: Additional shares issued, subscribed and paid-up during the period				
- Equity Shares of ₹ 1 each issued against conversion of 24,137,932, 0.01% Compulsorily Convertible Preference Share of ₹ 10 each	-	-	17,619,147	17,619,147
- Equity Shares of ₹ 10 each issued through initial public offer	26,247,421	262,474,210	-	-
Less: Shares forfeited / converted / bought back during the year				
- 0.01% Compulsorily Convertible Preference Shares of ₹ 10 each converted into 17,619,147 equity shares of ₹ 1 each fully paid up	-	-	24,137,932	241,379,320
Balance Shares:				
- Equity Shares	97,676,131	976,761,310	47,619,147	47,619,147
- 0.01% Compulsorily Convertible Preference Shares	-	-	-	-
After the consolidation of 10 equity shares of ₹ 1 each into 1 equity share of ₹ 10 each on March 9, 2015				
Balance shares:				
- Equity shares of ₹ 10 each	-	-	4,761,914	47,619,140
Add : Bonus Shares issued during the year				
- Equity shares of ₹ 10 each (issued in the ratio of 14:1)	-	-	66,666,796	666,667,960
At the end of the year				
- Equity Shares of ₹ 10 each	97,676,131	976,761,310	71,428,710	714,287,100

## Notes to financial statements for the year ended 31 March 2016

### 3. SHARE CAPITAL (contd...)

#### 3.2 Details of shareholders holding more than 5% shares is set out below:

Name of shareholder	31 March, 2016		31 March, 2015	
	No of shares	% held	No of shares	% held
<b>Equity shares</b>				
Nirmal Family Trust	39,833,483	41%	40,500,000	57%
India Agri Business Fund Limited	14,039,331	14%	16,238,895	23%
Societe De Promotion Et De Participation Pour La Cooperation Economique	8,477,429	9%	10,132,785	14%
IL and FS Trust Company Limited	7,391,226	8%	-	-

#### 3.3 Consolidation of Equity Shares

During the previous year, after the conversion of 24,137,932, 0.01% compulsorily convertible preference shares of ₹ 10 each to 17,619,147 equity shares of Re. 1 each fully paid, the Company consolidated the entire outstanding 47,619,147 equity shares of Re. 1 each into 4,761,914 equity shares of ₹ 10 each.

#### 3.4 Aggregate number of bonus shares issued and shares issued for consideration other than cash during the five years immediately preceding the reporting date:

During the previous year, after consolidation of equity shares, the Company has issued 66,666,796 fully paid up bonus shares in the ratio of 14 bonus shares against every 1 equity share of ₹ 10/- each held by the shareholders on March 12, 2015, by utilising securities premium.

#### 3.5 Rights, preferences and restrictions attached to the shares:

##### A. Ordinary equity shares of ₹ 10 each

The Company has a single class of equity shares having a par value of ₹ 10 per share. Accordingly all equity shares rank equally with regard to dividend and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of equity shareholders are in proportion to their share of paid up equity capital of the Company.

##### B. 0.01% Compulsorily Convertible Preference Shares

During the previous year, the Company had only one class of Preference shares i.e. 0.01% Compulsorily Convertible Preference Shares having par value of ₹ 10 each. These preference shares were compulsorily convertible into equity shares any time after June 30, 2013 as per the terms and conditions of Share Subscription Agreement dated September 21, 2012 executed between India Agri Business Fund Ltd., REAL Trust, the Company, Nirmal Family Trust, Mr. Sarangdhar R. Nirmal, Mr. Kishor R. Nirmal, Mr. Arvind J. Nirmal and Mr. Vivek S. Nirmal, which has been replaced and superseded by the Shareholder's Agreement dated May 17, 2013 executed between India Agri Business Fund Ltd., REAL Trust, Society De Promotion Et De Participation Pour La Cooperation Economique, the Company, Nirmal Family Trust, Mr. Sarangdhar R. Nirmal, Mr. Kishor R. Nirmal, Mr. Arvind J. Nirmal and Mr. Vivek S. Nirmal. These preference shares ranked for dividend in priority to equity shares and in case of any winding up of the Company, entitled to rank as regards repayment of capital upto the commencement of winding up, in priority to the equity shares of the Company.



## Notes to financial statements for the year ended 31 March 2016

### 4. RESERVES AND SURPLUS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Capital subsidy</b>		
District Industry Centre Subsidy	2,000,000	2,000,000
Ministry of Food Processing Industries Grant	3,846,000	3,846,000
	5,846,000	5,846,000
<b>Securities premium</b>		
At the commencement of the year	988,513,925	1,431,421,712
Add : Amount transferred on account of conversion of 24,137,932, 0.01% Compulsorily Convertible Preference Shares of ₹ 10 each into 17,619,147 Equity shares of ₹ 10 each.	-	223,760,173
Add : Premium on Equity Shares issued during the year (refer sub-note a)	2,737,525,780	-
Less : Amount utilised for issue of 66,666,796 fully paid up bonus shares of ₹ 10 each	-	666,667,960
Less : Amount utilised for expenses related to Initial Public Offering (refer sub-note a)	165,907,168	-
At the end of the year	3,560,132,537	988,513,925
<b>Capital Reduction Reserve</b>		
At the commencement and at the end of the year	296,010,000	296,010,000
	296,010,000	296,010,000
<b>Surplus in Statement of Profit and Loss</b>		
At the commencement of the year	348,472,484	318,231,002
Add: Profit for the year	93,894,803	36,005,710
Less: Appropriations		
Proposed dividend to be distributed to preference shareholders [including tax on dividend of ₹ Nil (2015 : ₹ 4,644)]	-	27,327
Proposed dividend distributed to equity shareholders [including tax on dividend of ₹ 7,953,825 (2015 : 974,987)]	47,024,277	5,736,901
<b>Net surplus in Statement of Profit and Loss</b>	<b>395,343,010</b>	<b>348,472,484</b>
	<b>4,257,331,547</b>	<b>1,638,842,409</b>

#### Note (a)

During the year, the Company has undertaken an IPO which also included an Offer for Sale of 4,915,925 equity shares by the existing shareholders (i.e. Selling Shareholders). In the IPO, the Company has issued and allotted 26,247,421 equity shares of ₹ 10 each fully paid up at a price of ₹ 115 per share with a discount of ₹ 5 per share to retail individual investors.

The total IPO proceeds of ₹ 3,561,875,190 have been allocated between the Company and the Selling Shareholders in proportion to the number of shares issued / offered by each of them after deducting their respective proportion of IPO expenses.

The Company has utilized an amount of ₹ 165,907,168 of its own share of IPO expenses from the securities premium raised through IPO in accordance with the provisions of section 52(2)(c) of the Companies Act, 2013.

## Notes to financial statements for the year ended 31 March 2016

### 5. LONG-TERM BORROWINGS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Borrowings from other than related parties:</b>		
<b>Secured</b>		
Term Loans		
From Non-Banking Financial Company ('NBFC') (refer sub-note a)	375,000,000	792,000,000
others		
- From banks (refer sub-note b)	8,908,593	2,444,009
<b>Borrowings from related parties:</b>		
<b>Unsecured</b>		
Nirmal Family Trust	-	49,907,145
(Interest free term loan from Nirmal Family Trust was repaid during the year (refer note 40))		
	<b>383,908,593</b>	<b>844,351,154</b>

**a) Details of repayment, interest rate, pre-payment and security provided for term loan from NBFC outstanding as on 31st March 2016:**

The Company had availed a term loan from Indostar Capital Finance Private Limited i.e. NBFC. The loan was sanctioned for ₹ 9,000 lakhs, and carried interest rate of 13.00%pa to 13.50% p.a. (2015 : 13.50% p.a.) payable monthly on floating basis linked to Kotak Mahindra Bank Base Rate. During the current year pursuant to fund received through IPO the Company made a partial prepayment of ₹ 4,620 lakhs. The balance amount of ₹ 3,750 lakhs is repayable in 20 monthly installments starting from November 2018, with installments ranging between ₹ 90 lakhs to ₹ 220 lakhs. In case of prepayments, a prepayment penalty of 2% p.a. shall be payable. In the event of default the lender will cancel the outstanding commitments under the facility, recall / accelerate all amounts outstanding under the facility, levy additional interest and enforce security. The loan has been secured by way of creation of the following security in favour of IL & FS Trust Company Limited (being the Security Trustee):

1. First ranking charge over the Company's moveable fixed assets / properties by way of hypothecation.
2. First ranking charge over the Designated Account & all rights, title, interest, benefits, claims & demands whatsoever of Company in, to, under and in respect of the said account by way of hypothecation.
3. Second ranking charge over the Company's Current assets (present & future) by way of hypothecation.
4. First ranking charge by way of registered mortgage on the following lands and all the present & future structures thereon:
  - i) Survey No. 121/2 adm. 0.81 Hectares owned by the Company.
  - ii) Survey No. 121/3 or 121/2A adm. 0.39 Hectares owned by Mr. Sarangdhar R. Nirmal & leased to the Company.
  - iii) Plot D37/4 , TTC MIDC Industrial Area, Turbhe, Navi Mumbai.
5. Personal guarantee of Mr. Sarangdhar R. Nirmal and Mr. Vivek S. Nirmal.

**b) Details of repayment, interest rate and security provided for bank loans outstanding as on 31st March 2016:**

The vehicle loans from banks are secured against such vehicles and carry interest rate ranging from 9.70% to 11.51% p.a (2015 : 10.09% to 11.50%).

### 6. DEFERRED TAX LIABILITIES (NET)

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged in the financial statements	63,689,393	70,483,765
<b>Deferred tax asset</b>		
Arising out of timing differences in		
- Expenditures covered by sections 40(a)(i), 43B of the Income Tax Act, 1961	5,034,386	4,495,698
- Expenses relating to merger u/s 35DD	124,434	186,650
- Provision for doubtful trade receivables and loans and advances	2,963,996	2,963,996
	8,122,816	7,646,344
<b>Deferred tax liability (net)</b>	<b>55,566,577</b>	<b>62,837,421</b>

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

## Notes to financial statements for the year ended 31 March 2016

### 7. LONG-TERM PROVISIONS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Provision for employee benefits</b>		
- Gratuity (refer note 34)	10,199,002	9,222,651
	<b>10,199,002</b>	<b>9,222,651</b>

### 8. SHORT-TERM BORROWINGS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Loans Repayable on demand</b>		
From Bank		
-Secured (Cash credit facilities for working capital)	550,560,656	550,678,811
	<b>550,560,656</b>	<b>550,678,811</b>

#### a) Details of loans from bank repayable on demand:

Loans repayable on demand are from various banks under multiple banking arrangements and in nature of cash credit facilities; and carry interest rate ranging from 9.45% to 12.00% (2015: 11.50% to 12.25%). The various short term loans have been secured by way of creation of the following security in favour of IL & FS Trust Company Limited (being the Security Trustee):

1. First ranking pari passu charge over the Company's Current assets (present & future) by way of hypothecation.
2. Second ranking pari passu charge over the Company's Fixed movable assets (present & future) by way of hypothecation.
3. Second ranking pari passu charge by way of registered mortgage on the following lands and all the present & future structures thereon:
  - i) Survey No. 121/2 adm. 0.81 Hectares owned by the Company.
  - ii) Survey No. 121/3 or 121/2A adm. 0.39 Hectares owned by Mr. Sarangdhar R. Nirmal & leased to the Company.
  - iii) Plot D37/4, TTC MIDC Industrial Area, Turbhe, Navi Mumbai.
4. Personal guarantee of Mr. Sarangdhar R. Nirmal and Mr. Vivek S. Nirmal.

### 9. TRADE PAYABLES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Total outstanding dues of micro enterprises and small enterprises (refer note 31)	259,497	2,787,434
Total outstanding dues of creditors other than micro enterprises and small enterprises	356,501,950	493,847,404
	<b>356,761,447</b>	<b>496,634,838</b>

### 10. OTHER CURRENT LIABILITIES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Current maturities of long-term borrowings</b>		
Term Loans		
- From NBFC (refer note 5a)	-	108,000,000
Others		
From Banks		
- Secured (refer note 5b)	2,217,853	604,047
Interest accrued but not due on borrowings	-	22,407
	<b>2,217,853</b>	<b>108,626,454</b>
<b>Other payables</b>		
Statutory liabilities	3,866,955	6,067,428
Payables on purchase of fixed assets	10,410,846	16,610,152
Advances from customers	12,818,348	246,553,728
Employee benefits payable	18,538,768	25,094,022
Others	3,614,609	8,221,503
	<b>49,249,526</b>	<b>302,546,833</b>
	<b>51,467,379</b>	<b>411,173,287</b>

## Notes to financial statements for the year ended 31 March 2016

### 11. SHORT-TERM PROVISIONS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Provision for Employee Benefits:</b>		
- Gratuity (refer note 34)	4,347,883	3,767,692
<b>Others:</b>		
Income tax (net of advance taxes paid)	7,397,923	6,542,337
Proposed dividend distributed to equity shareholders	39,070,452	-
Tax on proposed dividend distributed to equity shareholders	7,953,825	-
Proposed preference dividend	-	51,913
Tax on proposed preference dividend	-	4,644
	<b>58,770,083</b>	<b>10,366,586</b>

### 12 A. TANGIBLE FIXED ASSETS

(Amount in ₹)

Particulars for the current year	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2015	Addition during the year	Disposals during the year	As at March 31, 2016	As at April 1, 2015	Charged during the year	On disposals during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Leasehold land	173,090,950	-	-	173,090,950	9,735,125	1,724,723	-	11,459,848	161,631,102	163,355,825
Freehold land	2,231,938	-	-	2,231,938	-	-	-	-	2,231,938	2,231,938
Buildings	528,844,366	244,516	-	529,088,882	105,636,736	36,442,256	-	142,078,992	387,009,890	423,207,630
Plant and equipments	1,020,679,508	26,323,802	(106,820)	1,046,896,490	421,485,838	96,745,680	(10,591)	518,220,927	528,675,563	599,193,670
Electrical installations	38,141,003	-	-	38,141,003	7,203,539	3,812,402	-	11,015,941	27,125,062	30,937,464
Office equipments	12,418,252	703,454	(22,000)	13,099,706	9,661,543	1,582,726	(1,823)	11,242,446	1,857,260	2,756,709
Furniture and fixtures	34,712,327	1,623,397	-	36,335,724	6,994,900	2,446,701	-	9,441,601	26,894,123	27,717,427
Vehicles	6,141,969	10,282,962	-	16,424,931	1,118,774	973,718	-	2,092,492	14,332,439	5,023,195
Computers	21,610,903	2,469,226	-	24,080,129	17,771,311	2,589,463	-	20,360,774	3,719,355	3,839,592
<b>As at 31 March 2016</b>	<b>1,837,871,216</b>	<b>41,647,357</b>	<b>(128,820)</b>	<b>1,879,389,753</b>	<b>579,607,766</b>	<b>146,317,669</b>	<b>(12,414)</b>	<b>725,913,021</b>	<b>1,153,476,732</b>	<b>1,258,263,450</b>

(Amount in ₹)

Particulars for previous year	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2014	Addition during the year	Disposals during the year	As at March 31, 2015	As at April 1, 2014	Charged during the year	On disposals during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Leasehold land	170,633,750	2,457,200	-	173,090,950	7,426,219	2,308,906	-	9,735,125	163,355,825	163,207,531
Freehold land	2,231,938	-	-	2,231,938	-	-	-	-	2,231,938	2,231,938
Buildings	521,791,964	7,052,402	-	528,844,366	68,204,204	37,432,532	-	105,636,736	423,207,630	453,587,760
Plant and equipments	988,965,376	31,714,132	-	1,020,679,508	310,471,326	111,014,512	-	421,485,838	599,193,670	678,494,050
Electrical installations	37,484,179	656,824	-	38,141,003	3,446,932	3,756,607	-	7,203,539	30,937,464	34,037,247
Office equipments	10,591,574	1,826,678	-	12,418,252	7,680,812	1,980,731	-	9,661,543	2,756,709	2,910,762
Furniture and fixtures	25,904,832	8,807,495	-	34,712,327	5,149,136	1,845,764	-	6,994,900	27,717,427	20,755,696
Vehicles	3,695,257	2,446,712	-	6,141,969	608,221	510,553	-	1,118,774	5,023,195	3,087,036
Computers	19,459,703	2,151,200	-	21,610,903	14,507,360	3,263,951	-	17,771,311	3,839,592	4,952,343
<b>As at March 31, 2015</b>	<b>1,780,758,573</b>	<b>57,112,643</b>	<b>-</b>	<b>1,837,871,216</b>	<b>417,494,210</b>	<b>162,113,556</b>	<b>-</b>	<b>579,607,766</b>	<b>1,258,263,450</b>	<b>1,363,264,363</b>

## Notes to financial statements for the year ended 31 March 2016

### 12 B. INTANGIBLE FIXED ASSETS

(Amount in ₹)

Particulars for the current year	GROSS BLOCK			AMORTISATION				NET BLOCK		
	As at April 1, 2015	Addition during the year	Disposals during the year	As at March 31, 2016	As at April 1, 2015	Charged during the year	On disposals during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Software	17,663,413	5,693,610	-	23,357,023	8,695,553	4,947,570	-	13,643,123	9,713,900	8,967,860
	17,663,413	5,693,610	-	23,357,023	8,695,553	4,947,570	-	13,643,123	9,713,900	8,967,860

(Amount in ₹)

Particulars for previous year	GROSS BLOCK			AMORTISATION				NET BLOCK		
	As at April 1, 2014	Addition during the year	Disposals during the year	As at March 31, 2015	As at April 1, 2014	Charged during the year	On disposals during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Software	7,243,335	10,420,078	-	17,663,413	5,546,244	3,149,309	-	8,695,553	8,967,860	1,697,091
	7,243,335	10,420,078	-	17,663,413	5,546,244	3,149,309	-	8,695,553	8,967,860	1,697,091

### 13. CAPITAL WORK-IN-PROGRESS

Particulars for current year

(Amount in ₹)

Particulats	Capital work-in-progress			
	As at April 1, 2015	Additions during the year	Capitalised during the year	As at Mar 31, 2016
<b>Tangible assets</b>				
Buildings	-	1,335,679	244,516	1,091,163
Plant and equipment	11,445,195	21,134,854	18,511,979	14,068,070
Computer	1,200,000	-	1,200,000	-
Furniture and fixtures	-	-	-	-
<b>Sub total</b>	<b>12,645,195</b>	<b>22,470,533</b>	<b>19,956,495</b>	<b>15,159,233</b>
<b>Intangible assets</b>				
Software	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at March 31, 2016</b>	<b>12,645,195</b>	<b>22,470,533</b>	<b>19,956,495</b>	<b>15,159,233</b>

Particulars for previous year:

(Amount in ₹)

Particulats	Capital work-in-progress			
	As at April 1, 2014	Additions during the year	Capitalised during the year	As at Mar 31, 2015
<b>Tangible assets</b>				
Buildings	-	7,052,402	7,052,402	-
Plant and equipment	-	36,686,455	25,241,260	11,445,195
Computer	-	1,200,000	-	1,200,000
Furniture and fixtures	-	4,580,551	4,580,551	-
<b>Sub total</b>	<b>-</b>	<b>49,519,408</b>	<b>36,874,213</b>	<b>12,645,195</b>
<b>Intangible assets</b>				
Software	5,104,755	5,315,323	10,420,078	-
<b>Sub total</b>	<b>5,104,755</b>	<b>5,315,323</b>	<b>10,420,078</b>	<b>-</b>
<b>As at March 31, 2015</b>	<b>5,104,755</b>	<b>54,834,731</b>	<b>47,294,291</b>	<b>12,645,195</b>

## Notes to financial statements for the year ended 31 March 2016

### 14. NON-CURRENT INVESTMENTS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Valued at cost unless stated otherwise)</i>		
<b>Investment in equity instruments:</b>		
<b>(Unquoted, Trade)</b>		
(i) Subsidiaries		
99,999 (2015: 99,999) equity shares of ₹ 10 each shares of Cheese Land Agro (India) Private Limited	999,990	999,990
14,419,640 (2015: Nil) equity shares of ₹ 10 each shares of Sunfresh Agro Industries Private Limited	1,614,999,680	-
<b>(Unquoted, Nontrade)</b>		
(ii) Others		
a) 2 Shares (2015 : 2) of ₹ 100 each Shares of Abhyudaya Co-operative Bank	200	200
b) 50,000 units (2015 : 70,000) of ₹ 10 each in Union KBC Mutual Fund	500,000	700,000
	<b>1,616,499,870</b>	<b>1,700,190</b>

### 15. LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Unsecured, considered good unless otherwise stated)</i>		
<b>To related parties</b>		
Cheese Land Agro (India) Private Limited	-	1,155,155,588
<b>To parties other than related parties</b>		
Deposit with suppliers	-	350,000,000
Capital advances		
Considered good	2,487,425	21,108,887
Considered doubtful	5,000,000	5,000,000
Less: Provision for doubtful advances	(5,000,000)	(5,000,000)
	2,487,425	21,108,887
Security deposits	9,365,419	6,830,711
Advance tax (net of provision for tax)	28,317,309	5,317,309
Prepaid expense	4,658,668	4,657,416
CENVAT credit receivables	3,060,618	3,018,931
VAT receivables	115,778,644	62,893,482
	<b>163,668,083</b>	<b>1,608,982,324</b>

### 16. OTHER NON-CURRENT ASSETS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Balance with banks [refer sub-note (a)]	300,000	4,700,000
	<b>300,000</b>	<b>4,700,000</b>
<b>Note:</b>		
(a) Balance with banks are primarily held as margin money deposits.		

## Notes to financial statements for the year ended 31 March 2016

### 17. INVENTORIES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Valued at the lower of cost or net realisable value)</i>		
Raw and packing material	47,612,039	52,216,985
Work-in-progress	35,163,427	54,599,131
Finished goods [(including goods-in-transit of ₹ 78,451,896 (2015 : ₹ 20,143,479))]	209,161,643	113,592,487
Stock-in-trade	11,093,705	19,950,000
	<b>303,030,814</b>	<b>240,358,603</b>

### 18. TRADE RECEIVABLES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Unsecured)</i>		
Receivables outstanding for a period exceeding six months from the date they are due for payment		
Considered good	1,154,403	135,116,678
Considered doubtful	3,564,481	3,564,481
	4,718,884	138,681,159
Less: Provision for doubtful receivables	(3,564,481)	(3,564,481)
	(A) 1,154,403	135,116,678
Other receivables		
Considered good	1,146,843,881	619,841,905
	(B) 1,146,843,881	619,841,905
	(A+B) 1,147,998,284	754,958,583

Trade receivables (unsecured, considered good) include ₹ 497,080,697 (2015 : Nil) due from Sunfresh Agro Industries Private Limited (Subsidiary Company of the Company) in which director is a director.

### 19. CASH AND BANK BALANCES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>Cash and cash equivalents</i>		
Cash on hand	9,883,485	5,919,097
Balances with banks		
In current accounts	43,218,398	192,014,487
	53,101,883	197,933,584
Other bank balances		
In earmarked accounts		
Balances held as security against borrowings and other commitments	539,809	539,809
	539,809	539,809
	<b>53,641,692</b>	<b>198,473,393</b>
<i>Details of bank balances/deposits</i>		
Bank balances available on demand/ deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	43,218,398	192,014,487
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	539,809	539,809
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 16)	300,000	4,700,000
	44,058,207	197,254,296

## Notes to financial statements for the year ended 31 March 2016

### 20. SHORT-TERM LOANS AND ADVANCES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Unsecured, considered good unless otherwise stated)</i>		
<b>To related parties</b>		
Cheese Land Agro (India) Private Limited	1,454,506,800	374,882,412
<b>To parties other than related parties</b>		
Loans and advances to employees	3,726,323	3,144,669
Prepaid expenses	3,470,037	5,022,404
Security deposits	27,098,650	2,049,336
MAT credit entitlement	-	10,243,527
Advances to suppliers	737,018,943	206,006,396
Other loans and advances	720,460	125,551
	<b>2,226,541,213</b>	<b>601,474,295</b>

### 21. OTHER CURRENT ASSETS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Deposits with NBFC	10,835,768	20,638,356
Other receivables (refer note 41)	-	26,683,963
Interest accrued on deposits	461,005	548,045
	<b>11,296,773</b>	<b>47,870,364</b>

### 22. REVENUE FROM OPERATION

(Amount in ₹)

	31 March, 2016	31 March, 2015
Sale of products		
Finished goods	9,637,761,892	8,391,597,668
Traded goods	274,620,493	244,969,381
Sale of products (gross)	9,912,382,385	8,636,567,049
Less : Excise Duty	3,778,263	3,127,568
Sale of products (net)	9,908,604,122	8,633,439,481
Sale of services	84,742,027	105,111,109
Other operating revenues	3,655,123	4,597,827
	<b>9,997,001,272</b>	<b>8,743,148,417</b>
<b>Breakup of revenue from sale of products (Gross)</b>		
<b>Finished goods</b>		
Flavored milk	8,377,813	11,325,252
Butter	451,004,696	24,101,000
Ghee	1,569,102,700	1,060,695,215
Pouch milk	1,520,462,694	1,367,245,247
Skimmed/standardised milk	4,990,919,872	4,886,621,576
Cream	569,430,917	597,686,925
Ice cream	120,667,191	98,556,168
Dahi and buttermilk	179,477,897	150,146,182
Others	228,318,113	195,220,103
	<b>9,637,761,892</b>	<b>8,391,597,668</b>



## Notes to financial statements for the year ended 31 March 2016

### 22. REVENUE FROM OPERATION (contd...) (Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Breakup of revenue from sale of products (Gross) (contd...)</b>		
<b>Traded goods</b>		
Cattle Feed	244,275,174	240,737,082
Others	30,345,319	4,232,299
	<b>274,620,493</b>	<b>244,969,381</b>
<b>Break up of revenue from sale of services</b>		
Milk processing charges	84,742,027	105,111,109
	<b>84,742,027</b>	<b>105,111,109</b>
<b>Break up of other operating revenues</b>		
Sale of scrap	3,655,123	4,499,291
Other revenue	-	98,536
	<b>3,655,123</b>	<b>4,597,827</b>

### 23. OTHER INCOME (Amount in ₹)

	31 March, 2016	31 March, 2015
Interest income from banks	1,899,450	2,355,662
Interest income from others	1,945,788	-
Profit on sale of fixed assets (net)	27,060	-
Miscellaneous income	1,030,026	3,230,786
	<b>4,902,324</b>	<b>5,586,448</b>

### 24. COST OF MATERIAL CONSUMED (Amount in ₹)

	31 March, 2016	31 March, 2015
Inventory of materials at the beginning of the year	52,216,985	38,891,691
Add: Purchases	8,472,783,024	7,280,140,347
Inventory of materials at the end of the year	(47,612,039)	(52,216,985)
	<b>8,477,387,970</b>	<b>7,266,815,053</b>
<b>Break-up of cost of materials consumed</b>		
Milk	6,389,561,053	6,023,526,923
Sugar	8,575,269	5,603,580
Cream	1,413,090,631	783,916,295
Others including packing material	666,161,018	453,768,255
	<b>8,477,387,970</b>	<b>7,266,815,053</b>
<b>Break-up of cost of materials purchased</b>		
Milk	6,391,892,392	6,017,756,386
Sugar	8,966,984	5,603,580
Cream	1,413,090,631	784,412,876
Others including packing material	658,833,017	472,367,505
	<b>8,472,783,024</b>	<b>7,280,140,347</b>
<b>Break-up of inventory of materials</b>		
Milk	4,624,592	2,293,254
Others including packing material	42,987,447	49,923,731
	<b>47,612,039</b>	<b>52,216,985</b>

## Notes to financial statements for the year ended 31 March 2016

### 25. PURCHASE OF STOCK-IN-TRADE

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Break-up of purchase of stock-in-trade</b>		
Cattle feed	221,143,140	242,142,235
Others	25,057,840	-
	<b>246,200,980</b>	<b>242,142,235</b>

### 26. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Inventories at the beginning of the year:</b>		
Finished goods	113,592,487	95,859,047
Stock-in-trade	19,950,000	320,782
Work-in-progress	54,599,131	54,494,082
	<b>188,141,618</b>	<b>150,673,911</b>
<b>Inventories at the end of the year:</b>		
Finished goods	209,161,643	113,592,487
Stock-in-trade	11,093,705	19,950,000
Work-in-progress	35,163,427	54,599,131
	<b>255,418,775</b>	<b>188,141,618</b>
<b>Changes in inventories</b>	<b>(67,277,157)</b>	<b>(37,467,707)</b>
<b>Break up inventory of finished goods</b>		
Flavored milk	468,257	851,344
Ghee	49,258,749	41,027,102
Skimmed milk powder	78,932,254	62,683,619
Dahi	822,608	1,213,406
Ice cream	2,299,203	1,482,163
Butter	65,150,948	-
Others	12,229,624	6,334,853
	<b>209,161,643</b>	<b>113,592,487</b>
<b>Break up inventory of work-in-progress</b>		
Butter	593,087	347,751
Processed milk	4,847,468	8,946,458
Cream	-	496,370
Ghee	29,598,889	43,673,027
Others	123,983	1,135,525
	<b>35,163,427</b>	<b>54,599,131</b>
<b>Break up inventory of stock-in-trade</b>		
Cattle feed	11,093,705	19,950,000
	<b>11,093,705</b>	<b>19,950,000</b>

### 27. EMPLOYEE BENEFITS EXPENSES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Salaries, wages and allowances	196,136,447	194,619,626
Contribution to provident and other funds (refer note 34)	8,608,588	8,762,386
Gratuity expense	1,592,542	5,895,131
Staff welfare expenses	6,132,769	7,001,160
	<b>212,470,346</b>	<b>216,278,303</b>

## Notes to financial statements for the year ended 31 March 2016

### 28. FINANCE COSTS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Interest expense on:		
Borrowings from NBFC/ banks	154,540,808	170,744,669
Delayed payment of tax	3,529,944	-
Other borrowing costs *	17,242,314	19,756,968
	<b>175,313,066</b>	<b>190,501,637</b>

\* Includes prepayment charges paid to Indostar Capital Finance Private Limited (NBFC) amounting to ₹ 9,964,170 (2015 : Nil).

### 29. OTHER EXPENSES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Consumption of stores and spare parts	46,345,158	37,948,286
Co-packing and conversion charges	19,748,538	23,978,619
Milk procurement overheads	44,542,017	35,217,506
Power and fuel	78,456,301	85,769,869
Water charges	5,360,892	10,312,709
Rent including lease rentals (refer note 36)	13,663,286	14,145,765
Repairs and maintenance		
- Machinery	11,008,270	22,918,847
- Others	11,734,955	6,274,599
Insurance	5,541,584	5,732,962
Rates and taxes	9,762,307	22,906,971
Increase of excise duty on inventory	101,771	67,887
Labour charges	59,471,791	57,587,583
Travelling and conveyance	16,877,105	15,775,004
Transport and forwarding expenses	175,544,860	168,372,766
Business promotion expenses	93,340,635	79,754,864
Legal and professional expenses	31,908,425	14,147,401
Payment to auditors (refer note 32)	3,962,798	2,033,963
Bank charges	-	795,189
Security charges	-	2,045,014
Bad trade and other receivables written off	960,618	1,295,628
Loss on fixed assets written off	13,021	-
Corporate Social Responsibility (CSR)	1,458,813	1,031,251
Directors sitting fees	1,751,250	1,376,410
Miscellaneous expenses	30,407,185	28,932,004
	<b>661,961,580</b>	<b>638,421,097</b>

## Notes to financial statements for the year ended 31 March 2016

### 30. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR):

#### (i) Contingent liabilities:

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>a) Corporate Guarantees given by the Company:</b>		
Various milk supplying farmers	599,948	20,124,801
<b>b) Income Tax Matters [refer sub-note (a)]</b>		
Financial year 2006-07	1,609,413	1,609,413
Financial year 2008-09	2,825,447	2,825,447
Financial year 2010-11	1,695,240	1,695,240
Financial year 2011-12	25,702,172	25,702,172
	<b>32,432,220</b>	<b>51,957,073</b>

- a) The Company is contesting the demands related to Income Tax matters and the management believes that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceedings will not have a material adverse effect on the Company's financial position and results of operations.
- b) On October 09, 2015, a search was conducted by the Income Tax Department pursuant to the provisions of section 132(1) and section 133A of the Income Tax Act, 1961 at the offices of the Company at Shrirampur, Pune and Navi Mumbai and also at the offices of the subsidiaries of the Company and the residence of Executive Directors residing at Shrirampur. The Company has not received any demand notice with respect to the search.

#### (ii) Commitments:

(Amount in ₹)

	31 March, 2016	31 March, 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	18,584,047	52,272,529
Other commitments (Lease rent) [refer sub-note no (a)]	114,228	122,440
	<b>18,698,275</b>	<b>52,394,969</b>

- (a) The Company has taken land on lease from Directors and relatives of directors for a period ranging from 10 years to 30 years starting from October 1999. In terms of the said lease agreement, the Company is required to pay an annual rent of ₹ 8,190 p.a. However, the Company has received a letter of waiver from them indicating that the total rent payable since inception of the lease till 31 March 2016 has been waived and that the Company is not required to pay any lease rent for the above period.

### 31 COMPLIANCE WITH MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') as at period end

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>The disclosure pursuant to the MSMED Act is as under :</b>		
Principal amount due to suppliers under MSMED Act , 2006	259,497	2,787,434
Interest accrued and due to suppliers under MSMED Act on the above amount, unpaid	-	-
Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	-	-

## Notes to financial statements for the year ended 31 March 2016

### 32. PAYMENT TO AUDITORS (INCLUDING SERVICE TAX) \*

(Amount in ₹)

	31 March, 2016	31 March, 2015
Statutory audit fees	2,404,500	1,573,040
Limited Review	916,000	-
Other services	400,750	224,720
Out of pocket expenses reimbursed	241,548	236,203
	<b>3,962,798</b>	<b>2,033,963</b>

\* Excludes fees for professional arrangement related to Initial Public Offering ₹ 8,500,000 (2015 : ₹ 1,500,000) and out of pocket expenses of ₹ 285,370 (2015 : 44,439) excluding service tax, which have been adjusted against Securities Premium account.

### 33. DETAILS OF CONSUMPTION OF IMPORTED AND INDIGENOUS ITEMS :

(Amount in ₹)

Particulars	For the year ended 31 March, 2016		For the year ended 31 March, 2015	
	Value (₹)	Percentage ( % )	Value (₹)	Percentage ( % )
<b>Raw material:</b>				
Indigenous	7,811,226,953	100	6,813,046,798	100
	<b>7,811,226,953</b>	<b>100</b>	<b>6,813,046,798</b>	<b>100</b>
<b>Others:</b>				
<u>Packing material and consumables</u>				
Indigenous	666,161,018	100	453,768,255	100
	<b>666,161,018</b>	<b>100</b>	<b>453,768,255</b>	<b>100</b>
<u>Stores and spare parts</u>				
Indigenous	46,345,158	100	37,948,286	100
	<b>46,345,158</b>	<b>100</b>	<b>37,948,286</b>	<b>100</b>

### 34. DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE 'ACCOUNTING STANDARD 15 (REVISED) EMPLOYEE BENEFITS' ARE AS UNDER:

#### (A) Defined Contribution Plan

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employee's State Insurance Corporation, which is a defined contributions plans. The Company has no obligation other than to make specified contributions. The contribution are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund and Employee's State Insurance Corporation is ₹ 8,608,588 (2015 : ₹ 8,762,386). The contributions payable to these plans by the Company are at rates specified in the rules of the scheme.

#### (B) Defined Benefit Plan

- Actuarial gains and losses in respect of defined benefit plans are recognised in the Statement of Profit and Loss.
- The Defined Benefit Plan comprise of Gratuity. Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of service.

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>a) Statement showing changes in present value of obligation as at the end of the year</b>		
Present value of defined benefit obligation as at the beginning of the year	12,990,343	7,095,212
Current service cost	3,479,207	3,227,465
Interest cost	977,041	652,760
Settlement cost / (credit)	(764,887)	-
Actuarial (gains) / losses	(2,098,819)	2,014,906
Benefits paid	(36,000)	-
Present value of defined benefit obligation as on Balance Sheet date.	<b>14,546,885</b>	<b>12,990,343</b>

## Notes to financial statements for the year ended 31 March 2016

### 34 DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE 'ACCOUNTING STANDARD 15 (REVISED) EMPLOYEE BENEFITS' ARE AS UNDER:

#### (B) Defined Benefit Plan (contd...)

(Amount in ₹)

	31 March, 2016	31 March, 2015
b) Table showing changes in the fair value of plan assets as at the end of the year	-	-
c) Analysis of defined benefit obligation :		
Defined benefit obligation as at end of the year	14,546,885	12,990,343
<b>Net liability recognized in the Balance Sheet as at end of year</b>	<b>14,546,885</b>	<b>12,990,343</b>
Current portion	4,347,883	3,767,692
Non-current portion	10,199,002	9,222,651
d) Analysis of defined benefit obligation :		
Present value of defined benefit obligation	14,546,885	12,990,343
<b>Net liability recognized in the Balance Sheet</b>	<b>14,546,885</b>	<b>12,990,343</b>
e) Expenses recognised in the Statement of Profit and Loss		
Current Service cost	3,479,207	3,227,465
Interest cost	977,041	652,760
Settlement cost/(credit)	(764,887)	-
Actuarial losses / (gains)	(2,098,819)	2,014,906
<b>Total expense recognized in the Statement of Profit and Loss</b>	<b>1,592,542</b>	<b>5,895,131</b>
f) Actuarial assumptions		
i) Discount rate (%)	7.90%	7.80%
ii) Salary escalation (%)	8%	8%
iii) Mortality tables: It has been assumed that active members of the scheme will experience in-service mortality in accordance with the standard table in accordance with Indian Assured Lives Mortality (2006-08) ultimate.		
iv) The discount rate is based on the prevailing market yield of Indian government securities as at Balance sheet date for the estimated terms of obligation.		
v) Salary escalation rate : The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors		

(Amount in ₹)

Particulars	31-Mar-2016	31-Mar-2015	31-Mar-2014	31-Mar-2013	31-Mar-2012
g) Experience history					
Defined benefit obligation at the end of the year	14,546,885	12,990,343	7,095,212	5,136,529	1,739,562
Funded status	(14,546,885)	(12,990,343)	(7,095,212)	(5,136,529)	(1,739,562)
Experience adjustments on plan liabilities	(1,976,402)	701,901	251,175	2,502,010	60,451

## Notes to financial statements for the year ended 31 March 2016

### 35. EXPENDITURE IN FOREIGN CURRENCY\*

(Amount in ₹)

	31 March, 2016	31 March, 2015
Travelling	1,185,705	1,070,336
	<b>1,185,705</b>	<b>1,070,336</b>

\* excludes ₹ 11,283,565 incurred in foreign currency which have been netted off against securities premium

### 36 LEASES

The Company has entered into operating lease arrangements for office space. Lease arrangements provide for cancellation by either party and also contain a clause for renewal of the lease agreement and there are no lease agreements having non cancellable arrangements. Total rental expenses for operating leases is ₹ 13,663,286 (2015 : 14,145,765)

### 37. EARNING PER SHARE (EPS)

(Amount in ₹)

		31 March, 2016	31 March, 2015
Net profit for the year as reported	A	93,894,803	36,005,710
Dividend on preference shares and tax thereon:	B	-	27,327
<b>Net profit for the year attributable to equity shareholders</b>	<b>C = (A-B)</b>	<b>93,894,803</b>	<b>35,978,383</b>
Weighted average number of equity shares of face value of ₹ 10 each outstanding during the period for the calculation of basic EPS	D	85,914,992	46,665,371
<b>Effect of dilutive potential equity shares</b>			
Conversion of preference shares into equity shares	E	-	24,763,349
Weighted average number of equity shares of face value of ₹ 10 each outstanding during the period for the calculation of diluted EPS	F = (D+E)	85,914,992	71,428,720
Basic earnings per equity share of face value ₹ 10 each	(C/D)	1.09	0.77
Diluted earnings per equity share of face value ₹ 10 each	(C/F)	1.09	0.50

### 38 ISSUE OF SHARES ON CONSEQUENT TO INITIAL PUBLIC OFFERINGS (IPO):

Consequent to completion of the IPO, the Company issued 26,247,421 equity shares of ₹ 10 each fully paid up to the subscribers at a price of ₹ 115 per share with a discount of ₹ 5 per share to retail individual investor as per the terms of the Issue. The equity shares of the Company got listed on the National Stock Exchange of India Limited and BSE Limited on September 21, 2015.

### 39. UTILISATION OF FUNDS RAISED THROUGH INITIAL PUBLIC OFFERING (IPO) OF EQUITY SHARES DURING YEAR ENDED 31 MARCH 2016 IS AS FOLLOWS:

Particulars	Rupees
Issue proceeds	3,000,000,000
Less: Repayment of term loan from Indostar Capital Finance Limited for Prabhat Dairy Limited (holding company)	462,000,000
Less: Infusion of funds in Sunfresh Agro Industries Private Limited by way of subscription to its equity shares out of which ₹ 13,880 lakhs have been utilised towards repayment of term loan from Indostar Capital Finance Limited and ₹ 1,798.38 lakhs have been utilised towards capital expenditure.	1,615,000,000
Less: Fund utilised for payment of expense in relation to IPO	198,210,000
Less: General corporate purpose	348,185,331
<b>Balance parked in working capital facilities</b>	<b>376,604,669</b>

The IPO proceeds have been utilized for the purposes for which the funds have been raised by the Company. The unutilized funds earmarked to be utilized in the fiscal 2017, in order to save on a considerable amount of interest cost, have been parked by the Company in Cash Credit account with the Schedule Commercial Banks.

## Notes to financial statements for the year ended 31 March 2016

### 40 RELATED PARTY DISCLOSURES

#### a) Individuals having control over the Company (Key management personnel)

Mr. Sarangdhar R. Nirmal, Chairman & Managing Director  
 Mr. Vivek S. Nirmal, Joint Managing Director  
 Mr. Kishor R. Nirmal (upto 09 March 2015)  
 Mr. Arvind J. Nirmal (upto 09 March 2015)  
 Mr. Keyur Shah, Chief Financial Officer (upto 11 December 2015)  
 Mr. Amit Gala, Chief Financial Officer (from 12 December 2015 upto 26 April 2016)  
 Ms. Priya Nagmoti, Company Secretary

#### b) Names of the related parties with whom transactions were carried out during the period and description of relationship :

Trust which has substantial interest in reporting Company and in which KMPs are interested.

Nirmal Family Trust

#### Subsidiary Companies

Cheese Land Agro (India) Private Limited  
 Sunfresh Agro Industries Private Limited

#### Relatives of key management personnel:

Mrs. Vijaya S. Nirmal  
 Mrs. Nidhi V. Nirmal  
 Mrs. Sneha Nirmal Astunkar

#### Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence:

Nirmal Gogross LLP  
 Prabhat Agro. Multi State Co-Operative Society Limited

#### c) Disclosure of related party transactions:

(Amount in ₹)

Particulars	Entity which has a substantial interest in reporting Company and in which KMPs are interested	Subsidiary Company (Direct Holding)	Subsidiary Company (Indirect Holding)	KMP / relatives of KMP *	Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence	Total
<b>Purchase of goods:-</b>						
Sunfresh Agro Industries Private Limited	-	-	308,089,465	-	-	308,089,465
Prabhat Agro. Multi State Co-Operative Society Limited	-	-	(145,969,886)	-	-	(145,969,886)
	-	-	-	-	205,425,000	205,425,000
	-	-	-	-	(124,342,490)	(124,342,490)
<b>Shared service income:-</b>						
Sunfresh Agro Industries Private Limited	-	-	5,711,096	-	-	5,711,096
	-	-	-	-	-	-
<b>Sale of goods:-</b>						
Sunfresh Agro Industries Private Limited	-	-	4,885,267,648	-	-	4,885,267,648
	-	-	(4,647,403,289)	-	-	(4,647,403,289)



## Notes to financial statements for the year ended 31 March 2016

### 40 RELATED PARTY DISCLOSURES

#### c) Disclosure of related party transactions: (contd...)

(Amount in ₹)

Particulars	Entity which has a substantial interest in reporting Company and in which KMPs are interested	Subsidiary Company (Direct Holding)	Subsidiary Company (Indirect Holding)	KMP / relatives of KMP *	Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence	Total
<b>Managerial Remuneration:-</b>						
Sarangdhar R. Nirmal	-	-	-	7,000,000	-	7,000,000
	-	-	-	(7,000,000)	-	(7,000,000)
Kishor R. Nirmal	-	-	-	-	-	-
	-	-	-	(5,041,667)	-	(5,041,667)
Arvind J. Nirmal	-	-	-	-	-	-
	-	-	-	(5,041,667)	-	(5,041,667)
Vivek S. Nirmal	-	-	-	2,400,000	-	2,400,000
	-	-	-	(5,800,000)	-	(5,800,000)
<b>Salary:-</b>						
Keyur Shah	-	-	-	2,002,645	-	2,002,645
	-	-	-	(227,337)	-	(227,337)
Amit Gala	-	-	-	1,207,049	-	1,207,049
	-	-	-	-	-	-
Priya Nagmoti	-	-	-	2,181,440	-	2,181,440
	-	-	-	(1,441,320)	-	(1,441,320)
Relatives of Key Managerial Personnel	-	-	-	1,165,367	-	1,165,367
	-	-	-	(782,712)	-	(782,712)
<b>Lease Rent payment:-</b>						
Sarangdhar R. Nirmal	-	-	-	1,200,080	-	1,200,080
	-	-	-	(1,259,319)	-	(1,259,319)
<b>Borrowing repaid:-</b>						
Nirmal Family Trust	49,907,145	-	-	-	-	49,907,145
	-	-	-	-	-	-
<b>Loans and advances Recovered:-</b>						
Cheese Land Agro (India) Private Limited	-	75,531,200	-	-	-	75,531,200
Sunfresh Agro Industries Private Limited	-	-	(222,700,177)	-	-	(222,700,177)
<b>Investment:-</b>						
Sunfresh Agro Industries Private Limited	-	-	1,614,999,680	-	-	1,614,999,680
	-	-	-	-	-	-

## Notes to financial statements for the year ended 31 March 2016

### 40 RELATED PARTY DISCLOSURES

#### c) Disclosure of related party transactions: (contd...)

(Amount in ₹)

Particulars	Entity which has a substantial interest in reporting Company and in which KMPs are interested	Subsidiary Company (Direct Holding)	Subsidiary Company (Indirect Holding)	KMP / relatives of KMP *	Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence	Total
<b>BALANCES OUTSTANDING AT THE END OF THE YEAR</b>						
<b>Investment held by Company:-</b>						
Cheese Land Agro (India) Private Limited	-	999,990	-	-	-	999,990
	-	(999,990)	-	-	-	(999,990)
Sunfresh Agro Industries Private Limited	-	-	1,614,999,680	-	-	1,614,999,680
	-	-	-	-	-	-
<b>Trade Payable:-</b>						
Prabhat Agro. Multi State Co-Operative Society Limited	-	-	-	-	7,526,024	7,526,024
	-	-	-	-	(1,144,716)	(1,144,716)
<b>Trade Receivable:-</b>						
Sunfresh Agro Industries Private Limited	-	-	497,080,698	-	-	497,080,698
	-	-	-	-	-	-
<b>Employee Benefits Payable:-</b>						
Vivek S. Nirmal	-	-	-	272,552	-	272,552
	-	-	-	(1,922,102)	-	(1,922,102)
Sarangdhar R. Nirmal	-	-	-	583,333	-	583,333
	-	-	-	(1,086,344)	-	(1,086,344)
Priya Nagmoti	-	-	-	265,786	-	265,786
	-	-	-	(142,732)	-	(142,732)
Amit Gala	-	-	-	484,583	-	484,583
	-	-	-	-	-	-
Relatives of KMPs	-	-	-	132,294	-	132,294
	-	-	-	(114,984)	-	(114,984)
<b>Other Current Liability:-</b>						
Sunfresh Agro Industries Private Limited	-	-	-	-	-	-
	-	-	(235,146,339)	-	-	(235,146,339)
Relatives of KMPs	-	-	-	850,791	-	850,791
	-	-	-	(850,791)	-	(850,791)

## Notes to financial statements for the year ended 31 March 2016

### 40 RELATED PARTY DISCLOSURES

#### c) Disclosure of related party transactions: (contd...)

(Amount in ₹)

Particulars	Entity which has a substantial interest in reporting Company and in which KMPs are interested	Subsidiary Company (Direct Holding)	Subsidiary Company (Indirect Holding)	KMP / relatives of KMP *	Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence	Total
<b>Borrowings:-</b>						
Nirmal Family Trust	-	-	-	-	-	-
	(49,907,145)	-	-	-	-	(49,907,145)
<b>Loans and advances given:-</b>						
Cheese Land Agro (India)	-	1,454,506,800	-	-	-	1,454,506,800
Private Limited	-	(1,530,038,000)	-	-	-	(1,530,038,000)

#### Notes:

- Figures in bracket relate to the previous year.
- The remuneration to KMPs does not include provision for gratuity as it is determined on actuarial basis for the Company as a whole.

\* The Company has taken Land on lease from Directors and relatives of directors for a period ranging from 10 years to 30 years starting from October, 1999. In terms of the said lease agreement, the Company is required to pay an annual rent of ₹ 8,190 p.a. However, the Company has received a letter of waiver from them indicating that the total rent payable since inception of the lease till March 2016 has been waived and that the company is not required to pay any lease rent for the above period.

With respect to transactions with related parties, the Company is of view that such transactions have been carried out at arms length and conditions/provisions as laid down in section 188 of the Companies Act, 2013 have been complied with.

### 41 EXPENDITURE IN RELATION TO INITIAL PUBLIC OFFERING

During the previous year ended 31 March 2015, the Company had filed Draft Red Herring Prospectus with SEBI in connection with the proposed issue of Equity Shares of the Company by way of fresh issue and / or an offer for sale by the existing shareholders. Accordingly, expenses incurred by the Company aggregating to ₹ 26,683,983 in connection with filing of Draft Red Herring Prospectus and other related expenses were shown under Other current assets. The same were partly adjusted towards the securities premium account and partly recovered from the existing shareholders (to the extent of shares offered for sale by existing shareholders, the expenses incurred by the Company for the proposed issue were recoverable from them) as per the provisions of the Companies Act, 2013.

### 42 CORPORATE SOCIAL RESPONSIBILITY (CSR)

As per provisions of section 135 of Companies Act 2013, the Company was required to spend ₹ 1,458,813 (2015: ₹ 1,031,251) being 2% of average net profits made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy on the activities specified in Schedule VII of the Act. The Company has spent ₹ 1,458,813 (2015: ₹ 1,031,251) towards Corporate Social Responsibility activities.

#### The breakup of expenditure incurred on CSR activities during the year:

(Amount in ₹)

Particulars of CSR activity	Amount paid	Amount yet to be paid	Total Amount Rupees
(i) Construction / acquisition of any asset	-	-	-
(ii) On purpose other than (i) above (Majorly towards livelihood enhancement projects).	1,458,813	-	1,458,813

## Notes to financial statements for the year ended 31 March 2016

### 43 PROPOSED DIVIDEND

The Board of Directors of the Company at their meeting held on May 18, 2016 have recommended a final dividend for the year 2015-16 at the rate of ₹ 0.40 per share on 97,676,131 Equity shares of ₹ 10 each i.e. 4% of the paid up share capital of the Company thus involving the total dividend payment of ₹ 39,070,452 and payment of dividend distribution tax of ₹ 7,953,825. The said dividend is payable subject to its declaration by the shareholders of the Company in the ensuing Annual General Meeting of the Company.

### 44 PRIOR YEAR COMPARATIVES

Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification/disclosure.

For B S R & Co. LLP

*Chartered Accountants*

Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**

*Partner*

Membership No.: 047483

Place: Navi Mumbai

Date: 18th May 2016

For and on behalf of the Board of Directors of

**Prabhat Dairy Limited**

**Sarangdhar R Nirmal**

*Chairman & Managing Director*

**Raviraj Vahadane**

*Chief Financial Officer*

Place: Navi Mumbai

Date: 18th May 2016

**Vivek S Nirmal**

*Joint Managing Director*

**Priya Nagmoti**

*Company Secretary*

## FORM AOC – 1

(Pursuant to first provision to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014)

### Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

#### Part "A": Subsidiaries

1.	Name of the Subsidiary	SunfresH Agro Industries Private Limited (CIN: U01122P-N2007PTC129505)	Cheeseland Agro (India) Pvt. Ltd. (CIN: U15209PN2010PTC136135)
2.	The date since when the subsidiary was acquired	22/01/2007	22/04/2010
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	March 31, 2016	March 31, 2016
4.	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	INR	INR
5.	Share Capital	<b>Authorised Share Capital:</b> 56,348,300 Equity shares of ₹10/- each = ₹563,483,000/- 151,700 0.01% Non-cumulative Redeemable Preference Shares of ₹10/- each = ₹1,517,000/- <b>TOTAL = ₹565,000,000</b>  <b>Issued, Subscribed and Paid up:</b> 51,902,895 Equity shares of ₹10/- each = ₹519,028,950/-	<b>Authorised Share Capital:</b> 250,000 Equity shares of ₹10/- each = ₹2,500,000/-  <b>Issued, Subscribed and Paid up:</b> 100,000 Equity shares of ₹10/- each = ₹1,000,000/-
6.	Reserves & Surplus	₹2,728,854,802/-	₹-376,563/-
7.	Total assets	₹5,982,990,615/-	₹1,455,599,600/-
8.	Total liabilities	₹5,982,990,615/-	₹1,455,599,600/-
9.	Investments	₹32,000/-	₹299,999,990/-
10.	Turnover	₹6,906,199,591/-	₹907,500/-
11.	Profit / (Loss) before taxation	₹246,119,300/-	₹7,423 /-
12.	Provision for taxation	₹85,200,853/-	₹2,410/-
13.	Profit / (Loss) after taxation	₹160,918,447/-	₹5,013 /-
14.	Proposed dividend	NIL	NIL
15.	% of shareholding (direct and through wholly owned subsidiary)	100%	100%

- Names of subsidiaries which are yet to commence operations: N.A.
- Names of subsidiaries which have been liquidated or sold during the year: N.A.

## Part "B" : Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to  
Associate Companies and Joint Ventures

Name of Associates / Joint Ventures	Name 1	Name 2	Name 3
1. Latest Audited Balance Sheet Date			
2. Date on which the Associate or Joint Venture associated or acquired.			
3. Shares of Associate / Joint Ventures held by the Company on the year end			
No.			
Amount of Investment in Associates / Joint Venture			
Extent of Holding %			
4. Description of how there is significant influence			
5. Description of how there is significant influence			
6. Networth attributable to shareholding as per latest audited Balance Sheet			
7. Profit / Loss for the year:			
(i) Considered in consolidation			
(ii) Not considered in consolidation			

Not Applicable

1. Names of associates or joint ventures which are yet to commence operations: **N.A.**
2. Names of associates or joint ventures which have been liquidated or sold during the year: **N.A.**

For Prabhat Dairy Limited

Place : Navi Mumbai  
Date : 18/05/2016

**Sarangdhar R. Nirmal**  
*Chairman & Managing Director*  
DIN: 00035234

**Vivek S. Nirmal**  
*Joint Managing Director*  
DIN: 00820923

# Independent Auditor's Report

To the members of  
Prabhat Dairy Limited

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prabhat Dairy Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the holding company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated financial statements")

## Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (hereinafter referred to as "the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group 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 of the assets of the Group 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 thereunder.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence

about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Basis for Qualified opinion

We draw attention to note 40 to the Financial Statement, which explains that the material subsidiary has not recognised Other Income which it is entitled to receive under the Package Scheme of Incentives 2007 ('the Scheme') of Government of Maharashtra as it is in the process of quantifying the benefits receivable under the Scheme. These benefits are in the nature of Government Grants in accordance with Accounting Standard 12 'Accounting for Government Grants'. In our view, the Company should have recognised the Other Income on accrual basis. In the absence of quantification of the Scheme's benefits to be recognised as on 31 March 2016, we are unable to determine the impact on the Other Income, Profit Before Tax, Tax Expense, Net Profit After Tax, Other non-current assets, Provision for Tax, Reserves and Surplus and Earnings Per Share for the year ended 31 March 2016.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter explained in the basis for Qualified opinion above, the aforesaid consolidated 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, of the consolidated state of affairs of the Group as at 31 March 2016, and its consolidated profit and its consolidated cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:
  - a) We have sought and, except for the matters described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our

knowledge and belief were necessary for the purposes of our audit.

- b) Except for the possible effects of the matter described in the basis for Qualified Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Group so far as it appears from our examination of those books.
- c) The Consolidated Balance sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) Except for the possible effects of the matter described in the basis for Qualified Opinion paragraph above, in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.
- f) On the basis of the written representations received from the directors as on 31 March, 2016 taken on record by the Board of Directors none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- g) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

- h) The qualification relating to the maintenance of accounts and other matters connected therewith is as stated in the Basis for Qualified Opinion paragraph above.
- i) 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:
  - i. The Group has disclosed the impact of pending litigations on its financial position in its consolidated financial statements – Refer Note 30 to the consolidated financial statements;
  - ii. The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There were no amounts which were required to be transferred to the Investor Education & Protection Fund by the group.

For B S R & Co. LLP

Chartered Accountants

Firm Registration No: 101248W/ W-100022

Juzer Miyajiwala

Partner

Place: Pune

Date: 18th May 2016

Membership No.: 047483

## Annexure A to the Independent Auditors' Report of the even date on the Consolidated Financial Statements of Prabhat Dairy Limited

Referred to in paragraph 2 (f) in Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of Prabhat Dairy Limited on the consolidated financial statements for the year ended 31 March 2016.

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Prabhat Dairy Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

### Management's Responsibility for Internal Financial Control:

The respective Board of Directors of the of the Holding company, its subsidiary companies, which are companies incorporated in India, are 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 (ICAI). 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 its business, including adherence to the respective 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 Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Control Over Financial Reporting**

The Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with generally accepted accounting principles. A Group's internal

financial control over financial reporting 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 Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Group are being made only in accordance with authorisations of management and directors of the Group; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Control Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, 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 internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the Group has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, 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 B S R & Co. LLP**

*Chartered Accountants*

Firm Registration No: 101248W/ W-100022

**Juzer Miyajiwala**

Place: Pune

Partner

Date: 18th May 2016

Membership No.: 047483

## Consolidated Balance Sheet as at 31 March 2016

(Amount in ₹)

	Notes	31 March, 2016	31 March, 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	976,761,310	714,287,100
Reserves and surplus	4	5,571,983,771	2,802,140,966
	(A)	<b>6,548,745,081</b>	<b>3,516,428,066</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	388,434,244	2,159,394,065
Deferred tax liabilities (net)	6	236,336,600	177,608,434
Long term provisions	7	14,269,649	10,733,871
	(B)	<b>639,040,493</b>	<b>2,347,736,370</b>
<b>Current liabilities</b>			
Short-term borrowings	8	1,193,336,001	1,656,084,011
Trade payables	9		
(i) Total outstanding dues of micro enterprises and small enterprises		259,497	2,787,434
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		521,010,159	619,234,368
Other current liabilities	10	118,100,560	443,196,832
Short-term provisions	11	78,565,620	49,911,677
	(C)	<b>1,911,271,837</b>	<b>2,771,214,322</b>
<b>Total</b>	<b>(A) + (B) + (C)</b>	<b>9,099,057,411</b>	<b>8,635,378,758</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	12A	4,287,755,175	3,049,298,606
Intangible fixed assets	12B	9,713,900	8,967,860
Capital work-in-progress	13	244,676,855	1,590,654,663
Non-current Investment	14	532,200	732,200
Long term loans and advances	15	466,141,461	680,325,367
Other non current assets	16	5,808,780	4,700,000
	(A)	<b>5,014,628,371</b>	<b>5,334,678,695</b>
<b>Current assets</b>			
Inventories	17	879,063,453	634,359,211
Trade receivables	18	2,265,369,242	2,084,026,952
Cash and bank balances	19	119,741,175	215,407,147
Short-term loans and advances	20	808,140,516	284,273,617
Other current assets	21	12,114,654	82,633,136
	(B)	<b>4,084,429,040</b>	<b>3,300,700,063</b>
<b>Total</b>	<b>(A) + (B)</b>	<b>9,099,057,411</b>	<b>8,635,378,758</b>
Summary of significant accounting policies	2		
Notes to the financial statements	3 - 41		

The notes referred to above form an integral part of the financial statements

As per our attached report of even date

**For B S R & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**  
Partner  
Membership No.: 047483  
Place: Pune  
Date: 18th May 2016

For and on behalf of the Board of Directors of  
**Prabhat Dairy Limited**

**Sarangdhar R Nirmal**  
Chairman & Managing Director

**Raviraj Vahadane**  
Chief Financial Officer

Place: Navi Mumbai  
Date: 18th May 2016

**Vivek S Nirmal**  
Joint Managing Director

**Priya Nagmoti**  
Company Secretary

## Consolidated Statement of Profit and Loss for the year ended 31 March 2016

(Amount in ₹)

	Notes	31 March, 2016	31 March, 2015
<b>Revenue from operations</b>			
Sale of products (gross)	22	11,623,487,795	9,883,029,447
Less: Excise duty		4,087,620	3,127,568
Sale of products (net)		11,619,400,175	9,879,901,879
Sale of services		80,438,431	110,774,923
Other operating revenue		5,201,548	42,943,961
<b>Total</b>		<b>11,705,040,154</b>	<b>10,033,620,763</b>
<b>Other income</b>	23	14,655,874	9,728,236
<b>Total revenue</b>		<b>11,719,696,028</b>	<b>10,043,348,999</b>
<b>Expenses</b>			
Cost of materials consumed	24	9,157,852,104	7,750,490,268
Purchases of stock-in-trade	25	223,559,852	242,142,235
Changes in inventories of finished goods and work-in-progress and stock-in-trade	26	(284,394,077)	(230,734,191)
Employee benefits expense	27	281,880,468	255,978,682
Finance costs	28	427,001,263	411,974,532
Depreciation and amortization expense	12A & 12B	398,995,391	344,001,626
Other expenses	29	1,133,679,074	980,640,037
<b>Total expenses</b>		<b>11,338,574,075</b>	<b>9,754,493,189</b>
<b>Profit before tax</b>		<b>381,121,953</b>	<b>288,855,810</b>
<b>Tax expense</b>			
Current tax		113,909,938	82,564,659
MAT credit entitlement		(54,171,130)	(20,200,733)
Short / (excess) provision for tax relating to prior years		7,929,396	(5,963,680)
Excess/(short) MAT credit relating to prior years		9,477,113	(32,256,614)
Deferred tax charge [includes deferred tax credit of ₹ Nil (2015: ₹ 13,237,687) related to prior year]		58,728,167	4,820,375
<b>Profit for the year</b>		<b>245,248,470</b>	<b>259,891,803</b>
<b>Basic earnings per equity share of face value of ₹ 10 each (2015 : ₹ 10 each)</b>	34	2.85	5.57
<b>Diluted earnings per equity share of face value of ₹ 10 each (2015 : ₹ 10 each)</b>	34	2.85	3.64
Summary of significant accounting policies	2		
Notes to the financial statements	3 - 41		

The notes referred to above form an integral part of the financial statements

As per our attached report of even date

**For B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**

Partner

Membership No.: 047483

Place: Pune

Date: 18th May 2016

For and on behalf of the Board of Directors of  
Prabhat Dairy Limited

**Sarangdhar R Nirmal**

Chairman & Managing Director

**Raviraj Vahadane**

Chief Financial Officer

Place: Navi Mumbai

Date: 18th May 2016

**Vivek S Nirmal**

Joint Managing Director

**Priya Nagmoti**

Company Secretary

## Consolidated Cash flow statement for the year ended 31 March 2016

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before tax	381,121,953	288,855,810
<i>Adjustments for:</i>		
Depreciation and amortization expense	398,995,391	344,001,626
Finance cost	427,001,263	411,974,532
Profit on sale of assets (net)	(27,060)	-
Interest income	(4,057,831)	(6,292,102)
<b>Operating profit before working capital changes</b>	<b>1,203,033,716</b>	<b>1,038,539,866</b>
<i>Movements in working capital :</i>		
Decrease / (increase) in long term loans and advances	303,931,938	(345,211,863)
Increase in inventories	(244,704,242)	(199,319,623)
Increase in trade receivables	(181,342,290)	(525,129,386)
Decrease in other current asset	26,683,963	-
Increase in short term loans and advances	(556,429,114)	(22,489,974)
Increase in long term provisions	3,535,778	4,055,409
(Decrease) / increase in trade payables	(100,752,146)	186,382,015
Decrease in other current liabilities	(17,154,145)	(60,081,479)
Increase in short term provisions	823,738	2,502,867
	<b>(765,406,520)</b>	<b>(959,292,034)</b>
Cash generated from operations	437,627,196	79,247,832
Income taxes paid	(150,606,163)	(65,074,283)
<b>Net cash generated from operating activities</b>	<b>287,021,033</b>	<b>14,173,549</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets including capital advances	(322,392,232)	(535,601,011)
Capital subsidy received	22,318,688	54,402,437
Proceeds from sale of fixed assets	206,129	-
Sale of investments	200,000	-
Bank deposit / NBFC deposits not considered as cash and cash equivalents		
- Placed	(11,235,768)	(95,366,717)
- Matured	64,435,615	37,078,191
Interest received	3,692,502	6,873,371
<b>Net cash used in investing activities</b>	<b>(242,775,066)</b>	<b>(532,613,729)</b>

## Consolidated Cash flow statement for the year ended 31 March 2016

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares (gross)	2,999,999,999	-
Share issue expenses (netted off against securities premium)	(165,907,177)	-
Proceeds from long term borrowings	-	759,289,378
Proceeds from short term borrowings	-	422,695,309
Repayment of short term borrowings	(462,748,010)	-
Other receivables (refer note no 38)	-	(26,683,963)
Prepaid expenses	(4,658,668)	(17,083,127)
Repayment of long-term borrowings	(2,069,370,170)	(10,618,946)
Finance cost paid	(427,062,424)	(430,467,910)
Dividend paid	(56,709)	(5,741,895)
<b>Net cash from financing activities</b>	<b>(129,803,159)</b>	<b>691,388,846</b>
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(85,557,192)	172,948,666
Cash and cash equivalents at beginning of the year	202,314,560	29,365,894
<b>Cash and cash equivalents at end of the year</b>	<b>116,757,368</b>	<b>202,314,560</b>
Notes:		
Figures in brackets represent outflows of cash and cash equivalents.		
<b>Components of cash and cash equivalents</b>		
Cash on hand	10,138,908	6,080,144
Balances with banks:		
On current accounts	106,618,460	196,234,416
<b>Total cash and cash equivalents (also refer note 19)</b>	<b>116,757,368</b>	<b>202,314,560</b>
Summary of significant accounting policies	2	
Notes to the financial statements	3 - 41	

The notes referred to above form an integral part of the financial statements

As per our attached report of even date

**For B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Juzer Miyajiwala**

Partner

Membership No.: 047483

Place: Pune

Date: 18th May 2016

For and on behalf of the Board of Directors of

**Prabhat Dairy Limited**

**Sarangdhar R Nirmal**

Chairman & Managing Director

**Raviraj Vahadane**

Chief Financial Officer

Place: Navi Mumbai

Date: 18th May 2016

**Vivek S Nirmal**

Joint Managing Director

**Priya Nagmoti**

Company Secretary

## Notes to consolidated financial statements for the year ended 31 March 2016

### 1 BACKGROUND

Prabhat Dairy Limited ("Prabhat" or "The Holding Company") is a public Company domiciled and headquartered in India. The Company was incorporated on 25 November 1998 as a Private Limited Company and was converted to a Public Limited Company on 19 March 2015. Consequent to completion of the its Initial Public Offering ('IPO'), the equity shares of the Company were listed on the National Stock Exchange of India Limited and BSE Ltd. on 21 September 2015.

The Holding company and its subsidiaries (together referred to as "The Group") is engaged in the business of procurement and processing of milk and sale of milk and milk products like Ghee, Flavored Milk, Skimmed Milk Powder, Whole Milk Powder, Cheese, Paneer and Sweetened Condensed Milk etc. catering to the needs of retail as well as the industrial trade sector.

The subsidiaries considered in the consolidated financial statements are as follows:

Name of the Company	Relationship	Ownership held by	% of voting power held
Cheese Land Agro (India) Private Limited	Subsidiary	Prabhat Dairy Limited	100%
Sunfresh Agro Industries Private Limited	Step down Subsidiary	Cheese Land Agro (India) Private Limited and Prabhat Dairy Limited	100%

Until 31st March 2015, Sunfresh Agro Industries Private Limited was a wholly owned subsidiary of Cheese Land Agro (India) Private Limited. Consequent to acquisition of 14,419,640 equity shares by Prabhat Dairy Limited ('the Ultimate Holding Company'), the ultimate holding Company now holds 27.77% of paid up equity shares of Sunfresh Agro Industries Private Limited.

All the above mentioned companies are incorporated in India.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to the year presented in these financial statements.

#### 2.1 Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India under historical cost convention on accrual basis. The Group has prepared these financial statements to comply in all material respects with the applicable accounting standards notified pursuant to Companies (Accounting Standards) Rules, 2006 which continue to apply under section 133 of the Companies Act, 2013, read together with rule 7 of the Companies (Accounts) Rules 2014.

#### 2.2 Basis of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures prescribed by AS 21-'Consolidated Financial Statements', prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government.

The financial statements of the Holding Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered.

The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group.

#### 2.3 Change in accounting policy

##### Accounting for additional depreciation on account of revaluation of assets

During previous year ended 31st March 2012, Sunfresh Agro Industries Private Limited revalued a part of its leasehold land, existing on that date. Till the year ended 31 March 2015, the Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets issued by the ICAI allowed companies to transfer an amount equivalent to the additional depreciation arising due to upward revaluation of fixed assets from Revaluation Reserve to the Statement of Profit and Loss. Accordingly, Sunfresh Agro Industries Private Limited was transferring an amount equivalent to additional depreciation arising due to upward revaluation of such assets from Revaluation Reserve to the Statement of Profit and Loss. Schedule II to the Companies Act, 2013, states that depreciable amount of an asset is the cost of an asset or other amount substituted for cost. Hence, in case of revalued assets, depreciation computed on the revalued amount needs to be charged to the Statement of Profit and Loss, without any recoupment from Revaluation Reserve. Consequently, to comply with the Schedule II requirement, Sunfresh Agro Industries Private Limited has discontinued the practice

## Notes to consolidated financial statements for the year ended 31 March 2016

of recouping the impact of additional depreciation from Revaluation Reserve. The management has decided to apply the revised accounting policy prospectively from accounting periods commencing on or after 1 April 2015.

Had the Sunfresh Agro Industries Private Limited continued its earlier policy of recouping the additional depreciation arising due to upward revaluation of fixed assets from Revaluation Reserve, profits before tax for the current year would have been higher by ₹ 1,378,921. However, the change in accounting policy did not have any impact on Reserves and Surplus as at 31 March 2016.

### 2.4 Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and the disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenditure during the reporting period. Actual results may differ from those estimates. Any difference between the actual results and estimates are recognised in the period in which the results are known/ materialize. Any revision to accounting estimates is recognised prospectively in the current and future periods.

### 2.5 Current-non-current classification

All assets and liabilities are classified into current and non-current.

#### *Assets*

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realized in, or is intended for sale or consumption in, the Group's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realized within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include current portion of non-current financial assets. All other assets are classified as non-current.

#### *Liabilities*

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Group's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be settled within 12 months after the reporting date; or
- d) The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

#### *Operating cycle*

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The operating cycle of the Group is less than 12 months.

### 2.6 Revenue recognition

#### a) *Product sales and Sale of service*

Revenue from sale of goods in the course of ordinary activities is recognised when property in goods or all significant risks and rewards of their ownership are passed onto the customers and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods and regarding its collection.

In view of the nature of services rendered, revenue from services is recognized under the proportionate completion method provided the consideration is reliably determinable and no significant uncertainty exists regarding the collection of the consideration. The amount recognised as revenue is exclusive of sales tax/ value added tax (VAT) and is net of returns, trade discounts, quantity

## Notes to consolidated financial statements for the year ended 31 March 2016

discounts and rebates.

### b) *Export incentives*

Export incentives are recognized when the right to receive credit as per the terms of incentives is established in respect of the exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

### c) *Package scheme of incentive*

Package scheme of incentive is recognized when right to receive credit as per terms of incentive is established and when there is no significant uncertainty regarding ultimate collection of such subsidy

### d) *Interest income*

Interest income is recognised on a time proportionate basis taking into account the amount invested and the rate applicable.

### c) *Other*

Other items of income are accounted as and when the right to receive payment is established.

## 2.6 Fixed assets and depreciation / amortisation

### *Tangible fixed assets*

Tangible fixed assets are carried at acquisition cost less accumulated depreciation and/or impairment loss if any. The cost of an item comprises its purchase price including inward freight, duties, taxes, relevant foreign exchange fluctuation differences and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Tangible fixed assets under construction are disclosed as capital work-in-progress. Projects under commissioning and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

### *Depreciation on tangible fixed assets:*

Till the year ended 31 March 2014, depreciation rates prescribed under Schedule XIV were treated as minimum rates and the Group was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act, 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/lower useful lives and residual values if such useful lives and residual values can be technically supported and appropriate disclosure is made in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives and residual values of all its fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II.

Accordingly, depreciation on cost of fixed assets is provided on straight line method at estimated useful lives, which for certain categories of assets is different than the useful life as specified in Schedule II of the Companies Act, 2013 ('Schedule II') and are as under:

Category of asset	Useful life followed (in years)	Useful life as per Schedule II (in years)
Factory Building	15	30
Electrical installations	10	10
Plant and equipment (except Cheese & Paneer)	10	15*
Office equipment	3	5
Furniture & Fixtures	16	10
Vehicle	11	10
Computers	3	3
Software	3	3
Cheese Plant and equipment	20	15*
Paneer Plant and equipment	22	15*

\*For General laboratory equipment under plant and machinery, the useful life as per Schedule II is 10 years.

Freehold land is not depreciated. Acquired assets consisting of leasehold land are recorded at acquisition cost and amortized on straight-line basis based over the lease term.



## Notes to consolidated financial statements for the year ended 31 March 2016

Additions to tangible fixed assets individually costing ₹ 5,000 or less are depreciated fully in the year of acquisition. Schedule II to the Companies Act 2013, applicable from the current year, does not recognize such practice, however, the management has decided to continue following the existing policy.

Tangible fixed assets acquired wholly or part with specific grant/subsidy from government, are recorded at the net acquisition cost to the Group.

### *Intangible fixed assets and amortization*

Intangible assets are recognised when the asset is identifiable, is within the control of the Group, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and cost of the asset can be reliably measured.

Intangible assets are initially recorded at their acquisition price and are amortised over its estimated useful life / period of contractual rights on a straight line basis, commencing from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset.

Amortization method and useful lives of the intangible assets are reviewed at each reporting date. If the useful life of an asset is estimated to be significantly different from previous estimates, the amortization period is changed to reflect the changed pattern.

### **2.7 Impairment of assets**

In accordance with Accounting Standard 28 – Impairment of Assets (AS 28), the Group assesses, at each Balance Sheet, date whether there is any indication that an asset may be impaired. If any such indications exist, the Group estimates the recoverable amount of the asset. If such recoverable amount of asset or recoverable amount of cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount is subject to a maximum of depreciable historical cost.

### **2.8 Government grants (refer note 40)**

The Group is entitled to various incentives from government authorities in respect of manufacturing units located in developing regions. The Group accounts for its entitlement on accrual basis on approval of the initial claim by the relevant authorities.

Subsidy received under the Memorandum of Understanding (“MOU”) signed with the Government of Maharashtra (“GOM”) in respect of manufacturing units located in developing regions, is recognized when there is reasonable assurance regarding compliance with the specified conditions and consequent receipt of the grant.

Subsidy related to the specific fixed assets is reduced from the gross value of the assets.

Where the government grants are of the nature of promoters’ contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in respect thereof, the grants are treated as special capital incentive and are transferred to capital reserve.

### **2.9 Inventories**

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade and stores and spares are carried at the lower of cost and net realisable value. Cost of inventories comprise cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining cost “First in First out” method is used. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and other costs necessary to make the sale.

Obsolete, defective and unserviceable inventories including slow moving stocks are provided based on technical evaluation. Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and selling expenses.

Raw material and other supplies held for use in production of inventories are not written down below cost, except in cases where material price have declined and it is estimated that the cost of the finished products will exceed their net realizable value.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 2.10 Investments

Investments that are readily realizable and intended to be held for not more than a year from the date of the acquisition are classified as current investments. All other investments are classified as long-term investments. However, that portion of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as current portion of long term investments in consonance with the current/non-current classification scheme of Schedule VI.

Long-term investments are valued at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

Current investments are valued at lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments. Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

### 2.11 Employee benefits

#### a) *Short term employee benefits*

Employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service. These benefits include salaries, wages and bonus. The undiscounted amount of short-term employee services is recognised as an expense as the related service is rendered by the employees.

#### b) *Post-employment benefits (defined benefit plans)*

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at each Balance Sheet date based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. The liability for gratuity is unfunded, wherein contributions are made and charged to revenue on annual basis. Actuarial gains and losses and past service costs are recognised immediately in the Statement of Profit and Loss.

#### c) *Post-employment benefits (defined contribution plans)*

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. Contribution to the provident fund which are defined contribution schemes are recognised as an expense in the Statement of Profit and Loss in the period in which the contribution is due.

### 2.13 Foreign exchange transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of Profit and Loss of the year.

Monetary assets and liabilities denominated in foreign currency are translated at the year- end exchange rate and the resultant exchange differences are recognised in the Statement of Profit and Loss.

### 2.14 Taxation

Income-tax comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Income tax expense is recognized in the Statement of Profit and Loss except that tax expense related to items recognized directly in reserves is also recognized in these reserves.

Deferred tax is recognized in respect of timing difference between taxable income and accounting income i.e differences that originate in one period and are capable of reversal in one or more subsequent period. Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax law. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realized in future; however, where there is unabsorbed depreciation and carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized of realization of the assets. Deferred tax assets are reviewed at each

## Notes to consolidated financial statements for the year ended 31 March 2016

balance sheet date and written down or written-up to reflect the amount that is reasonable/ virtually certain (as the case may be) to be realized.

Timing differences, which reverse within the tax holiday period, do not result in tax consequence and therefore no deferred taxes are recognised in respect of the same. For this purpose, timing differences, which originate first, are considered to reverse first.

Minimum Alternate Tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Income Tax Act, in respect of MAT paid is recognised as asset only when and to the extent there is convincing evidence that the Group 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 recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

### 2.15 Provisions and contingencies

A provision is recognised in the Balance Sheet, when the Group has a present obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. The provisions are measured on an undiscounted basis. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

#### *Contingencies*

Provision in respect of loss contingencies relating to claims, litigations assessment, fines, penalties etc are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

### 2.16 Operating lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Operating lease rentals are recognised over the period of the lease in the Statement of Profit and Loss on a straight line basis.

### 2.17 Borrowing costs

Borrowing costs are expensed in the year in which they are incurred except for borrowing costs directly attributable to the acquisition or construction of those qualifying assets which necessarily take a substantial period of time to get ready for their intended use. There costs are capitalized as part of cost of such assets. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### 2.18 Segment reporting

The Group's operating businesses comprise only one business segment, viz manufacturing and sale of milk and milk products. Accordingly, revenue from sale of milk and milk products comprises the primary and only reportable segment. The Group's operations are primarily in India, accordingly there is no reportable secondary - geographical segment.

### 2.19 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year.

The diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity and equivalent potential dilutive equity shares outstanding during the year, except where the result would be anti-dilutive.

### 2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 3. SHARE CAPITAL

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Authorised:</b>		
100,000,000 (2015 : 90,000,000 ) Equity shares of ₹ 10 each with voting rights	1,000,000,000	900,000,000
	<b>1,000,000,000</b>	<b>900,000,000</b>
<b>Issued, subscribed and paid up:</b>		
97,676,131 Equity shares of ₹ 10 each (2015: 71,428,710 Equity shares of ₹ 10 each) with voting rights	976,761,310	714,287,100
	<b>976,761,310</b>	<b>714,287,100</b>

#### 3.1 Reconciliation of shares outstanding at the beginning and at the end of the year:

(Amount in ₹)

Particulars of shares	31 March, 2016		31 March, 2015	
	No of shares	Amount	No of shares	Amount
At the commencement of the year				
- Equity shares of ₹ 10 each (2015 : ₹ 1 each)	71,428,710	714,287,100	30,000,000	30,000,000
- 0.01% Compulsorily Convertible Preference Shares	-	-	24,137,932	241,379,320
Add: Additional shares issued, subscribed and paid-up during the period				
- Equity Shares of ₹ 1 each issued against conversion of 24,137,932, 0.01% Compulsorily Convertible Preference Share of ₹ 10 each	-	-	17,619,147	17,619,147
- Equity Shares of ₹ 10 each issued through initial public offer	26,247,421	262,474,210	-	-
Less: Shares forfeited / converted / bought back during the year				
- 0.01% Compulsorily Convertible Preference Shares of ₹ 10 each converted into 17,619,147 equity shares of ₹ 1 each fully paid up	-	-	24,137,932	241,379,320
Balance Shares:				
- Equity Shares	97,676,131	976,761,310	47,619,147	47,619,147
- 0.01% Compulsorily Convertible Preference Shares	-	-	-	-
After the consolidation of 10 equity shares of ₹ 1 each into 1 equity share of ₹ 10 each on March 9, 2015				
Balance shares:				
- Equity shares of ₹ 10 each	-	-	4,761,914	47,619,140
Add : Bonus Shares issued during the year				
- Equity shares of ₹ 10 each (issued in the ratio of 14:1)	-	-	66,666,796	666,667,960
At the end of the year				
- Equity Shares of ₹ 10 each	97,676,131	976,761,310	71,428,710	714,287,100

## Notes to consolidated financial statements for the year ended 31 March 2016

### 3. SHARE CAPITAL (contd...)

#### 3.2 Details of shareholders holding more than 5% shares is set out below: (Amount in ₹)

Name of shareholder	31 March, 2016		31 March, 2015	
	No of shares	% held	No of shares	% held
<b>Equity shares</b>				
Nirmal Family Trust	39,833,483	41%	40,500,000	57%
India Agri Business Fund Limited	14,039,331	14%	16,238,895	23%
Societe De Promotion Et De Participation Pour La Cooperation Economique	8,477,429	9%	10,132,785	14%
IL and FS Trust Company Limited	7,391,226	8%	-	-

#### 3.3 Consolidation of Equity Shares

During the previous year, after the conversion of 24,137,932, 0.01% compulsorily convertible preference shares of ₹ 10 each to 17,619,147 equity shares of Re. 1 each fully paid, the Company consolidated the entire outstanding 47,619,147 equity shares of Re. 1 each into 4,761,914 equity shares of ₹ 10 each.

#### 3.4 Aggregate number of bonus shares issued and shares issued for consideration other than cash during the five years immediately preceding the reporting date:

During the previous year, after consolidation of equity shares, the Company has issued 66,666,796 fully paid up bonus shares in the ratio of 14 bonus shares against every 1 equity share of ₹ 10 each held by the shareholders on March 12, 2015, by utilising securities premium.

#### 3.5 Rights, preferences and restrictions attached to the shares:

##### A. Ordinary equity shares of ₹ 10 each

The Company has a single class of equity shares having a par value of ₹ 10 per share. Accordingly all equity shares rank equally with regard to dividend and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of equity shareholders are in proportion to their share of paid up equity capital of the Company.

##### B. 0.01% Compulsorily Convertible Preference Shares

During the previous year, the Company had only one class of Preference shares i.e. 0.01% Compulsorily Convertible Preference Shares having par value of ₹ 10 each. These preference shares were compulsorily convertible into equity shares any time after June 30, 2013 as per the terms and conditions of Share Subscription Agreement dated September 21, 2012 executed between India Agri Business Fund Ltd., REAL Trust, the Company, Nirmal Family Trust, Mr. Sarangdhar R. Nirmal, Mr. Kishor R. Nirmal, Mr. Arvind J. Nirmal and Mr. Vivek S. Nirmal, which has been replaced and superseded by the Shareholder's Agreement dated May 17, 2013 executed between India Agri Business Fund Ltd., REAL Trust, Society De Promotion Et De Participation Pour La Cooperation Economique, the Company, Nirmal Family Trust, Mr. Sarangdhar R. Nirmal, Mr. Kishor R. Nirmal, Mr. Arvind J. Nirmal and Mr. Vivek S. Nirmal. These preference shares ranked for dividend in priority to equity shares and in case of any winding up of the Company, entitled to rank as regards repayment of capital upto the commencement of winding up, in priority to the equity shares of the Company.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 4. RESERVES AND SURPLUS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Capital subsidy</b>		
District Industry Center subsidy	2,000,000	2,000,000
Ministry of Food Processing Industries Grant	3,846,000	3,846,000
	5,846,000	5,846,000
<b>Securities premium</b>		
At the commencement of the year	988,513,925	1,431,421,712
Add : Amount transferred on account of conversion of 24,137,932, 0.01% Compulsorily Convertible Preference Shares of ₹ 10 each into 17,619,147 Equity shares of ₹ 10 each.	-	223,760,173
Add : Premium on Equity Shares issued during the year (refer sub-note a)	2,737,525,780	-
Less : Amount utilised for issue of 66,666,796 fully paid up bonus shares of ₹ 10 each	-	666,667,960
Less : Amount utilised for expenses related to Initial Public Offering (refer sub-note a)	165,907,168	-
At the end of the year	3,560,132,537	988,513,925
<b>Capital Reserve</b>	418,986,500	418,986,500
<b>Revaluation Reserve</b>		
At the commencement of the year	131,035,316	132,414,237
Less: Utilised for set off against depreciation	-	1,378,921
	131,035,316	131,035,316
<b>Capital Reserve on Consolidation</b>	110,329,000	110,329,000
<b>Capital Reduction Reserve</b>	296,010,000	296,010,000
<b>Surplus in Statement of Profit and Loss</b>		
At the commencement of the year	851,420,225	707,621,650
Less: Transfer to capital reserve on consolidation	-	110,329,000
Add: Profit for the year	245,248,470	259,891,803
Less: Appropriations		
Proposed dividend to be distributed to preference shareholders [including tax on dividend of ₹ Nil (2015 : ₹ 4,644)]	-	27,327
Proposed dividend distributed to equity shareholders [including tax on dividend of ₹ 7,953,825 (2015 : ₹ 974,987)]	47,024,277	5,736,901
Net surplus on Statement of Profit and Loss	1,049,644,418	851,420,225
	5,571,983,771	2,802,140,966

#### Note (a)

During the year, the Company has undertaken an IPO which also included an Offer for Sale of 4,915,925 equity shares by the existing shareholders (i.e. Selling Shareholders). In the IPO, the Company has issued and allotted 26,247,421 equity shares of ₹ 10 each fully paid up at a price of ₹ 115 per share with a discount of ₹ 5 per share to retail individual investors.

The total IPO proceeds of ₹ 3,561,875,190 have been allocated between the Company and the Selling Shareholders in proportion to the number of shares issued / offered by each of them after deducting their respective proportion of IPO expenses.

The Company has utilized an amount of ₹ 165,907,168 of its own share of IPO expenses from the securities premium raised through IPO in accordance with the provisions of section 52(2)(c) of the Companies Act, 2013.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 5. LONG-TERM BORROWINGS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Borrowings from other than related parties:</b>		
<b>Secured</b>		
Term Loans		
From Non-Banking Financial Company ('NBFC') ( refer sub-note a)	375,000,000	2,100,000,000
others		
- From banks (refer sub-note b)	13,434,244	9,486,920
<b>Borrowings from related parties:</b>		
<b>Unsecured</b>		
a) Others		
(Interest free term loan from Nirmal Family Trust was repaid during the year (refer note 37))	-	49,907,145
	<b>388,434,244</b>	<b>2,159,394,065</b>

a) **Details of repayment, interest rate, pre-payment and security provided for term loan from NBFC outstanding as on 31st March 2016:**

The Group had availed term loans from Indostar Capital Finance Private Limited i.e. NBFC. The loans were sanctioned for ₹ 24,000 lakhs, and carries interest rate of 13.00% p.a. to 13.50% p.a. (2015 : 13.50% p.a.) payable monthly on floating basis linked to Kotak Mahindra Bank Base Rate. During the current year pursuant to fund received through IPO the Group made a partial prepayment of ₹ 18,500 lakhs. The balance amount of ₹ 3,750 lakhs is repayable in 20 monthly installments starting from November 2018, with installments ranging between ₹ 90 lakhs to ₹ 220 lakhs. In case of prepayments, a prepayment penalty of 2% p.a. shall be payable. In the event of default, the lender could cancel the outstanding commitments under the facility, recall / accelerate all amounts outstanding under the facility, levy additional interest and enforce security. The loan has been secured by way of creation of the following security in favour of IL & FS Trust Company Limited (being the Security Trustee):

1. First ranking charge over the Company's moveable fixed assets / properties by way of hypothecation.
2. First ranking charge over the Designated Account and all rights, title, interest, benefits, claims & demands whatsoever of the Company in, to, under and in respect of the said account by way of hypothecation.
3. Second ranking charge over the Company's current assets (present & future) by way of hypothecation.
4. First ranking charge by way of registered mortgage on the following lands and all the present & future structures thereon:
  - i) Survey No. 121/2 adm. 0.81 Hectares owned by the Company.
  - ii) Survey No. 121/3 or 121/2A adm. 0.39 Hectares owned by Mr. Sarangdhar R. Nirmal & leased to the Company.
  - iii) Plot D37/4 , TTC MIDC Industrial Area, Turbhe, Navi Mumbai.
5. Personal guarantee of Mr. Sarangdhar R. Nirmal and Mr. Vivek S. Nirmal.

b) **Details of repayment, interest rate and security provided for loans from loans outstanding as on 31st March 2016:**

The vehicle loans from banks are secured against such vehicles and carry interest rate ranging from 9.70% p.a. to 12.50% p.a. (2015 : 10.09% p.a. to 11.50% p.a.).

## Notes to consolidated financial statements for the year ended 31 March 2016

### 6. DEFERRED TAX LIABILITIES (NET)

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged in the financial statements	294,087,904	186,189,925
<b>Deferred tax asset</b>		
Arising out of timing differences in		
-Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961	6,571,694	5,062,897
-Provision for doubtful trade receivables and loans and advances	5,204,172	3,331,943
-Accumulated unabsorbed depreciation	45,851,004	-
- Expenses relating to merger u/s 35DD	124,434	186,651
	57,751,304	8,581,491
<b>Deferred tax liability (net)</b>	<b>236,336,600</b>	<b>177,608,434</b>

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

### 7. LONG-TERM PROVISIONS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Provision for employee benefits</b>		
- Gratuity (refer note 32)	14,269,649	10,733,871
	<b>14,269,649</b>	<b>10,733,871</b>

### 8. SHORT-TERM BORROWINGS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>From banks (repayable on demand) (refer note a)</b>		
- Secured (Cash Credit facility for working capital)	1,193,336,001	1,498,244,265
- Unsecured (Cash Credit facility for working capital)	-	157,839,746
	<b>1,193,336,001</b>	<b>1,656,084,011</b>

#### Note :

#### a) Details of loans from bank repayable on demand:

Loans repayable on demand are from various banks under multiple banking arrangements and in nature of cash credit facilities; and carry interest rate ranging from 9.45% p.a. to 12.00% p.a. (2015: 11.50% p.a. to 12.25% p.a.). The various short term loans have been secured by way of creation of the following security in favour of IL & FS Trust Company Limited (being the Security Trustee):

1. First ranking pari passu charge over the Company's current assets (present & future) by way of hypothecation.
2. Second ranking pari passu charge over the Company's Fixed movable assets (present & future) by way of hypothecation.
3. Second ranking pari passu charge by way of registered mortgage on the following lands and all the present & future structures thereon:
  - i) Survey No. 121/2 adm. 0.81 Hectares owned by the Company.
  - ii) Survey No. 121/3 or 121/2A adm. 0.39 Hectares owned by Mr. Sarangdhar R. Nirmal & leased to the Company.
  - iii) Plot D37/4 , TTC MIDC Industrial Area, Turbhe, Navi Mumbai.
4. Personal guarantee of Mr. Sarangdhar R. Nirmal and Mr. Vivek S. Nirmal.

### 9. TRADE PAYABLES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Total outstanding dues of micro enterprises and small enterprises (refer note 31)	259,497	2,787,434
Total outstanding dues of creditors other than micro enterprises and small enterprises	521,010,159	619,234,368
	<b>521,269,656</b>	<b>622,021,802</b>



## Notes to consolidated financial statements for the year ended 31 March 2016

### 10. OTHER CURRENT LIABILITIES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Current maturities of Long-term borrowings		
Term Loans		
From other		
- Secured - from banks (refer note 5b)	3,788,967	2,199,315
- Secured - from Non Banking Financial Corporation (refer note 5a)	-	300,000,000
Interest accrued but not due on borrowings	-	61,161
	3,788,967	302,260,476
Other payables		
Statutory liabilities	20,497,930	27,806,973
Payables on purchase of fixed assets	45,951,170	55,421,788
Security deposit	388,714	3,056,422
Advances from customers	18,978,044	16,743,288
Employee benefits payable	24,881,126	29,686,382
Others	3,614,609	8,221,503
	114,311,593	140,936,356
	118,100,560	443,196,832

### 11. SHORT-TERM PROVISIONS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Provision for Employee Benefits:		
- Gratuity (refer note 32)	4,719,039	3,895,301
Others:		
-Income tax (net of Advance taxes paid)	26,822,304	45,959,667
-Proposed dividend distributed to equity shareholders	39,070,452	-
-Tax on proposed dividend distributed to equity shareholders	7,953,825	-
-Proposed preference dividend	-	52,065
-Tax on proposed preference dividend	-	4,644
	78,565,620	49,911,677

Notes to consolidated financial statements for the year ended 31 March 2016

(Amount in ₹)

Particulars for the current year	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at April 1, 2015	Addition during the year	Disposals during the year	Reclassification/ Adjustments	As at March 31, 2016	As at April 1, 2015	Charged during the year	On disposals during the year	Reclassification/ Adjustments	As at March 31, 2016	As at March 31, 2015	
	Leasehold land	658,031,917	-	-	-	658,031,917	29,017,992	6,625,494	-	-	35,643,486	622,388,431
Freehold land	2,638,106	-	-	-	2,638,106	-	-	-	-	-	2,638,106	2,638,106
Buildings	886,791,848	442,560,629	-	-	1,329,352,477	180,724,733	74,363,089	-	-	255,087,822	1,074,264,655	706,067,115
Plant and equipments	2,617,215,185	1,173,934,115	179,820	-	3,790,969,480	960,432,333	303,692,941	20,928	-	1,264,104,346	2,526,865,134	1,656,782,852
Office equipments	14,552,234	1,149,869	22,000	-	15,680,103	11,560,895	1,811,692	1,823	-	13,370,764	2,309,339	2,991,339
Furniture and fixtures	40,673,908	2,237,158	-	-	42,911,066	7,727,822	2,843,489	-	-	10,571,311	32,339,755	32,946,086
Vehicles	16,857,626	10,282,962	-	-	27,140,588	1,997,342	1,994,088	-	-	3,991,430	23,149,158	14,860,284
Computers	22,119,949	2,518,726	-	-	24,638,675	18,121,050	2,717,028	-	-	20,838,078	3,800,597	3,998,899
<b>Total</b>	<b>4,258,880,773</b>	<b>1,632,683,459</b>	<b>201,820</b>	<b>-</b>	<b>5,891,362,412</b>	<b>1,209,582,167</b>	<b>394,047,821</b>	<b>22,751</b>	<b>-</b>	<b>1,603,607,237</b>	<b>4,287,755,175</b>	<b>3,049,298,606</b>

(Amount in ₹)

Particulars for previous year	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at April 1, 2014	Addition during the year	Disposals during the year	Reclassification/ Adjustments	As at March 31, 2015	As at April 1, 2014	Charged during the year	On disposals during the year	Reclassification/ Adjustments	As at March 31, 2015	As at March 31, 2014	
	Leasehold land	652,709,037	5,322,880	-	-	658,031,917	21,817,452	7,200,540	-	-	29,017,992	629,013,925
Freehold land	2,638,106	-	-	-	2,638,106	-	-	-	-	-	2,638,106	2,638,106
Buildings	878,753,745	8,038,103	-	-	886,791,848	119,129,626	61,595,107	-	-	180,724,733	706,067,115	759,624,119
Plant and equipments	2,580,476,761	36,140,862	-	597,562	2,617,215,185	695,983,568	264,086,482	-	362,283	960,432,333	1,656,782,852	1,884,493,193
Office equipments	12,643,921	1,908,313	-	-	14,552,234	8,946,689	2,614,206	-	-	11,560,895	2,991,339	3,697,232
Furniture and fixtures	31,719,563	8,954,345	-	-	40,673,908	5,514,696	2,213,126	-	-	7,727,822	32,946,086	26,204,867
Vehicles	5,776,203	11,081,423	-	-	16,857,626	850,203	1,147,139	-	-	1,997,342	14,860,284	4,926,000
Computers	19,894,082	2,225,867	-	-	22,119,949	14,746,412	3,374,638	-	-	18,121,050	3,998,899	5,147,670
<b>Total</b>	<b>4,184,611,418</b>	<b>73,671,793</b>	<b>-</b>	<b>597,562</b>	<b>4,258,880,773</b>	<b>866,988,646</b>	<b>342,231,238</b>	<b>-</b>	<b>362,283</b>	<b>1,209,582,167</b>	<b>3,049,298,606</b>	<b>3,317,622,772</b>

Note :

1) Amount of fixed assets capitalised during the year includes ₹ 38,813,326 (2015: ₹ Nil) related to borrowing costs of capital nature.

Amortisation expense relating to revalued assets:

(Amount in ₹)

Particulars	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Amortisation for the year on tangible assets	394,047,821	345,380,547
Less: Utilised from revaluation reserve (related to leasehold land)	-	(1,378,921)
Amortisation relating to continuing operations	394,047,821	344,001,626

## Notes to consolidated financial statements for the year ended 31 March 2016

### 12 B. INTANGIBLE FIXED ASSETS

(Amount in ₹)

Particulars for the current year	GROSS BLOCK			AMORTISATION				NET BLOCK		
	As at April 1, 2015	Addition during the year	Disposals during the year	As at March 31, 2016	As at April 1, 2015	Charged during the year	On disposals during the year	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Software	17,663,413	5,693,610	-	23,357,023	8,695,553	4,947,570	-	13,643,123	9,713,900	8,967,860
<b>Total</b>	<b>17,663,413</b>	<b>5,693,610</b>	<b>-</b>	<b>23,357,023</b>	<b>8,695,553</b>	<b>4,947,570</b>	<b>-</b>	<b>13,643,123</b>	<b>9,713,900</b>	<b>8,967,860</b>

(Amount in ₹)

Particulars for previous year	GROSS BLOCK			AMORTISATION				NET BLOCK		
	As at April 1, 2014	Addition during the year	Disposals during the year	As at March 31, 2015	As at April 1, 2014	Charged during the year	On disposals during the year	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Software	7,243,335	10,420,078	-	17,663,413	5,546,244	3,149,309	-	8,695,553	8,967,860	1,697,091
<b>Total</b>	<b>7,243,335</b>	<b>10,420,078</b>	<b>-</b>	<b>17,663,413</b>	<b>5,546,244</b>	<b>3,149,309</b>	<b>-</b>	<b>8,695,553</b>	<b>8,967,860</b>	<b>1,697,091</b>

### 13. CAPITAL WORK-IN-PROGRESS

Particulars for current year

(Amount in ₹)

Particulars	Capital work-in-progress				
	As at April 1, 2015	Additions during the year	Capitalised during the year	Reclassification/ Adjustments	As at Mar 31, 2016
<b>Tangible assets</b>					
Buildings *	338,385,399	46,158,849	442,560,629	82,887,380	24,870,999
Plant and equipments *	1,250,162,221	215,257,003	1,162,771,475	(82,841,893)	219,805,856
Computer	1,200,000	-	1,200,000	-	-
Office equipments	172,674	-	247,794	75,120	-
Furniture and fixtures	734,368	-	613,761	(120,607)	-
<b>As at March 31, 2016</b>	<b>1,590,654,662</b>	<b>261,415,852</b>	<b>1,607,393,659</b>	<b>-</b>	<b>244,676,855</b>

Particulars for previous year:

(Amount in ₹)

Particulars	Capital work-in-progress			
	As at April 1, 2014	Additions during the year	Capitalised during the year	As at Mar 31, 2015
<b>Tangible assets</b>				
Buildings	245,503,971	99,933,830	7,052,402	338,385,399
Plant and equipments	671,926,788	603,476,694	25,241,260	1,250,162,222
Computer	-	1,200,000	-	1,200,000
Office equipments	-	172,674	-	172,674
Furniture and fixtures	-	5,314,919	4,580,551	734,368
<b>Sub total</b>	<b>917,430,759</b>	<b>710,098,117</b>	<b>36,874,213</b>	<b>1,590,654,663</b>
<b>Intangible assets</b>				
Software	5,104,749	5,315,323	10,420,072	-
<b>Sub total</b>	<b>5,104,749</b>	<b>5,315,323</b>	<b>10,420,072</b>	<b>-</b>
<b>As at March 31, 2015</b>	<b>922,535,508</b>	<b>715,413,440</b>	<b>47,294,285</b>	<b>1,590,654,663</b>

#### Notes:

1) Borrowing costs added on assets under capital work-in-progress amounts to ₹ 40,884,305 (2015: ₹ 113,146,865)

\* Reclassification of ₹ 82,887,380 represents borrowing cost incurred for building under construction wrongly classified under plant and equipment in previous years. However, as the borrowing cost was not capitalised, it did not have any impact on depreciation during the prior years.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 14. NON-CURRENT INVESTMENTS

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Valued at cost unless stated otherwise)</i>		
<b>(Unquoted, Non-trade)</b>		
<b>a) Investment in equity instruments:</b>		
(i) of others		
- 2 Shares (2015 : 2) of ₹ 100 each Shares of Abhyudaya Co-operative Bank	200	200
- 640 Shares of ₹50 each (2015 : 640 Shares of ₹50 each) of The Mula Pravara Electric Co-operative Society Limited)	32,000	32,000
(ii) In units of mutual fund:		
- 50,000 units (2015 : 70,000) of ₹ 10 each in Union KBC Mutual Fund	500,000	700,000
	<b>532,200</b>	<b>732,200</b>

### 15. LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Unsecured, considered good unless otherwise stated)</i>		
<b>To other than related parties:</b>		
Other Advances to Parties	-	350,000,000
Capital advances	137,619,440	117,097,087
Less: Provision for doubtful advances	(5,000,000)	(5,000,000)
	132,619,440	112,097,087
Security deposits	19,446,666	16,186,073
Advance tax (net of provisions for tax)	35,510,882	12,420,132
MAT credit entitlement	143,427,948	101,951,687
Prepaid expenses	4,658,668	12,543,305
CENVAT credit receivables	3,060,618	3,018,931
VAT receivable	127,417,239	72,108,152
	<b>466,141,461</b>	<b>680,325,367</b>

### 16. OTHER NON-CURRENT ASSETS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Deposits with NBFC	5,508,780	-
Margin money	300,000	4,700,000
	<b>5,808,780</b>	<b>4,700,000</b>

### 17. INVENTORIES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Valued at the lower of cost or net realisable value)</i>		
Raw and packing material	101,426,432	141,116,267
Work-in-progress	80,186,995	65,022,645
Finished goods [(including goods-in-transit of ₹ 200,150,022 (2015: ₹ 39,679,049)]	686,356,321	408,270,299
Stock-in-trade	11,093,705	19,950,000
	<b>879,063,453</b>	<b>634,359,211</b>

## Notes to consolidated financial statements for the year ended 31 March 2016

### 18. TRADE RECEIVABLES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Unsecured)</i>		
Receivables outstanding for a period exceeding six months from the date they are due for payment		
Considered good	7,096,103	222,018,613
Considered doubtful	10,037,108	4,627,606
	17,133,211	226,646,219
Less: Provision for doubtful receivables	(10,037,108)	(4,627,606)
	(A) 7,096,103	222,018,613
Other receivables		
Considered good	2,258,273,139	1,862,008,339
Considered doubtful	-	-
	2,258,273,139	1,862,008,339
Less: Provision for doubtful receivables	-	-
	(B) 2,258,273,139	1,862,008,339
	(A+B) 2,265,369,242	2,084,026,952

### 19. CASH AND BANK BALANCES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>Cash and cash equivalents</i>		
Cash on hand	10,138,908	6,080,144
Balances with banks		
In current accounts	106,618,460	196,234,416
	116,757,368	202,314,560
Other bank balances		
In earmarked accounts		
Balances held as security against borrowings and other commitments	2,983,807	13,092,587
	2,983,807	13,092,587
	119,741,175	215,407,147
<i>Details of bank balances/deposits</i>		
Bank balances available on demand/ deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	106,618,460	196,234,416
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	2,983,807	13,092,587
Bank deposits due to mature after 12 months of the reporting date included under 'Other non-current assets' (refer note 16)	5,808,780	4,700,000
	115,411,047	214,027,003

### 20. SHORT-TERM LOANS AND ADVANCES

(Amount in ₹)

	31 March, 2016	31 March, 2015
<i>(Unsecured, considered good unless otherwise stated)</i>		
<i>To parties other than related parties</i>		
Loans and advances to employees	4,041,189	3,342,985
Prepaid expenses	4,940,250	9,981,013
Security deposits	27,098,650	3,723,375
Advances to suppliers	746,413,177	209,611,688
MAT credit entitlement	-	10,243,527
Subsidy income receivable	24,926,790	47,245,478
Others	720,460	125,551
	808,140,516	284,273,617

## Notes to consolidated financial statements for the year ended 31 March 2016

### 21. OTHER CURRENT ASSETS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Deposits with financial institutions / NBFC	10,835,768	55,035,616
Interest accrued on fixed deposits	1,278,886	913,557
Other receivables (refer note 38)	-	26,683,963
	<b>12,114,654</b>	<b>82,633,136</b>

### 22. REVENUE FROM OPERATION

(Amount in ₹)

	31 March, 2016	31 March, 2015
Sale of products		
Finished goods	11,371,508,430	9,638,060,066
Traded goods	251,979,365	244,969,381
Sale of products (gross)	11,623,487,795	9,883,029,447
Less: Excise duty	4,087,620	3,127,568
Sale of products (net)	11,619,400,175	9,879,901,879
Sale of services	80,438,431	110,774,923
Other operating revenues	5,201,548	42,943,961
	<b>11,705,040,154</b>	<b>10,033,620,763</b>
<b>Breakup of revenue from sale of products</b>		
<b>Finished goods</b>		
Flavoured Milk	8,377,813	11,325,252
Butter	909,401,365	47,648,750
Ghee	1,566,568,452	1,055,076,863
Pouch Milk	1,520,462,694	1,367,245,247
Skimmed Milk Powder	1,703,814,650	708,287,054
Whole Milk Powder	1,371,369,507	2,034,282,104
Skimmed/Standardised Milk	876,016,467	1,001,008,762
Condensed milk added sugar	2,142,906,079	2,207,151,758
Ice Cream	120,667,191	98,556,168
Dahi	187,594,959	150,146,182
Dairy Whitner	258,995,399	256,484,515
Others	705,333,854	700,847,410
<b>Traded Goods</b>		
Cattle Feed	244,275,174	240,737,082
Others	7,704,191	4,232,299
	<b>11,623,487,795</b>	<b>9,883,029,447</b>
<b>Break up of sale of services</b>		
Milk processing charges	79,030,931	100,357,976
Processing charges	500,000	9,934,947
Technical and professional fees	907,500	482,000
	<b>80,438,431</b>	<b>110,774,923</b>
<b>Break up of other operating revenues</b>		
Sale of scrap	5,201,548	7,232,970
Export incentives (2015 : includes ₹ 9,428,878 related to prior period)	-	12,769,414
Package scheme of incentives subsidy (2015 : includes ₹ 16,541,711 related to prior period)	-	22,843,040
Other revenue	-	98,537
	<b>5,201,548</b>	<b>42,943,961</b>

## Notes to consolidated financial statements for the year ended 31 March 2016

### 23. OTHER INCOME

(Amount in ₹)

	31 March, 2016	31 March, 2015
Interest income from banks	4,057,831	6,292,102
Net gain on foreign currency transaction	7,014,298	-
Profit on sale of fixed assets (net)	27,060	-
Liabilities written back to the extent no longer required	612,513	-
Miscellaneous income	2,944,172	3,436,134
	<b>14,655,874</b>	<b>9,728,236</b>

### 24. COST OF MATERIAL CONSUMED

(Amount in ₹)

	31 March, 2016	31 March, 2015
Inventory of materials at the beginning of the year	141,116,267	172,530,835
Add: Purchases	9,118,162,269	7,719,075,700
Inventory of materials at the end of the year	101,426,432	141,116,267
	<b>9,157,852,104</b>	<b>7,750,490,268</b>
<b>Break-up of cost of materials consumed</b>		
Milk	6,389,561,053	6,023,526,923
Sugar	458,108,650	481,308,475
Cream	1,413,090,631	783,916,295
Others including packing material	897,091,770	461,738,575
	<b>9,157,852,104</b>	<b>7,750,490,268</b>
<b>Break-up of cost of materials purchased</b>		
Milk	6,391,892,391	6,017,756,386
Sugar	462,199,109	482,061,605
Cream	1,413,090,631	784,412,876
Others including packing material	850,980,138	434,844,833
	<b>9,118,162,269</b>	<b>7,719,075,700</b>
<b>Break-up of inventory of materials</b>		
Milk	4,624,592	2,293,254
Sugar	6,523,538	2,433,079
Others including packing material	90,278,302	136,389,934
	<b>101,426,432</b>	<b>141,116,267</b>

### 25. PURCHASE OF STOCK-IN-TRADE

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Break-up of purchase of stock-in-trade</b>		
Cattle feed	221,143,140	242,142,235
Others	2,416,712	-
	<b>223,559,852</b>	<b>242,142,235</b>

### 26. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Inventories at the beginning of the year:</b>		
Finished goods	408,270,299	198,978,176
Stock-in-trade	19,950,000	320,782
Work-in-progress	65,022,645	63,209,795
	<b>493,242,944</b>	<b>262,508,753</b>

## Notes to consolidated financial statements for the year ended 31 March 2016

### 26. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE (contd...)

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>Inventories at the end of the year:</b>		
Finished goods	686,356,321	408,270,299
Stock-in-trade	11,093,705	19,950,000
Work-in-progress	80,186,995	65,022,645
	777,637,021	493,242,944
<b>Changes in inventories</b>	<b>(284,394,077)</b>	<b>(230,734,191)</b>
<b>Break up inventory of finished goods</b>		
Flavoured milk	468,257	851,344
Condensed milk added sugar	32,703,276	46,178,733
Ghee	49,638,268	41,027,102
Skimmed milk powder	470,334,243	253,297,884
Whole milk powder	32,373,606	36,225,682
Dahi	822,608	1,213,406
Ice cream	2,299,203	1,482,163
Others	97,716,860	27,993,985
	686,356,321	408,270,299
<b>Break up inventory of work-in-progress</b>		
Condensed milk added sugar	534,873	6,222,621
Butter	593,087	347,751
Processed milk	6,064,002	12,222,914
Ghee	29,577,839	43,673,027
Skimmed milk powder	13,386,317	-
Dairy whitener	12,708,058	921,581
Cheese	15,403,124	-
Others	1,919,695	1,634,751
	80,186,995	65,022,645
<b>Break up inventory of stock-in-trade</b>		
Cattle Feed	11,093,705	19,950,000
	11,093,705	19,950,000

### 27. EMPLOYEE BENEFITS EXPENSES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Salaries, wages and allowances	259,323,108	231,721,846
Contribution to provident and other funds	10,707,341	9,379,629
Gratuity expenses (refer note 32)	4,443,329	6,558,276
Staff welfare expenses	7,406,690	8,318,931
	281,880,468	255,978,682

### 28. FINANCE COSTS

(Amount in ₹)

	31 March, 2016	31 March, 2015
Interest expense on:		
(i) Borrowings from banks	327,927,788	357,727,198
(ii) Others	29,146,185	-
(ii) Delayed payment of tax	5,829,944	3,000,000
Other borrowing costs *	64,097,346	51,247,334
	427,001,263	411,974,532

\* Includes prepayment charges paid to Indostar Capital Finance Private Limited (NBFC) amounting to ₹ 39,900,000 (2015 : Nil).



## Notes to consolidated financial statements for the year ended 31 March 2016

### 29. OTHER EXPENSES

(Amount in ₹)

	31 March, 2016	31 March, 2015
Consumption of stores and spare parts	83,349,048	73,517,094
Co-packing and conversion charges	150,115,819	84,671,119
Milk procurement overheads	44,542,017	35,217,506
Power and fuel	255,974,802	238,183,381
Water charges	5,360,892	10,312,709
Rent including lease rentals (refer note 33)	16,324,836	17,070,164
Repairs and maintenance		
- Machinery	20,838,117	29,309,450
- Others	17,478,726	9,915,015
Insurance	7,255,972	6,997,250
Rates and taxes	12,131,313	28,519,897
Increase of excise duty on inventory	127,359	67,887
Labour charges	84,654,123	79,785,795
Travelling and conveyance	19,304,371	20,217,665
Transport and forwarding expenses	214,590,056	189,735,944
Business promotion expenses	93,976,879	80,769,792
Legal and professional expenses	45,539,147	25,239,870
Payment to auditors	5,165,719	3,339,868
Net loss on foreign currency transaction	755,149	680,185
Security charges	-	2,045,014
Bank charges	1,439	796,537
Bad trade receivables written off	960,618	1,707,810
Provision for doubtful trade and other receivables (net)	5,409,502	-
Corporate Social Responsibility (CSR)	5,260,612	3,833,393
Directors sitting fees	1,751,250	1,376,410
Miscellaneous expenses	42,811,308	37,330,282
	<b>1,133,679,074</b>	<b>980,640,037</b>

### 30. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR):

#### (i) Contingent liabilities:

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>a) Corporate Guarantees given by the Company:</b>		
Various milk supplying farmers	599,948	20,124,801
<b>b) Income Tax Matters [refer sub-note (a)]</b>		
Financial year 2006-07	1,609,413	1,609,413
Financial year 2008-09	2,825,447	2,825,447
Financial year 2010-11	2,677,130	2,677,130
Financial year 2011-12	26,530,202	26,530,202
<b>c) Sales Tax Matters [refer sub-note (a)]</b>		
Financial year 2010-11	12,286,763	12,286,763
	<b>46,528,903</b>	<b>66,053,756</b>

- a) The Company is contesting the demands related to Income Tax and Sales Tax matters and the management believes that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceedings will not have a material adverse effect on the Company's financial position and results of operations.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 30. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR): (contd...)

- b) On October 09, 2015, a search was conducted by the Income Tax Department pursuant to the provisions of section 132(1) and section 133A of the Income Tax Act, 1961 at the offices of the Company at Shrirampur, Pune and Navi Mumbai and also at the offices of the subsidiaries of the Company and the residence of Executive Directors residing at Shrirampur. The Company has not received any demand notice with respect to the search.

#### (ii) Commitments: (Amount in ₹)

	31 March, 2016	31 March, 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	321,626,571	240,338,612
Other commitments (Lease rent)	363,579	384,688
	<b>321,990,150</b>	<b>240,723,300</b>

The Company has taken Land on lease from Directors and relatives of directors for a period ranging from 10 years to 30 years starting from October, 1999. In terms of the said lease agreement, the Company is required to pay an annual rent of ₹ 21,052 per annum. However the Company has received a letter of waiver from them indicating that the total rent payable since inception of the lease till March' 2016 has been waived and that the Company is not required to pay any lease rent for the above referred period.

### 31 COMPLIANCE WITH MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') as at period end (Amount in ₹)

	31 March, 2016	31 March, 2015
<b>The disclosure pursuant to the MSMED Act is as under :</b>		
Principal amount due to suppliers under MSMED Act , 2006	259,497	2,787,434
Interest accrued and due to suppliers under MSMED Act on the above amount, unpaid	-	-
Payment made to suppliers (other than interest) beyond the appointed day during the year	-	-
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable towards suppliers under MSMED Act for payments already made	-	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	-	-

### 32 DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE 'ACCOUNTING STANDARD 15 (REVISED) EMPLOYEE BENEFITS' ARE AS UNDER:

#### (A) Defined Contribution Plan

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Employee's State Insurance Corporation, which is a defined contribution plan. The Company has no obligation other than to make specified contributions. The contribution are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund and Employee's State Insurance Corporation is ₹ 10,707,341 (2015 : ₹ 9,379,629). The contributions payable to these plans by the Company are at rates specified in the rules of the scheme.

#### (B) Defined Benefit Plan

- i) Actuarial gains and losses in respect of defined benefit plans are recognised in the Statement of Profit and Loss.
- ii) The Defined Benefit Plan comprise of Gratuity. Gratuity is a benefit to an employee based on 15 days last drawn salary for each completed year of service.

(Amount in ₹)

	31 March, 2016	31 March, 2015
<b>a) Statement showing changes in present value of obligation as on 31st March</b>		
Present Value of Defined Benefit Obligation as on 1st April	14,629,172	8,070,896
Current service cost	4,066,620	3,772,375
Interest cost	1,137,807	742,523
Actuarial (gains) / losses	(761,098)	2,043,378
Benefits paid	(83,813)	-
<b>Present value of Defined Benefit Obligation as on Balance Sheet date.</b>	<b>18,988,688</b>	<b>14,629,172</b>

## Notes to consolidated financial statements for the year ended 31 March 2016

### 32 DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE 'ACCOUNTING STANDARD 15 (REVISED) EMPLOYEE BENEFITS' ARE AS UNDER:

#### (B) Defined Benefit Plan (contd...)

(Amount in ₹)

	31 March, 2016	31 March, 2015
b) Table showing changes in the fair value of plan assets as on 31st March	-	-
c) Analysis of defined benefit obligation :		
Defined benefit obligation as at end of the year	18,988,688	14,629,172
Net liability recognized in the Balance Sheet as on 31st March	(18,988,688)	(14,629,172)
Current portion	4,719,039	3,895,301
Non-current portion	14,269,649	10,733,871
d) Analysis of defined benefit obligation :		
Present value of defined benefit obligation	18,988,688	14,629,172
Net liability recognized in the Balance Sheet	18,988,688	14,629,172
e) Expenses recognised in the Statement of Profit and Loss		
Current Service cost	4,066,620	3,772,375
Interest cost	1,137,807	742,523
Actuarial losses / (gains)	(761,098)	2,043,378
Total expense recognized in the Statement of Profit and Loss	4,443,329	6,558,276
f) Actuarial assumptions		
i) Discount rate (%)	7.90%	7.80%
ii) Salary escalation (%)	8%	8%
iii) Mortality tables: It has been assumed that active members of the scheme will experience in-service mortality in accordance with the standard table in accordance with Indian Assured Lives Mortality (2006-08) ultimate.		
iv) The discount rate is based on the prevailing market yield of Indian government securities as at Balance sheet date for the estimated terms of obligation.		
v) Salary escalation rate : The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors		

#### g) Experience history

(Amount in ₹)

Particulars	31-Mar-2016	31-Mar-2015	31-Mar-2014	31-Mar-2013	31-Mar-2012
Defined benefit obligation at the end of the year	18,988,688	14,629,172	8,070,896	5,924,944	2,170,310
Funded status	(18,988,688)	(14,629,172)	(8,070,896)	(5,924,944)	(2,170,310)
Experience adjustments on plan liabilities	(550,799)	521,481	286,501	(2,559,892)	(257,152)

## Notes to consolidated financial statements for the year ended 31 March 2016

### 33 OPERATING LEASE

The Company is obligated under non cancellable leases for office premises that are non cancellable for periods of lease term of three years. Total rent expenses debited to Statement of Profit and Loss is as follows:

The future minimum lease payments payable under non-cancelable operating leases for rented premises are as follows:

Particulars	31 March, 2016	31 March, 2015
<b>Not later than one year</b>	700,000	1,200,000
Later than one year and not later than five years.	-	700,000
Later than five years	-	-
<b>Total</b>	<b>700,000</b>	<b>1,900,000</b>
Lease payments charged to the Statement of Profit and Loss		
- cancellable leases	14,958,391	15,721,844
- non cancellable leases	1,366,445	1,348,320
<b>Total</b>	<b>16,324,836</b>	<b>17,070,164</b>

### 34. EARNING PER SHARE (EPS)

(Amount in ₹)

		31 March, 2016	31 March, 2015
Net profit for the year as reported	A	245,248,470	259,891,803
Less: Adjustment of preference dividend.	B	-	56,709
<b>Net profit for the year attributable to equity shareholders</b>	<b>C = (A-B)</b>	<b>245,248,470</b>	<b>259,835,094</b>
Weighted average number of equity shares of face value of ₹ 10 each outstanding during the period for the calculation of basic EPS	D	85,914,992	46,665,371
<b>Effect of dilutive potential equity shares</b>			
Conversion of preference shares into equity shares	E	-	24,763,349
Weighted average number of equity shares of face value of ₹ 10 each outstanding during the period for the calculation of diluted EPS	<b>F = (D+E)</b>	<b>85,914,992</b>	<b>71,428,720</b>
Basic earnings per equity share of face value ₹ 10 each	(C/D)	2.85	5.57
Diluted earnings per equity share of face value ₹ 10 each	(C/F)	2.85	3.64

### 35 ISSUE OF SHARES ON CONSEQUENT TO INITIAL PUBLIC OFFERINGS (IPO):

Consequent to completion of the IPO, the Company issued 26,247,421 equity shares of ₹ 10 each fully paid up to the subscribers at a price of ₹ 115 per share with a discount of ₹ 5 per share to retail individual investor as per the terms of the Issue. The equity shares of the Company got listed on the National Stock Exchange of India Limited and Bombay Stock Exchange of India Limited on September 21, 2015.

### 36. UTILISATION OF FUNDS RAISED THROUGH INITIAL PUBLIC OFFERING (IPO) OF EQUITY SHARES DURING YEAR ENDED 31 MARCH 2016 IS AS FOLLOWS:

Particulars	Rupees
Issue proceeds	3,000,000,000
Less: Repayment of term loan from Indostar Capital Finance Limited	1,850,000,000
Less: Fund utilised for payment of expense in relation to IPO	198,210,000
Less: Payment for cogeneration plant and enhancement of existing plant.	179,837,801
Less: General corporate purpose	348,185,331
<b>Balance parked in working capital facilities</b>	<b>423,766,868</b>

The IPO proceeds have been utilized for the purposes for which the funds have been raised by the Company. The unutilized funds earmarked to be utilized in the fiscal 2017, in order to save on a considerable amount of interest cost, have been parked by the Company in Cash Credit account with the Scheduled Commercial Banks.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 37 RELATED PARTY DISCLOSURES

**a) Individuals having control over the Company (Key management personnel)**

Mr. Sarangdhar R. Nirmal, Chairman & Managing Director  
 Mr. Vivek S. Nirmal, Joint Managing Director  
 Mr. Keyur Shah, Chief Financial Officer (upto 11 December 2015)  
 Mr. Amit Gala, Chief Financial Officer (from 12 December 2015 upto 26 April 2016)  
 Ms. Priya Nagmoti, Company Secretary

**b) Names of the related parties with whom transactions were carried out during the period and description of relationship :**

**Relatives of key management personnel:**

Mrs. Vijaya S. Nirmal  
 Mrs. Nidhi V. Nirmal  
 Mrs. Sneha Nirmal Astunkar

**Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence:**

Nirmal Family Trust  
 Nirmal Gogross LLP  
 Prabhat Agro. Multi State Co-Operative Society Limited

**c) Disclosure of related party transactions:**

(Amount in ₹)

Particulars	KMP / relatives of KMP *	Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence	Total
<b>Purchase of goods:-</b>			
Prabhat Agro. Multi State Co-Operative Society Limited	-	247,685,000	247,685,000
	-	(340,575,728)	(340,575,728)
<b>Managerial Remuneration:-</b>			
Sarangdhar R. Nirmal	7,000,000	-	7,000,000
	(7,000,000)	-	(7,000,000)
Kishor R. Nirmal	-	-	-
	(5,500,000)	-	(5,500,000)
Arvind J. Nirmal	-	-	-
	(5,500,000)	-	(5,500,000)
Vivek S Nirmal	6,000,000	-	6,000,000
	(6,000,000)	-	(6,000,000)
<b>Salary:-</b>			
Keyur Shah	2,002,645	-	2,002,645
	(227,337)	-	(227,337)
Amit Gala	1,207,049	-	1,207,049
	-	-	-
Priya Nagmoti	2,181,440	-	2,181,440
	(1,441,320)	-	(1,441,320)
Relatives of Key Managerial Personnel	1,165,367	-	1,165,367
	(1,059,954)	-	(1,059,954)

## Notes to consolidated financial statements for the year ended 31 March 2016

### 37 RELATED PARTY DISCLOSURES (contd...)

#### c) Disclosure of related party transactions:

(Amount in ₹)

Particulars	KMP / relatives of KMP *	Enterprises / proprietary concerns in which key management personnel or their relatives exercise significant influence	Total
<b>Lease Rental payments :-</b>			
Sarangdhar R. Nirmal	1,200,080	-	1,200,080
	(1,259,319)	-	(1,259,319)
Kishor R. Nirmal	-	-	-
	(1,264,416)	-	(1,264,416)
Arvind J. Nirmal	-	-	-
	(1,085,879)	-	(1,085,879)
Vivek S Nirmal	-	-	-
	(985,445)	-	(985,445)
<b>Borrowings Repaid:-</b>			
Vivek Nirmal	-	-	-
	(25,201)	-	(25,201)
Nirmal Family Trust	-	49,907,145	49,907,145
	-	-	-
<b>Balances outstanding at the end of the year</b>			
<b>Trade Payable:-</b>			
Prabhat Agro. Multi State Co-Operative Society Limited	-	12,586,024	12,586,024
	-	(9,360,235)	(9,360,235)
<b>Employee Benefits Payable:-</b>			
Vivek Sarangdhar Nirmal	500,000	-	500,000
	(3,067,240)	-	(3,067,240)
Sarangdhar Ramchandra Nirmal	583,333	-	583,333
	(1,086,344)	-	(1,086,344)
Keyur Shah	-	-	-
	(366,410)	-	(366,410)
Amit Gala	484,583	-	484,583
	-	-	-
Priya Nagmoti	265,786	-	265,786
	(142,732)	-	(142,732)
Relatives of KMPs	132,294	-	132,294
	(148,815)	-	(148,815)
<b>Other Current Liabilities:-</b>			
Relatives of key management personnel	850,791	-	850,791
	(850,791)	-	(850,791)
<b>Borrowings:-</b>			
Nirmal Family Trust	-	-	-
	-	(49,907,145)	(49,907,145)

#### Notes:

- Figures in bracket relate to the previous year.
- The remuneration to KMPs does not include provision for gratuity as it is determined on actuarial basis for the Company as a whole.

\* The Company has taken Land on lease from Directors and relatives of directors for a period ranging from 10 years to 30 years starting from October, 1999. In terms of the said lease agreement, the Company is required to pay an annual rent of ₹ 21,052 p.a. However the Company has received a letter of waiver from them indicating that the total rent payable since inception of the lease till March' 2016 has been waived and that the Company is not required to pay any lease rent for the above referred period.

## Notes to consolidated financial statements for the year ended 31 March 2016

### 38 EXPENDITURE IN RELATION TO INITIAL PUBLIC OFFERING

During the previous year ended 31 March 2015, the Company had filed Draft Red Herring Prospectus with SEBI in connection with the proposed issue of Equity Shares of the Company by way of fresh issue and / or an offer for sale by the existing shareholders. Accordingly, expenses incurred by the Company aggregating to ₹ 26,683,983 in connection with filing of Draft Red Herring Prospectus and other related expenses were shown under Other current assets. The same were partly adjusted towards the securities premium account and partly recovered from the existing shareholders (to the extent of shares offered for sale by existing shareholders, the expenses incurred by the Company for the proposed issue were recoverable from them) as per the provisions of the Companies Act, 2013.

### 39 PROPOSED DIVIDEND

The Board of Directors of the Company at their meeting held on May 18, 2016 have recommended a final dividend for the year 2015-16 at the rate of ₹ 0.40 per share on 97,676,131 Equity shares of ₹ 10 each i.e. 4% of the paid up share capital of the Company thus involving the total dividend payment of ₹ 39,070,452 and payment of dividend distribution tax of ₹ 7,953,825. The said dividend is payable subject its declaration by the shareholders of the Company in the ensuing Annual General Meeting of the Company.

### 40 SUBSIDY INCOME UNDER PACKAGED SCHEME OF INCENTIVE (PSI) 2007

Sunfresh Agro Industries Private Limited (a material Subsidiary company) has received Eligibility Certificate dated December 28, 2015 (subsequently received a modified eligibility certificate on May 05, 2016 covering revised period from April 01, 2014 to March 31, 2021) from Government of Maharashtra for its Mega project under Package Scheme of Incentives 2007 ('PSI'). The material subsidiary is now eligible to receive benefits in form of Electricity Duty exemption, Stamp Duty exemption and Industrial Promotion Subsidy (in form of refund of Value Added Tax and Central Sales Tax), subject to fulfilment of certain conditions under the scheme. These benefits are in the nature of Government Grants in accordance with Accounting Standard 12 'Accounting for Government Grants'. Management is in the process of evaluating and quantifying benefits receivable from such incentive scheme as at March 31, 2016 based on sales made by the eligible unit. Hence the Group has not recognized income related to the Government Grant during the year ended March 31, 2016.

### 41 PRIOR YEAR COMPARATIVES

Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

For B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

Juzer Miyajiwala

Partner

Membership No.: 047483

Place: Pune

Date: 18th May 2016

For and on behalf of the Board of Directors of  
Prabhat Dairy Limited

Sarangdhar R Nirmal

Chairman & Managing Director

Raviraj Vahadane

Chief Financial Officer

Place: Navi Mumbai

Date: 18th May 2016

Vivek S Nirmal

Joint Managing Director

Priya Nagmoti

Company Secretary







**Prabhat Dairy Limited**

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