

2013-14

Annual Report



PAAYASTM

पायस मिल्क प्रोड्यूसर कम्पनी

पूँजी हम किसानों की०००



Paayas Milk Producer Company Limited

Incorporated under Part IXA of the Companies Act, 1956 (No. 1 of 1956)

(CIN : U01211RJ2012PTC038955)

Regd. Office, D-232,233, 4th Floor, Atlantis Tower, Vaishali Nagar, Jaipur 302021, Rajasthan, INDIA

Phone no. 0141-2352737 | email : info@paayasmilk.com | website : paayasmilk.com



पायस के उत्पाद



- ❶ फुल क्रीम दूध - 500 मि.ली. एवं 1 लीटर
- ❷ टोंड दूध - 500 मि.ली. एवं 1 लीटर
- ❸ डबल टोंड दूध - 200 मि.ली., 500 मि.ली. एवं 1 लीटर
- ❹ पायस का दानेदार शुद्ध घी - 1 लीटर एवं 15 किलोग्राम



- ❶ मुद्रिका क्षेत्र विशेष मिनरल मिक्सचर - 1 किलो
- ❷ मुद्रिका पशु आहार - प्रति बैग 50 किलो
- ❸ मुद्रिका गोल्ड पशु आहार - प्रति बैग 50 किलो



Paayas Milk Producer Company

Values

“We are committed to these Values of Paayas”

1. Honesty and Transparency
2. Team Spirit
3. Quality and Excellence at every Level
4. Long term vision
5. Innovation
6. Passion

Mission

- Paayas Milk Producer Company is committed to increase the income of their members by reducing the cost of milk production and enhancing their milk business.

Vision

- Being committed to its mission, Paayas Milk Producer Company shall become one of the pioneer companies among world dairy enterprise and will prove to be first choice of its members, customers and employees.

Contents

| | |
|--|----|
| Paayas – Values, Vision and Mission | 1 |
| Board of Directors | 3 |
| About Paayas | 4 |
| Milk Procurement | 4 |
| Institutional Building Activities | 6 |
| Capacity Building progress | 7 |
| Sub Project Plan and Mission Milk | 8 |
| Key Financial Indicators | 9 |
| Consumer Rupee Distribution | 10 |
| Directors’ Report | 11 |
| Independent Auditors’ Report | 21 |
| Balance Sheet | 28 |
| Statement of Profit and Loss | 29 |
| Cash Flow Statement | 30 |
| Notes forming part of the Financial Statements | 31 |

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Board of Directors:

- Sh. Lal Chand Choudhary Director
- Sh. Anil Kumar Director
- Sh. Bhagwan Sahay Director
- Sh. Baldev Ram Berwal Director
- Sh. Inder Singh Bhati Director
- Sh. Sukhpal Jat Director
- Smt. Kaushalya Kumari Director
- Smt. Manju Jakhar Director
- Smt. Kaushal Yadav Additional Director
- Sh. Bhanwar Lal Jat Additional Director
- Sh. Doongar Singh Rathor Additional Director
- Sh. Soumen Biswas Expert Director
- Sh. Sriram Singh Expert Director
- Sh. Anil Kumar Mathur Chief Executive

Sh. Anup Gupta
Sh. Kapil Pachori

Company Secretary
Chief Financial Officer

Statutory Auditors

SB Billimoria & Co.
Chartered Accountants, Gurgaon

Internal Auditors

Ernst & Young LLP
Chartered Accountants, Gurgaon

Bankers

State Bank of Bikaner & Jaipur, Jaipur
State Bank of India, Jaipur
Bank of Baroda, Jaipur
HDFC Bank, Jaipur
ICICI Bank, Jaipur

Registered Office

Paayas Milk Producer Company Ltd.
(CIN : U01211RJ2012PTC038955)
D-232,233, 4th Floor, Atlantis Tower,
Vaishali Nagar, Jaipur 302021, Rajasthan, INDIA
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email: info@paayasmilk.com | website: paayasmilk.com

About Paayas:

India is the highest milk producing country in the world, holding nearly 16% of World milk production share¹. Most of the milk in India is produced in 14 states which contribute to 92% of total milk produced in India. Amongst these, Rajasthan bags second place. Nearly 30 crore kg of milk is produced in rural India daily. Out of this 48% is kept by the milk producer for home consumption. Rest is marketable surplus out of which only 30% goes to organised milk sector. There are three main players in organized Milk sector viz. Cooperative Milk Unions, Private Companies and Producer Companies. Milk is one of the basic nutrient sources for everyone. For better health of nation organised milk sector is only the key to obtain quality milk.

In India, milk producers are struggling for their valid share in terms of milk price, stake in organisation and livelihood development. Same could be ensured by their direct participation in organised sectors. This is possible through 'Producer Companies' which accommodate the special characteristics of Cooperative customs with a regulatory framework of Private Ltd. Company. In a Producer Company, only a producer engaged in an activity connected with or related to Milk can participate in the ownership. The members have necessarily to be the primary producers as defined under the Companies Act, 1956. Hence, in order to retain producers' hold in the Dairy sector, there must be a strong Producer Organisation in the form of a Milk Producer Company.

Milk Procurement

Rajasthan is the second largest state in the country in milk production, producing about 362.6 LKgpD in 2010-11. (Source: ISS 2010-11). Rajasthan has about 6.09% of country's cattle population and that contributes over 10% of total milk production (Livestock Census 2007). As per the livestock Census 2007, total bovine population in the state is 232 lakh. Total milch animal population in the state is 104.3 lakh of which 71.5 lakh are in-milk. (Refer Livestock Census 2007). The average milk yield of local cows, crossbred cows and buffaloes are 3.68 KgPD, 7.91 KgPD and 5.66 KgPD respectively, which is higher than the country average of 2.1 KgPD, 6.8 KgPD and 4.5 KgPD respectively. The state had a marketable surplus of 164.7 LKgpD in 2010-11 (ISS Survey 2010-11) of which cooperatives (mainly District Cooperative Milk Union of Rajasthan) procured about 10%.

The main objective of Paayas is to carry on the business of pooling, purchasing, and processing of milk of its members and marketing of the same. Company procures milk from 8 districts of Rajasthan. The Company makes arrangements to collect milk from the milk producer members at the village level by setting up '**Milk Pooling Points**'. It is a milk collection centre (in village) of the company where members pour milk in their unique 16 digit membership code. The milk supplied by the member is tested for its quality, measured for quantity and the member is given an acknowledgement at the MPP. This process ensures fairness and

¹NDDB survey 2010 (Link - <http://www.nddb.org/English/Statistics/Pages/Milk-Production-across-countries.aspx>)

transparency in operations. For this, at every MPP, a Data processor and milk collection unit i.e. DPMCU has been installed.

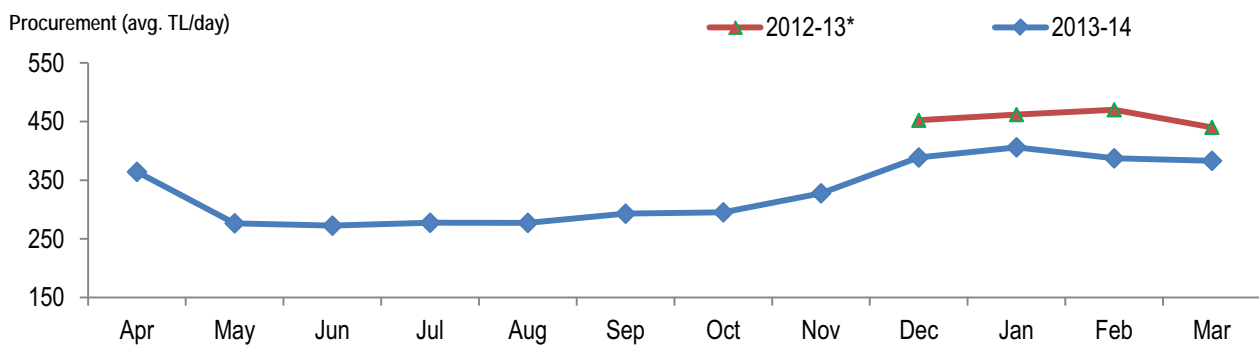
List of **Milk Chilling Centres** and districts of operations as highlighted in picture below.



- | | |
|----|--------------|
| 1 | Arain |
| 2 | Bandanwara |
| 3 | Bindsyaka |
| 4 | Dudu |
| 5 | Jaitaran |
| 6 | Jaitpura |
| 7 | Kekri |
| 8 | Kotputli |
| 9 | Malpura |
| 10 | Newai |
| 11 | Pali |
| 12 | Renwal |
| 13 | Shahpura |
| 14 | Sikar |
| 15 | Sri Madhopur |
| 16 | Asind |
| 17 | Sikandra |
| 18 | Thanwala |

Region in **green** are the districts aided by World Bank fund and rest in **blue** are Paayas run areas.

The graph below depicts milk procurement performance of fy2012-13² and fy2013-14.



The ratio of average milk procurement per day between first 6 months (April to September) and last 6 months (October to March) of fy2013-14 has been 1:1.24



Milk collection operations at MPP



Milk collection operations at Chilling Centre

² *During fy2012-13, the Company had its operations for four months i.e. from 1st Dec'12 to 31st Mar'13

Institutional Building activities

Member Relation Building

Paayas is a single tier organisation having a large operational area with a very large member base. Therefore, the Company has created informal groups named **Village Contact Groups** and **Member Relations Groups** comprising of members in order to strengthen relationship and bonding between the Company and its members, and to ensure effective two way communication. These Groups provide a platform to the members to express their concerns for a speedy redressal. At the same time, the company also passes on its message to the members through these Groups.

MRGs are constituted at a milk route level for every 10 to 12 MPPs/villages and VCGs are constituted at the MPP/village level to take the role of building awareness among the members and support in passing on their grievances to the employees of Paayas for redressal.

Capacity building programmes under PIB

A. Producer-member orientation programmes

Training and capacity building is imperative for the company especially in the initial years of formation in order to build awareness amongst its members. As the members are the owners of Paayas, they should be aware of their obligations and the benefits that they would derive from the company. Training programmes are being conducted for members on topics which will eventually help them in building a strong linkage with the Company. Involvement of women, youth and children is emphasised through special training programmes.

B. Orientation programmes for VCG and MRG

The purpose of setting up of VCG and MRG is to achieve an effective two way communication between Members and the Company. The Company informs its members about its important programmes, schemes and decisions from time to time through MRGs and VCGs in addition to the communication through its field teams. In order to enable them to play their role effectively, specific orientation programmes are conducted for them so that they are aware of their roles and responsibilities.

C. Training for the Board of Directors

To help directors develop business acumen and competency required for proper governance, modular training programmes are organised for the Board of Directors of Paayas. The technical and behavioural training enables them to appreciate the importance of role clarity between the Board and the managerial staff, acquire requisite skills for policy formulation, analysis and discussion on the financial statements and its interpretations , effective control and monitoring of business operations and managerial performance.

Capacity building progress in fy2013-14

a. Village Based Milk Procurement System

| Name of programme | No. of batches | No. of participants |
|--|----------------|---------------------|
| Training on Procurement, Producer Relations and QA for Facilitators | 1 | 27 |
| Train the Trainer for Area Manager, PIB Ex and senior facilitator | 3 | 45 |
| Sahayak Orientation Programme | 30 | 603 |
| Producer-member Awareness Programme | 236 | 3,595 |
| Orientation programme for field teams on VCG formation | 2 | 52 |
| Orientation programme for PIB officers on Formation and Training of MRGs members | 1 | 13 |
| MRG Orientation programme | 77 | 843 |
| Business orientation workshop for the Board of Directors | 1 | 10 |
| Awareness program for rural youth | 2 | 51 |
| Awareness/competition for children | 2 | 98 |
| IB- Trainers' Training Programme | 1 | 10 |
| Total | 356 | 5,347 |

b. Ration Balancing Programme

| Name of programme | No. of batches | No. of participants |
|---|----------------|---------------------|
| Basic Training of LRPs | 9 | 180 |
| Induction of LRPs | 1 | 18 |
| Training on RBP of Technical Officers & Animal Nutritionist | 1 | 5 |
| Total | 11 | 203 |

c. Fodder Development Programme

| Name of programme | No. of batches | No. of participants |
|---|----------------|---------------------|
| Training on 'Fodder Development' of Fodder Development Officers & Field Support Officers at NDDB, Anand | 1 | 6 |
| Manual Mower demos to farmers | 21 | 373 |
| Total | 22 | 379 |

d. Artificial Insemination Programme

| Name of programme | No. of batches | No. of participants |
|--|----------------|---------------------|
| Basic Training of MAITs | 9 | 234 |
| Field Training of MAITs | 5 | 106 |
| Breeding Specialist and Veterinary Executive on Infertility Management | 1 | 7 |
| INAPH training for AI officials | 1 | 10 |
| Total | 16 | 357 |



Sahayak Orientation Programme



Member Awareness Programme



LRP training – first female LRP

Sub Project Plan

In financial year 2013-14, company had submitted four Sub Project Plans under National Dairy Plan – Phase I, to **Project Management Unit**, located at NDDB, for:

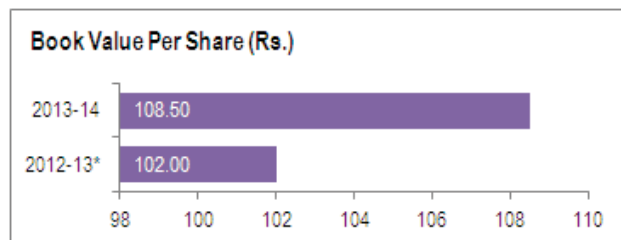
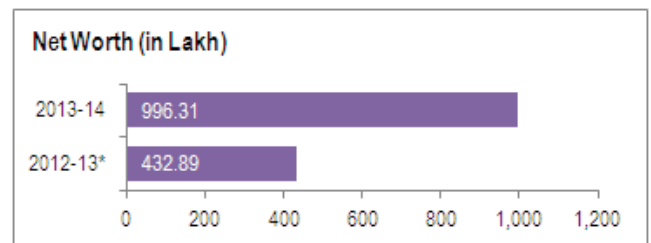
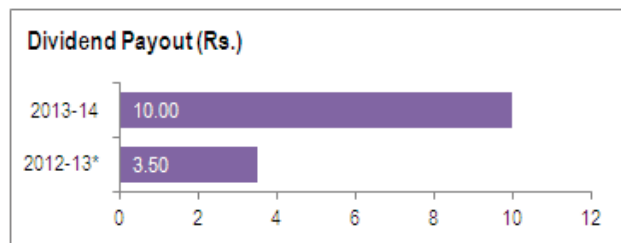
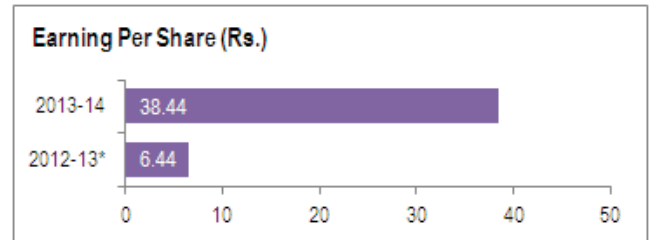
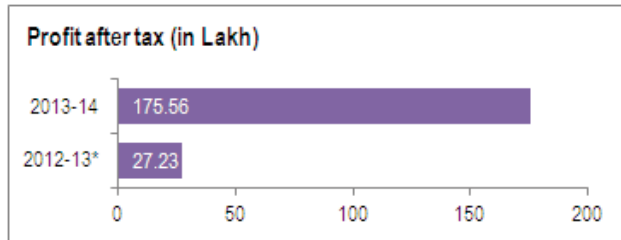
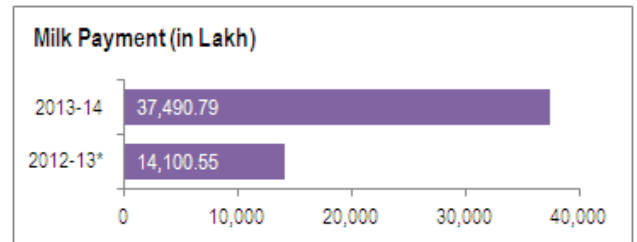
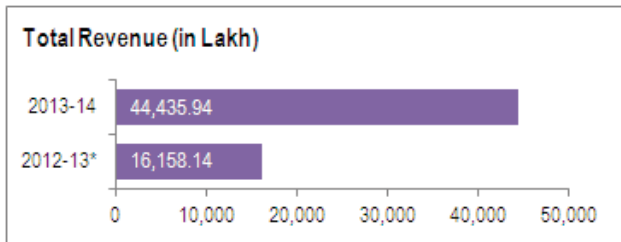
1. **Village Based Milk Procurement System**
2. **Ration Balancing Programme**
3. Pilot model for viable **Artificial Insemination** delivery, and
4. **Fodder Development**

PMU approved above all SPPs and grant in aid aggregate of Rs. 10,755.54 Lakh under NDP-I. By receiving this grant

Mission Milk – National Dairy Plan, phase I

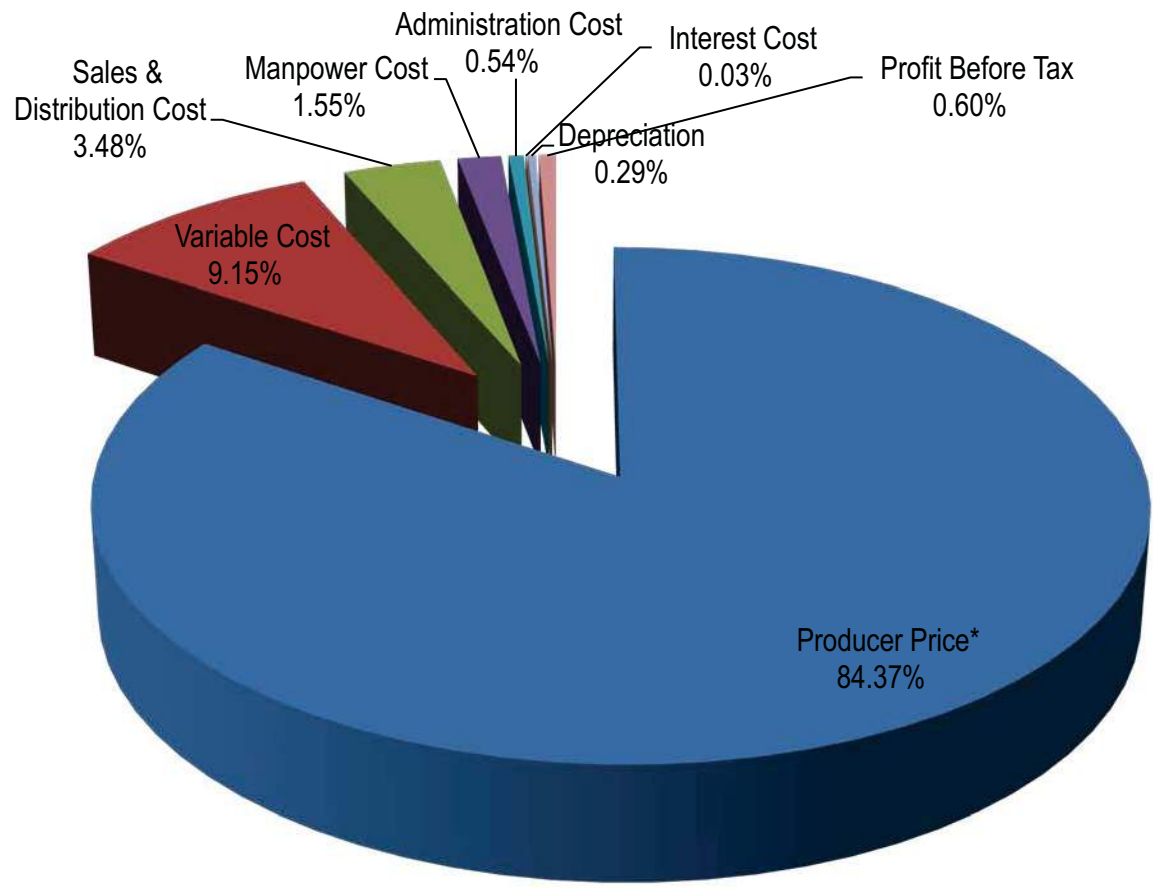
With average 12,000 kg milk production per annum, India is the largest Milk Producing Country in the World. At present, milk sector contributes to 4% in GDP. Per Capita milk availability today is 291 gram per day. Prognosis shows that by year 2021-22, estimated milk demand in country would become 200MT per day. To meet this increasing demand, Government through its Ministry of Agriculture, has given responsibility to NDDB for 6 years with support of World Bank under the scheme National Dairy Plan, Phase-I. Key objective of the NDP-I is, to help increasing productivity of milch animals hence increasing milk production to meet the rapidly growing demand for milk and providing greater access to rural milk producers into organised milk sector.

Key Financial Indicators



* During fy2012-13, the Company had its operations for four months i.e. from 1st Dec'12 to 31st Mar'13

Consumer rupee distribution (%) : fy2013-14



- Producer Price*
- Variable Cost
- Sales & Distribution Cost
- Manpower Cost
- Administration Cost
- Interest Cost
- Depreciation
- Profit Before Tax

* including loyalty incentive amount paid to the members during fy2013-14.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present before you their Second Annual Report on the operations of the Company along with the Audited Accounts for the year ended 31st March, 2014.

The Company was incorporated on 19 May 2012 as a Producer Company under the provisions of Part IXA of the Companies Act, 1956 in the State of Rajasthan to undertake the business of pooling, purchasing, processing of milk and milk products primarily of the Members and also of others, marketing of the same and to deal in activities that are part of or incidental to any activity related thereto.

The figures for the financial year 2013-14 under review comprises of 12 months are not comparable with the previous period 2012-13 since previous period comprised from May 19, 2012 (the date of incorporation of the Company) to March 31, 2013 with business operations of last four months (flush season) of that period.

1. Financial Results

The summarized Financial Results are as under:

| Particulars | For the year ended 31 st March 2014 (Rs in Crores) | For the year ended 31 st March 2013 (Rs in Crores) |
|---|--|--|
| Revenue from Operations | 444.36 | 161.58 |
| Expenditure including material cost | 441.70 | 161.19 |
| Profit/(Loss) for the period before tax | 2.66 | 0.39 |
| Provision for Taxation | 0.91 | 0.12 |
| Profit/(Loss) for the period after tax | 1.75 | 0.27 |

The financial year 2013-14 being the first year of full-fledged business operations of the Company, it gives us an immense pleasure to inform that, during the year under report, the Company has achieved a turnover of Rs. 444.36 Crores.

During the year under review, the operational revenues generated were Rs. 443.36 Crores, whereas other incomes earned were Rs.99.46 lakhs. The total expenses incurred during the year were Rs. 441.70 Crores including financial expenses of Rs. 12.42 lakhs and depreciation and amortisation expense of Rs. 1.29 Crores. This has resulted into an earning of profit before tax (PBT) of Rs. 2.66 Crores and net profit after tax (PAT) of Rs. 1.75 Crores.

2. Limited Return (Dividend)

The Board of Directors are pleased to recommend limited return (dividend) at the rate of Rs.10 per equity share absorbing Rs.1.07 Crores (including Dividend Distribution Tax of Rs.15.61 Lakhs). The limited return (dividend) will be paid to those members, whose names appear in the Register of Members of the Company as on 31st March 2014.

3. Transfer to General Reserve

Pursuant to provisions of article no 11.10 of the Articles of Association of the Company read with Section 581 ZI of the Companies Act 1956, the Board proposes to transfer Rs 78.04 Lakhs to the credit of General Reserve in the Balance Sheet.

4. Operations

The Company is procuring raw milk from 8 District of Rajasthan covering 1178 villages and 1286 Milk Pooling Points in its operational area. During the period under review, the Company procured 1199.96 Lacs litres of raw milk. The Company continues to pay competitive and remunerative price to its members towards the milk being procured by the Company.

The company launched Poly pack Milk (PPM) in different variant in the state of Rajasthan in the month of October 2013. Total sales of Poly Pack Milk and Ghee remained 16.85 Lacs litres and 116.50 MT respectively during the period under review. The Company believes it has much scope for expanding the volume of its milk and milk products and therefore to strengthen the sales & distribution network, 68 new distributors, 580 new retailers added during the previous year. The Company has target to open 25 new milk booth / parlours in current financial year 2014-15.

Milk and Milk Products:

Milk:

The Company is passionate about providing consumers with high quality products. Almost 95% of our raw milk is chilled and transported to dairy majors. Rest is processed into fresh and nutritious milk products and is sold in 12 District of Rajasthan . Paayas has commenced **Poly-Pack Milk** sales from October 2013 onwards.

The various SKU's of PPM available in market are:

- 1. Fit N Fine:** every pouch contains minimum 1.5% of Fat and 9% of SNF.
- 2. Tazza:** every pouch contains minimum 3% of Fat and 8.5% of SNF.
- 3. Gold:** every pouch contains minimum 6% of Fat and 9% of SNF.

Ghee:

Paayas Danedaar Ghee gives a fresh goodness one can taste and see. Ghee was the first product from Paayas, which promises to cater the best in class quality from the other

similar product in the market. It is currently available in a pack size of 1 litre (Ceka Pack) and 15 kg (Tin)

Cattle Feed:

The Company is providing quality animal nutrition inputs to its producer members under brand name *Mudrika* at a competitive price. Presently, two products *viz.* 'Mudrika (BIS Type II)', 'Mudrika Gold' (High Energy) compound cattle feed are in place. Strict quality control checks are in place for product.

Area Specific Mineral Mixture:

The Company has introduced Rajasthan specific mineral mixture under brand name *Mudrika* having only those dietary minerals, which are deficient in soils of the Rajasthan. This formulation is based upon mineral profiling of Rajasthan soils done by NDDB. Thus the Company ensures supply of deficient minerals to animals at optimum cost.

5. Way forward

In the month of October 2013, the Company had successfully launched Poly Pack Milk (PPM) in different variant under the 'Paayas' brand. The Company is receiving good response from customer. The Company touched peak sales of 44000 LPD within a year. The Company is likely to launch fermented milk products like Dahi, Chhach, and Lassi in few months of time.

Producer Institution Building (PIB)

During the year under report, the PIB Department of the Company has conducted member awareness programme covering 3595 members in 5 districts of Rajasthan, wherein the members were made aware about the membership and Company related information to enable them to remain actively and beneficially associated in the company.

The company having a large operational area with a very large membership base, has thought it appropriate to create informal groups known as Village Contact Group (VCG) and Member Relation Group (MRG) comprising of members in order to redress the members' issues and to strengthen relationship and bonding between the Company and its members and to ensure effective two way communication. In FY 2013-14, PIB formed 1047 Village Contact Groups (VCGs) and 96 Member Relation Groups (MRGs) which consisted of 5218 and 1012 members respectively. During the year, PIB has conducted 77 trainings for building the capacities of 843 MRG members. To encourage youth to understand the importance of dairying as an important source of livelihood and sensitize them to accept this as a profession, PIB has trained 51 rural youths under rural youth awareness programme. PIB group has also trained 98 children under awareness and competition programme for children with a view to encourage children to realize importance of the dairy sector and to build awareness about milk, milk production and activities of MPC among children.

Sub Project Plan

In financial year 2013-14, the Company had submitted four Sub Project Plans under National Dairy Plan – Phase I, to Project Management Unit, located at NDDDB, for:

5. Village Based Milk Procurement System
6. Ration Balancing Programme
7. Pilot model for viable Artificial Insemination delivery, and
8. Fodder Development

PMU approved above all SPPs and grant in aid under NDP-I. All four plans are being implemented in company's operational five districts of Rajasthan viz Jaipur, Sikar, Ajmer, Pali and Tonk.

Village Based Milk Procurement System (VBMPS)

VBMPS aims to strengthen to the Company building capabilities of various stakeholder through Milk procurement, building awareness, organizing training sessions and other such activities. Its objective is to setup a fair and transparent procurement system and to ensure accurate and timely payment to members. VBMPS ensures to safeguard the interests of small farmers by providing them, round the year access to organised dairy market.

The Company plans to implement VBMPS activity in five districts by strengthening 1,199 MPPs located in 999 villages and by setting up 1,717 new MPPs in 2,716 total villages (as per plan). At the end of the project, the number of members to be covered under the project are estimated at 1,18,037 members and Milk Procurement is planned at 9,48,238 (Kg per day).

Under this project, 30 trainings programmes were organised by the Company for orientation of 600 Sahayaks. Apart from this, several meetings were organized with Area Managers, facilitators and PIB Executives to understand the project. Not only this, 236 village based Awareness programmes were organized covering 3,595 Members for building awareness about dairy, Clean milk production and services of Paayas.

Ration Balancing Programme (RBP)

Ration Balancing advisory services helps farmers in improving the productivity and reproductive efficiency of dairy animals by re-appropriating the available feed resources and use of area specific mineral mixture, which also would help in bringing down the cost of milk production.

RBP aims to improve production and reproduction of animals through adoption of scientific method of feeding with provision of technical inputs and services to milk producers at their doorstep, thereby improving milk production efficiency and economic return from dairying.

The Company is developing network to provide RBP services in about 2,700 villages in a phased manner. A village youth, who will be called as **Local Resource Person (LRP)** is being identified to provide the RBP services at village level. LRP is equipped with netbook pre installed with INAPH software and internet connection, so that he can generate the RBP advice at farmers door step. One LRP is providing ration balancing advisory services in two contiguous villages. The LRP is being trained in various processes of ration balancing, INAPH Software, communication with farmers and basics of animal husbandry and management. With help of this, LRP is providing better services to dairy farmers.

Fodder Development

In Rajasthan, the green fodder availability is restricted to selected areas and seasons. High population pressure on grazing lands has led to depletion and over exploitation of available grazing lands. In addition, rapid urbanization has led to shrinking of grazing lands. Moreover, with the increasing pressure on land for growing food grains, oil seeds and pulses and diversified use of agriculture residues, the gap between the demand and supply of fodder is increasing.

To ensure supply of fodder throughout the year, it is necessary to focus on increasing the productivity of available land under fodder cultivation, improve the efficiency of fodder utilization and minimizing the fodder wastages and also fodder conservation.

Under Fodder Development activities like: *Silage Demonstration, Mowers Demonstration, Biomass Storage Demonstration, Fodder Varietal Demonstration* and *Quality Fodder Seed Supply* are being undertaken.

Pilot model for viable Artificial Insemination delivery (AI)

The Company has implemented AI Services with an objective to deliver quality doorstep AI services adopting **Standard Operating Procedures** through well trained qualified AI Technicians using top genetics at the doorstep of farmers in order to improve productivity of milch animals, reduce cost of milk production and maximize income to the farmers. Under the plan, The Company plans to operate 450 AI centres covering more than 2,700 villages in five districts of Rajasthan namely Jaipur, Ajmer, Sikar, Pali and Tonk.

The Company recruits local youths and provide rigorous training to them in SOPs of AI, in accredited training centres. Apart from giving importance to hygiene while providing AI service, the SOP includes compulsory ear tagging for identification of animals, follow-up after 21-days of insemination for repeat heat, pregnancy diagnosis after 90 days and calving follow-up. After training, candidates are given adequate field exposure, and then provided with necessary equipments and are deployed in field to deliver quality AI Service to the farmers at their doorstep. To provide efficient monitoring and field extension support for breeding service delivery, **Mobile Artificial Insemination Technicians** are placed into territories with nearly 20 AI centres per territory. A Veterinary Executive manages each territory. A Breeding Specialist provides technical and managerial support to 6-7 Veterinary Executives

Environment and Social Activities

The Company has identified the environmental and social impacts related to the proposed activity under NDP-I from the **E**nvironmental and **S**ocial **M**anagement **F**ramework guidelines. During meetings in villages and various training programmes, the importance of involving women and youth in dairying is emphasised and various issues of dairying in that particular village are discussed with the members. In order to encourage active participation of women member in dairying, the Company has reduced the admission fees for women member to 50%.

The Company has instituted Gender sensitization initiatives in all its events. Women empowerment is a separate topic been exclusively presented to Sahayaks in their Orientation programmes. A recent batch of associates from a consultancy, hired for imparting Producer Awareness Programme to farmers/members, were trained over Women's role in dairy and with their support this message which reach to all women members of the company making them aware and enlightened. Efforts are being made to recruit women LRPs, Technical Officers, MAITs and Veterinary Executives, as many as possible. In coming time, we are planning to prepare biographies of women entrepreneurs from Rajasthan and showcase it in various Women Awareness Programmes been planned

Quality Assurance:

Quality has played an important role in growth of the company. Our Milk chilling centres (MCCs) are equipped with basic testing facilities. To Strengthen Lab facilities at MCCs, The Company is providing more testing equipments like Digital electronic balances, Draining racks, Aspirator bottles etc. The Company launched an incentive plan to improve raw Milk quality (MBR Time) on continuous basis. The Company had organised various training programmes for Lab Chemists and MCC In charges of the Company to improve and maintain the quality of Milk. The training programmes covered about the Milk test methods, FSSAI norms, Hygiene, Safety, Good Manufacturing Practices, and Clean Milk Production, Cleaning in Place & Good Lab Practices to enhance the Milk Quality. The company is confident to maintain good quality of Milk products to be launched in future.

Members' Bank Accounts

The Company strongly believes in empowering its members by inlaying transparency at all operational levels. Taking a step ahead, the company envisioned to make direct payment to its member. The company started several programmes saving account opening of its members. During the period under review, 7800 members bank accounts were opened. The journey will continue till every member of the Company will receive his/her milk payment into self- bank account. Members are requested that who do not have their individual bank accounts, to immediately open their individual bank accounts and intimate the same to the Company for their own benefit, which will ensure safety, speed and ease in their dealings with the Company. It would inherit a habit of money saving in members, safeguard their hard earnings and will benefit them by availing adequate Banking facilities like various loans and investment schemes

6. Directors

Dr. N. V. Belavadi, an Expert Director, resigned with effect from June 27, 2014. The Board places on record its deep appreciation for the contributions made by Dr. N. V. Belavadi during his tenure by providing his valuable assistance, advice and guidance in strengthening the Company's foundation as a Producer Company.

Shri Ajit Singh Parmar, an Expert Director, resigned with effect from July 15, 2014. The Board places on record its appreciation for his services to the Board.

Shri Prahlad resigned as a Director with effect from July 23, 2014. The Board would like to thank him for his association and support as first director since the inception of the Company.

Shri Sriram Singh, Practice Head Institution Building, of NDDB Dairy Services, has been appointed as an Expert Director of the Company with effect from June 27, 2014 for a period of two years.

Pursuant to the Article 9.7(i) of the Articles of Association of the Company Smt. Kaushal Yadav, Shri Bhanwar Lal Jat and Shri Doonger Singh Rathor, the members of the Company, were appointed as Additional Directors of the Company with effect from March 31, 2014, May 15, 2014 and August 5, 2014 respectively. They hold their office till the 3rd Annual General Meeting (AGM) of the Company; and being eligible seek reappointment, be considered by the shareholders for reappointment, whose period of office shall be liable to retire by rotation.

Composition of Board of Directors & reappointment of Directors:

The Articles of Association of the Company (article 9.4) provide for the determination of criteria for categorising members into different classes based on their patronage and representation of such classes of members on the Board, to the extent possible, based on the patronage of members of respective class. The criteria for categorizing members into three different classes *viz.*, Class-A, Class-B and Class-C based on patronage were approved at the first AGM of the Company.

Based on the analysis of data w.r.t., fulfillment and non-fulfillment of patronage criteria by the members during FY 2013-14, it has been found that, 68% of the total members as on March, 31, 2014 have fulfilled all the prescribed criteria of patronage of their respective class. Accordingly, out of this 68% of the total members, 11% comprised of Class-A, 19% Comprised Class-B and 70% comprised Class-C. Whereas, the proportionate percentages (%) of quantity of milk (patronage) supplied by the said Class-A, Class-B and Class-C of members amongst themselves were respectively 39%, 18% and 43% during FY 2013-14. Accordingly, the composition of the Board providing for representation of each class of members on the Board based on patronage of each class of members comes to 4 directors for Class-A, 2 directors for Class-B and 5 directors for Class-C respectively. The present Board meets the requirement of Article 9.4, as aforesaid.

In terms of Article 9.6 of the Articles of Association of the Company, Shri Bhagwan Sahay and Shri Baldev Ram Berwal, Directors of the Company (respectively representing "Class-

A & “Class- B) will retire at the ensuing AGM of the Company and being eligible, offer themselves for re-appointment. The statement containing name and qualifications of each of the two Directors seeking reappointment is annexed to the Notice convening 3rd AGM of the Company. The Board recommends their re-appointment.

7. Membership/Voting Rights/ Share Capital

As at March 31, 2014, the paid up share capital was Rs. 9.18 Crores, whereas 37824 members were appearing on the register of members of the Company. During the period under review, membership of 9640 members have been cancelled/ surrendered due to non-fulfilment of membership criteria.

Due to allotment of new membership after March 31, 2014, the total number of members as on the date of this report stands at 53372 members, whereas the paid up share capital is Rs.9.89 Crore.

To avoid cancellation of membership, all the members belonging to Class-A, Class-B and Class-C are hereby requested to fulfil all the patronage criteria of their respective class and conditions for continuation of membership during the relevant financial year

Voting Rights and attendance at AGM:

Out of total 37824 members, only 22631 members have voting rights and due to non-supply of milk for at least 200 days totalling to at least 500 litres during the previous financial year 2013-14 remaining 15193 members lost their voting rights in 3rd AGM.

New members, who were admitted as members of the Company post March 31, 2014, will not be entitled to dividend for FY 2013-14 as well as voting right at ensuing AGM.

8. Directors Responsibility Statement

In accordance with section 217 (2AA) the Board of Directors of the Company informs the members that:

- a) in the preparation of annual accounts, the applicable accounting standards alongwith proper explanation have been followed;
- b) 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 at the end of the Financial Year and the profit for that period;
- c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors have prepared the annual accounts on a going concern basis.

9. Internal Control System

The Company has in place the proper and adequate internal control system, which ensures that all assets are safeguarded and protected and the transactions are authorized, recorded and reported correctly. Pursuant to the Section 581ZF of the Companies Act, 1956, M/s. Ernst & Young LLP, Chartered Accountants, has been appointed as Internal Auditors of the company who independently evaluate the adequacy of internal controls, and carry out the audit of accounts of the Company.

10. Auditors

M/s S.B. Billimoria & Co., Chartered Accountants, Statutory Auditors retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their reappointment if made, would be in accordance with the provisions of section 224(1B) of the Companies Act, 1956.

Your Directors recommend the re-appointment of M/s S.B. Billimoria & Co. as Statutory Auditors of the Company at the ensuing Annual General Meeting.

11. Cost Compliance Report

The Cost Compliance Report pursuant to the requirements of the Companies (Cost Accounting Records) Rules, 2011, applicable for the Company's FY 2013-14 has submitted to the Central Government along with the Annexure within the statutory time limit.

12. Particulars of Employees

Pursuant to Sections 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, none of the employees were in receipt of remuneration which in the aggregate exceeds Rupees Sixty Lacs per annum or Rupees Five Lacs per month, as the case may be, during the period under review.

13. Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earning and out go.

Particulars required to be furnished pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

(i) Part A and B of the Rules pertaining to Conservation of energy and Technology absorption are presently not applicable to the Company.

(ii) Foreign Exchange earnings and outgo: Earnings – Nil; Outgo - Nil.

14. Acknowledgement

The Board of Directors wish to convey their appreciation to members, business associates for their support and contribution during the period under review. The Directors would also like to thank bankers, employees, both internal and statutory auditors for their continued support to the Company.

The Board of Directors acknowledges with gratitude the encouragement and support extended National Dairy Development Board, NDDB Dairy Services and Mother Dairy Fruit & Vegetable Private Limited.

For and on Behalf of the Board of Directors

Sd/-

**Lal Chand Choudhary
Chairman & Director**

Place : Jaipur

Date : 05.08.2014

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
PAAYAS MILK PRODUCER COMPANY LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **PAAYAS MILK PRODUCER COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the 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 the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 581ZG of the Companies Act, 1956, we give in the Annexure 2 a statement on the matters specified in that Section.
- 3. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).

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

For S. B. BILLIMORIA & CO.
Chartered Accountants
(Registration No. 101496W)

Jitendra Agarwal
Partner
(Membership No. 87104)

JAIPUR, 27 June, 2014

ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Reports on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business/activities/result during the year, clauses (x) and (xiii) of paragraph 4 of the Order is not applicable to the Company.

- (i) In respect of its fixed assets :
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - c. The Company has not disposed off any fixed assets during the year. Therefore, the provisions of clause 4(i) (c) of the Order are not applicable to the Company.
- (ii) In respect of its inventory:
 - a. As explained to us, the inventories were physically verified during the year by the management at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with

regard to purchase of inventory and fixed assets and the sale of goods. The Company's operations during the year do not give rise to any sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.

- (v) According to the information and explanations given to us, there are no contracts or arrangements which need to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of clause 4(vi) of the Order are not applicable to the Company.
- (vii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax and other material statutory dues applicable to it with the appropriate authorities. We are informed that the operations of the Company during the year did not give rise to any liability for Investor Education and Protection Fund, Customs Duty, Excise Duty and Wealth Tax.
 - b. There are no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31 March, 2014 for a period of more than six months from the date they became payable.
 - c. There are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31 March, 2014 on account of any dispute.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. According to the information and explanations given to us, the Company has not taken any loan from financial institutions and has not issued any debentures.
- (xi) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xii) In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures. Therefore the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xiii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.
- (xv) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long term investment.
- (xvi) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvii) According to the information and explanations given to us, the Company has not issued any debentures.
- (xviii) According to the information and explanations given to us, the Company has not raised any money by public issues.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants
(Firm Registration No. 101496W)

(Jitendra Agarwal)
Partner
(Membership No. 87104)

JAIPUR, 27 June, 2014

ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Reports on Other Legal and Regulatory Requirements' section of our report of even date)

- i. The amount of debts due from sale of goods and services are as disclosed in note 16 to the financial statements. According to the information and explanations given to us, no debts are considered as doubtful of recovery.
- ii. According to the information and explanations given to us, cash on hand as at year-end has been physically verified by the management and no discrepancies were noticed on such verification. According to the information and explanations given to us, the Company does not hold any investment securities.
- iii. The details of assets and liabilities as at 31 March, 2014 are as per the financial statements of the Company as at and for the year ended 31 March, 2014.
- iv. In our opinion and according to the information and explanations given to us, the Company has not done any transaction which appears to be contrary to the provisions of part IXA of the Companies Act, 1956.
- v. According to the information and explanations given to us, the Company has not granted any loan to its directors.
- vi. According to the information and explanations given to us, the Company has not given any donations or subscriptions during the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants
(Firm Registration No. 101496W)

(Jitendra Agarwal)
Partner
(Membership No. 87104)

JAIPUR, 27 June, 2014

PAAYAS MILK PRODUCER COMPANY LIMITED
BALANCE SHEET AS AT MARCH 31, 2014

| | Note No. | As at March 31, 2014 Rupees | As at March 31, 2013 Rupees |
|-------------------------------------|----------|-----------------------------------|--------------------------------|
| A. EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| (a) Share capital | 3 | 91,826,300 | 42,297,800 |
| (b) Reserves and surplus | 4 | 7,804,643 | 991,424 |
| | | <u>99,630,943</u> | <u>43,289,224</u> |
| 2. Deferred grant | 5 | 56,087,413 | - |
| 3. Non - current liabilities | | | |
| (a) Long - term borrowings | 6 | 62,960,000 | - |
| (b) Long - term provisions | 7 | - | 155,953 |
| (c) Deferred tax liabilities (net) | 8 | 2,121,190 | 714,167 |
| | | <u>65,081,190</u> | <u>870,120</u> |
| 4. Current liabilities | | | |
| (a) Short - term borrowings | 9 | 55,584,193 | - |
| (b) Trade payables | 77 | 68,819,157 | 23,889,929 |
| (c) Other current liabilities | 11 | 173,106,585 | 141,612,369 |
| (d) Short - term provisions | 12 | 13,380,495 | 1,732,835 |
| | | <u>310,890,430</u> | <u>167,235,133</u> |
| Total | | <u>531,689,976</u> | <u>211,394,477</u> |
| B. ASSETS | | | |
| 1. Non - current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 13a | 124,928,945 | 112,007,987 |
| (ii) Intangible assets | 13b | 68,301 | 86,301 |
| (iii) Capital work-in-progress | 13c | 71,126,511 | - |
| | | <u>196,123,757</u> | <u>112,094,288</u> |
| (b) Long - term loans and advances | 14 | 1,070,648 | 1,149,968 |
| | | <u>197,194,405</u> | <u>113,244,256</u> |
| 2. Current assets | | | |
| (a) Inventories | 15 | 34,316,899 | 22,413,504 |
| (b) Trade receivables | 16 | 39,424,810 | 3,537,298 |
| (c) Cash and bank balances | 17 | 250,654,853 | 57,743,600 |
| (d) Short - term loans and advances | 18 | 5,116,369 | 13,362,565 |
| (e) Other current assets | 19 | 4,982,640 | 1,093,254 |
| | | <u>334,495,571</u> | <u>98,150,221</u> |
| Total | | <u>531,689,976</u> | <u>211,394,477</u> |

See accompanying notes forming part of the financial statements

In term of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.
Chartered Accountants

Sd/-
L.C.Choudhary
Director

Sd/-
Anil Kumar
Director

Sd/-
Anil Kumar Mathur
Director & Chief Executive

Sd/-
JITENDRA AGARWAL
Partner

Sd/-
Anup Gupta
Company Secretary

Sd/-
P.N. Verma
Sr Manager(Finance)

Place: Jaipur
Date: 24th June 2014

Place: Jaipur
Date: 24th June 2014

PAAYAS MILK PRODUCER COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

| | Note No. | Year ended March | Period ended |
|---|----------|----------------------|----------------------|
| | | 31, 2014 | March 31, 2013 |
| | | Rupees | Rupees |
| 1. Revenue from operations | 20 | 4,433,648,428 | 1,610,916,419 |
| 2. Other income | 21 | 9,945,545 | 4,897,113 |
| 3. Total revenue (1+2) | | 4,443,593,973 | 1,615,813,532 |
| 4. EXPENSES | | | |
| (a) Cost of materials consumed | 22 | 56,811,402 | - |
| (b) Purchases of traded goods | 23 | 3,973,440,639 | 1,480,340,696 |
| (c) Changes in inventories of finished goods & stock-in-trade | 24 | (9,936,164) | (22,165,182) |
| (d) Employee benefits expense | 25 | 47,420,927 | 17,118,729 |
| (e) Finance costs | 26 | 1,242,305 | - |
| (f) Depreciation and amortization expense | 13d | 12,891,410 | 3,753,891 |
| (g) Other expenses | 27 | 335,101,752 | 132,824,089 |
| Total expenses | | 4,416,972,271 | 1,611,872,223 |
| 5. Profit before tax | | 26,621,702 | 3,941,309 |
| 6. Tax expenses: | | | |
| (a) Current tax | | 7,658,242 | 751,017 |
| (b) Minimum alternate tax (MAT) credit | | - | (247,320) |
| (c) Deferred tax | | 1,407,023 | 714,167 |
| Net tax expense | | 9,065,265 | 1,217,864 |
| 7. Profit after tax (5-6) | | 17,556,437 | 2,723,445 |
| 8. Earnings per equity share: | | | |
| (Nominal value Rs. 100 per share) | 31 | | |
| (a) Basic | | 38.44 | 6.44 |
| (b) Diluted | | 38.44 | 6.44 |

See accompanying notes forming part of the financial statements

In term of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.

Chartered Accountants

Sd/-
L.C.Choudhary
Director

Sd/-
Anil Kumar
Director

Sd/-
Anil Kumar Mathur
Director & Chief Executive

Sd/-
JITENDRA AGARWAL
Partner

Sd/-
Anup Gupta
Company Secretary

Sd/-
P.N. Verma
Sr.Manager (Finance)

Place: Jaipur

Date: 24th June 2014

Place: Jaipur
Date: 24th June 2014

PAAYAS MILK PRODUCER COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

| | Year ended March 31, 2014 Rupees | Period ended March 31, 2013 Rupees |
|--|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Profit before tax | 26,621,702 | 3,941,309 |
| Adjustments For : | | |
| Finance costs | 1,013,336 | - |
| Interest income | (8,027,122) | (1,235,520) |
| provision for employee benefits | (156,767) | 156,767 |
| Depreciation and amortization expense | 12,891,410 | 3,753,891 |
| Operating Profit before working capital changes | 32,342,559 | 6,616,447 |
| Adjustments for movement in working capital: | | |
| Decrease/(Increase) in inventories | (11,903,395) | (22,413,504) |
| Decrease/(Increase) in trade receivables | (35,887,512) | (3,537,298) |
| Decrease/(Increase) in long term loans and advances | (168,000) | (30,000) |
| Decrease/(Increase) in short term loans and advances | 8,246,196 | (13,362,565) |
| (Decrease)/Increase in trade payables | 44,929,229 | 23,889,929 |
| (Decrease)/Increase in other current liabilities | 102,240,839 | 25,865,745 |
| Cash generated from operations | 139,799,916 | 17,028,754 |
| Net income taxes (paid)/refund | (4,773,645) | (1,623,665) |
| Net cash flow from/(used in) operating activities (A) | 135,026,271 | 15,405,089 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Decrease/(increase) in bank balances not considered as cash and cash equivalents | (98,095,424) | (55,000,000) |
| Capital expenditure on fixed assets | (111,580,090) | (101,555) |
| Interest received | 4,137,736 | 142,266 |
| Net cash flow from/(used in) investing activities (B) | (205,537,778) | (54,959,289) |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from issue of equity shares | 49,528,500 | 42,297,800 |
| Proceeds from long term borrowings | 62,960,000 | - |
| Net increase/(decrease) in working capital borrowings | 55,584,193 | - |
| Dividend Paid including Dividend Tax | (1,732,021) | - |
| Finance costs paid | (1,013,336) | - |
| Net cash flow from/(used in) financing activities (C) | 165,327,336 | 42,297,800 |
| Net increase/(decrease) in Cash and cash equivalents (A+B+C) | 94,815,829 | 2,743,600 |
| Cash and cash equivalents at beginning of the year | 2,743,600 | - |
| Cash and cash equivalents at the end of the year | 97,559,429 | 2,743,600 |
| Components of Cash and cash equivalents as at: | | |
| Cash and cheque on hand | - | - |
| Balances with banks: | | |
| in current accounts | 97,559,429 | 2,743,600 |
| in deposit accounts | - | - |
| Cash and cash equivalents as per Cash Flow Statement | 97,559,429 | 2,743,600 |
| Add: Bank balances not considered as Cash and cash equivalent | 153,095,424 | 55,000,000 |
| Cash and bank balances as per Balance Sheet (Note 17) | 250,654,853 | 57,743,600 |

See accompanying notes forming part of the financial statements

In term of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.
Chartered Accountants

Sd/-
L.C.Choudhary
Director

Sd/-
Anil Kumar
Director

Sd/-
Anil Kumar Mathur
Director & Chief Executive

Sd/-
JITENDRA AGARWAL
Partner

Sd/-
Anup Gupta
Company Secretary

Sd/-
P.N. Verma
Sr.Manager (Finance)

Place: Jaipur
Date: 24th June 2014

Place: Jaipur
Date: 24th June 2014

PAAYAS MILK PRODUCER COMPANY LIMITED

Notes forming part of the financial statements

3. Share Capital

| | As at March 31, 2014 | | As at March 31, 2013 | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Number of shares | Amount Rupees | Number of shares | Amount Rupees |
| (a) Authorised share capital | | | | |
| Equity Shares of Rs. 100 each | 2,000,000 | 200,000,000 | 2,000,000 | 200,000,000 |
| (b) Issued, subscribed and fully Paid up share capital | | | | |
| Equity Shares of Rs. 100 each | 918,263 | 91,826,300 | 422,978 | 42,297,800 |

See notes (i) to (iii) below

Notes:

(i) Rights, preferences and restrictions attached to shares

The Company has issued one class of equity shares having face value of Rs. 100 each. Each member is entitled to one vote. Members are entitled to limited return (Dividend) and bonus in accordance with Article of Association of the Company.

(ii) Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the year:

| | Year ended March 31, 2014 | | Period ended March 31, 2013 | |
|--|---------------------------|-------------------|-----------------------------|-------------------|
| | Number of shares | Amount Rupees | Number of shares | Amount Rupees |
| Shares outstanding at the beginning of the year/period | 422,978 | 42,297,800 | | |
| Shares issued during the year/period | 495,285 | 49,528,500 | 422,978 | 42,297,800 |
| Shares outstanding at the end of the year/period | 918,263 | 91,826,300 | 422,978 | 42,297,800 |

(iii) The Company is registered under Part IXA of the Companies Act, 1956 as 'Producer Company' and none of the member holds 5% or more of the share capital of the Company.

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | <u>As at March 31,</u> 2014 Rupees | <u>As at March 31,</u> 2013 Rupees |
|--|---|---|
| 4. Reserves and surplus | | |
| (a) General reserve | | |
| Transferred from surplus in Statement of Profit and Loss | 7,804,643 | - |
| (b) Surplus in Statement of Profit and Loss | | |
| Opening Balance | 991,424 | - |
| Add: Profit for the year/period | 17,556,437 | 2,723,445 |
| Less: | | |
| Proposed limited return (dividend) to members (Rs.10/- per share) | 9,182,630 | 1,480,423 |
| Tax on proposed limited return (dividend) | 1,560,588 | 251,598 |
| Transferred to General reserve | 7,804,643 | - |
| Closing balance | - | 991,424 |
| | <u>7,804,643</u> | <u>991,424</u> |
| 5. Deferred grant | | |
| Capital Grant utilised during the year (see note 33) | 56,100,951 | - |
| Less: Depreciation pertaining to assets acquired from grant | 13,538 | - |
| Closing Balance | <u>56,087,413</u> | <u>-</u> |
| 6. Long term borrowings | | |
| Secured | | |
| (a) Term loan from National Dairy Development Board (NDDB) | 62,960,000 | - |
| | <u>62,960,000</u> | <u>-</u> |
| Notes: | | |
| (i) Details of Security provided in respect of secured loans is as under: | | |
| The term loan is secured by a first charge over the moveable properties of the Company, present and future, save and except book debts in case of hypothecation, subject to prior charges created and/or to be created in favour of the Company's bankers on the stocks of raw materials, semi-finished and finished goods, consumable stores and book debts and such other movables as may be agreed to by the lender for securing borrower for working capital requirements only in the ordinary course of business. | | |
| (ii) Terms of repayment of long term borrowings is as under: | | |
| The loan carries interest @9% per annum and is repayable in 60 equal monthly installments over a period of 7 years with a moratorium period of 2 years on principal repayment. | | |
| | <u>As at March 31,</u> 2014 Rupees | <u>As at March 31,</u> 2013 Rupees |
| 7. Long term provisions | | |
| (a) Provision for employee benefits: | | |
| (i) For compensated absences | - | 124,388 |
| (ii) For gratuity | - | 31,565 |
| | <u>-</u> | <u>155,953</u> |
| 8. Deferred tax liabilities (net) | | |
| (i) Tax effect of items constituting deferred tax liabilities: | | |
| a. On difference between book balance and tax balance of fixed assets | 3,891,352 | 1,602,464 |
| | <u>3,891,352</u> | <u>1,602,464</u> |
| (ii) Tax effect of items constituting deferred tax assets: | | |
| a. Provision for compensated absences and gratuity | - | 48,431 |
| b. Disallowances under section 43B of the Income Tax Act | - | 302,730 |
| c. Disallowances under section 40(a)(i)(a) of the Income Tax Act | 1,347,167 | - |
| d. Disallowances under section 35D of the Income Tax Act | 422,995 | 537,136 |
| | <u>1,770,162</u> | <u>888,297</u> |
| Net deferred tax liability/(asset) | <u>2,121,190</u> | <u>714,167</u> |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | As at March 31, 2014 | As at March 31, 2013 |
|---|---------------------------------|---------------------------------|
| | Rupees | Rupees |
| 9. Short - term borrowings | | |
| (a) Working capital loan from banks (secured against fixed deposit with banks) | 55,584,193 | - |
| | <u>55,584,193</u> | <u>-</u> |
| 10. Trade payables | | |
| (a) Trade Payables (other than acceptances) (see note 34) | 68,819,157 | 23,889,929 |
| | <u>68,819,157</u> | <u>23,889,929</u> |
| 11. Other current liabilities | | |
| (a) Application money received for allotment of securities and due for refund | 4,084,578 | 1,197,775 |
| (b) Statutory dues | 1,444,698 | 891,857 |
| (c) Payable for purchase of fixed assets | 45,000,000 | 115,746,624 |
| (d) Trade / security deposits received | 28,145,708 | 22,194,499 |
| (e) Advances from customers | 320,754 | 1,581,614 |
| (f) Grant received (net of utilization) (see note 33) | 94,110,847 | - |
| | <u>173,106,585</u> | <u>141,612,369</u> |
| 12. Short term provisions | | |
| (a) Provision for employee benefits | | |
| (i) For gratuity | - | 814 |
| (b) Provision - others | | |
| (i) Provision for proposed limited return (dividend) | 9,182,630 | 1,480,423 |
| (ii) Provision for tax on proposed limited return | 1,560,588 | 251,598 |
| (iii) Provision for income tax (net of advance tax of Rs. 5,249,934) | 2,637,277 | - |
| | <u>13,380,495</u> | <u>1,732,835</u> |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

13. Fixed assets

| Particulars | Gross Block | | | Accumulated Depreciation | | Net Block | |
|-------------------------------------|---------------------|-------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | As at April 1, 2013 | Additions | As at March 31, 2014 | As at April 1, 2013 | As at March 31, 2014 | As at March 31, 2014 | As at March 31, 2013 |
| (a) Tangible assets (owned) | | | | | | | |
| Plant and equipment | 112,991,716 | 24,554,537 | 137,546,253 | 3,578,071 | 12,189,050 | 15,767,121 | 109,413,645 |
| Furniture and fixtures | 936,772 | 310,879 | 1,247,651 | 19,766 | 71,105 | 90,871 | 917,006 |
| Office equipment | 628,960 | 229,744 | 858,704 | 19,917 | 74,823 | 94,740 | 609,043 |
| Computers | 1,200,731 | 712,746 | 1,913,477 | 132,438 | 551,970 | 684,408 | 1,068,293 |
| Total (A) | 115,758,179 | 25,807,906 | 141,566,085 | 3,750,192 | 12,886,948 | 16,637,140 | 112,007,987 |
| Previous year | - | 115,758,179 | 115,758,179 | - | 3,750,192 | 3,750,192 | - |
| (b) Intangible assets | | | | | | | |
| Trade mark | 90,000 | - | 90,000 | 3,699 | 18,000 | 21,699 | 86,301 |
| Total (B) | 90,000 | - | 90,000 | 3,699 | 18,000 | 21,699 | 86,301 |
| Previous year | - | 90,000 | 90,000 | - | 3,699 | 3,699 | - |
| (c) Capital work-in-progress | | | | | | | |
| Total (C) | - | - | - | - | - | - | 71,126,511 |

Year ended 31-Mar-14
Year ended 31-Mar-13

| Year ended 31-Mar-14 | Year ended 31-Mar-13 |
|----------------------|----------------------|
| Rupees | Rupees |
| 12,886,948 | 3,750,192 |
| 18,000 | 3,699 |
| (13,538) | - |
| 12,891,410 | 3,753,891 |

(D) Depreciation and amortisation expense

On tangible assets
On intangible assets
Less: Depreciation pertaining to assets acquired on grant

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | As at March 31, 2014 | As at March 31, 2013 |
|---|---------------------------------|---------------------------------|
| | Rupees | Rupees |
| 14. Long - term loans and advances | | |
| (Unsecured, considered good) | | |
| (a) Security deposits | 198,000 | 30,000 |
| (b) Minimum alternate tax (MAT) credit entitlement | - | 247,320 |
| (c) Advance tax (including tax deducted at source) | 872,648 | 872,648 |
| | <u>1,070,648</u> | <u>1,149,968</u> |
| 15. Inventories | | |
| (At lower of cost and net realisable value) | | |
| (a) Raw materials | 300,745 | - |
| (b) Finished goods | 8,051,015 | - |
| (c) Stock-in-trade | 10,376,338 | 9,459,195 |
| (d) Stock-in-trade (in transit) | 13,673,993 | 12,705,987 |
| (e) Stores and spares | 1,914,808 | 248,322 |
| | <u>34,316,899</u> | <u>22,413,504</u> |
| 16. Trade receivables | | |
| (Unsecured, considered good) | | |
| (a) Outstanding for period less than six months from due date | 39,424,810 | 3,537,298 |
| | <u>39,424,810</u> | <u>3,537,298</u> |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | As at March 31, 2014 | As at March 31, 2013 |
|---|---------------------------------|---------------------------------|
| | Rupees | Rupees |
| 17. Cash and bank balances | | |
| (a) Cash and cash equivalents | | |
| (i) Balance with banks: | | |
| a) In current accounts | 97,559,429 | 2,743,600 |
| (b) Other bank balances | | |
| (i) In deposit accounts (original maturity more than 3 months) | 153,095,424 | 55,000,000 |
| | 250,654,853 | 57,743,600 |
| Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statement | 97,559,429 | 2,743,600 |

Note:

- (i) Balances with banks include deposits amounting to Rs. 16,000,000 which have maturity of more than 12 months from the balance sheet date.

| | As at March 31, 2014 | As at March 31, 2013 |
|---|---------------------------------|---------------------------------|
| | Rupees | Rupees |
| 18. Short - term loans and advances | | |
| (Unsecured, considered good) | | |
| (a) Loans and advances to employees | 1,740 | 6,997 |
| (b) Advances to vendors | 3,467,695 | 13,140,332 |
| (c) Prepaid expenses | 1,646,934 | 215,236 |
| | 5,116,369 | 13,362,565 |
| 19. Other current assets | | |
| (Unsecured, considered good) | | |
| (a) Interest accrued but not due on bank deposits | 4,982,640 | 1,093,254 |
| | 4,982,640 | 1,093,254 |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | Year ended March 31, 2014 Rupees | Period ended March 31, 2013 Rupees |
|---|---|---|
| 20. Revenue from operations | | |
| (a) Sale of products (refer note (i) below) | 4,433,648,428 | 1,610,916,419 |
| | <u>4,433,648,428</u> | <u>1,610,916,419</u> |
| Note: | | |
| Sale of products comprises: | | |
| (i) Traded goods | | |
| a. Raw Milk | 4,285,889,648 | 1,595,685,079 |
| b. Poly Pack Milk | 50,683,103 | - |
| c. Cattle Feed | 41,235,705 | 15,231,340 |
| Total | <u>4,377,808,456</u> | <u>1,610,916,419</u> |
| (ii) Manufactured goods: | | |
| a. Ghee | 36,800,986 | |
| b. Skimmed Milk | 19,038,986 | |
| Total | <u>55,839,972</u> | <u>-</u> |
| Total (i + ii) | <u>4,433,648,428</u> | <u>1,610,916,419</u> |
| 21. Other income | | |
| (a) Interest income | | |
| (i) On deposits with banks | 8,027,122 | 1,235,520 |
| (b) Other non-operating income | | |
| (i) Membership fee | 1,171,400 | 3,661,593 |
| (ii) Miscellaneous income | 747,023 | - |
| | <u>9,945,545</u> | <u>4,897,113</u> |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | Year ended March 31, 2014 | Period ended March 31, 2013 |
|--|--------------------------------------|--|
| | Rupees | Rupees |
| 22. Cost of materials consumed | | |
| Raw and packing materials | | |
| (a) Opening stock | - | - |
| (b) Add: Purchase | <u>57,112,147</u> | <u>-</u> |
| | 57,112,147 | - |
| (c) Less: Closing stock | <u>300,745</u> | <u>-</u> |
| | <u>56,811,402</u> | <u>-</u> |
| 23. Purchases of traded goods | | |
| (a) Raw Milk | 3,728,784,665 | 1,410,055,380 |
| (b) Procurement expenses | 132,326,936 | 52,718,491 |
| (c) Loyalty incentive | 20,294,794 | |
| (d) Poly Pack Milk | 53,070,065 | |
| (e) Cattle Feed | <u>38,964,179</u> | <u>17,566,825</u> |
| | <u>3,973,440,639</u> | <u>1,480,340,696</u> |
| 24. Changes in inventories of finished goods and stock-in-trade | | |
| Decrease/(increase) in inventories of finished goods and stock-in-trade | | |
| (a) Inventories at the beginning of the year | | |
| Stock-in-trade | 9,459,195 | - |
| Stock-in-transit | <u>12,705,987</u> | <u>-</u> |
| | 22,165,182 | - |
| (b) Inventories at the end of the year | | |
| Stock-in-trade | 10,376,338 | 9,459,195 |
| Finished goods | 8,051,015 | - |
| Stock-in-transit | <u>13,673,993</u> | <u>12,705,987</u> |
| | 32,101,346 | 22,165,182 |
| Net decrease/(increase) in inventories | <u>(9,936,164)</u> | <u>(22,165,182)</u> |
| 25. Employee benefits expense | | |
| (a) Salaries and wages | 43,922,969 | 16,113,491 |
| (b) Contribution to provident and other funds | 3,345,107 | 986,462 |
| (c) Staff welfare expenses | <u>152,851</u> | <u>18,776</u> |
| | <u>47,420,927</u> | <u>17,118,729</u> |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | Year ended March 31, 2014 | Period ended March 31, 2013 |
|---|--------------------------------------|--|
| | Rupees | Rupees |
| 26. Finance costs | | |
| (a) Interest expense on borrowings | 1,013,336 | - |
| (b) Interest on delayed payment of income tax | 228,969 | - |
| | <u>1,242,305</u> | <u>-</u> |
| 27. Other expenses | | |
| (a) Consumption of stores and spares | 1,350,068 | 1,386,263 |
| (b) Power and fuel | 585,910 | 259,804 |
| (c) Milk chilling charges | 46,640,717 | 21,456,743 |
| (d) Conversion charges | 1,636,831 | - |
| (e) Rent | 1,972,634 | 1,608,550 |
| (f) Rates and taxes | 191,510 | 47,156 |
| (g) Repair and maintenance - buildings | 243,973 | 82,821 |
| (h) Repair and maintenance - machinery | 12,094,047 | 306,619 |
| (i) Repair and maintenance - others | 325,908 | 51,623 |
| (j) Advertisement and business promotion | 1,320,316 | 9,697 |
| (k) Freight, forwarding and distribution expenses | 230,757,524 | 92,335,434 |
| (l) Insurance charges | 1,283,739 | 567,237 |
| (m) Legal and professional fees | 3,396,882 | 1,372,635 |
| (n) Auditor's remuneration (refer note (i) below) | 955,060 | 674,160 |
| (o) Travelling and conveyance | 7,336,159 | 2,164,346 |
| (p) Training expenses | 255,312 | 977,913 |
| (q) Contractual and retainership expenses | 21,300,017 | 6,033,619 |
| (r) Communication expenses | 1,608,222 | 454,336 |
| (s) Preliminary expenses | - | 2,172,881 |
| (t) Miscellaneous expenses | 1,846,923 | 862,252 |
| | <u>335,101,752</u> | <u>132,824,089</u> |
| Note: | | |
| (i) Auditors' remuneration comprises: | | |
| a. Statutory audit fee | 700,000 | 500,000 |
| b. Tax audit fee | 150,000 | 100,000 |
| c. Service tax on above | 105,060 | 74,160 |
| | <u>955,060</u> | <u>674,160</u> |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

| | As at March 31, 2014 | As at March 31, 2013 |
|---|---------------------------------|---------------------------------|
| | Rupees | Rupees |
| 28. Contingent liabilities and commitments | Nil | Nil |

29. Employee benefit plans:

Defined-Contribution Plan

The Company offers its employees defined contribution plan in the form of provident fund and family pension fund. Provident fund and family pension fund cover all regular employees. Provident Fund Contribution is deposited with the Regional Provident Fund Commissioner (RPF). Both the employees and the Company pay predetermined contributions into the provident fund and pension fund. The contributions are normally based on a certain proportion of the employee's salary.

The Company has recognised Rs. 2,786,775 (previous year Rs. 816,445) for Provident Fund and Pension Fund contribution in the statement of profit and loss.

Defined-Benefits Plan

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are based on years of service and the employee's compensation (immediately before retirement). The gratuity scheme covers all regular employees. In the case of the gratuity scheme, the Company contributes to a trust administered by LIC of India and funds approved by Income Tax Authorities. Commitments are actuarially determined at year-end. Actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to the statement of Profit and Loss.

The following tables sets out the funded status of the defined benefit scheme in respect of Gratuity and amount recognised in the financial statements.

| | 31 March, 2014 | 31 March, 2013 |
|---|-----------------------|-----------------------|
| | (Rupees) | (Rupees) |
| i. Change in defined benefit obligation | | |
| Present value of obligations at the beginning of the year | 170,051 | - |
| Interest Cost | 15,475 | - |
| Current Service Cost | 559,509 | 170,051 |
| Actuarial (Gain) / Loss on Obligation | (2,688) | - |
| Present value of obligations at the end of the year | 742,347 | 170,051 |
| ii. Fair value of Plan Assets | | |
| Fair value of plan assets at the beginning of the year | 137,672 | - |
| Expected return on plan assets | 44,871 | 34 |
| Contributions | 750,277 | 137,638 |
| Actuarial Gain / (Loss) on plan assets | (30,907) | - |
| Fair value of plan assets at the end of the year | 901,913 | 137,672 |
| iii. Return on Plan Assets | | |
| Expected return on plan assets | 44,871 | 34 |
| Actuarial (gain)/loss | (30,907) | - |
| Actual return on plan assets | 13,964 | 34 |
| iv. Amount recognised in the Balance Sheet | | |
| Present value of defined benefit obligations | 742,347 | 170,051 |
| Fair value of plan assets | 901,913 | 137,672 |
| Net liability/(asset) recognised in the balance sheet | (159,566) | 32,379 |

| v. Expenses recognised in the statement of profit and loss | 31 March, 2014 | 31 March, 2013 |
|---|-----------------------|-----------------------|
| | (Rupees) | (Rupees) |
| Current service costs | 559,509 | 170,051 |
| Interest expense | 15,475 | - |
| Expected return on plan assets | (44,871) | (34) |
| Net actuarial gain/(loss) recognized during the year | 28,219 | - |
| Expenses recognized in Statement of Profit and Loss | 558,332 | 170,017 |

| vi. Balance Sheet reconciliation | 31 March, 2014 | 31 March, 2013 |
|---|-----------------------|-----------------------|
| | (Rupees) | (Rupees) |
| Net liability/(asset) at the beginning of the year | 32,379 | - |
| Expenses as above | 558,332 | 170,017 |
| Contributions | (750,277) | (137,638) |
| Net liability/(asset) at the end of the year | (159,566) | 32,379 |

The planned assets of the Company are managed by the trust and the Life Insurance Corporation of India (LIC) in terms of an insurance policy taken to fund obligations of the Company with respect to its gratuity plan. Information about the categories of plan assets with respect to its investment pattern for group gratuity fund is not available with the Company.

Estimated contribution to the employee fund during the next financial year is Rs. 10,00,000/-

The actuarial calculations used to estimate defined benefit commitments and expenses are based on the following assumptions, which if changed, would affect the defined benefit commitment's size, funding requirements and expense.

| vii. Principal actuarial assumptions | 31 March, 2014 | 31 March, 2013 |
|---|--|--|
| Discount rate | 9.10% p.a. | 8.50% p.a. |
| Expected salary escalations | 10.00% p.a. | 5.00% p.a. |
| Expected return on plan assets | 8.75% p.a. | 8.70% p.a. |
| Attrition rate: | | |
| Below 30 Years | 3% | 3% |
| Ages 31-44 Years | 2% | 2% |
| Ages 44 and Above | 1% | 1% |
| Mortality table used | LIC (1994-96) Mortality Table (ultimate) | LIC (1994-96) Mortality Table (ultimate) |

Discount rate is based on prevailing market yields of government of India securities as at the balance sheet date.

Same principal actuarial assumptions are used for valuation of liability for compensated absences.

| Experience adjustment | 31.03.2014 | 31.03.2013 |
|----------------------------------|-------------------|-------------------|
| | Rupees | Rupees |
| Present value of defined benefit | 742,347 | 170,051 |
| Fair value of plan assets | 901,913 | 137,672 |
| Funded status | (159,566) | 32,379 |
| Gain/(loss) on obligations | - | - |
| Gain/(loss) on plan assets | (30,907) | - |

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

30. Leasing arrangements

The Company has entered into lease arrangements for office premises. The Company has recognised lease rental expenses of Rs. 19,72,634 (previous year Rs. 1,608,550) in the statement of profit and loss.

The lease for corporate office premises is for a period of eight years and eight months and is cancellable at the option of the lessee by giving six months notice. Agreement provides for increase in lease payments by 15% every three years. Lease for cluster office & bindyaka are for a period of six years and five years respectively with an annual increase in lease payments by 5%.

Future minimum lease payment are:

| Particulars | As at March 31, 2014 Rupees | As at March 31, 2013 Rupees |
|---|-----------------------------------|-----------------------------------|
| Payable not later than one year | 1,888,175 | 1,389,000 |
| Payable later than one year but not later than five years | 7,408,815 | 5,404,500 |
| Payable later than five years | 2,960,554 | 4,496,500 |
| | <u>12,257,544</u> | <u>11,290,000</u> |

31. Earnings Per Equity Share

| Particulars | Unit | Year ended March 31, 2014 | Period ended March 31, 2013 |
|--|---------|------------------------------|--------------------------------|
| Net profit after tax | Rs. | 17,556,437 | 2,723,445 |
| Weighted average number of equity shares outstanding during the year | Numbers | 456,726 | 422,978 |
| Nominal value per Equity Shares | Rupees | 100 | 100 |
| Basic earnings per share | Rupees | 38.44 | 6.44 |
| Equity shares used to compute diluted earnings per share | Numbers | 456,726 | 422,978 |
| Diluted earnings per share | Rupees | 38.44 | 6.44 |

32. Disclosures as required by the Accounting Standard (AS) 18 – "Related Party Disclosures" are as below:

A. Name of the related parties and nature of relationship

| Nature of Relationship | Name of person |
|---------------------------|-------------------|
| Key Management Personnel: | Anil Kumar Mathur |

B. The nature and volume of transactions during the year with the above related parties are as follows:

| Nature of transactions | KMP | (Rupees) Total |
|---------------------------------|-------------|-------------------|
| Managerial remuneration: | | |
| Anil Kumar Mathur | 2,413,249 | 2,413,249 |
| | (1,639,987) | (1,639,987) |

Figures in brackets represent previous period figures

33. Details of Government grants

| Details of grants received from NDDB and its utilisation is as under: | Year ended March 31, 2014 | Period ended March 31, 2013 |
|---|------------------------------|--------------------------------|
| (a) Grant received during the year | 156,720,001 | - |
| (b) Utilised during the year | | |
| (i) For capital assets: | | |
| - For fixed assets | 1,710,000 | - |
| - For assets under installation (CWIP) | <u>54,390,951</u> | - |
| | 56,100,951 | - |
| (ii) For revenue expenses | <u>6,508,203</u> | - |
| Total utilised (i) + (ii) | <u>62,609,154</u> | - |
| (c) Balance carried forward (a-b) | <u>94,110,847</u> | - |

Note:

Grant utilised for purchase of capital assets has been recorded as deferred grant and revenue grant utilised has been netted off with respective expense (see note 2i).

PAAYAS MILK PRODUCER COMPANY LIMITED
Notes forming part of the financial statements

- 34.** According to the information available with the Management, on the basis of intimation received from suppliers, regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), there are no suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) therefore Company has no amounts due to Micro and Small Enterprises under the said Act.
- 35.** The Company is engaged in trading of milk and cattle feed. The disclosures as required under Accounting Standard AS-17 on Segment reporting are not required as the Company deals in one business segment and in one geographical area.
- 36.** Previous period's financial statements were prepared for the period 19 May, 2012 (date of incorporation of the Company) to 31 March, 2013 and hence are not comparable with current year's numbers.
- 37.** Previous period's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

| | | |
|--|---|--|
| Sd/- L.C.Choudhary Director | Sd/- Anil Kumar Director | Sd/- Anil Kumar Mathur Director & Chief Executive |
| Sd/- Anup Gupta Company Secretary | Sd/- P.N. Verma Sr.Manager (Finance) | |

Place: Jaipur
Date: 24th June 2014

PAAYAS MILK PRODUCER COMPANY LIMITED

Notes forming part of the financial statements

1. Corporate information

Paayas Milk Producer Company Limited ("the Company") was incorporated on 19 May 2012 under Part IXA of the Companies Act, 1956.

The Company has taken over the procurement operation in the state of Rajasthan, with effect from 1st December, 2012. The Company procures milk directly from milk producers through Milk Pooling Points in villages of Rajasthan and sells to various dairies. The Company also sells raw milk.

2. Significant accounting policies

The significant accounting policies are as follows:

a. Basis of accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements are prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the period in which results are known/materialize.

c. Cash and cash equivalents (for the purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

d. Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

e. Revenue recognition

Sales are recognized, net of returns and trade discounts, on transfer of significant risk and rewards of ownership to the buyers, which generally coincides with the delivery of goods to customers.

Interest income on deposits is recognized on accrual basis.

f. Fixed assets (Tangible/Intangible)

Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previous assessed standard of performance.

Capital work-in-progress

Assets which are not ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

g. Depreciation and amortisation

Depreciation is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act 1956 or based on the useful life of the assets, whichever is higher.

The depreciation rates used are as follows:

| Description | Depreciation per annum (%) |
|-----------------------|-----------------------------------|
| Plant and equipment | 9.50 |
| Furniture and fixture | 6.33 |
| Office equipment | 9.50 |
| Computers | 33.33 |
| Trade marks | 20.00 |

Depreciation is provided pro-rata from the date of addition.

Assets whose actual cost does not exceed Rs. 5,000 are depreciated at the rate of 100 percent. Provided that where the aggregate actual cost of individual items of plant and machinery costing Rs. 5,000 or less constitutes more than 10 per cent of the total actual cost of plant and machinery, rates of depreciation applicable to such items shall be normal rates as specified in table above.

h. Inventories

Inventories comprise raw materials and packing material, finished goods and stores and spares. Inventories are valued at lower of cost and net realizable value. Cost is determined using weighted average method. Cost includes all

charges incurred in bringing the inventories to their present location and condition. Finished goods include appropriate proportion of overheads.

i. Grants

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidies will be received. Government grants related to depreciable fixed assets are treated as deferred grants which is recognised in the statement of profit and loss on a systematic and rational basis over the useful life of the asset, i.e., such grants is allocated to income over the periods and in the proportions in which depreciation on those assets is charged by way of a reduced depreciation charge. Other government grants and subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis and are deducted in reporting the related expense.

j. Employee benefits

Employee benefits include Provident Fund, Employee State Insurance scheme, Gratuity and provision for compensated absences.

i. Defined contribution plans

The Company's contributions to provident fund and employees state insurance scheme is considered as defined contribution plan and are charged to the Statement of Profit and Loss based on the amount of contributions required to be made.

ii. Defined benefit plans

Gratuity is considered as defined benefit plan. Gratuity is provided based on actuarial valuation carried out at the balance sheet date. The incremental liability based on an actuarial valuation as per the 'Projected Unit Credit' method, as at the reporting date, is charged to the Statement of Profit and Loss Account. Actuarial gains and losses are recognized in the Statement of Profit and Loss.

iii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the services.

iv. Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation as at the balance sheet date on the basis of actuarial valuation.

k. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year as adjusted to the effects of all dilutive potential equity shares, except where results are anti-dilutive.

i. Taxes on income

Income tax comprises current tax and deferred tax. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognized on timing differences; being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there are unabsorbed depreciation and carry forward losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legal enforceable right for such set off.

m. Borrowing cost

Borrowing costs includes interest and ancillary costs incurred. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset, pertaining to the period from commencement of activities relating to construction/development of qualifying asset upto the date of capitalization of such asset, are capitalized as part of the cost of that asset. All other borrowing costs are recognized as an expense in the statement of profit and loss in the year in which they are incurred.

n. Impairment of assets

At each balance sheet date, the Company reviews the carrying values of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an assets net selling price and value in use. In assessing value in use the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognized as income in the statement of profit and loss.

o. Provisions and contingencies

A provision is recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding employee benefits) are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent Assets are not recognized in the financial statements. Contingent liabilities are disclosed by way of notes.

p. Leases

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rent under operating leases are recognized in the statement of profit and loss account on straight line basis.

q. Material events

Material events occurring after the Balance Sheet date are taken into cognizance.

r. Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Ration Balancing Services (RBP)



Cattle girth measurement



Generating RPB Advice



Demo to prepare balance fodder

Fodder Development activities



Fodder meeting in villages



Fodder crop cultivation demo



Chafing fodder crop for Silage making



Silage Making: Pressing of chaffed fodder

Artificial Insemination Services (AI)



Door step AI services in villages

AI Service Delivery following Standard Operating Procedure



Paayas Milk Producer Company Limited

Incorporated under Part IXA of the Companies Act, 1956 (No. 1 of 1956)

(CIN : U01211RJ2012PTC038955)

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