



10th August, 2017

To, Compliance Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Fort, Mumbai- 400001	To, Compliance Department, National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G-Block, Bandra-Kurla Complex Bandra-(E), Mumbai-400051
Code No:- 539889	Code No. PARAGMILK

Dear Sir/Madam

Sub: Submission of the Annual Report of the Company for the Financial Year 2016-2017.
Pursuant to Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015 .

This is to inform that the 25th Annual General Meeting (“AGM”) of the Company was held on Wednesday, August 09, 2017 at 12.30 p.m., at A-Wing, 5th Floor, MCCIA Trade Tower, ICC Complex, 403, Senapati Bapat Road, Mahratta Chamber of Commerce Industries & Agriculture (MCCIA), Pune-411016-Maharashtra.

We attach herewith the Annual Report for the Financial Year 2016-2017 duly approved and adopted by the members of the Company at the AGM as per the provisions of the Companies Act, 2013,

We request you to kindly take the same on record.

Yours faithfully,

For Parag Milk Foods Limited

Rachana Sangneria
Company Secretary & Compliance Officer
ACS No. 10280



Encl:a/a

Parag Milk Foods Ltd.,

CIN - L15204PN1992PLC070209

Regd. Office: Flat No. 1 Plot No. 19, Nav Rajasthan Co-Op Housing Society, Behind Ratna Memorial Hospital, Senapati Bapat Road, Shivaji Nagar, Pune - 411016. Ph.:(020) 25674761/62/63.

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Website: www.paragmilkfoods.com





Ideas for a new day

PARAG MILK FOODS LIMITED

*Annual Report
2016 - 17*



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Find this report online at
www.paragmilkfoods.com



One of India's largest private dairy with a pan-India presence, Parag Milk Foods Limited is fast emerging as India's leading FMCG dairy Company with an emphasis on Health & Nutrition. We develop our products through innovation and have launched several products for the first time in India.

Our Journey So Far

1992



Parag Milk Foods Limited started in 1992 to help farmers by collecting milk on milk holidays during Operation Flood. Back then, Parag was primarily involved in the distribution and collection of milk

We commissioned our Manchar plant and began manufacturing traditional products like Butter and Ghee under the brand, 'Gowardhan'



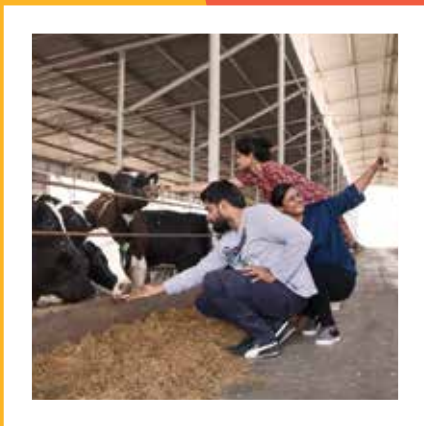
2005



The year witnessed the birth of Bhagyalaxmi Dairy Farm - India's most modern dairy farm with the finest international equipments

1998

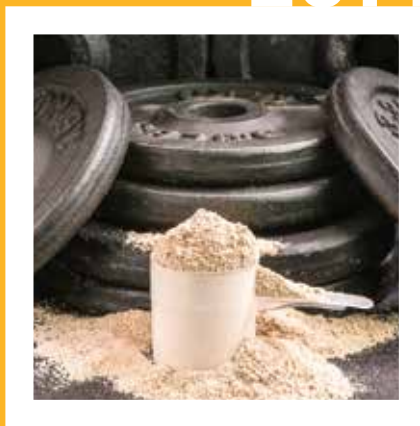
The concept of Dairy Tourism was brought to life for the first time in India by us



2012

2014

Remodelled the brand Parag with a new identity



On realising the needs of our institutional clients, we launched B2B whey protein



2015

2010

Commissioned "Go Cheese World" - India's largest cheese manufacturing plant with a capacity of 40 MT per day



The year saw the birth of 'Pride of Cows', a first-of-its-kind premium farm-to-home milk brand



2008



The Palamaner plant was established with a world-class UHT facility

2011

2016

Entered into the Juice drink market by launching a mango drink with a dash of milk



We got listed on the bourses, thus becoming a publicly branded and owned entity



2017

2017



Launched a 100% Whey protein, first-of-its-kind manufactured in India. From our farm to your shaker cup, fresh and pure

Chairman's Letter to Shareholders



At Parag, we have always led through innovation, and this year was no different. We have created products that re-define categories and in many cases, we have launched products for the first time in the country

Dear Shareholders,

In every company's life, we come across certain milestone years that are etched in memory. 2016 was one such year for us when we got listed on the bourses; it marked an eventful landmark in our exciting journey, which began in 1992.

Parag Milk Foods is not just any dairy company. We are a 100% cow's milk company with an integrated business model and strong R&D capabilities. From a pure-play dairy company 25 years ago, we are now moving towards becoming an FMCG dairy company with a focus on health and nutrition.

The Indian dairy market, beyond doubt, is promising in both scope and size. However, there are certain country-specific peculiarities that pose a challenge for corporate players who want to enter this industry. Unlike its global counterparts, the Indian dairy industry is susceptible to strong socio-cultural undercurrents in the form of milk procurement from lakhs of farmers. Hence, only those companies that are equipped with a strong backend of milk procurement, healthy relationships with grassroot level farmers and are armed with innovative value-added products of

commendable quality will emerge ahead of competition. We have the right mix of a strong milk procurement backend, cutting-edge technology and innovative branded products which are high margin accretive. As we expand our geographic presence and product range, we are standing at the cusp of an unstoppable dairy product revolution.

At Parag, we have always led through innovation, and this year was no different. We have created products that re-define categories and in many cases, we have launched products for the first time in

the country. Our emphasis on health and nutrition is reflected through our consistent focus on developing and launching new products that are relevant and aligned to the healthy lifestyle of new-age consumers.

With the purpose of making India healthier, fitter and stronger, we have launched a sports nutrition protein powder under the brand Avvatar. Avvatar is the first whey protein product manufactured in India. It is fresh, 100% vegetarian and a purely milk-based protein powder. We are confident that as young India becomes health and nutrition conscious, Avvatar and our subsequent products in this category, will become an integral part of their lifestyle.

Slurp is another example of how we have ventured into above ₹ 6000 crore, fast growing, mango juice drink segment with a distinct differentiation - a dash of milk. By doing so, we have remained within our core philosophy of being a dairy company, but at the same time tried to capture the opportunity in the large juice drink category, which has been growing at a 25% CAGR over the last five years (Euromonitor Report).

Besides these two key launches, we also launched 'Spice Up' cheese slices in five new flavours, Cheese Wedges-herbs and spices, Badam milk mix in 20 gram packages and a dairy whitener - Milkrich.

Our brand re-engineering has been such that each of our brands has a distinct persona and target group. Branding will play an increasingly critical role as we continue on our focussed value-addition journey, and ensure that we not only enjoy top shelf-space, but also top mind-space with our consumers.

We are proud to say that our flagship brand Gowardhan has been awarded the distinction of "Most Trusted Brand" in the ghee category for the 2nd year in a row in 2017, by the Brand Trust Report. We also received the Consumer Voice award for our ghee. What is particularly interesting

is that, within a year, we have moved 132 notches up in the overall ranking of FMCG brands across categories, which is rare.

Till recently, one of the key challenges was to ensure that our products reach every corner of India. Milk being a perishable product with a short shelf life, we found it critical to convert the milk that we procured into value-added products with a higher shelf life, which can thereby be distributed pan India. By doing so, we have created a formidable value-added product portfolio for ourselves. Our next step now is to re-engineer our supply chain and distribution to improve our last-mile connectivity. This will not only ensure that demand for consumer products remains robust, but will also improve the availability and freshness of our products.

While on one hand, we have increased our milk procurement through our consistent and healthy relationships with farmers and our investments in bulk milk coolers, on the other hand, we have also been building our manufacturing capacity. This year we have deployed a portion of our IPO funds into our cheese, paneer and whey processing units. We installed the first-of-its-kind whey processing plant in the country. We increased our capacity in cheese from 40 MT to 60 MT per day. We also expanded our paneer capacity to 20 MT per day and through our investment in a fully-automated paneer manufacturing, we were able to drastically improve the quality, hygiene and freshness of our packaged paneer.

We are also driving innovation by converting waste into useful, marketable products. At our Bhagalaxmi Bioscience Division, we have driven the commercialisation of cow manure under the brand name Microrich and have converted it into a high value product which has benefited innumerable farmers through an increase in soil health, crop yield and lower costs. Such initiatives have led to our subsidiary, Bhagalaxmi Dairy Farm, turning profitable for the first time this year.

Today, we have one of the largest and most varied product portfolio in the dairy-based foods segment. From farm to shelf, and now directly to your dining table, there is a significant opportunity at every stage of the dairy value chain. With customers appreciating quality and variety and realising the benefits of dairy products which are now becoming available to more customers across the country, we feel proud to be instrumental in driving a favourable change in food habits towards a greater consumption of healthy and nutritious milk and milk derivatives.

At Parag, we are here for the long haul. Our journey ahead is a journey of endless possibilities and opportunities. As with any business that deals with an agri-commodity as their major raw material, cyclical changes and a few aberrations are part and parcel of the business. What matters is that our fundamental focus on the long-term direction and trajectory of our Company remains intact - innovation driven, moving up the scale of value addition with an emphasis on health and nutrition, with one objective - to make the new India of tomorrow fitter, better and stronger.

On a concluding note, I take this opportunity to thank all our shareholders, for the trust reposed in the Company. My sincere gratitude to all our stakeholders, our business partners and bankers for their continued support. Lastly, but most importantly, I would also like to thank all our employees for their commitment, dedication and untiring efforts to execute and achieve the many ambitious plans we are set before ourselves.

Continue tracking us through the year and until then, wishing you all a very healthy and happy 12 months ahead.



Regards,
Devendra Shah

Managing Director's Letter to Shareholders



Taking a longer term perspective, our historical financial performance clearly suggests that we are on the right track. Over the past five years, our net sales have grown at a robust CAGR of 17%, while our PAT has increased by a CAGR of 10%

Dear Shareholders,

It is my pleasure and privilege to share with you the performance of the Company and the key developments that took place during the year gone by.

Since our listing in May 2016, we can proudly say that we have successfully executed our capex plan for FY2017, as laid out during the time of the IPO. In line with our strategy of increasing our value-added portfolio, we made investments to enhance the capacity for products like whey and cheese and established a fully automated paneer manufacturing facility that improved the quality, hygiene and

shelf life of the packaged paneer. We have also expanded our milk procurement through investments in bulk milk coolers, and have enhanced our facilities for milk handling, warehousing and cold storage. Moreover, for the first time this year, in Q3FY17, our subsidiary, Bhagalaxmi Dairy Farm turned profitable.

Yet, due to factors beyond our control, it was a difficult year; we had to navigate some choppy waters, even as we remained on course of our long-term journey. We were faced with two key

challenges during the year. The first was the abnormal rise in prices of milk in Q3 by 20%-25%, this translated into the Company taking an average price hike of >8% across our consumer products as milk is a key raw material and easily the largest cost component. We had plans to offset this sharp increase in the cost of raw milk by increasing prices after the festive season. However, the second challenge - an unexpected demonetisation exercise across the country - was announced in the month of November. This resulted in drastically subdued demand, forcing us to shift the price increase to Q4. It is a testimony to the strength and power of our brands, as well as the high consumer loyalty, that we were able to increase prices in some cases much ahead of competition.

While these challenges were substantial, our resolve was stronger. Undeterred, we continued launching new products as planned, and in line with our long-term strategy to keep building our value-added products portfolio.

Coming to our financial performance for the year, notwithstanding the temporary setbacks of Q3, namely, increase in milk prices followed by demonetisation, our Total Revenues for the year increased to ₹ 17,307 million compared to ₹ 16,452 million in the previous year, an increase of 5.2%. EBITDA for the year was ₹ 1,081 million against ₹ 1,482 million in the previous year, while PAT for the year was ₹ 171 million against ₹ 472 million last year.

Taking a longer term perspective, our historical financial performance clearly suggests that we are on the right track. Over the past five years, our net sales have grown at a robust CAGR of 17%, while our PAT has increased by a

CAGR of 10%. Despite ups and downs in our EBITDA growth over the same period, it has returned a CAGR of 5%. Our ROCE which stood at 16.2% in FY2016, still managed to remain at a moderate level of 7.3%, as we expand and build our capacities, assuring us that our long-term momentum is not lost.

We have used part of our IPO proceeds to bring down our total debt by ₹ 1,261 million. Our total debt as at March 31, 2017 stands at ₹ 2,624 million compared to ₹ 3,885 million as at March 31, 2016. Looking ahead, we are determined to reduce our debt further.

As far as our revenue mix is concerned, our consumer products, fresh milk and Skimmed Milk Powder (SMP) grew by 1%, 16% and 20%, respectively, y-o-y. The subdued growth in our consumer products category is mainly due to the price hikes we took ahead of competition, demonetisation and subdued rural demand in the first half of the year. The increase in the proportion of SMP, on the other hand was a one-time opportunistic sale in light of increased realisations of SMP, which prompted us to sell more SMP in Q4. However, our long-term strategy will remain focused on consumer products, per se.

Procurement plays a critical part in our business. This year, our milk procurement volume rose by 14% over last year, despite difficult times. To support the storage of milk, we installed several additional bulk milk coolers during the year. We have also expanded our distribution network by investing in Visi-coolers and opening three new depots, one each in Chennai, Jalandhar and Karnal, taking the total to 17 depots. In addition, we have augmented our network which now comprises over 2.5 lakh outlets and more than 170 SKUs. We have also made inroads into new geographies by expanding our footprint in fresh milk to new locations in Tamil Nadu,

like Trichy, and entered Gujarat through a co-packaging venture at Vasai.

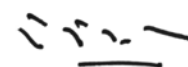
Export continued to over 30 plus countries in the American, Middle East and South East Asian markets. Exports Revenue also rose significantly by 79%, rising to ₹ 568 million from ₹ 318 million last year.

We continued with our innovation-led and R&D-driven launch of new products. The marquee product launches for the year were Avvatar, Slurp, Spice Up and Milkrich.

We have embarked on the journey of TOC (Theory of Constraints) where the emphasis is on leveraging our existing resources with freshness as the key parameter of evaluation. This along with enhanced reach and availability will lead to higher market share and healthy profitable growth.

Today, we are well-poised on our strategic growth journey. With a pan-India distribution network, several strong brands, a pipeline of value-added innovative products and a unique positioning of 100% cow's milk, we are confident of a sustained mid and long-term growth.

Thank you for your sustained faith and trust in the Parag milk revolution.



Yours Sincerely,
Pritam Shah

Board of Directors



1 Mr. Devendra Shah

Chairman

Under the leadership of Mr. Devendra Shah, Parag Milk Foods has grown from strength-to-strength. Driven by his enthusiasm and innovative approach to the business, the Group's revenues have grown manifold. He has promoted one of India's largest cow farm, called Bhagyalaxmi Dairy Farm. He leads Sharad Sahakari Bank, which is scaling new heights with every passing year under his leadership. He was the ex-Secretary of National Centre for Rural Development. He is well known for his visionary and innovative abilities.

2 Mr. Pritam Shah

Managing Director

In his current role, Mr. Pritam Shah is responsible for the overall executional strategy of the Company and consolidating the market presence. He is responsible for bringing in the best manufacturing technology for the Company, enabling it to compete globally. His strong understanding of procurement and production process has helped Parag Milk Foods enhance its overall performance.

3 Mr. B.M. Vyas

Director

Mr. B.M. Vyas advises the top management and assists in the creation of efficient and effective growth strategies for the Company. He is closely involved with monitoring the entire gamut of the business processes from the perspective of sales and distribution, getting them streamlined and efficient. Being a dairy veteran, he advises the Chairman on various aspects regarding the development of business.

4 Mr. Sunil Goyal

Director

Mr. Sunil Goyal joined the Board of Directors on January 15, 2008. He holds a bachelor's degree in commerce from Seth Motilal College, University of Rajasthan, and is also a qualified Chartered Accountant. He is currently an Independent Director on our Board and Chairman of the Audit Committee, in addition to being a member of the Stakeholders' Relationship Committee.

5 Mr. Narendra Ambwani

Director

Mr. Narendra Ambwani holds a bachelor's degree in electrical engineering from the Indian Institute of Technology, Kanpur. He has also served as managing director of Johnson & Johnson's consumer group. He has an experience of 39 years in the consumer product industry and was ex-Chairman of Advertising Council of India (ASCI). He was appointed on our Board on May 26, 2015 and is currently an Independent Director and Chairman of Stakeholders' Relationship Committee and member of Audit Committee.

6 Mr. Nitin Dhavalikar

Director

Mr. Nitin Dhavalikar holds a bachelor's and a master's degree in commerce from Pune University. He is also a qualified Chartered Accountant. He was appointed on our Board on July 28, 2015 and is currently an Independent Director and Chairman of the Nomination and Remuneration Committee and member of the Audit Committee.

7 Mrs. Radhika Pereira

Director

Mrs. Radhika Pereira holds a Bachelor's degree in law from Harvard University. After her articleship with M/s Mulla & Mulla and Craigie Blunt & Caroe, she completed her post-graduation from Cambridge and Harvard. On returning to India, she worked for some time with Arthur Andersen and in the year 1996, she set up Dudhat Pereira & Associates. Later, she joined as a Partner at Shardul Amarchand Mangaldas & Co at their Mumbai Office.

8 Mr. Ramesh Chandak

Director

Mr. Ramesh Chandak is the fellow member of the Institute of Chartered Accountants of India, Masters in Commerce and has completed the Advanced Management Programme at Harvard Business School. He is closely working with the Company on growth strategies and cost reduction initiatives. He was awarded the 'CA Business Leader of the Year - 2008' by The Institute of Chartered Accountants of India.

Key Management Team



Mr. Bharat Kedia

Chief Financial Officer

Responsible for the overall financial functions of the Company, Mr. Bharat Kedia is a Chartered Accountant and Company Secretary by qualification. With his rich experience of working in Nerolac Paints and Coca-Cola, Hellenic, abroad, he has demonstrated his ability to drive profitable business growth in consumer product companies. He is amongst one of the top 100 CFOs in India as per CFO-100 ranking. He essentially oversees the Financial Reporting, Budgeting, Forecasting, Information Technology, Business Finance, Treasury and Process Mapping of the Company.



Mr. Mahesh Israni

Chief Marketing Officer

Mr. Mahesh Israni heads the Sales and Marketing functions of the Company and also handles the overall value-added product sales, brand development and RTM Strategy. He works closely with the marketing team to create selling and distribution strategy for the existing brands of Parag Milk Foods. He has over 25 years' of rich experience in sales and customer marketing in the FMCG sector which entailed valuable stints at Pidilite and Unilever.



Mrs. Rachana Sanganeria

Company Secretary & Compliance Officer

Equipped with a bachelor's degree in commerce and a bachelor's degree in law, both from Mumbai University, Mrs. Rachana Sanganeria is also a member of the Institute of Company Secretaries of India. She has been the Company Secretary at Parag Milk Foods Limited since December 2013. She has over 12 years of experience as a Company Secretary and has earlier worked with Raymond Ltd., Parle International Ltd., Bailey Beverages Ltd. and Elixir Netcom Solutions Private Ltd.



Mr. H.S. Oberoi

President - Cheese Manufacturing

Mr. H.S. Oberoi advises the leadership team on strategic business initiatives and the overall company development at large. A Mozzarella Cheese manufacturing expert, he has a B. Tech degree and over 52 years of extensive experience in the dairy industry. In his career, he has worked with leading dairy and food companies like Modern Dairies Ltd., Road Master Food Ltd., Milk Federation, Indodan Milk Products, Dalmia Dairy Industries and Haryana Milk Foods. He has travelled across the world to study and implement best practices in the dairy industry.



Mr. Sachin Shah

Vice President - Southern Operations

A science graduate, with over two decades of professional experience, he oversees the Company's operations at Palamaner. He heads Supply Chain function of the Company.



Mr. Sanjay Mishra

General Manager, Plant

Mr. Sanjay Mishra has over two decades of experience and is a Specialist in Process Cheese Recipes. He has a deep understanding of the evolving Indian palate and can develop various products to suit the Indian Taste. He also heads the Liquid Milk Procurement in the Company. In his career, he has worked with renowned dairy firms like Vadilal Dairy International Ltd. and Gokul Dairy.



Mr. Sanjay Nakra

General Manager, Plant

Mr. Sanjay Nakra is a Dairy Technologist with experience of over 25 years in Dairy Plant level manufacturing. His illustrious career includes stints across key companies like Glaxo SmithKline, Himachal Milk Product, Foremost Industries and Modern Dairies. He travels across the world, to track global practices and advancements in the dairy sector.



Ms. Akshali Shah

VP - Strategy (Sales and Marketing)

Ms. Akshali Shah joined the Company as a Management trainee and has been working with the organisation for the past 6 years. Despite being the youngest leader in the management team, she is responsible for strategies on marketing and works on the next horizon product categories. Along with this, she heads the Pride of Cows business and works very closely on the marketing campaigns, to drive executional excellence. She has a post graduate degree in FMB from SP Jain Institute. She was nominated to the 6th edition of Impact's 50 most influential women in Indian media, marketing and advertising where she received a "Special Mention". This award acknowledges the achievements of women who are influencers in their field.

Our Integrated Business Model



Dairy Farming & Milk Procurement



- At Bhagyalaxmi Dairy Farm, our wholly-owned subsidiary, we house over 2,000 Holstein Friesian cows. The brand 'Pride of Cows' derives its milk from these cows.
- We procure 100% cow's milk from more than 2 lakh farmers in 29 districts in Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka.
- Our average daily procurement is 1.2 million litres milk per day.

Processing



- Two dairy plants at Manchar (Maharashtra) and Palamaner (Andhra Pradesh).
- Installed milk processing capacity of 2 million litres per day.
- One of the largest cheese plant with a capacity of 60 MT per day.
- India's 1st state-of-the-art whey plant.
- Fully automated fresh Paneer manufacturing unit.
- UHT Technology at the Palamaner plant.

Distribution



- A network comprising 17 Depots, 100+ super stockist and 3,000+ distributors.
- Pan-India presence through both traditional & modern trade channels reaching 2.5 lakh plus retail touch points.
- Exports of products to several countries.

Branding



- Diversified product portfolio with a well thought out brand engineering strategy.
- Four existing brands - Gowardhan, Go, Topp Up, Pride of Cows.
- Launched 3 new brands this year - Milkrich, Awatar, Slurp.

Happy Consumer



- Providing consumers with a varied product portfolio of the highest quality.
- Catering to the diverse needs of a consumer.
- Targeting distinct consumer groups.

Milk Procurement - Farmers our Partners in Progress



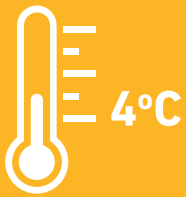
Procuring pure cow's milk is at the heart of the dairy business. To ensure that we have a consistent supply of quality milk, we believe farmers are our key partners in progress.

Our 3-tier milk procurement system involves over 2,00,000 farmers from 29 districts of Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu through more than 3,400 village-level milk collection centres collecting nearly 1.2 million litres of milk every day.



Tier 1

Village collection centres procure milk from thousands of farmers twice a day



Tier 2

This milk is then transported to nearby chilling centres and chilled at 4°C



Tier 3

The chilled milk is then transported in tanks to our dairy plant where the milk is quality tested and standardised

Our Manufacturing Units

We have been investing in the expansion and modernisation of our two existing manufacturing plants at Manchar in Maharashtra and Palamaner in Andhra Pradesh. Our current processing capacity is 2 million litres per day between two plants.

- We have increased our cheese capacity from 40 MT to 60 MT per day.
- We have installed the first-of-its-kind whey processing plant.
- We have installed a fully automated Paneer plant with capacity of 20 MT per day.



Palamaner plant, Andhra Pradesh



UHT facility at Palamaner plant



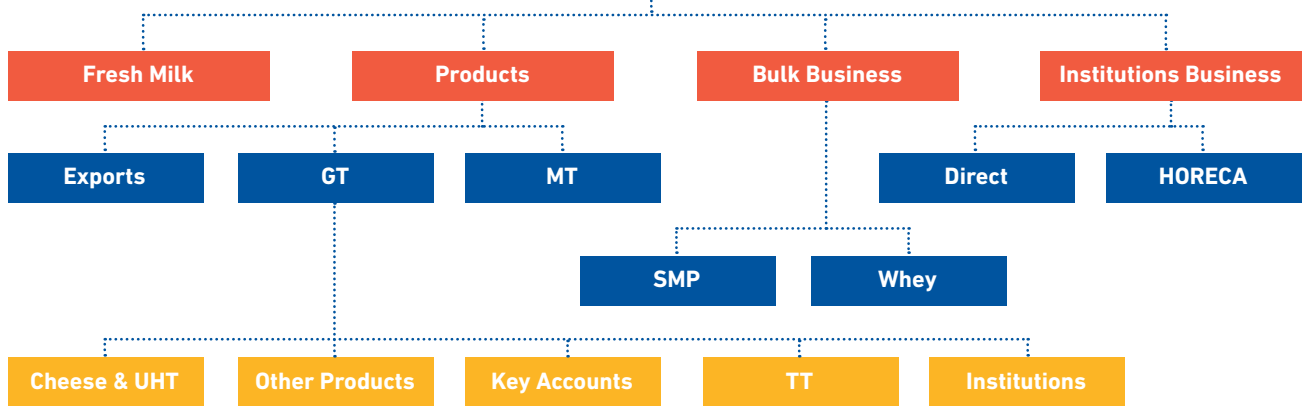
Topp Up line at Palamaner plant



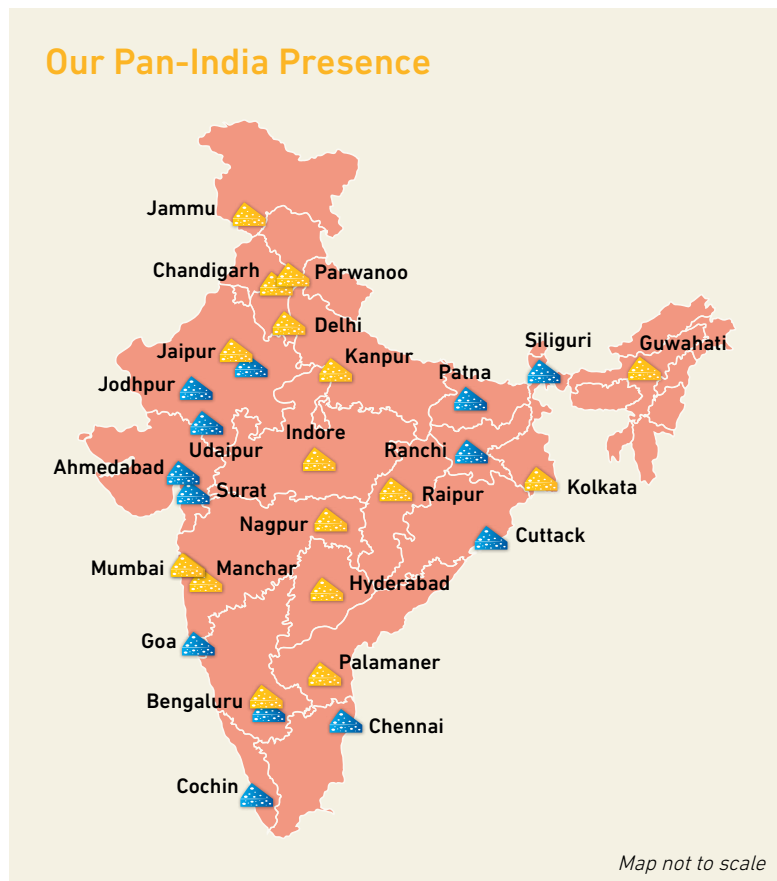
Sales & Distribution

Well-Integrated Supply Chain Network

Route-to-Market Addressing Diverse Consumption Points



Our Pan-India Presence



- Depot Locations
- Super Stockist

Region-wise distribution network in India

Region	Depots	Super Stockists	Distribution (greater than)
Mumbai	1	4	250
North	5	45	450
East	2	18	300
West	5	40	800
South	4	33	1,200
Total	17	140	3,000

Parag product range at Supermarket



Our sales personnel taking real-time orders digitally



Working closely with our Institutional Partners

We have strong partnerships with top institutional players in the country who form an integral part of our overall business and feature prominently in our strategic growth plan.



Strengthening the Distribution Network

"Gowardhan Bandhan," an event of fun-filled celebrations and felicitations, brings together thousands of our distributors on a regular basis. The event aims to further strengthen our relationship with our network of distributors, all of whom play an important role in our future growth and expansion plans.

Mr. Sunil Grover aka Guthi and Mr. Devendra Shah honouring the winner of Gowardhan Bandhan at Talkatora Stadium, Delhi



We engage our institutional and HORECA clients through interactive, 'Go Culinary Creation' events where celebrity Chef Ranveer Brar showcases latest trends in the food industry through product demos, tasting and sampling.

Mr. Ranveer Brar, celebrity chef, addressing the HORECA meet at Bengaluru



Marketing Strategy & Campaigns



Ms. Akshali Shah,
VP - Strategy (Sales and Marketing)

Our approach on marketing strategy as well as product/category development is based on consumer insight and innovation. This is amply demonstrated by our approach which is 3-pronged with the philosophy of "Think Global, Act Local":

- Based on our understanding, and insights from global trends, we develop a concept based on hypothesis.
- We do a consumer dip stick to validate our hypothesis.
- And finally this is translated into an actionable blueprint.

This concept has been well used across product development as well as marketing strategies.

This also has led us to have a strong consumer insight on the dairy category.

Our approach has been to use this for consumer segmentation with differential needs and ensure that we have a product offering for each segment of our consumers.

This is well demonstrated by the fact that even in the most basic product in the dairy industry, which is milk, we have clearly segmented our product offerings. For example, we have the fresh milk in pouch for approx. ₹ 45/- to tetra pack UHT milk for approx. ₹ 65/- to the top of the pyramid offering with the Pride of Cows milk (coming from our Farm - Bhagyalaxmi) marketed at ₹ 90 per litre.

Similarly, the innovation on cheese with different variants is based on similar consumer insights which has made us launch the first-of-its-kind variants in terms of flavours in cheese slices.

As a strategy we have adopted for the past few years, we are selective in our marketing campaigns, but we ensure that all our marketing initiatives are holistic in nature and executed thus with a 360 degree approach.





Gowardhan Ghee - The Gold Standard in Cow Ghee

We have changed the positioning of our flagship brand, Gowardhan Cow Ghee.

We have come up with a new communication for our flagship brand 'Gowardhan Ghee'. The earlier campaign of 'Baat hai Khushi Ki' has taken our Gowardhan Ghee to a level where our ghee was revered with festivities and special occasions.

The time has come to ensure that the brand becomes integral to the daily lives of our consumers. The consumer insight we picked up was that consumers were associating golden yellow colour with cow's ghee which gave birth to our new campaign 'Pyaar Ka Rang Sunehra' which changed the consumption pattern from special occasion to everyday consumption.

Our 360-degree communication has an appeal across gender, age and groups, emoting love and establishing Gowardhan Cow Ghee as the gold standard in ghee.

We introduced this new marketing campaign with the aim to take the leadership position in ghee.



Our branding efforts are also endorsed by external sources and our flagship brand, Gowardhan Ghee, won the Most Trusted Brand award in the ghee category by Brand Trust Report for the second consecutive year in 2017.

We also produced a digital campaign titled #CookForHer

The emotional connect of 'Gowardhan Ghee' was amplified with a special Women's Day initiative across digital platforms, where we encouraged men to salute the women folk in their lives.

The content of this campaign covered a simple idea which showcased how life partner take care of all the needs and

minute preferences especially in your food habits. As a gratitude towards this gesture, we aimed to encourage the male counterparts to show their love on a plate by #CookForHer .



Spice Up the Cheese!



We take immense pride in calling ourselves, 'The Cheese People'. Making cheese is our passion and Go Cheese is our largest product portfolio under our brand name Go.

We have been launching innovative products in the cheese category and launched Chutney Cheese slices with convenience of sandwich-making which received an overwhelming response.

With Spice Up, we have now launched four new innovative flavours in the cheese slices segment during the year - Kacha Aam, Achari, Piri Piri and Schezwan. These flavours have been developed keeping in mind the current taste trends and the right mix of traditional and international flavours.

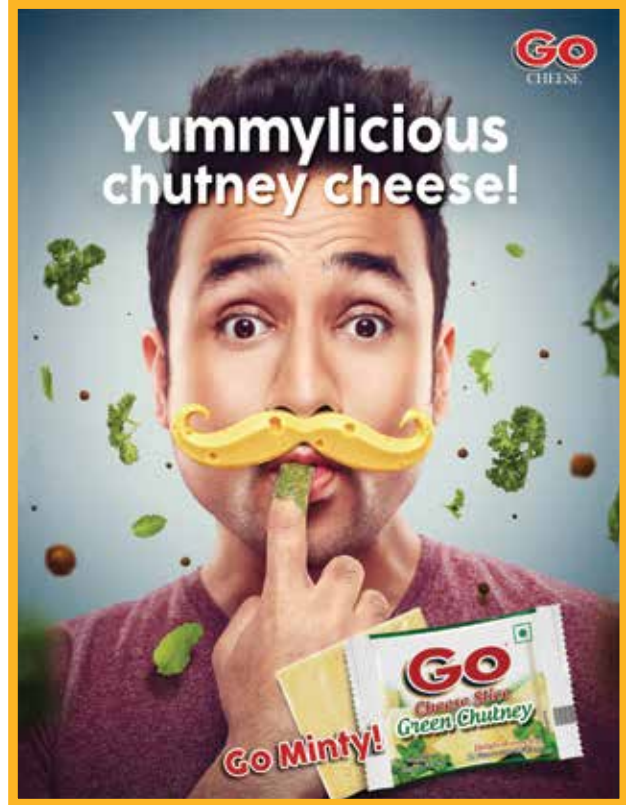
These slices serve as perfect ingredients in making Parathas, Sandwiches, Pakoras, Burgers or Dosas and saves the grind for a mother at home or a chef.

Spice Up is available in an easy consumption pack tiffin, ideal for school children and youth to consume it directly as a snack item.

We have signed celebrity Vir Das in our new marketing campaign to promote Spice Up.

While the flavoured cheese category consumption in India is at a nascent stage, the Company foresees an exciting potential considering the evolving palette of consumers.





Go Cheese Lovers Day

As a part of our strategy on cheese, we have associated ourselves for the past 2 years with Cheese Lovers Day and have taken the right steps to own this space with our campaign - "Go Cheese Lovers Day."

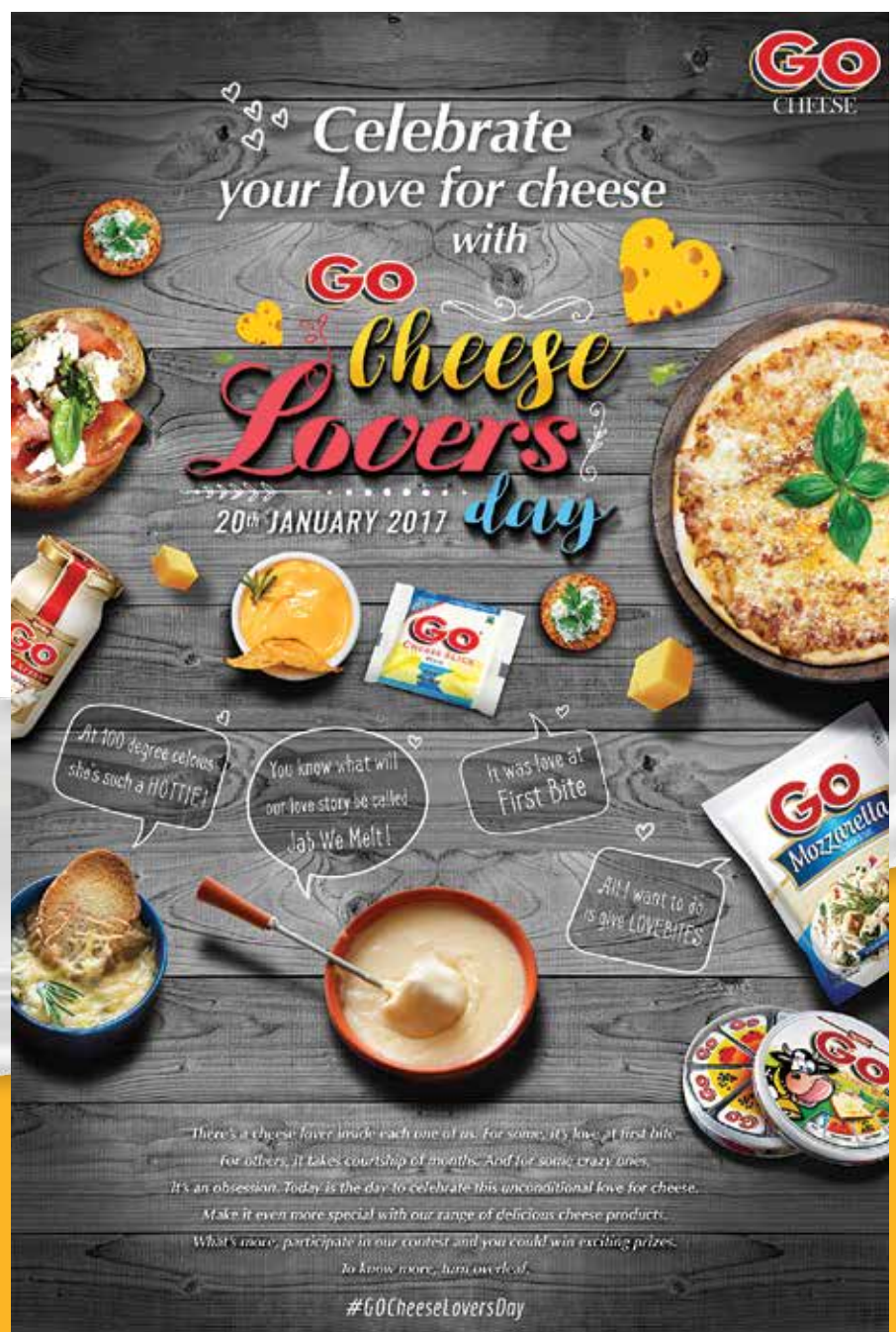
We celebrate 20th January every year as a day of unconditional love for cheese which is made special with our large range of delicious cheese products.

This day holds a special place in the heart of cheese lovers and with our campaigns we invite these cheese consumers to express their love for cheese in the most innovative ways they can.

The campaign was amplified with print, radio and digital, which invited consumers to join hands with the innovative company in their own innovative way to express their love for cheese. The campaign went on for 5 days and culminated with a recognition of "Love for Cheese" on 20th Jan and consumers were rewarded with special prizes.

The campaign was successful with large number of participants and clicks on the digital platform during the whole day.

As time passes, we will ensure that we make this bigger and virtually own the space, eventually enrolling new consumers to the cheese category and drive depth of consumption.

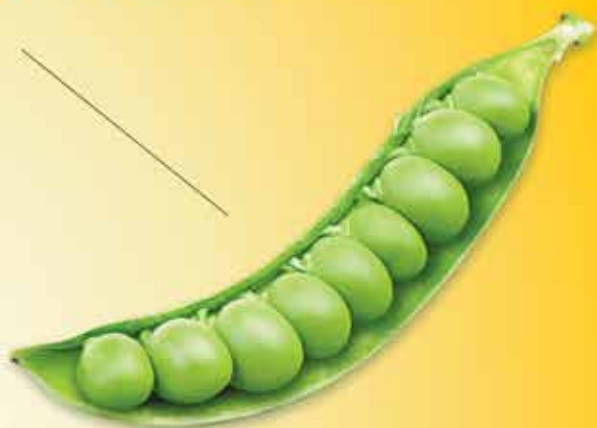




®



*“You're as fresh as I am...
let's get together!”*



A QUALITY PRODUCT FROM
PARAG MILK FOODS LTD
www.paragmilkfoods.com

UHT Beverages



Pride of Cows

Pride of Cows celebrated its 5th birthday

Direct from our Farm to the consumer's home, Pride of Cows is fresh and pure cow's milk available in Mumbai, Pune and Surat. Premium in every way, it follows the highest standards of hygiene and quality control. It is chilled to 4 degrees Celsius, bottled and delivered fresh to our discerning consumers at their doorstep through a process that is completely mechanised from start to finish.



Slurp

Forayed into beverage category with Slurp - a mango drink with the dash of milk

Slurp is manufactured from the finest Alphonso mangoes with a dash of milk. We have launched a pilot project in the cities of Mumbai, Delhi, Chennai and Kanpur. Slurp is available in 200 ml Tetra pack at a price point of ₹ 20.

Slurp's unique differentiator is "a dash of milk" – going back to grandma's recipe of adding milk to mango pulp.

Within our value-added products portfolio, we have identified beverage category as a key growth driver.

Our research indicates that consumers have become health conscious and are looking for alternatives to aerated drinks and are largely moving towards fruit-based beverages.

By launching Slurp with a dash of milk, we have remained within our philosophy of being a dairy-based company.





Before launching Slurp, we conducted a market and consumer research through India Net Survey in the cities of Mumbai, Chennai and Kanpur. On blind tasting, results showed that Slurp had a huge lead in every aspect (taste, thickness, colour and overall mouth feel) over other players in the market which gave us the confidence to go ahead and launch it.



- ACCORDING TO EUROMONITOR, JUICE DRINK MARKET IS ESTIMATED TO BE ABOVE ₹ 6,000 CRORE.
- IT HAS BEEN GROWING AT A CAGR OF 25% IN VOLUME AND 31% IN VALUE IN THE LAST FIVE YEARS.
- THE REPORT ALSO STATES THAT THE MANGO COMPRISES 85% OF THIS JUICE DRINK MARKET.

Avvatar - Whey Protein Powder

Parag Milk Foods is India's first Company to manufacture a sports nutrition whey protein powder. This fresh and 100% vegetarian whey protein is quality tested at every stage. Avvatar is clearly a next-gen product developed in line with the Company's vision of promoting health and nutrition amongst the youth in the country.

Avvatar has a higher and better quality protein; grammage per scoop as follow:

- 24g – Protein
- 7.8g – BCAA
- 7.9g – EAA
- 4.9g – Glutamic Acid

Parag Milk Foods has a clear advantage in Avvatar because:

- Whey is a by-product of cheese which gives a clear advantage to enter the category.
- Meets the Company's vision of promoting health and nutrition.
- Expands the Company's market presence through the introduction of new route-to-market channels.
- Broadens the portfolio of higher margin products.
- Leverages our advanced technology in Dairy sector.

avvatar™

RECONSTRUCT YOURSELF WITH ABSOLUTE 100% WHEY PROTEIN

24g PROTEIN	7.8g BCAA	7.9g EAA	4.9g GLUTAMIC ACID
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PURE VEG • SUGAR FREE • SOYA FREE • GLUTEN FREE

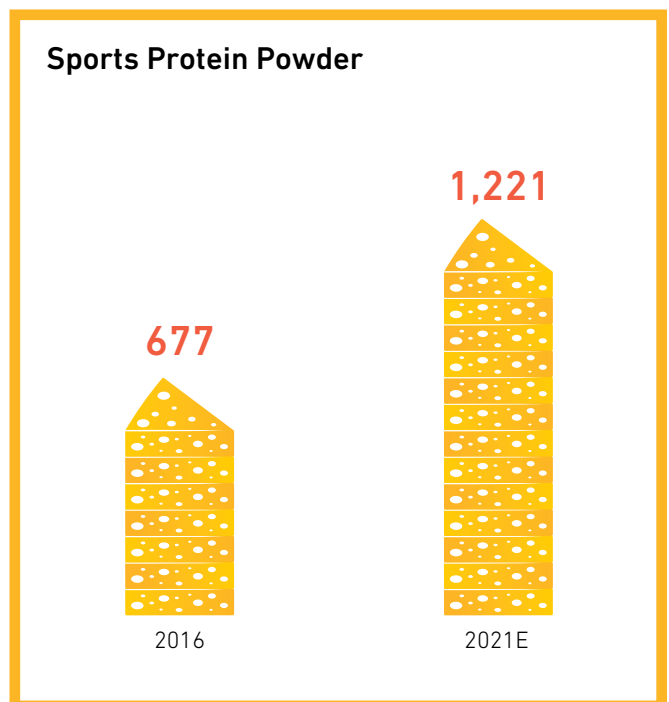
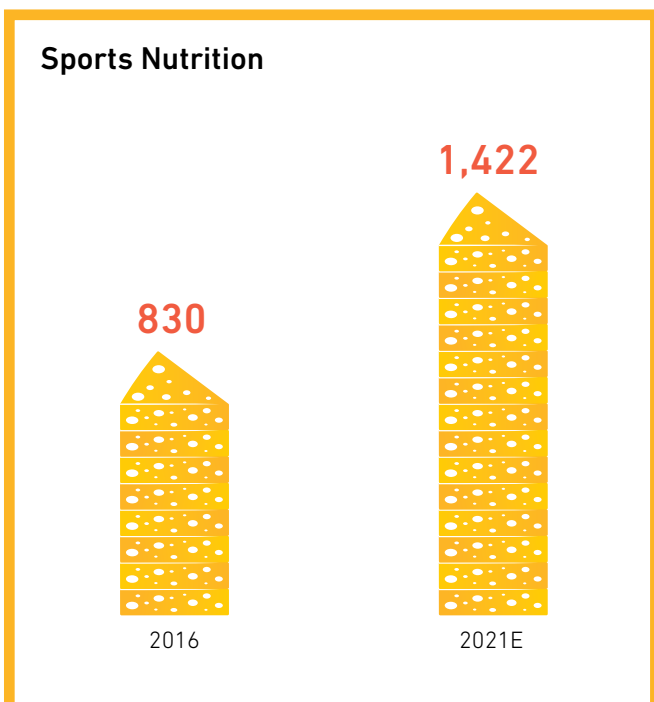
DAIRY FARM • CHEESE PLANT • WHEY PLANT • STORE • SHAKER

**FROM OUR DAIRY FARM TO YOUR SHAKER CUP,
FRESH AND PURE.**



Sports Nutrition Industry

(₹ in Crore)



Source: Euromonitor

Driving Innovative Eco-friendly Practices at Bhagyalaxmi Dairy Farm



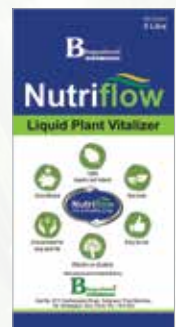
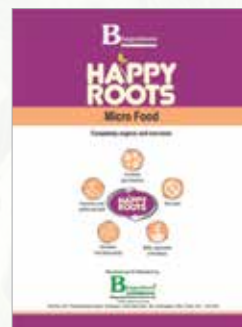
Bhagyalaxmi Dairy Farm with world-renowned Holstein Friesian dairy cattle and top quality international equipment, is regarded as India's most modern dairy farm. From this dairy, we provide our customers with premium farm-to-home milk in the form of our brand 'Pride of Cows'. It is strategically located in the milk belt at Manchar, Maharashtra. Over 2,000 Holstein Friesian cattle are lovingly nurtured and cared for at the farm in line with our belief that "Happy cows give better milk."



Bhagalaxmi Bioscience Division

At the bioscience division, we are driving innovation by converting waste into marketable products. We have introduced certified organic fertilisers through the commercialisation of cow manure and cow urine into value-added products. The division has taken advantage of the well-established dairy farm that hosts 2,000 cows. Innumerable farmers are benefiting economically through an increase in soil health and crop yield at low costs. We have used the bio-gas produced there to generate electricity for captive consumption and save scarce resources. Such initiatives have led to our subsidiary turning profitable for the first time in FY17.

Bhagalaxmi Bio Division Team



Bhagyalaxmi Dairy Farm - A Dairy Tourism Hub

Have you milked a cow ever?

Everyone wants to milk a COW!

Pet calves in the nursery, and stroll through the barn to see how the calf will grow up and eventually become a cow.

While visiting the farm cows in the barnyard, you will learn more about Holstein Friesian breed of cows, their food and farm life.

Your family or group will be able to experience daily farm life first hand.

While on a farm tour be sure to plan on hand - milking a cow, petting and feeding these lovely cows!

Bhagyalaxmi Dairy Farm is clean, safe and the tour is hands-on and family-friendly. Come and see what dairy farming is all about.

Every day at Bhagyalaxmi is new and exciting, often there are a variety of babies from few days old calves to newborn calves for you to observe and enjoy.



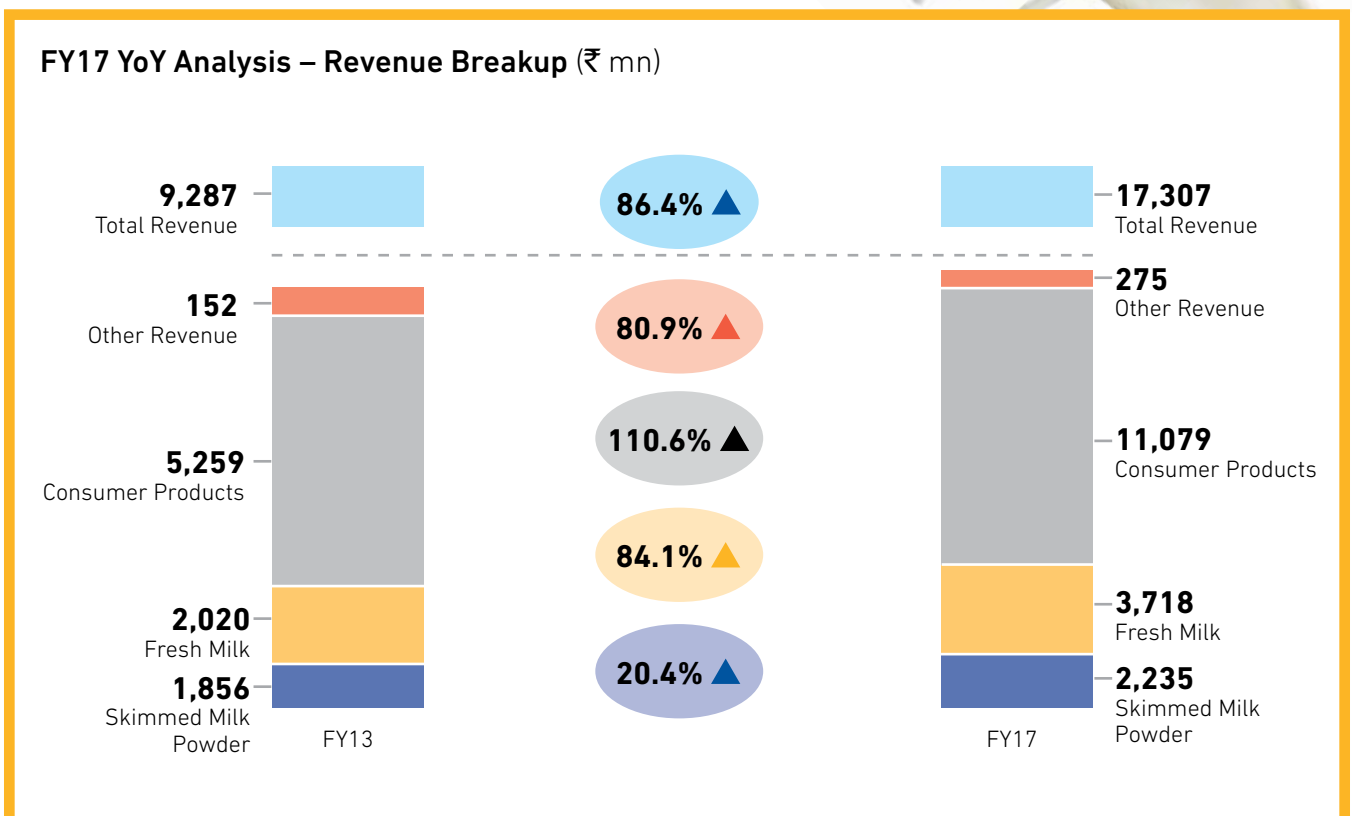
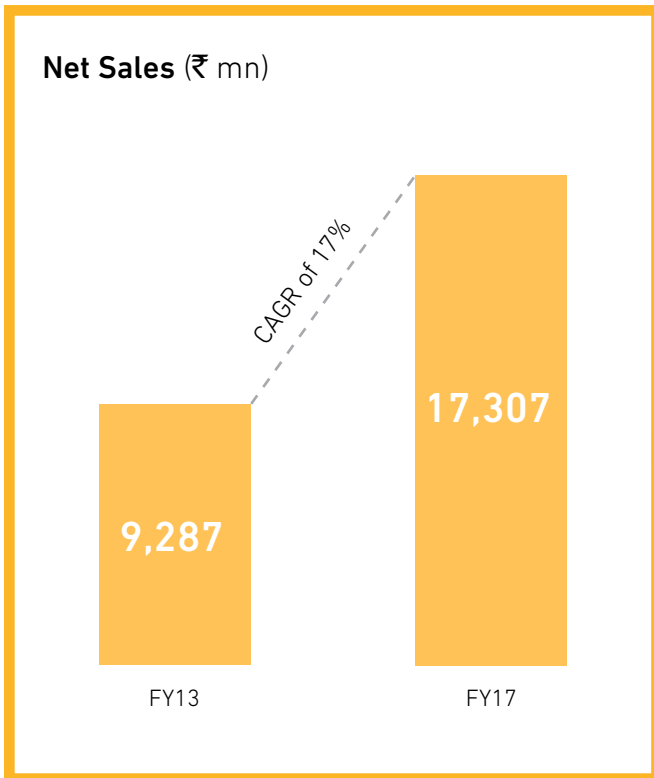
Chief Minister of Madhya Pradesh, Mr. Shivraj Singh Chouhan visiting Bhagalaxmi Dairy Farm with his wife

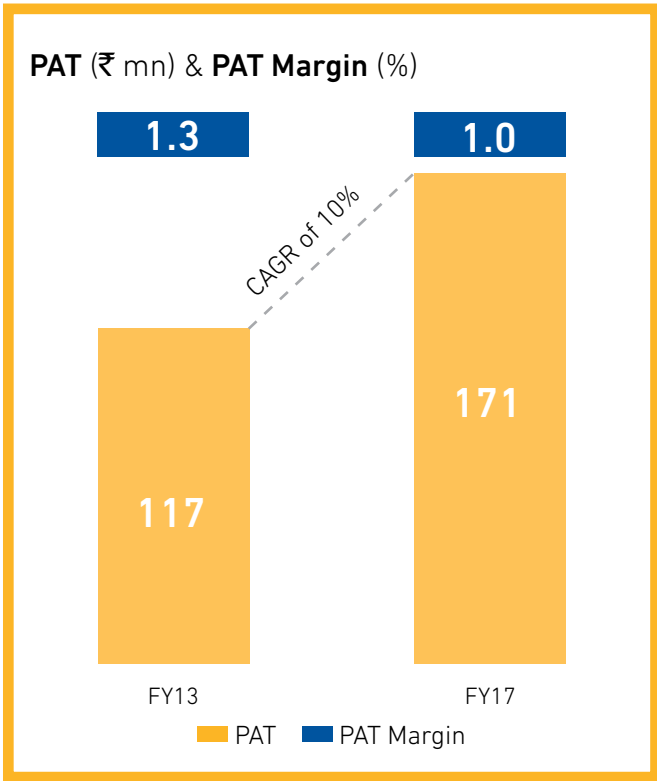
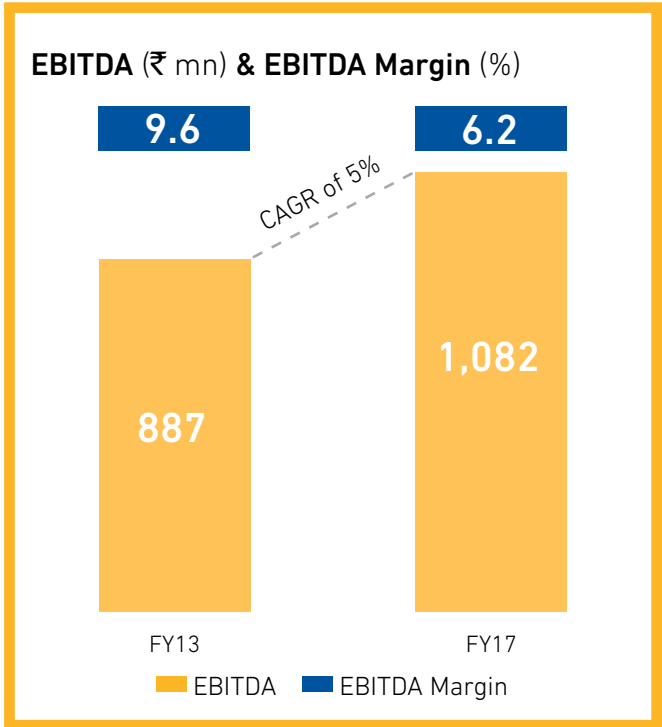
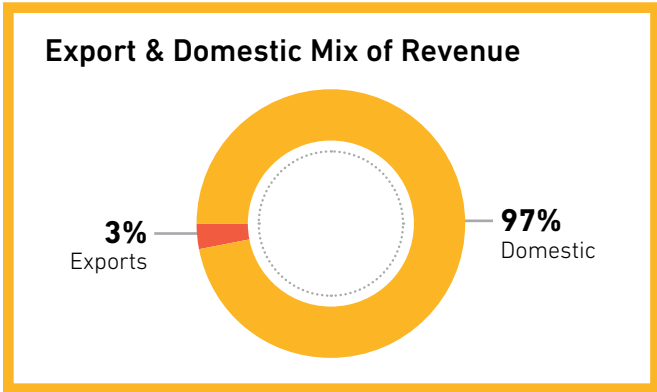


Team at Bhagalaxmi Dairy Farm



Financial Highlights

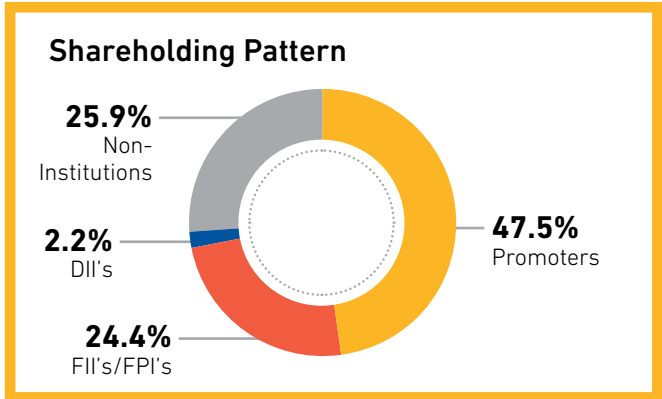




1,622*
Employees

22,160*
Shareholders

7.3%*
ROCE



* As of March 31, 2017

Striking the Right Chord

2016 was a year where we got listed on the bourses, an eventful landmark in our existing journey which began in 1992

From left to right: Mr. Pritam Shah, MD and Mr. Devendra Shah, Chairman at Stock Exchange for the Listing ceremony of Parag Milk Foods Limited





Corporate Information

Directors

Mr. Devendra Shah
Chairman and Whole Time Director
(DIN: 01127319)

Mr. Pritam Shah
Managing Director
(DIN: 01127247)

Mr. B.M. Vyas
Non- Executive Director
(DIN: 00043804)

Mr. Sunil Goyal
Independent Director
(DIN: 00503570)

Mr. Ramesh Chandak
Independent Director
(DIN: 00026581)

Mr. Narendra Ambwani
Independent Director
(DIN: 00236658)

Mrs. Radhika Pereira
Independent Director
(DIN: 00016712)

Mr. Nitin Dhavalikar
Independent Director
(DIN: 07239870)

Management Team

Mr. Bharat Kedia
Chief Financial Officer

Mr. Mahesh Israni
Chief Marketing Officer

Mrs. Rachana Sanganeria
Company Secretary &
Compliance Officer

Mr. H.S. Oberoi
President

Mr. Sachin Shah
Vice President, Southern Operations

Mr. Sanjay Mishra
General Manager, Works

Mr. Sanjay Nakra
General Manager, Operations

Miss Akshali Shah
VP - Strategic (Sales & Marketing)

Statutory Auditor

Haribhakti & Co. LLP
Chartered Accountants
(Firm Registration No. 103523W/W100048)
Hermes Centre Premises Society Limited
Office No. 103, 1st Floor, S No. 185A,
Shastri Nagar, Yerwada, Pune - 411 006

Cost Auditor

Harshad S. Deshpande & Associates
Cost Accountants
(Firm Registration Number 00378)
1254 Sadashiv Peth, Sadbhav Sadanika,
Pune - 411 030

Secretarial Auditor

N.L. Bhatia & Associates
Company Secretaries
507, Skyline Wealth Space,
5th Floor, C2 Wing,
Skyline Oasis Complex,
Premier Road, Near Vidya
Vihar Station, Ghatkopar (W),
Mumbai - 400 086

Internal Auditor

KPMG in India
Building No. 10, 8th Floor, Tower-B
DLF Cyber City, Phase - II
Gurgaon - 122 002 (India)

Bankers

Union Bank of India
State Bank of India
IDBI Bank Limited

Registrar & Transfer Agent

Karvy Computershare Private Limited
Unit - Parag Milk Foods Limited
Karvy Selenium, Tower B,
Plot 31-32, Gachibowli, Financial District,
Hyderabad - 500 032

Plant Locations

(A) Manchar Plant
Awasari Phata, Manchar, Pune - 410 503

(B) Palamaner Plant
149-1, Samudrapalli Village,
Post - Pengaragunta,
Palamaner Mandal, District - Chittoor,
Andhra Pradesh - 517 408

Registered Office

Flat No.1, Plot No. 19,
Nav Rajasthan Society, S.B. Road,
Shivaji Nagar, Pune - 411 016

Corporate Office

20th Floor, Nirmal Building,
Nariman Point, Mumbai - 400 021

Management Discussion & Analysis

Global & Indian Dairy Industry

Overview

India is one of the world's largest and fastest-growing dairy markets. Operation Flood, one of the world's largest dairy development programmes, led by Dr. Kurien, played a crucial role in transforming India from a milk-deficient country to the largest milk producer in the world. India's large leap in milk production from 17 MT in FY 50-51 to ~164 MT in FY 16-17, made it the largest milk producer in the world, surpassing even the US and EU.

(Source: IMARC Report, National Dairy Development Board)

Milk Production

Milk production has grown at a CAGR of over 5% over the last five years and the total milk production in FY 16-17 touched of ~164 MT.

Milk production in India in MT

2007-08	107.9
2008-09	112.2
2009-10	116.4
2010-11	121.8
2011-12	127.9
2012-13	132.4
2013-14	137.7
2014-15	146.3
2015-16	155.5
2016-17	163.7

(Source: National Dairy Development Board)

The per capita availability of milk has more than doubled from 130 gm/day in FY 50-51 to 337 gm/day in FY 15-16.

Per capita availability of milk in grams per day

2007-08	260
2008-09	266
2009-10	273
2010-11	281
2011-12	290
2012-13	299
2013-14	307
2014-15	322
2015-16	337

(Source: National Dairy Development Board)

However, the per capita consumption of milk, is still low at 97 litres a year, compared to its global counterparts of 285 litres

per year in the US and 281 litres per year in the EU. (Source: Care Report on the Indian Dairy Industry, June 2017)

The total production and consumption of milk in India is expected to touch 189 MT and 192 MT, respectively by FY 20-21 as per IMARC Group Estimates.

In India, over 80% of milk is consumed in the liquid form, as opposed to developed countries that consume a large portion of milk in the form of dairy products. This is also the reason why several co-operatives derive a large part of their revenue from fresh milk. The total market for liquid milk in India is expected to grow at a CAGR of around 15% from FY15-20 to touch ₹ 6,068 billion (US\$ 101.1 Billion). However, with the emergence of private players like Parag, Indian consumers are consuming more value-added products versus fresh milk

Average Milk Yield

Although India has one of the largest Bovine population, the average yield per cow is significantly lower than its global peers.

Cow milk yield across world's top milk producers

Country	Cow milk yield/tonnes per animal per year
USA	9.9
Germany	7.29
France	6.41
New Zealand	3.95
Russian Federation	3.9
Turkey	2.97
China	2.92
Brazil	1.49
India	1.35
Pakistan	1.23

(Source: Food and Agriculture Organisation of the UN, 2013)

Perspective on Cow and Buffalo milk

In the developed countries such as the EU, USA, China, Australia and New Zealand, cow milk is the preferred type of milk as consumers are mindful of the nutritional benefits of cow milk over buffalo and other sources of milk. Contrary to global trends, in India, milk is sourced largely from buffaloes. However, as cow milk is considered healthier than buffalo milk owing to its lower fat content, the demand for cow milk is slowly rising in India, especially in urban areas.

Cow milk production of top 10 countries in MT

Country	Milk production
India	135.6
USA	91.3
China	40.2
Pakistan	39.1
Brazil	34.4
Germany	31.1
Russian Federation	30.5
France	24.6
UK	13.9
Poland	12.7

(Source: National Dairy Development Board, 2013)

Trend from unorganised to organised sector

As India does not have any sizeable exports and imports of milk products, milk produced in India is largely consumed in India itself. The Indian dairy sector is divided into organised and unorganised segments.

54% of the milk produced is retained by the dairy producers (mainly farmers) for their own consumption and used by traditional milkmen and vendors. From the remaining 46% of marketable milk, 70% is unorganised, and 30% is organised. The organised segment consists of co-operative players and private players. Co-operatives, today, provide small-scale dairy producers with a stable source of income and link many million small-scale dairy producers to urban markets.

Industry sources maintain that the total organised segment consists of only 20% of the total dairy market; while 80% of the market remains unorganised. Hence, there is immense scope for the organised sector to gain market share of the unorganised sector. (Source: IMARC)

Milk Procurement

The dairy industry in India faced an unusual increase in the procurement prices of raw milk in Q3FY 17. Prices of raw milk increased between 20-25% on a y-o-y basis, even as globally, prices of raw milk declined during the year. This steep hike in milk prices was owing to a rise in global SMP prices and the increase in the cost of fodder to farmers due to two consecutive years of drought. Most dairy players in India were planning to raise consumer prices to off-set this abnormal rise in procurement costs, but due to demonetisation, they had to postpone this. It was only in the month of January 2017, when demand began to normalise, that we were able to raise prices, while competition followed several weeks later.

Trends – Opportunities & Outlook

Growing demand for value-added products, rising disposable income levels, changing consumer dietary patterns, and

increasing awareness regarding the nutritious value of milk-based products, amongst other factors are driving growth in the Indian dairy market.

Rising share of Value-added products

Over the past decade, high margin value-added products like cheese, ghee, UHT (ultra-heat treatment) milk, flavoured milk, curd, amongst others have been rapidly growing. The demand for value-added products has been driven by multiple factors, such as:

- 1) Rising income levels due to a rising middle class and working population
- 2) Rising number of dual income households through increase in the number of working women
- 3) Increase in urban population
- 4) Rapidly expanding food service industry (Rise in HORECA – Hotels, Restaurants & Caterers segment)
- 5) Aggressive spending on advertisement and sales promotions by organised players to create awareness among consumers

Moreover, investments in infrastructure such as cold storage, innovation in packaging, and other technology and processing improvements will boost the shelf life of value-added products, increase their availability and thereby boost their demand.

Changing Dietary Patterns

Milk is a useful source of vital nutrients like protein, fats, carbohydrates and vitamins especially for vegetarians. Given the health benefits of milk, consumers have started including various milk and milk products in their daily dietary plans. Further, the demand for convenient and healthy food options are steadily rising, especially in the urban areas and amongst youth. Over the years, the consumption trend has changed with people shifting from home-made dahi, ghee and paneer to branded products due to convenience in buying and higher assurance of quality. This has promoted the growth in demand for milk and value-added milk-based products.

Innovation and mushrooming of new categories

Consumers are increasingly health conscious and are preferring nutritious, low-carb, high-protein meals. They are experimenting with niche categories and therefore demand is fast growing for products like milk-based juice drinks, sports nutrition products like whey protein, amongst others.

Recent Government Initiatives

- Milk consumption is growing at a faster pace than milk production, leaving a gap between demand and supply.
- In order to meet this rapidly growing demand and to increase milk production in the country, the Union Government has

started a central scheme, National Dairy Plan - Phase 1, for the period starting from FY12 to FY17. Several initiatives have been undertaken and implemented by the Government to increase clean milk production, dairy development, cattle breeding and feed fodder management.

- In the Union Budget 2017-18, the Government of India has set up a dairy processing infra fund worth ₹ 8,000 Crore (US\$ 1.2 Billion).
- Several incentives in the form of tax deductions on income for cold chains have been offered, further tax exemptions and deductions have also been provided on capex expenditure for the development and setting up of cold chain facilities.

Financial and Segment-wise performance

The Company recorded a Total Revenue of ₹ 17,307 Million for FY 16-17, an increase of 5.14% as against ₹ 16,452 Million recorded in the previous financial year. Steep rise in raw milk prices, demonetisation and the consecutive price increase taken across our consumer products were some of the main reasons that led to the modest growth in revenue.

Impacted by the high raw milk prices, EBITDA witnessed a decline of 27% from ₹ 1,482 Million in FY 15-16 to ₹ 1,082 Million in FY 16-17. However, cost optimisation initiatives like reduction in A&P spends in Q4 and a systemic reduction in administrative costs offered support to the margins.

Subsequently, the PAT margins witnessed a decline of 190 bps in from 2.9% in FY 15-16 to 1.0% in FY 16-17.

Milk Products category which is the largest revenue generator for the Company, witnessed subdued growth of 1% over the previous year, rising from ₹ 10,950 Million to ₹ 11,079 Million in the current year due to a passive rural demand in Q1, demonetisation and price hike in consumer product category to combat the increased cost of milk procured.

The Skimmed Milk Powder (SMP) category witnessed a growth of 20% from ₹ 1,857 Million in FY 15-16 to ₹ 2,235 Million in FY 16-17 on account of an opportunistic sale in SMP in Q4 FY 16-17 due to improvement in realisations during the latter half of the year. The total share of revenue from SMP increased from 11% in the previous financial year to 13% during the current financial year. However, the Company's long term strategy remains to increase the proportion of value-added dairy products in the portfolio.

The revenues generated under the other revenues category, which includes the conversion income from the job-work done for others to optimally utilise our capacity at the Palamaner plant, witnessed a dip from ₹ 435 Million in FY 15-16 to ₹ 275 Million, during FY 16-17.

The Company's Exports' witnessed an increase of 79% from ₹ 318 Million in FY 15-16 to ₹ 568 Million FY 16-17 during the current year.

Going forward, the Company is focused on increasing the share of value added products to its product portfolio, which shall enable it to improve its operating margins and profitability in the coming years.

Risks & Concerns

To ensure the competitiveness and sustained growth of the Indian dairy industry, the quality of animals, technical skills, land availability, capital, credit, infrastructure and other inputs relevant to the value chain are critical. Efforts to increase productivity of animals through scientific feeding methods, better health care and breeding facilities and management of dairy animals is important for the development of the dairy sector.

More focus on modern processing techniques, building modern supply chain and marketing infrastructure, which is capable of meeting international quality requirements will be important.

A comprehensive strategy for producing quality and safe dairy products will play an invaluable role in capitalising the opportunities that open up in the future. The growing demand for different dairy products leaves immense scope for the expanding the range of value-added products.

The Government and the Industry will have a critical role to play in strengthening the Indian dairy industry and tackling these roadblocks together.

Tackling such challenges and managing risks and controls forms an integral part of the business planning and review cycle at the Company. Challenges and risks have been identified across all key functional levels – strategic and operational from Milk Procurement, Processing, and Quality to the final point of sale. The rich experience of the management and the operations teams enables Parag Milk Foods to foresee domestic and international emerging trends. The deep domain understanding provides a first-hand insight into various nuances of the business which ensures that the Company is proactively prepared to foresee and tackle challenges both in the short-term and long-term.

To ensure geographical diversity in milk collection, the Company has well established procurement chain and procures milk from a well-established chain of milk farmers and intermediaries. The Company maintains a healthy relationship with farmer and other middlemen for ensuring timely payments. Focused efforts are made to assist farmers by educating them on modern techniques of maintenance of animals, etc. Modern processing and manufacturing plants at Manchar (West) and Palamaner

(South) gives the business model a clear edge over competition. The Company adopts highest standards of quality in the manufacturing, transporting and storage of its products.

The Company's extensive distribution network spans the entire country through modern trade and general trade channels and is effectively managed by its sales and marketing team. Opportunities to appoint new distributors are a priority area and various initiatives are undertaken for the same.

State-of-the-art R&D facility with a strong focus on innovation helps the Company stay ahead of competition in terms of new launches. Brand equity is of utmost importance for the Company especially given ever increasing competition in the processed milk industry.

Through the IPO in FY 16-17, the Company had raised about ₹ 1500 million in Capex, of which about half has already been channelised into various end uses while the rest will be put to use in the years to come.

The Company strives to be the engine of innovation in milk and milk products through our well-diversified portfolio of brands that deliver dairy products of international standards and quality. At Parag Milk Foods, we live by our corporate slogan of 'Ideas for a new day'.

Outlook

The growth of the Indian Dairy industry in the past four decades has been very impressive. Rising population, changing lifestyle patterns, increasing incomes, urbanisation, dual income households, other demographic shifts and increasing health consciousness are driving the demand which is expected to provide a positive thrust to the sector. As per the IMARC report, the total dairy market (in value terms) in India is expected to grow at a CAGR of 14.6% between FY 15 and FY 20. The growth is expected to be led by the demand for value-added products which is expected to clock a healthy growth. With increased investments by organised players, the organised share is expected to go up in value terms by FY 19-20.

Internal Controls & Adequacy

The Company has put in place various internal controls for different activities so as to minimise the impact of various risks. Also, as mandated by the Companies Act, 2013, the Company has implemented the Internal Financial Control (IFC) framework to ensure proper internal controls over financial reporting. Apart from this, a well-defined system of internal audit is in place so as to independently review and strengthen these internal controls. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls.

Human Resources

Human resources forms a key responsible factor for growth and long term sustainability of the business. The Company, has, over the years reinforced its numbers and capabilities through an invigorating work environment, marked by teamwork, respect for merit and knowledge accretion. Its policies are focused towards providing employees, a conducive, and a motivating work environment which are aimed at encouraging skill development and achieving higher satisfaction levels amongst them.

An organisation that provides the potential for an individual's knowledge curve, can be considered as the most critical factor for an employee's growth. In this regard, the Company has implemented several learning and development programmes. The Company strives to provide a congenial work environment that respects individuals and encourages professional growth, innovation and drive superior performance, which eventually acts as a strong pull to attract new industry talent.

The Company also has in place, appropriate rewards and recognition programmes, to recognise the employees' for their contribution towards the organisation.

During the year, the Company maintained cordial relationships with its employees. As on March 31, 2017, the Company had a total of 1,622 employees on its rolls.

FORWARD LOOKING STATEMENT

Statements made in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates, and expectations, may constitute "forward-looking statements" within the meaning of applicable laws and regulations. Actual results might differ from those either expressed or implied.

Directors' Report

Dear Members,

Your Directors are pleased to present the Twenty Fifth Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended March 31, 2017.

FINANCIAL HIGHLIGHTS

The comparable financial performance of the Company (Standalone & Consolidated) for the Financial year 2016-2017 is summarized as under:

(₹ In Million)

Particulars	Standalone		Consolidated	
	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016
Total Revenue	17,078.09	16,243.85	17,417.26	16,467.49
Earnings before interest, Depreciation and Tax	1,078.26	1503.87	1191.51	1497.49
Less :- Depreciation	472.63	317.25	489.63	333.88
Less:- Interest	328.06	487.15	332.76	495.72
Profit before Tax	277.57	699.47	369.12	667.89
Less:- Tax expenses	(16.46)	174.38	4.02	194.71
Profit After Tax (PAT)	100.19	525.09	171.26	473.18
Balance brought forward from previous year	1,247.80	1,068.56	1,086.70	959.38
Less:- Appropriations				
a) Transfer to Debenture Redemption reserve	(4.50)	(4.50)	(4.50)	(4.50)
b) Bonus share issued	-	(341.35)	-	(341.35)
c) Minority Interest	-	-	-	-
Balance carried forward to Balance-Sheet	1,343.49	1,247.80	1,253.46	1,086.70
Earnings per Share				
- Basic	1.22	8.01	2.08	7.22
- Diluted	1.22	8.01	2.08	7.22

OVERVIEW OF COMPANY PERFORMANCE

In the current economic environment despite demonetisation and subdued rural demand where in business had slowed down, your company achieved a sales growth of 5.14% during the year; your Company registered a total income of ₹ 17,078.09 Million in the Financial Year 2016-2017 as compared to ₹ 16,243.85 Million of the previous year. The Company has made Profit before tax (PBT) of ₹ 277.57 Million on standalone basis for the year under review as compared to ₹ 699.47 Million for the previous year, the decrease was mainly on account of increase in raw material prices which the Company was partially able to pass to the customers.

DIVIDEND AND RESERVES

Your Directors are pleased to recommend a dividend at a ₹ 0.50 per equity share of face value of ₹ 10/- (i.e. 5%) out of the profits of the financial year ended March 31, 2017 on 841,14,582 of ₹ 10/- each fully paid up equity shares, if approved by the members in the ensuing Annual General Meeting.

During the year under review, your Company transferred a sum of ₹ 4.50 Million to the Debenture Redemption Reserve.

During the year under review, no amount from profit was transferred to General Reserve.

BUSINESS OVERVIEW

Your Company is a leading manufacturer and marketer of dairy-based branded food products in India commencing business in 1992 with collection of milk and distribution of milk.

Your Company's focus is now in transforming itself into a **"Dairy FMCG Company"** with focus on **"Health and Nutrition"** and this will be through a multi brand strategy. Your Company's integrated business model gives it a strong edge over dairy companies, with diverse manufacturing capabilities of products like cheese, ghee, fresh milk, whey proteins, paneer, curd, yoghurt, milk powder and dairy based beverages targeting a wide range of consumer groups through several brands under the flagship brands **"GOWARDHAN"** **"GO"** **"TOPP UP"** **"MILK RICH"** and **"PRIDE OF COWS"**

Your Company's focus has been product innovations and towards that effect we expanded our cheese slice range last year with flavours like Piri Piri, chutney cheese, Kachha Aam, Schezwan and Acchari and other product categories like Pre-mix with Go Easy Shake and relaunched our dairy whitener under Milk Rich brand name

Continuing our endeavour of strengthening our brand communication, we launched the new communication for Ghee with the theme of **"Pyar ka Rang Sunhera"** with the philosophy of owning the golden colour of cow ghee. The high point of the campaign was the Mother's Day video which created new records in terms of viewership.

Gowardhan Ghee has for the 2nd year in succession been awarded the most trusted brand in ghee category with **"Brand Trust"** and has in fact moved 132 notches up in the overall ranking of brands across categories.

Your Company's focus on Cheese category continues and towards that endeavour we launched a new campaign with 5 new films with Celebrity **Vir Das** with focus on the new flavours of Cheese Slice.

"Cheese Lover's Day" is one more property that we have created and started owning the same with specific campaign led by social media and print which has helped in enrolling newer consumers to the category of cheese.

Our distribution expansion continues as per plan with 4 new depot locations being added and super stockists upto 120 catering to over 3000 distributors who in turn cater to more than 2.5 lakh outlets directly.

Your company's Route to Market strategy is further strengthened with beverages business focus on point of consumption outlets and expansion of Horeca segment at a rapid pace.

During the year, your company has also expanded distribution of fresh milk in upcountry Tamil Nadu market.

Our manufacturing facilities are being further strengthened with capacity expansion in Cheese and Paneer as per plan in Manchar.

Your Company's building new capabilities and robust pipeline of innovations resulted in new launches in the form of **"GO Easy Shake"**, **"GO Cheese Slice"** in new flavours suited for Indian palate and **"Milk Rich"** and other innovative products coupled with leading edge route to market strategy, while building brand differentiation and relevance.

Export Market

Your Company has presence in the international markets like UAE, Singapore, Oman, Kuwait, Mauritius, New Zealand, Australia,

Congo, Seychelles, Iraq. Company has extensive Cheese demand from international market and supplying bulk Cheese to Philippines, Sri Lanka, UAE and Bangladesh. During the year the Company's Export of consumer products increased by 79 % as compared to the year 2015 – 16. The total export sale for financial year was ₹ 568 Million against ₹ 318 Million last year.

Company has participated in Overseas Exhibitions Gulfood 2017 and Food Moscow in year 2016 -17. Your company has extended its market in new Territories including USA, Qatar, Saudi Arabia, etc.

Future Prospects

The distribution expansion focus now shifts to building cold chain distribution in top 100 cities with focus on Paneer and Cheese.

The distribution capabilities are being further enhanced with roll out of SFA (Sales force automation) and DMS (Distribution management system) which will help with real time data on secondary sales.

This coupled with our association with a consulting firm "Vector Consulting" will help build supply chain and logistics capabilities at the back end and distribution capabilities in the front end. This project is specifically based on the concept of "Theory of Constraints" and will help in driving efficiencies in the entire system.

With our core objective of building our business around **"Health & Nutrition"** we are working on new horizon categories like sports nutrition where your company is launching **"Avvatar"** whey powder.

Along with this, we are working on launching protein powders for the mass and whey drinks as well.

One more category where your company wants to focus is the fruit drink market but with a differentiated product offering. Your company is entering this market with a new brand **"Slurp"** which is a mango fruit based beverage with a dash of milk.

Our marketing approach towards brand building with 360-degree approach continues with focus on digital medium and that's the new way of working for your company and it is yielding results reflected in the brand health scores that we track on our brands.

The above initiatives being dovetailed with focus on operational efficiencies being built at plant level, marketing initiatives to build brands and focus on quality distribution expansion and capability building of the sales team would help build the consumer business with accelerated pace.

SHARE CAPITAL

The Paid Up Capital of the Company as on March 31, 2017 stood at ₹ 841,145,820/-. Your Company had during the year raised ₹ 3,000 Million through fresh issue of 136.99 Million equity shares. The Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity during the year under review. None of the Directors of the Company hold instruments convertible into equity shares of the Company.

DISCLOSURE REGARDING ISSUE OF EMPLOYEE STOCK OPTIONS

The Company had instituted the ESOP Trust in the name of "Parag Milk Foods Employees Stock Option Trust" and the "Parag Milk Foods Limited- Employee Stock Option Scheme 2015" (ESOS 2015) in April, 2015 pursuant to resolutions dated February 27, 2015 and April 21, 2015 passed by the Board of Directors and the resolutions dated April 3, 2015 and May 16, 2015 passed by the Shareholders. The ESOS 2015 is compliant with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the relevant provisions of the Companies Act 2013 along with the Rules made thereunder including any amendments made there to or notifications thereof.

The ESOS 2015 is administered by the ESOP Trust, 227,000 Equity shares were allotted to the ESOP Trust on September 3, 2015. The Options were granted to the eligible employees pursuant to the Nomination & Remuneration Committee meeting on September 04, 2015. The Nomination & Remuneration Committee on June 24, 2016 approved vesting of the options in accordance with the ESOS 2015 and conditions of grant based on the Company's performance during the financial year 2015-2016 and subject to the continued employment of the eligible employees till September 03, 2016 and that the right to exercise would extinguish on September 03, 2018. Details required to be provided under section 62 of the Companies Act, 2013 and Rule 12(9) of Companies (Share Capital and Debenture Rules, 2014) and SEBI (Share Based Employee Benefits) Regulations, 2014 are set out in the **Annexure - II** to this report

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENT RELATE AND THE DATE OF THE REPORT

There are no material changes and commitments affecting the financial position of the Company which have occurred subsequent to close of the financial year and the date of this report

FIXED ASSETS & CAPITAL EXPENDITURE

Your Company has significantly enhanced the capacity built up by way of capital expenditure in plant and machinery at Manchar and Palamaner plant from time to time. The Company has made additions amounting to ₹ 588.39 Million as on March 31, 2017 as against additions of ₹ 891.26 Million as on March 31, 2016 in the Gross block of Fixed Assets for the year ended March 31, 2017.

RESPONSIBILITY STATEMENT

Pursuant to clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, the Directors hereby confirm that;

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the directors had 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 of the profit and loss of the company for the year ended March 31, 2017.
- (c) the directors had 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 had prepared the annual accounts for the financial year ended March 31, 2017 on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD EVALUATION & INDEPENDENT DIRECTORS MEETING

Pursuant to the provisions of the Companies Act, 2013 read with the Rules issued thereunder, Regulation 17 (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") a structured questionnaire was prepared after taking into consideration the various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Board, its Committees, Independent Directors, Chairman and Individual Directors

was conducted and the same was based on questionnaire and feedback from all the Directors on the Board as a Whole, its Committees and self-evaluation.

Based on the Questionnaire and feedback, the performance of every Director was evaluated by the Nomination and Remuneration Committee (NRC). The Board of Directors expressed their satisfaction with the evaluation process.

A separate meeting of the Independent Directors ("Annual ID Meeting") was convened on March 20, 2017, which reviewed the performance of the Board (as a whole), the non-independent director and the Chairman. Post the Annual ID Meeting, the Collective feedback of each of the Independent Directors was discussed by the Chairperson of NRC with the Board covering performance of the Board as a whole, performance of the non-independent directors and performance of the Chairman.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company are prepared in accordance with relevant Indian Accounting Standards issued by the Institute of Chartered Accountants of India and forms an integral part of this Report.

Pursuant to Section 129(3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014, a statement containing salient features of the financial statements of Subsidiaries/Associate Companies/Joint Ventures is given in **Annexure-I** in Form AOC-1 and forms an integral part of this Report.

SUBSIDIARY COMPANY

As on March 31, 2017 the Company has one Wholly Owned Subsidiary called Bhagalaxmi Dairy Farms Private Limited (BDFPL) which is located at Manchar, Pune District BDFPL which is fully automated cow farm housing over 2000 Holstein breed cows with superior quality yield. BDFPL was established with the aim to educate farmers about best practice of breeding, feeding, animal management and improving productivity.

The total revenue was ₹ 517.98 Million in FY 16-17 in comparison to ₹ 442.05 Million in FY 15-16 projecting a rise by 17.2%, Company made profit with a PAT of ₹ 71.05 Million for FY 16-17 in comparison to a loss in the previous year.

Bhagalaxmi produces "**Farm- to- Home**" premium milk under the brand name of "**Pride of Cows**" (POC). The farm is equipped with the finest international technology for feeding, milking and processing, being fully automated without any human intervention, ensuring quality and safe milk. POC is premium milk, fresh, untouched, unadulterated milk, catering to three cities Mumbai, Pune and Surat.

Bhagalaxmi Bioscience Division has introduced certified organic fertilizers through the commercialization of cow manure and cow urine into value added products. Bhagalaxmi has launched the following products during the year under review.:

1. **MicroRich** - Organic slurry released as a by-product from the Biogas plant which is 100% organic and natural and rich in plant nutrients, increases resistance against pests & diseases.
2. **Agrifeed** - prepared from pure cow dung -increases the moisture storage capacity of the soil and makes the soil smooth & healthy, reduces cost of fertilization useful for all kinds of crops, improves soil fertility & soil productivity, safe for soil micro flora.
3. **Goldmine** - produced by co-composting high-grade phosphate rock with organic waste.
4. **Nutricane** - Helps to improve the production and productivity of the sugarcane crop. Improves water and nutrients uptake, reduces the use of chemical fertilizers

In compliance with Section 129 of the Companies Act 129 of the Companies Act, 2013 and Rule 8(1) of the Companies (Accounts) Rules, 2014, the Board's Report has been prepared on standalone financial statements and a report on performance and financial position of its subsidiary company is included in the financial statements

DIRECTORS & KEY MANAGERIAL PERSONNEL (KMP)

Your Board currently comprises of 8 Directors including 5 Independent Directors, 2 Executive Directors and 1 Non- Executive Director. Independent Directors provide their declaration both at the time of appointment and annually confirming that they meet the criteria of independence as prescribed under Sec 149 and 152 of Companies Act, 2013.

Pursuant to Sections 196, 197, 198 and Schedule V of the Companies Act 2013 shareholders' approval by special resolution is sought at this AGM for revision of remuneration of Mr. Devendra Shah Chairman and Mr. Pritam Shah Managing Director of the Company pursuant to schedule V as amended of the Companies Act, 2013.

In accordance with Section 152 of the Companies Act 2013 and the Articles of Association, Mr. Devendra Shah, Chairman of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. The Board recommends his re-appointment for consideration of the Members of the Company at the ensuing Annual General Meeting.

All Independent Directors have given declarations that they meet the Criteria of independence as laid down under Section 149(6) of the Companies Act 2013 and Regulation 16 of the Listing Regulations.

The Following continue to be the "Key Managerial Personnel" pursuant to the provisions of section 203 of the Companies Act 2013.

- Mr. Devendra Shah as Chairman and Whole Time Director
- Mr. Pritam Shah as the Managing Director
- Mr. Bharat Kedia as Chief Financial Officer
- Ms. Rachana A. Sanganeria as Company Secretary and Compliance Officer

RISK MANAGEMENT & INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company recognizes that risk is an integral component of business and is committed to managing the risk in a proactive and effective manner.

The Company recognises the importance of maintaining a good system of risk management and internal controls to safeguard shareholders' investment and the Company's assets. The Board acknowledges its overall responsibility for reviewing the adequacy and integrity of the Company's system of risk management and internal control, identifying principal risks and establishing an appropriate control environment and framework to manage risks and evaluating the Company's operational effectiveness and efficiency. Pursuant to section 134 (3) (n) of the Companies Act, 2013, the Company has in place an Enterprise Risk Management policy.

1. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
2. To establish a framework for the company's risk management process and to ensure its implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.
5. Safeguard the Company's property, interests, and interest of all stakeholders.
6. Evolve the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, which the business and operations of the Company are exposed to.
7. Balance between the cost of managing risk and the anticipated benefits.
8. To create awareness among the employees to assess risks on a continuous basis & develop risk mitigation plans in the interest of the Company.

- 9 Provide a system for setting of priorities when there are competing demands on limited resources.

The objective of this policy is also to manage the risks involved in all activities of the Company to maximize opportunities and minimize adversity. This policy is intended to assist in decision making processes that will minimize potential losses, improve the management of uncertainty and the approach to new opportunities, thereby helping the Company to achieve its objectives.

Pursuant to Section 134(5)(e) of The Companies Act, 2013 the Company has in place an elaborate internal control system commensurate with the size and nature of its business and size and complexity of its operations. The primary objective of the Internal control systems comprising of policies and procedures are designed to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedure, applicable laws and regulations to ensure proper authorization and accounting of transactions as also for safeguarding and protecting Company's assets and that all assets and resources are acquired economically, used efficiently & adequately protected and to prevent any revenue leakage and losses to the Company against loss. Pursuant to Section 138 of the Companies Act, 2013 the Company has appointed M/s. KPMG (in India) as Internal Auditors of the Company The internal auditors' reports are periodically reviewed by the management and the Audit Committee and necessary corrective actions are taken from time to time The Audit Committee submits its periodical report to the Board about the measures taken for mitigation of Risk in the organization.

NUMBER OF MEETINGS OF THE BOARD:

The Board meets at regular intervals to discuss and decide on Company's business policies and strategy apart from other Board businesses. A notice of the Board Meeting is circulated well in advance with the agenda which includes the detailed annexure/ notes to be discussed to enable the Board to take an informed decision. The Board met four times during the year, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013 and the Listing Regulations.

COMMITTEES OF THE BOARD

The Board of Directors has the following Committees:

1. Audit Committee
2. Nomination and Remuneration Committee (NRC)
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility Committee (CSR)
5. Finance Committee

The details of the Committees along with the composition, number of meetings and attendance at the meetings are provided in the Corporate Governance Report.

UTILIZATION OF IPO PROCEEDS

The Company had come out with an IPO and was listed in May 2016, wherein the Company had raised ₹ 3000 million. As per the terms set out in the prospectus filed with the Registrar of Companies, Pune, the Company proposed to utilise the net proceeds to meet (i) the capital expenditure requirement in relation to expansion and modernisation of existing manufacturing facilities of the Company at Manchar and Palamaner and improving the marketing/distribution infrastructure for both Manchar and Palamaner plant, (ii) to invest in the wholly owned Subsidiary of the Company Bhagalaxmi Dairy Farms Pvt. Ltd, for financing the capital expenditure requirements in relation to the expansion and modernisation of the Bhagalaxmi Dairy Farms (iii) to make partial repayment of the Working Capital Consortium Loan of ₹ 1000 Million, which has been repaid as on March 31, 2017 and (iv) for General corporate purposes.

Please refer note 44 to the notes to accounts to financial statements as annexed to the report for details in relation to utilisation of IPO proceeds.

The unutilized amount of the issue as at March 31, 2017 has been temporarily been deployed in fixed deposits with banks.

DETAILS OF SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL

The Sales Tax Authorities had pursuant to section 64 of MVAT Act, conducted an investigation at the offices of M/s. Parag Milk Foods Limited ("the Company") at the Registered office at Pune, Company's Plant at Manchar and the Corporate Office at Nariman Point. The Sales Tax Authorities have conducted inspection starting from financial year 2012-2013 and identified some transactions in relation to the consignment agent which were made by the Company for interstate transfer of goods and suggested the Company to reclassify the said transactions of goods under local sales.

The Company has provided the fullest co-operation to the Department to complete the enquiry and provided the information sought by them. The Company had filed revised returns and agreed to pay the additional tax liability on reclassification as suggested by the authorities. There was no implication on the continued operations of the Company as a result of this visit.

There are no significant and material orders passed by the Regulators/ Courts that would impact the going concern status of the Company and its future operations.

EXTRACT OF THE ANNUAL RETURN

The extract of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is furnished in **Annexure-V** and is attached to this Report.

PARTICULARS OF INVESTMENTS, LOANS, AND GUARANTEES

The particulars of Investments, Loans, Guarantees covered under the Provision Section 186 of the Companies Act, 2013 read with rules made thereunder are given in the Note No. 14, 20 and 31 of Standalone Financial Statements..

POLICIES OF THE COMPANY

The Company is committed to good corporate governance and has consistently maintained its organizational culture as a remarkable confluence of high standards of professionalism and building shareholder equity with principles of fairness, integrity and ethics.

The Board of Directors of the Company have from time to time framed and approved various Policies as required by the Companies Act, 2013 read with the Rules issued thereunder and the Listing Regulations. These Policies and Codes are reviewed by the Board and are updated, if required. Some of the key policies adopted by the Company are as follows:

Sr. No	Policies
1.	Policy on Determination of materiality of events/ information
2.	Code of Conduct for Board Members and Senior Management Personnel
3.	Policy on Preservation and Archival of Documents
4.	Prevention of Insider Trading Policy
5.	Whistle Blower Policy
6.	Policy on Related Party Transactions
7.	Policy on Materiality of Subsidiaries
8.	Policy on Nomination & Remuneration
9.	Policy on Board Diversity
10.	Policy on Familiarisation Programme of Independent Directors
11.	Corporate Social Responsibility Policy
12.	Policy on Prevention of Sexual harassment policy

The above mentioned policies are also available on the website of the Company www.paragmilkfoods.com.

CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES- SECTION 188 OF THE COMPANIES ACT 2013

All transactions entered with Related Parties for the year under review were on arm's length basis and in the ordinary course of business and that the provisions of Section 188 of the Companies Act, 2013 and the Rules made thereunder are not attracted. Thus, disclosure in form AOC-2 in terms of Section 134 of the Companies Act, 2013 is not required. Further, there are no material related party transactions during the year under review with the Promoters, Directors or Key Managerial Personnel. The Company has proper systems for the purpose of identification and monitoring of such Related Party Transactions.

All Related Party Transactions are placed before the Audit Committee as also to the Board for approval. Omnibus approval was obtained on a yearly basis for transactions which are of repetitive nature. Transactions entered into pursuant to omnibus approval are placed before the Audit Committee and the Board for review and approval on a quarterly basis.

The policy on Related Party Transactions as approved by the Board of Directors has been uploaded on the website of the Company viz www.paragmilkfoods.com

INFORMATION TECHNOLOGY

Parag Milk Foods has been leveraging the Information Technology and IT enabled services for business process automation and transformation across various functions, internal and external stakeholders. Modern Technology is used at every stage to give advantage to Business by process of exchange of information in a faster and safer way.

Information Technology is used for collection the Milk even at Remote village level and data is updated on Real Time basis to Central System which is used for planning purpose. Production is managed through Programmable Logic controllers which are used to control and Monitor the process flow, giving the correct information of right mix helping in maintaining quality of the products.

Enterprise Resource Planning System is used to control and monitor all the Business transactions. Sales Force Automation and Distributor Management System are also used to manage

the Sales Force and provide better visibility of the Market to Management.

Parag Milk Foods Limited is Progressing in a planned manner to promote more usage of system and automating the processes and thus processing towards paperless movement and enabling Greener Future.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your company always believed in and worked towards "inclusive growth"- improving the quality of life of the people we touch and in the communities where we operate. The CSR committee was constituted by the Board of Directors of the Company at its meeting held on June 23, 2014 and re-constituted on May 26, 2015, July 28, 2015 and November 09, 2017.

The CSR Committee of the Board of Directors of the Company Consists of 3 Members viz.

1. Mr. B.M. Vyas- Non-Executive Director - Chairman
2. Mr Devendra Shah-Executive Chairman - Member,
3. Ms. Radhika Pereira-Independent Director - Member,
4. Mr. Narendra Ambani - Independent Director - Member, was appointed in Board Meeting held on November 09, 2017.

The following CSR Activities have been conducted during: 2016-17.

	(₹ In Million)
1. A brief outline of the Company's CSR Policy including overview of Projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs and the Composition of CSR Committee.	CSR Policy is available for inspection by Members of the Company
2. Average net profit of the Company for last three financial years	399.26
3. Prescribed CSR expenditure (two percent of the amount mentioned in item 2 above)	7.99
4. Details of CSR spent during the financial year.	12.38
5. Total amount to be spent for the financial year	7.99

Sr. No.	CSR Projected or Activity Identified	Sector in which the projects is covered	Project of Program	Amount outlay (Budget) project or wise (₹ In Mn)	Amount spent on the projects of programs (₹ In Mn)	Cumulative Expenditure up to the Reporting period i.e. FY 16-17 (₹ In Mn)	Amount spend direct or through implementing agency
1.	Designing & construction of toilets, women rehabilitation & empowerment, adding Advasi, children, students, weaker section, senior citizen providing medical & educational help, sanitation, health program, community development etc	Health Care, education, empowerment of women	Maharashtra	11.50	11.50	11.50	Through Gurukrupa Vikas Sanstha a non-profit voluntary organisation
2.	Medical camp organized at Manchar	Health Care	Maharashtra	0.88	0.88	0.88	Direct

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report on the operations of the Company, as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in a separate section and forms an integral part of this Report.

CORPORATE GOVERNANCE

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

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

The information required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed herewith as **Annexure III**.

DEPOSITS

During the year under review, the Company has not accepted any deposit within the meaning of Sections 73 and 74 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force); The Company has neither accepted nor renewed any deposits during the year ended March 31, 2017.

BUY BACK

The Company has not bought back any of its securities during the year ended March 31, 2017.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) amendment(s) / re-enactment thereof, for the time being in force) is furnished in an **Annexure IV** which forms part of this Report.

Particulars of employee's remuneration, as required under section 197(12) of the Companies Act, 2013, read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, are not attached with this report since there was no employee who was in receipt of remuneration in excess of aggregate of ₹ 12 million during the year if employed throughout the financial year of ₹ 0.85 million per month in the aggregate if employed for part of the year.

No commission was paid during the year to the Managing Director/Whole Time Director from the Company or from its subsidiary company.

Indian Accounting Standards (Ind AS)

The Company has adopted Indian Accounting Standards (Ind AS) with effect from 1st April, 2017 pursuant to Ministry of Corporate affairs notification of the Companies (Indian Accounting Standards) Rules, 2015.

AUDITORS' REPORT

There are no qualifications, reservations or adverse remarks made by the Auditors in their report.

STATUTORY AUDITORS

The Statutory Auditor, M/s Haribhakti & Co, LLP, Chartered Accountants, Pune (Firm Registration No. 103523W / W100048) who hold office till the conclusion of the ensuing Annual General Meeting and on recommendation of the Audit Committee and Board are recommended for re-appointment to hold office from the conclusion of this Annual General Meeting until the conclusion of Annual General Meeting of the Company for FY 2019-2020, subject to ratification by members at every Annual General Meeting. The Company has received under Section 139(1) of the Companies Act, 2013 and the Rules framed thereunder, a certificate of their eligibility and consent for re-appointment.

COST AUDITORS

M/s Harshad Deshpande & Associates, Cost Accountants were appointed as the cost auditors of the Company for the year ended March 31, 2016. On recommendation of the Audit Committee the Board of Directors propose the appointment of M/s. Harshad Deshpande & Associate, Cost Accountant as the Cost Auditors of the Company for the Financial Year 2017 -2018. The Cost Auditors have confirmed that they are not disqualified for such re-appointment within the meaning of Section 148 of the Companies Act 2013.

SECRETARIAL AUDIT

In terms of Section 204 of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. N.L. Bhatia & Associates, a firm of Company Secretaries in Practice as the Secretarial Auditor to undertake the secretarial audit, for the financial year 2017-18.

The Secretarial Audit Report for the financial year ended March 31, 2017 is set out in the **Annexure VI** to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

None of the Auditors of the Company have reported any fraud as specified under the second proviso of Section 143 (12) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

ACKNOWLEDGEMENTS

Your Company and its Board of Directors would like to express their sincere appreciation for the assistance, support and co-operation received from Government, regulatory authorities, stakeholders, vendors, financial institutions, banks, investors, customers, service providers and members during the year. Your Company takes pride in its highly motivated employees, workers, staff and wishes to place on record its deep sense of appreciation for their committed services and best contribution towards growth and success of your Company,

FOR AND ON BEHALF OF THE BOARD

Sd/-

DEVENDRA SHAH
CHAIRMAN

Place: Mumbai
Date: May 29, 2017

Annexure - I

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures.

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ASSOCIATES/ JOINT VENTURE AS PER THE COMPANIES ACT, 2013 FOR THE YEAR ENDED MARCH 31, 2017

(Amount in Million)

Particulars	Details
Name of the subsidiary	Bhagyalaxmi Dairy Farms Private Limited
Reporting period for the subsidiary concerned, if different from the holding company's reporting period	April 01, 2016 to March 31, 2017
Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Indian Rupees
Share capital	57.85
Reserves & surplus	432.77
Total assets	606.77
Total Liabilities	116.15
Investments	Nil
Turnover	517.98
Profit before taxation	91.53
Provision for taxation	20.48
Profit after taxation	71.05
Proposed Dividend	Nil
% of shareholding	100.00%

NOTE:

- The Company do not have any associates/joint Venture

For and on behalf of the Board of Directors

Place : Mumbai
Date: May 29, 2017

Devendra Shah
Director

Pritam Shah
Director

Annexure - II

Details required to be provided under section 62 of the Companies Act, 2013 and Rule 12(9) of Companies (Share Capital and Debenture Rules, 2014) and SEBI (Share Based Employee Benefits) Regulations, 2014)

Sr. No.	Description	Shares/Options
1	Shares allotted to ESOP Trust	2,27,000
2	Options forfeited during the year	27,800
3	Options granted as on March 31, 2017	199,200
4	Options vested	126,927
5	Options exercised	Nil
6	The total number of shares arising as a result of exercise of option granted (net of cancelled options)	126,927
7	Options outstanding at the end of the year	72,273
8	Exercise price	₹ 250
9	Variation of terms of options	-
10	Money realised by exercise of options	-
11	Money realised by exercise of options	-
12	Total number of options in force	126,927
13	Employee wise details of options vested to	-
1.1	Key managerial personnel	10,250
1.2	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during the year	-
1.3	Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant..	-

For and on behalf of the Board of Directors

Place : Mumbai
Date: May 29, 2017

Devendra Shah
Chairman

Annexure III

Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988

The information pertaining to conversation of energy, technology absorption, Foreign Exchange Earnings and outgo as required under Section 135 (3)(m) of the Companies Act, 2013 read with Rule 8 (3) of the Companies (Accounts) Rules, 2014.

A. Conservation of Energy

Since the company is engaged in processing of milk the consumption of energy per unit is not significant, hence total energy consumption during the year is given in the Form A as below :-

Sl. No.	Power and Fuel Consumption	Total Units
1	Electricity Consumption (Total No. of Units)	2,06,76,940
2	Own Generator through T.G. Set (Units)	38,81,248
3	D.G Unit	1,26,826
4	Diesel / SKO consumed (LTR)	42,458
5	Furnace Oil Consumed (LTR)	2,26,296
6	Coal (Kg)	2,55,58,957

B. Research and Development (R&D)

Your Company R&D team's core focus is to deliver significantly superior and new innovations in the products, improving the processes for enhancing product quality, stability and food safety. Ongoing value engineering of the products and packaging, building healthier product portfolio, catering to the health and nutrition intake of the consumers is pursued by the Company.

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

C. Foreign Exchange Earnings and Outgo

Particulars regarding Foreign Exchange Earnings and Outgo are as follows:-

Particulars	(Amount in Million)	
	2016-17	2015-16
CIF Value of Imports		
Packaging Material and Consumables	41.91	32.07
Raw materials	193.28	140.97
Trade goods	7.05	9.11
Capital goods(including CWIP)	45.97	52.94
Foreign Exchange Outgo		
Foreign Travel	3.05	2.51
Sales Promotion	—	0.33
Finance cost	63.67	49.06
Office expenses	—	0.71
Fees & Subscription	0.34	0.01
Bank Charges –	3.84	0.10
Professional Fees	18.07	14.89
Foreign Exchange Earnings		
Export of goods on F. O. B. basis	568.22	318.09

D. Technology Absorption

Your Company has been a pro-active investor when it comes to technological enhancement. It has helped the Company improve its operational/technical efficiency. Last year of your Company was marked by the factories supporting and delivering continuously in order to meet business objectives by ensuring timely launch of new products. This was in addition to catering to the regular production of the existing products under brands available in the market.

Your Company has collaborated with an Australian dairy and food consulting Company for the launch of its latest product- Avvatar 100% Whey Protein. The consulting company is owned and directed by internationally renowned dairy technology expert Mr. Ken Thomas. Vital inputs provided by the consulting company has helped Parag in the field of manufacturing and market development and also has been beneficial in setting up the whey plant, devising the product formulation, and also in improving the nutritional facts for Avvatar in order to create a unique product offering for the Indian market.

Paneer manufactured and/or sold by your Company is by virtue of the imported and fully automated technology received on an ongoing basis from the German collaborators. Technology transfer shall be an ongoing process for Parag and not a one-time exercise for the Company, to remain competitive throughout and offer high quality and value for money products to the consumers.

For and on behalf of the Board of Directors

Place : Mumbai
Date: May 29, 2017

Devendra Shah
Chairman

Annexure IV

Disclosure in Board's Report as per the provisions of Section 197 of the Companies Act, 2013 read with Rule (5) (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended)

Name	Designation	Disclosure Details		
		Name of the Directors	Category	Ratio
1.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Mr. Devendra Shah	Executive Chairman- Whole time Director	113.51
		Mr. Pritam Shah	Managing Director	111.89
		Mr. B.M. Vyas	Non-Executive Director	50.31
2.	The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year	Name of the Directors	Category	% Increase in remuneration
		Mr. Devendra Shah	Executive Chairman- Whole time Director	75.00 %
		Mr. Pritam Shah	Managing Director	81.58%
		Mr. B.M. Vyas	Non-Executive Director	0.86%
		Mr. Bharat Kedia	Chief Financial Officer	-8.68%
		Ms. Rachana Sanganeria	Company Secretary & Compliance Officer	-9.44%
3.	The percentage increase in the median remuneration of employees in the financial year	The median percentage increase in the median remuneration of employees in the financial year is 10.12%		
4.	Number of permanent employees on the rolls of the Company	There were 1622 permanent employees of Parag Milk Foods Limited as on March 31, 2017		
5.	The average annual increase excluding the managerial personnel in the financial year 2016-2017.	For the employees other than managerial personnel who were in employment in FY 2016-2017, the average increase is 12.24%. Average decrease for managerial personnel is 8.81%.		
6.	Affirmation that the remuneration is as per the Remuneration Policy of the Company	yes		

For and on behalf of the Board of Directors

Place : Mumbai
Date: May 29, 2017

Devendra Shah
Chairman

Annexure - V

Form No. MGT-9

EXTRACT OF ANNUAL RETURN as on the financial year ended March 31, 2017

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

I. REGISTRATION AND OTHER DETAILS:

CIN	L15204PN1992PLC070209
Registration Date	29/12/1992
Name of the Company	Parag Milk Foods Limited
Category / Sub-Category of the Company	Public Limited
Address of the Registered office and contact details	Flat No 1, Nav Rajasthan Society, Shivaji Nagar, Pune-411016. Ms. Rachana Sanganeria (Company Secretary) Contact No. - 022-43005555
Whether listed company	Listed
Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District Nanakramguda, Hyderabad-500032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to Total Turnover of the company
1	Value added products	1050	63.5%
2	Liquid Milk	1050	22.1%
4	Milk Powder	1050	13.1%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl. No.	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	M/s Bhagyalaxmi Dairy Farms Private Limited	U01211PN2003PTC018624	Wholly Owned Subsidiary	100.00%	2(87) of Companies Act, 2013

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

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the year
	D-Mat	Physical	Total	% of Total Shares	D-Mat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian	-	-	-	-	-	-	-	-	-
2) Individual/ HUF	4,07,31,622		4,07,31,622	57.84	3,76,26,989		3,76,26,989	44.73	(13.11)
3) Central Govt.	-	-	-	-	-	-	-	-	-
4) State Govt.(s)	-	-	-	-	-	-	-	-	-
5) Bodies Corp.	23,14,200		23,14,200	3.29	23,14,200		23,14,200	2.75	0.54
6) Banks / FI	-	-	-	-	-	-	-	-	-
7) Any Other	-	-	-	-	-	-	-	-	-
Sub-total									

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the year
	D-Mat	Physical	Total	% of Total Shares	D-Mat	Physical	Total	% of Total Shares	
(A) (1)	4,30,45,822		4,30,45,822	61.13	3,99,41,189	-	3,99,41,189	47.48	(13.65)
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other...	-	-	-	-	-	-	-	-	-
Sub-total (A) (2)	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	4,30,45,822	-	4,30,45,822	61.13	3,99,41,189	-	3,99,41,189	47.48	(13.65)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	18,64,728	-	18,64,728	2.22	2.22
Funds									
b) Banks / FI	-	-	-	-	29,478	-	29,478	0.04	0.04
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	1,64,51,028	-	1,64,51,028	23.36	50,74,234	-	50,74,234	6.03	(17.33)
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) Foreign Portfolio Investors	-	-	-	-	2,05,25,251	-	2,05,25,251	24.40	24.4
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (Other foreign Investor)(specify)	43,59,749	-	43,59,749	6.19	4,42,511	-	4,42,511	0.53	(5.66)
Sub-total (B)(1)	2,08,10,777	-	2,08,10,777	29.55	2,79,36,202	-	2,79,36,202	33.22	3.67
2. Non- Institutions									
a) Bodies Corp.									
i) Indian	44,18,870	-	44,18,870	6.28	51,19,103	-	51,19,103	6.08	(0.2)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	15,600	-	15,600	0.02	45,49,752	3	45,49,755	5.41	5.39
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	18,97,818	-	18,97,818	2.70	42,51,895	-	42,51,895	5.05	2.35
c) Others -	2,27,000	-	2,27,000	0.32	23,16,438	-	23,16,438	1.03	0.71
Sub-total (B)(2)	65,59,288	-	65,59,288	9.32	1,62,37,188	-	1,62,37,191	19.30	9.98
Total Public Shareholding (B)=(B)(1)+ (B)(2)	2,73,70,065	-	2,73,70,065	38.87	4,41,73,390	3	4,41,73,393	52.52	13.65
TOTAL (A)+(B)	7,04,15,887	-	7,04,15,887	100	8,41,14,582	3	8,41,14,582	100	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	7,04,15,887	-	7,04,15,887	100	8,41,14,582	3	8,41,14,582	100	-

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Mr. Devendra Shah	1,45,70,832	20.69	19.00	1,45,70,832	17.32	-	(3.37)
2	Mr. Pritam Shah	91,59,888	13.01	12.00	91,59,888	10.89	-	(2.12)
3	Mr. Parag Shah	1,00,000	0.14	-	1,00,000	0.12	-	(0.02)
4	Mr. Prakash Shah	100	0.00	-	100	0.00	-	0.00
5	Mrs. Rajni Shah	100	0.00	-	100	0.00	-	0.00
6	Mrs. Priti Shah	33,22,820	4.72	3.08	22,22,820	2.64	-	(2.08)
7	Mrs. Netra Shah	1,02,72,782	14.59	-	82,68,149	9.83	-	(4.76)
8	Mr. Poojan Shah	32,95,000	4.68	-	32,95,000	3.92	-	(0.76)
9	Mr. Stavan Shah	100	0.00	-	100	0.00	-	0.00
10	Mrs. Shabdali Desai	10,000	0.01	-	10,000	0.01	-	0.00
11	Iris Business Solutions Pvt. Ltd. Solutions	23,14,200	3.29	-	23,14,200	2.75	-	(0.54)

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

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shares during the year
		No. of shares	% of total shares of the company				
1	Mr. Devendra Shah	1,45,70,832	20.69	No change	-	-	1,45,70,832
2	Mr. Pritam Shah	91,59,888	13.01	No change	-	-	91,59,888
3	Mr. Parag Shah	1,00,000	0.14	No change	-	-	1,00,000
4	Mr. Prakash Shah	100	-	No change	-	-	100
5	Mrs. Rajni Shah	100	-	No change	-	-	100
6	Mrs. Priti Shah	33,22,820	4.72	17/05/2016	(11,00,000)	sold in OFS	22,22,820
7	Mr. Poojan Shah	32,95,000	4.68	No change	-	-	32,95,000
8	Mr. Stavan Shah	100	-	No change	-	-	100
9	Mrs. Shabdali Desai	10,000	0.01	No change	-	-	10,000
10	Iris Business Solutions Pvt. Ltd. Solutions	23,14,200	3.29	No change	-	-	23,14,200
11	Mrs. Netra Shah	1,02,72,782	14.59	17/05/2016	(2004633)	sold in OFS	82,68,149

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

Sl. No.	For Each of the Top 10 shareholders	Shareholding at the beginning of the year		Date	Increase/Decrease in share holding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	IDFC TRUSTEE CO. LTD A/C IDFC INFRASTRUCTURE FUND	1,41,34,162	20.07	31/03/2016			1,41,34,162	16.80
				15/04/2016	(82,59,928)	Transfer	58,74,234	6.98
				10/02/2017	(8,00,000)	Transfer	50,74,234	6.03
	Closing Balance			31/03/2017			50,74,234	6.03
2	NOMURA INDIA INVESTMENT FUND MOTHER FUND	-	-	31/03/2016			-	0.00
				20/05/2016	25,45,881	Transfer	25,45,881	3.03
				17/06/2016	(42,873)	Transfer	25,03,008	2.98
				30/09/2016	4,19,000	Transfer	29,22,008	3.47
				07/10/2016	25,000	Transfer	29,47,008	3.50
	Closing Balance			31/03/2017			29,47,008	3.50
3	NEW HORIZON OPPORTUNITIES MASTER FUND	-	-	31/03/2016			-	0.00
				16/09/2016	53,448	Transfer	53,448	0.06
				30/12/2016	24,79,552	Transfer	25,33,000	3.01
	Closing Balance			31/03/2017			25,33,000	3.01
4	GOLDMAN SACHS INDIA LIMITED	-	-	31/03/2016			-	0.00
				20/05/2016	7,97,934	Transfer	7,97,934	0.95
				27/05/2016	8,31,000	Transfer	16,28,934	1.94
				21/10/2016	8,29,790	Transfer	24,58,724	2.92
	Closing Balance			31/03/2017			24,58,724	2.92
5	IDFC SPICE FUND	24,11,870	3.43	31/03/2016		No Change	24,11,870	2.87
	Closing Balance			31/03/2017			24,11,870	2.87
6	GOVERNMENT PENSION FUND GLOBAL	-	-	31/03/2016			-	0.00
				20/05/2016	14,21,095	Transfer	14,21,095	1.69
				27/05/2016	18,742	Transfer	14,39,837	1.71
				24/06/2016	3,18,186	Transfer	17,58,023	2.09
				30/06/2016	81,121	Transfer	18,39,144	2.19
				30/12/2016	3,97,451	Transfer	22,36,595	2.66
	Closing Balance			31/03/2017			22,36,595	2.66
7	ABU DHABI INVESTMENT AUTHORITY - BEHAVE	-	-	31/03/2016			-	0.00
				20/05/2016	14,23,825	Transfer	14,23,825	1.69
				27/05/2016	3,44,500	Transfer	17,68,325	2.10
	Closing Balance			31/03/2017			17,68,325	2.10

Sl. No.	For Each of the Top 10 shareholders	Shareholding at the beginning of the year		Date	Increase/Decrease in share holding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
8	ASHISH KACHOLIA	-	-	31/03/2016			-	0.00
				20/05/2016	9,15,354	Transfer	9,15,354	1.09
				27/05/2016	4,99,895	Transfer	14,15,249	1.68
				03/06/2016	12,194	Transfer	14,27,443	1.70
				23/12/2016	1,52,552	Transfer	15,79,995	1.88
				17/02/2017	1,20,000	Transfer	16,99,995	2.02
	Closing Balance			31/03/2017			16,99,995	2.02
9	QUANTUM (M) LIMITED	-	-	31/03/2016			-	0.00
				20/05/2016	15,03,939	Transfer	15,03,939	1.79
	Closing Balance			31/03/2017			15,03,939	1.79
10	TATA EQUITY OPPORTUNITIES FUND	-	-	31/03/2016			-	0.00
				20/05/2016	12,01,330	Transfer	12,01,330	1.43
				10/03/2017	(67,065)	Transfer	11,34,265	1.35
	Closing Balance			31/03/2017			11,34,265	1.35

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	For Each of the Directors and KMP				
1	Mr. Devendra Prakash Shah (Director)				
	At the beginning of the year	1,45,70,832	20.69	1,45,70,832	17.32
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc.)	No Change		No Change	
	At the End of the year	1,45,70,832	13.01	1,45,70,832	17.32
2	Mr. Pritam Shah (Managing Director)				
	At the beginning of the year	91,59,888	13.01	91,59,888	10.89
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc.)	No Change		No Change	
	At the End of the year	91,59,888	13.01	91,59,888	10.89
3	Rachana Sangneria (Company Secretary)				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc.)	-		Subscribed in the IPO	
	At the End of the year	-	-	845	0.00

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
4	Bharat Kedia (Chief Financial Officer)				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)				
	At the End of the year	-	-	-	-

V. INDEBTEDNESS-

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans (TL)excluding deposits	Secured Loans (WC)	Unsecured Loans	Deposits	Total(₹ in Million) Indebtedness
Indebtedness at the beginning of the financial year					
i) Principal Amount	1,308.29	2,357.01	180.00	-	3,845.31
ii) Interest due but not paid	-	-	-	-	0
iii) Interest accrued but not due	17.49	6.32	-	-	23.81
Total (i+ii+iii)	1,325.78	2,363.33	180.00	-	3,869.11
Change in Indebtedness during the financial year					
• Addition	3.70	180.00	-	-	183.70
• Reduction	317.99	919.30	180.00	-	1,417.29
Net Change	(314.29)	(739.30)	(180.00)	-	(1,233.59)
Indebtedness at the end of the financial year					
i) Principal Amount	997.64	1,620.88	-	-	2,618.52
ii) Interest due but not paid	-	-	-	-	-
iii) Interest accrued but not due	13.84	3.15	-	-	16.99
Total (i+ii+iii)	1,011.49	1,624.03	-	-	2,635.52

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amt. ₹ (In Million)
		Devendra Shah	Pritam Shah	
1	Gross salary (Per Annum)	21.00	20.70	41.70
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2	Stock Option	-	-	-

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amt. ₹ (In Million)
		Devendra Shah	Pritam Shah	
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	Total (A)	21.00	20.70	41.70
	Ceiling as per the Act	24.00	24.00	48.00

B. Remuneration payable to other Directors:

Particulars of Remuneration	Name of Directors				Total Amount (₹ in Million)	
	Mrs. Radhika Pereira	Mr. Narendra Ambwani	Mr. Ramesh Chandak	Mr. Nitin Dhavalikar		
Independent Directors						
1.	Sitting Fee for attending board / committee meetings	0.70	0.60	0.30	1.00	2.60
2.	Commission	NIL	NIL	NIL	NIL	NIL
3.	Others, (please specify)	NIL	NIL	NIL	NIL	NIL
	Total (1)	0.70	0.60	0.30	1.00	2.60
Other Non-Executive Directors						
B. M. Vyas						
	Fees for attending board/committee meetings inclusive of taxes & out of pocket expenses		9.60			9.60
	Commission		NIL			NIL
	Others (Please specify)		NIL			NIL
	Total (2)		9.60			9.60
	Total(B)=(1+2)		12.20			12.20
	Whether Total Managerial Remuneration under the Ceiling as per the Act		Yes			

C. Remuneration to key managerial personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration (₹ in Million)	Key Managerial Personnel		
		Company Secretary	CFO	Total
1.	Gross salary (Per Annum)	1.25	8.94	10.19
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisite su/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2.	Sweat Equity	-	-	-
3.				
	- as % of profit	-	-	-
	- others, specify...	-	-	-
4.	Others, variable pay	0.42	1.20	1.62
	Total	1.67	10.14	11.81

VII. Penalties/Punishment/Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment / Compounding Fees imposed	Authority [RD/NCTL/ Court/ if any (give details)]	Appeal made
A. COMPANY					
Penalty			N.A.		
Punishment			N.A.		
Compounding			N.A.		
B. DIRECTORS					
Penalty			N.A.		
Punishment			N.A.		
Compounding			N.A.		
C. OTHER OFFICERS IN DEFAULT					
Penalty			N.A.		
Punishment			N.A.		
Compounding			N.A.		

For and on behalf of the Board of Directors

Place : Mumbai
Date: May 29, 2017

Devendra Shah
Chairman

Annexure VI

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017

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

To,
The Members,
Parag Milk Foods Limited

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

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

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

- i. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 ("FEMA") and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirement) Regulations, 2015;
- vi. During the period under review the Company got listed in BSE Limited and National Stock Exchange of India Limited on May 19, 2016. The Company is complying with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

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

- a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;-
- d. Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; Not Applicable for this financial year
- f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; Not Applicable for this financial year
- g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; Not Applicable for this financial year
- h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; Not Applicable for this financial year

Amongst the various laws which are applicable to the Company, following are the laws which are specifically applicable to the Company:

1. Food Safety and Standard Act, 2006
 - Food Safety and Standards Rules, 2011
 - Food safety and Standards (Licensing and Registration of Food businesses) regulation, 2011
 - Food Safety and standards (Packaging and Labelling) regulation, 2011

- Food safety and standards (Food product standards and Food Additives) regulation, 2011
 - Food safety and standards (Prohibition and Restriction on sales) regulation, 2011
 - Food safety and standards (contaminants, toxins and residues) regulation, 2011
 - Food Safety and Standards (Laboratory and sampling analysis) regulation, 2011
2. Petroleum and Explosive Act
 3. Legal Metrology Laws
 4. The States Shops and Establishment Act
 5. Inflammable Substances Act, 1952
 6. Factories Act, 1948
 7. Environment (Protection) Act, 1986
 8. Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981
 9. The Standards of Weight & Measures Act 1976
 10. Water (Prevention and Control of Pollution) Cess Rules, 1977 & 2003
 11. The Hazardous Wastes (Management and Handling) Rules, 1989 (as amended, May, 2003) Rules, 2008
 12. The Noise Pollution (Regulation and Control) Rules, 2000
 13. The Public Liability Act, 1991, Rules 1991
 14. The Energy Conservation Act, 2010
 15. Biological Diversity Act, 2002
 16. The Public Liability Act, 1991 and The Public Liability Insurance (Amendment) Rules, 2007
 17. The Manufacture, Use, Import, Export, and Storage of hazardous Microorganisms/ Genetically Engineered Organisms or Cells Rules, 1989
 18. The Environment (Protection) Act, 1986 & Rules and notifications issued under the Act
 19. Hazardous Waste (Management and Handling) Rules, 1989
 20. Monopolies and Restrictive Trade Practices Act, 1969
 21. Consumer Protection Act, 1986
 22. Tax Laws:
 - Value Added Tax (VAT) Act
 - The Finance Act, 1994 (Service Tax)
 - Income Tax Act, 1961
 23. Employee Laws:
 - Payment of Gratuity Act, 1972 and Payment of Gratuity (Central) Rules, 1972;
 - The Payment of Bonus Act, 1965 and Payment of Bonus Rules, 1975;
 - The Payment of Wages Act, 1936;
 - The Minimum Wages Act 1948;
 - The Employees' Provident Fund and Miscellaneous Provisions Act, 1952, and Scheme framed thereunder;
 - The Employees' State Insurance Act 1948;
 - The Maternity Benefit Act, 1961;

- The Contract Labour (Abolition and Regulation) Act, 1970 & Rules;
 - Equal Remuneration Act, 1976;
 - Workmen's Compensation Act, 1923;
 - Employment Standing Orders Act, 1946;
 - Child Labour (Prohibition and Regulation) Act, 1986;
 - The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
 - Labour Welfare Fund Act
24. Indian Stamp Act, 1899 and the State Stamp Acts;
 25. The Labour Welfare Fund, Act, 1953;
 26. Indian Contract Act, 1872
 27. Negotiable Instruments Act, 1881
 28. Information Technology Act, 2000
 29. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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

- i. Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI)

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

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

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes where applicable. All the decisions have been taken unanimously and no dissent recorded in Board Meetings.

We further report that Company is in the process of establishing adequate systems and processes commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, Rules, Regulations and Guidelines.

We further report that Sales Tax Authorities had pursuant to Section 64 of Maharashtra Value Added Tax Act, 2002, conducted an inspection at the Registered Office at Pune, at Company's Plant at Manchar and the Corporate Office at Nariman Point Mumbai. The Company has complied with all the conditions of the order issued by Sales Tax Authorities pursuant to the said inspection.

For N L Bhatia & Associates

UIN:S1996MH016600

N. L. Bhatia

(Managing Partner)

FCS No: 1176

C P No.: 422

Place: Mumbai

Date: May 29, 2017

To,
The Members,
Parag Milk Foods Limited

Date: May 29, 2017

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

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

For N L BHATIA & ASSOCIATES

UIN: S1996MH016600

N L BHATIA

(Managing Partner)

Membership No.1176

CP No.422

Report on Corporate Governance

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Parag Milk Foods Limited ("Parag"/"Company") imbibes the culture of exhibiting Good Corporate Governance by being committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success.

Parag has been in India since 1992 understanding people's needs, making quality products, building trusts and nurturing relationships. Parag constantly strives to strengthen Good corporate governance to generate maximum shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, vendor-partners, investors, employees, government and society, by fulfilling its social obligations and adhering to all regulatory compliances, by promoting and maintaining ethical standards to ensure integrity, transparency and accountability in the functioning of the Management, the Board and across all our business functions of the Company. Parag is committed to achieve and maintain highest standard of Corporate governance on an ongoing basis.

In accordance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') the report containing the details of Corporate Governance at Parag Milk Foods Limited is as follows

BOARD OF DIRECTORS

The Board of Directors ('the Board') is responsible for and committed to sound principles of Corporate Governance in the Company. We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance. At Parag, the Board is at the core of its corporate governance practice, The Board plays a crucial role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders. At Parag we have defined guidelines and an established framework for the meetings of the Board and Board Committees. These guidelines seek to systemise the decision making process at the meetings of the Board and the Board Committees in an informed and efficient manner.

The composition of the Board of Directors of your Company as on March 31, 2017.

Sr. No.	Name of Director	Category of Director	No. of other Directorships held	No. of other Committees of which Member	No. of other Committees of which Chairman
1.	Mr. Devendra Shah DIN: 01127319	Chairman-Executive Director(Promoter)	1	-	-
2.	Mr. Pritam Shah DIN: 01127247	Managing Director Executive Director(Promoter)	-	-	-
3.	Mr. B.M. Vyas DIN: 00043804	Non-Executive Director	3	-	-

The Board is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with requisite powers, authorities and duties. The Board critically evaluates your Company's strategic direction, management policies and their effectiveness. The agenda of the board reviews include strategic review from each of the Board Committees, a detailed analysis and annual strategic and operating plans and capital allocation, and budgets. It also reviews related party transactions, possible risks and risk mitigation measures, financial reports from the Chief Financial Officer (CFO) and business reports from each of the division heads. Frequent and detailed interaction sets the agenda and provides the strategic road map of the Company's growth, committed to the goal of sustainably elevating the Company's value creation and achievement of its long-term vision.

(a) Composition of Board of Directors

The composition of the Board of Directors of the Company is in conformity with the requirements of Regulation 17(1) of the Listing Regulations.

The Company has an optimum combination of executive and non-executive directors including woman director. The Board at Parag represents an optimum mix of professionalism, knowledge, gender and experience to enable the board to discharge its responsibilities and provide effective leadership to the business. As on March 31, 2017 the Board consists of 8 Directors, five (5) of whom are Non- Executive Independent Directors, two (2) are Executive Directors and one (1) is Non-Executive Non-Independent Director. Company comprises of at least 50% of the Board of Directors as Non- Executive Directors, as the Chairperson of the board of directors is an executive director. As prescribed at least half of the Board of directors comprises of Independent Directors. Independent Directors of the Company provide appropriate and annual certifications to the board confirming satisfaction of the conditions of their being independent as laid down in section 149(6) of the Companies Act 2013 and regulation 16(1)(b) of the Listing Regulations.

Sr. No.	Name of Director	Category of Director	No. of other Directorships held	No. of other Committees of which Member	No. of other Committees of which Chairman
4.	Mr. Sunil Goyal DIN: 00503570	Independent Director	3	2	1
5.	*Mr. Ramesh Chandak DIN: 0026581	Independent Director	4	2	-
6.	Mr. Narendra Ambwani DIN: 00236658	Independent Director	8	6	-
7.	Mr. Nitin Dhavalikar DIN: 07239870	Independent Director	-	-	-
8.	Mrs. Radhika Pereira DIN: 0016712	Independent Director	4	4	1

Mr. Ramesh Chandak, resigned as Nominee director of IDFC and appointed as Independent Director of the Company w.e.f. June 24, 2016.

Notes:

- Number of Directorships / Memberships held in other companies excludes Directorships/Memberships in private limited companies, foreign companies, companies under Section 8 of the Companies Act, 2013 ("the Act"), membership of managing committees of chambers / bodies and alternate directorships.
- The necessary disclosures regarding Committee positions have been made by all the Directors. None of the Directors are Members of more than 10 Committees and Chairman of more than 5 Committees across all public limited companies in which they are a Director. Number of Chairmanships / Membership of Committees covers Chairmanships/ Memberships of Audit Committee and Stakeholders' Relationship Committee.

Mr. Devendra P. Shah and Mr. Pritam P. Shah are brothers. None of the other directors are related to any other director on the Board

None of the Non-Executive Directors hold any shares or convertible instruments in the Company.

Attendance of Directors at Board Meetings and Annual General Meeting

The Board Meetings of the Company are governed by a structured agenda. The Board Meetings are generally held at Mumbai. The agenda along with the explanatory notes are sent to the Directors well in advance to enable them to take informed decisions.

Four Board Meetings were held during the financial year under review. These Meetings were held on June 24 2016, August 10, 2016, November 9, 2016 and February 14, 2017. The last Annual General Meeting (AGM) of the Company was held on September

29, 2016. The details of attendance of the Directors at the aforesaid Board Meetings and the last AGM is as under.

Name of Director	Number of Board Meetings in FY 2016-17		Attendance at the Last Annual General Meeting
	Held	Attended	
Mr. Devendra Shah	4	4	Yes
Mr. Pritam Shah	4	4	Yes
Mr. B.M. Vyas	4	3	Yes
Mr. Sunil Goyal	4	3	Yes
Mr. Narendra Ambwani	4	2	No
Mr. Nitin Dhavalikar	4	4	Yes
Mrs. Radhika Pereira	4	4	No
*Mr. Ramesh Chandak	4	4	Yes

Selection of Independent Directors

The Company has eminent people on the Board as Independent Directors who possess the required skills and have an independent standing in their respective field /profession who can effectively contribute to the Company's business and policy decisions and are considered by the Nomination and Remuneration Committee for appointment to the Board. The Committee inter alia considers qualification, positive attributes, area of expertise and number of Directorship and Memberships held in various committees of other companies by such persons in accordance with the Company's Policy for Selection of Directors and determining Directors' independence. The board considers the Committee's recommendation and takes appropriate decision.

Every Independent Director, at the first meeting of the Board in which they participate as a Director and thereafter at the first

meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under law. The Company has issued formal letter of appointment to all the independent Directors on their appointment explaining their roles, responsibilities, code of conduct, functions and duties as directors of the Company. The terms and conditions of appointment are hosted on the website of the Company at paragmilkfoods.com.

Independent Director

Pursuant to Schedule IV of the Companies Act, 2013 and the Rules made there under, the independent directors of your Company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of the Management. A separate meeting of the Independent Directors ("Annual ID Meeting") was convened on March 20, 2017 without the presence of non-independent directors in compliance with Regulation 25(3) of the Listing Regulations.

The Independent Directors at the meeting inter-alia discussed the following:

- i. Reviewed the performance of non-independent directors and the Board as a whole
- ii. Reviewed the performance of the Chairman of the Company, taking into account the views of executive directors and non-executive directors
- iii. Assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform the duties.

BOARD COMMITTEES

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas/activities which concern the Company and need a closer review. The board Committees are set up under formal approval of the board to carry out clearly defined roles which are to be considered to be performed by members of the Board as a part of good governance. The board supervises the execution of its responsibilities by the committees and is responsible for their action. The Chairman of the respective committee informs the Board about the summary of the discussions held in the committee Meetings, the minutes of the committee are placed before the Board for review. The Board committee can invite special invitees to join the Board if appropriate.

The Board has currently established the following statutory and non-statutory Committees.

Audit Committee:

A qualified and independent Audit Committee has been set up by the Board in compliance with the requirements of Regulation 18

of the Listing Regulations and Section 177 of the Companies Act, 2013. The terms of reference of the Audit Committee are inter-alia as under:

A. Powers of Audit Committee

The Audit Committee shall have powers, which should include the following:

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

B. Role of Audit Committee

The role of the Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds

utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

7. Review and monitor the auditor’s independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee. Explanation (i): The term “related party transactions” shall have the same meaning as provided in Clause 49(VII) of the Listing Agreement.

C. Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Currently, the Audit Committee comprises of Mr. Sunil Goyal as Chairman, Mr. Pritam Shah, Mr. Nitin Dhavalikar and Mr. Narendra Ambwani as its Members. Mr. Ramesh Chandak was appointed as a member of the audit committee effective November 09, 2016.

Presently, the Audit Committee after re-constitution of committee on November 09, 2017 comprises of Mr. Sunil Goyal as Chairman, Mr. Pritam Shah, Mr. Ramesh Chandak, Mr. Nitin Dhavalikar and Mr. Narendra Ambwani as its Members.

Mr. Sunil Goyal, Mr. Ramesh Chandak and Mr. Nitin Dhavalikar are Chartered Accountants. Four (4) Audit Committee Meetings were held during the financial year under review and the gap between two Meetings did not exceed 120 days. These Meetings were held on June 14, 2016, August 09, 2016, November 08, 2016 and February 13, 2017. The details of the composition of the Audit Committee and the attendance of the Members at the Audit Committee Meetings are as under:

Name	Category of Directorship	No. of Audit Committees held	No. of Audit Committees Attended
Mr. Sunil Goyal	Chairman	4	4
Mr. Pritam Shah	Member	4	4
Mr. Nitin Dhavalikar	Member	4	4
Mr. Narendra Ambwani	Member	4	3
*Mr. Ramesh Chandak	Member	1	1

* Mr. Ramesh Chandak appointed as a member of the Audit Committee in Board Meeting held on November 09, 2016.

The terms of reference of the Audit Committee includes the matters specified under Part C of Schedule II to Regulation 18 (3) of the Listing Regulations as well as Section 177 of the Companies Act, 2013. The Chief Financial Officer, Internal Auditor and Statutory Auditors are invitees to the Meeting. The Minutes of the Audit Committee Meetings were noted at the Board Meetings.

Stakeholders' Relationship Committee:

The Committee was re-constituted in the Board Meeting held on November 9, 2016. The Composition of the Committee after re-constitution is as follows:

Mr. B.M. Vyas – Chairman, Mr. Pritam Shah and Mr. Devendra Shah are the members of the Stakeholder Relationship Committee.

The terms of reference of the Stakeholders' Relationship Committee covers the matters specified under Part D of Schedule II to Regulation 20 (4) of the Listing Regulations as well as under Section 178 of the Companies Act, 2013.

- (i) Redressal of shareholders'/investors' grievances;
- (ii) Investigating complaints relating to allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
- (iii) Issue of duplicate certificates and new certificates on split/consolidation/renewal;
- (iv) Non-receipt of declared dividends, balance sheets of the Company or any other documents or information to be sent by the Company to its shareholders; and
- (v) Carrying out any other function as prescribed under the Equity Listing Agreement."

During the year under review one (1) Stakeholders Relationship Committee was held on February 14, 2017 wherein all the Members were present.

Name	Position	No. of Meetings held	No. of Meeting Attended
Mr. B. M. Vyas	Chairman	1	1
Mr. Pritam Shah	Member	1	1
Mr. Devendra Shah	Member	1	1

The details of Complaints received, redressed/ pending during the financial year 2016-17 is given below:

Pending at the beginning of the year	Received during the year	Redressed / Replied during the year	Pending at the year end
-	63	63	-

Corporate Social Responsibility Committee

The core theme of the Company's CSR policy is giving back to the society from which it draws its resources by extending helping hand to the needy and under privileged.

The committee was re-constituted on November 9, 2016, the Composition of the Committee is as follows Mr. B. M. Vyas as its Chairman, Mr. Devendra Shah, Mr. Narendra Ambwani, Mrs. Radhika Pereira as its Members. Mrs. Rachana Sanganeria the Company Secretary, acts as the Secretary to the Committee effective November 09, 2016.

One (1) Corporate Social Responsibility Committee meeting was held during the financial year under review. The Meeting was held on February 14, 2017. The details of composition of the Corporate Social Responsibility Committee and attendance of the Members at the Corporate Social Responsibility Meetings are as under:

Name	Position	No. of CSR Meetings held	No. of CSR Meeting Attended
Mr. B. M. Vyas	Chairman	1	1
Mr. Devendra Shah	Member	1	1
Mr. Radhika Pereira	Member	1	1
Mr. Narendra Ambwani	Member	1	1

The terms of reference of the Corporate Social Responsibility Committee includes the matters specified in the Section 135 of the Companies Act, 2013, Schedule VII to the Act and Rules made thereunder. The Minutes of the Corporate Social Responsibility Committee Meetings were noted at the Board Meetings.

Based on the recommendation of the Corporate Social Responsibility Committee, the Board of Directors have formulated and adopted a Policy on Corporate Social Responsibility. The same is displayed under the Investor Relations section on the Company's website. Report on Corporate Social Responsibility activities carried out by the Company during the year under review and details thereof are given in the Board of Directors' Report.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted as the "Remuneration Committee" by the Board of Directors at their meeting held on October 3, 2012 and was reconstituted on February 27, 2015, May 26, 2015, July 28, 2015, August 27, 2015 September 9, 2015 and November 9, 2016.

Presently, the Nomination and Remuneration Committee comprises of Mr. Nitin Dhavalikar as Chairman, Mr. Devendra Shah., Mrs. Radhika Pereira members and Mr. B.M. Vyas as its Members. Mrs. Rachana Sanganeria, the Company Secretary, acts as the Secretary to the Committee.

Two (2) Nomination and Remuneration Committee Meetings were held during the financial year under review. These Meetings were held on June 24, 2016 and November 9, 2016.

The details of composition of the Nomination and Remuneration Committee and attendance of the Members at the Nomination and Remuneration Committee Meetings are as under:

Name	Position	No. of NRC Meetings held	No. of NRC Meeting Attended
Mr. Nitin Dhavalikar	Chairman	2	2
Mr. Devendra Shah	Member	2	2
Mr Ramesh Chandak *	Member	1	1
Mrs. Radhika Pereira	Member	2	2
*Mr. B.M. Vyas	Member	-	-

* Mr. Ramesh Chandak, resigned after meeting held on June 24, 2016..Mr. B.M. Vyas was appointed on November 9, 2016.

The Committee's composition and terms of reference are in compliance with provisions of the Companies Act, 2013, Regulation 19 of the Listing Regulations and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time.

To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

- To formulate the criteria for evaluation of Independent Directors and the Board.
- To devise a policy on Board diversity.
- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/or removal.
- To carry out evaluation of every Director's performance
- To consider extension or continuation of term of appointment of independent directors on the basis of the report of performance evaluation of independent directors.
- To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria.
- To administer, monitor and formulate detailed terms and conditions of the Employees' Stock Option Scheme.

The Nomination and Remuneration Committee, inter alia, reviews and recommends to the Board, remuneration including the Bonus/Performance Linked Incentive of Managing Director, Whole-time Directors, Key Managerial and Senior Management

Personnel based on the performance parameters for the executives and the Company, subject to the limits approved by the Members and as permitted by law. The terms of reference of the Nomination and Remuneration Committee include the matters specified under Part D of Schedule II to Regulation 19 (4) of the Listing Regulations as well as under Section 178 of the Companies Act, 2013.

Finance Committee:

Section 179 (3) of Companies Act, 2013 allows delegation of certain powers by the board viz. borrowings funds, making investments, granting loans, etc.

In the interest of the Company a Finance Committee of the Board of Directors of the Company was constituted on 10th of August 2016 for taking decisions on behalf of the Board, during the intervening period between two Board Meetings, on the routine matters and also the matters on which decisions are required to be taken urgently. The Finance Committee looks into the financial affairs of the Company and would facilitate an enable quick/timely decisions to be taken and implemented by the Company and would not hinder the smooth functioning of the Company for want of Board approval in the ordinary course of business.

Finance Committee is composed of three members. They are as follows:

Mr. Nitin Dhavalikar – Chairman.

Mr. Pritam Shah - Member

Mr. Devendra Shah - Member

Three (3) Finance committee meetings were held on November 25, 2016, January 21, 2017 and March 16, 2017 during the year under review. The attendance details are as follows.

Name	Position	No. of Meetings held	No. of Meeting Attended
Mr. Nitin Dhavalikar	Chairman	3	3
Mr. Pritam Shah	Member	3	3
Mr. Devendra Shah	Member	3	3

Subsidiary Company(ies)

The Company does not have any material non-listed Indian Subsidiary as defined under Regulation 24 of SEBI Regulations.

The Company's Audit Committee reviews the Consolidated Financial Statements of the Company as well as the Financial Statements of the Subsidiaries, including the investments made by the Subsidiaries, if any.

The Company has formulated a policy for determining Material Subsidiaries and the policy is disclosed on the website of the Company viz. <http://paragmilkfoods.com/policy>.

Remuneration of Director

The following table gives details of remuneration paid to Executive Directors for the financial year under review:

Name of Director	Salary (In Million)	Benefits and Perquisites	Performance Linked Incentivise	Total (In Lakhs)
Mr. Devendra Shah	₹ 21.00	–	–	₹ 21.00
Mr. Pritam Shah	₹ 20.70	–	–	₹ 20.70
Mr. B.M. Vyas*	₹ 9.60	–	–	₹ 9.60

*Being paid consultancy fees inclusive of taxes and out of pocket expenses

Details of sitting fees paid to the Independent Director for 2016-2017

Name of the Directors	Sitting fees (in Million.)
Mr. Nitin Dhavalikar	1.00
Ms. Radhika Pereira	0.70
Mr. Narendra Ambwani	0.60
Mr. Ramesh Chandak	0.30
Mr. Sunil Goyal	No Sitting Fees

There was no pecuniary relationship or transactions with Non – Executive Directors vis-à-vis the Company other than sitting fees.

Service Contracts, Severance Fees and Notice Period

The appointment of the Managing Director and Whole-time Director(s) is governed by the Articles of Association of the Company and the Resolutions passed by the Board of Directors and the Members of the Company. These cover the terms and conditions of such appointment read with the service rules of the Company.

The appointment of Managing Director/Whole-time Director(s) are by way of Board Resolution and service/employment contracts.

GENERAL BODY MEETING

(a) The details of the last 3 Annual General Meetings (AGM) held

Date	Financial Year	Date and Time	Venue of the AGM	Details of Special Resolution Passed
September 29, 2016	2015- 2016	11.30 A.M	Navalmal Firodia Seminar Hall, Mahratta Chamber of Commerce, Industries and Agriculture, MCCA trade tower, A- wing, 5 th floor, Senapati Bapat Road, Pune 411016.	None
June 26, 2015	2014- 2015	11.30 A.M.	Awasari Phata, Manchar, District Pune (Manchar plant office)	None
September 30, 2014	2013-2014	11.00 A.M.	Flat No.1, Plot No.19, Nav Rajasthan, CHS. behind Ratna Memorial Hospital, S.B. Road, Shivaji Nagar, Pune-411016- Maharashtra	None

All the resolutions set out in the respective Notices were passed by the requisite majority of the members.

There is no separate provision for payment of severance fee under the resolutions/contracts governing the appointment of Managing Director and Whole-time Director(s).

Employee Stock Option Scheme

In order to motivate, incentivize and reward employees, your Company has instituted Employee Stock Option Scheme, 2015 ("ESOS 2015") which is in compliance with the SEBI ESOP Regulations duly approved by the Board of Directors and the Shareholders of the Company. The ESOS 2015 is governed is administered by the ESOP Trust. Details given in the Directors report.

Performance Linked Incentive criteria

The Company has internal norms for assessing the performance of its management including senior executives.

Managing Director (MD) And Chief Financial Officer (Cfo) Certification

As required under Regulation 17 of the Listing Regulations, the CEO/CFO certificate for the financial year 2016-17 signed by Mr. Pritam Shah, Managing Director and Mr. Bharat Kedia CFO, was placed before the Board of Directors of the Company at their meeting held on May 29, 2017.

Postal Ballot:

No postal ballot was conducted during the Financial Year ended 2016-17.

Recording Minutes of Proceedings At Board And Committee Meetings;

The Company Secretary records minutes of proceedings of each Board and Committee meeting. Draft minutes are circulated to Board/ Committee members for their comments. The minutes are entered in the Minutes Book within 30 days from the conclusion of the meeting.

Code of Conduct

In compliance with Regulation 26(3) of the Listing Regulations and the Companies Act 2013, The Company has framed and adopted code of conduct which is applicable to each member of the Board of Directors to Non-Executive Directors including Independent Directors to such extent as may be applicable to them depending on their roles and responsibilities and Senior Management of the Company. The Code gives guidance and support needed for ethical conduct of business and compliance of law.

The Company has received affirmations from all the Directors and Senior Management of the Company regarding compliance with the said Code as on March 31, 2017 and a declaration to that effect, signed by the Managing Director, is attached and forms part of this Report. The said Code is also displayed on the Company's website 'paragmilkfoods.com'.

Disclosure on Website:

The following information has been disseminated on the website of the Company at www.paragmilkfoods.com.

1. Details of business of the Company
2. Terms and conditions of appointment of Independent Directors
3. Composition of Board of Directors and various Board Committees.
4. Code of Conduct for Board of Directors and Senior management personnel.
5. Details of establishment of vigil mechanism/Whistle blower policy.
6. Criteria of making payments to Non-executive Directors.
7. Policy on dealing with Related Party Transactions
8. Policy for determining material subsidiaries.
9. Details of Familiarization programmes of Independent directors
10. Policy for determination of materiality of events.
11. Policy on Preservation and archival of documents.

Whistle Blower / Vigil Mechanism

The Board of Directors has formulated a Whistle Blower Policy /vigil mechanism which is in compliance with the provisions of Section 177 (10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations the Policy provides protection to the employees and business associates reporting unethical practices and regularities and also encourages employees and business associates to report incidences of fraud. The Policy provides protection to the employees and business associates reporting unethical practices and irregularities and also encourages employees and business associates to report incidences of fraud.

Risk Management framework

The Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework. The Company has formulated and adopted Risk Management Policy to prescribe risk assessment, management, reporting and disclosure requirements of the Company.

Management Discussion and Analysis

The Management Discussion and Analysis forms a part of the Annual Report. All matters pertaining to industry structure and developments, opportunities and threats, segment-wise/team-wise performance, outlook, risks and concerns, internal control systems and adequacy, discussion on financial and operational performance and material developments in human resources are discussed in the said Report.

Policy On Prevention of Sexual Harassment at Workplace

The Company has in place a Policy on Prevention of Sexual Harassment at Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Prevention of Sexual Harassment of Women at Workplace Act") and Rules framed thereunder and an Internal Complaints Committee has also been set up to redress complaints received regarding sexual harassment. The Company has received no.

During the financial year 2016-17, The Company has not received any complaints. The Company is committed to providing a safe and conducive work environment to all of its employees and associates.

Board Diversity

The Company recognizes and embraces the importance of a diverse board in its success. A truly diverse board will leverage on the skills and knowledge, industry or related professional experience, age and gender, which helps the Company to retain its competitive advantage. The Board has adopted the Board Diversity Policy to recognize the benefits of a diverse Board and

to further enhance the quality of participation and performance. Policy on Board Diversity is available on the Company website at paragmilkfoods.com.

Familiarization Program for Independent Directors

The Company has in place a Familiarization Program for Independent Directors to provide insights into the Company to enable the Independent Directors to understand its business in depth and contribute significantly to the Company's success. The Executive Directors / Senior Management makes presentations periodically to familiarize the Independent Directors with the strategy, operations, new product information and functions of the Company. The Company also circulates news and articles related to the industry and provides specific regulatory updates to the Independent Directors on a regular basis. The Company has devised and adopted a policy on Familiarization Program for Independent Directors and has uploaded the same on the Company's website 'paragmilkfoods.com'.

Insider Trading Policy

The Company has adopted an Insider trading Policy to regulate, monitor and report trading by insiders under the SEBI (Prohibition of Insider Trading) Regulations 2015. The Policy also includes practices and procedures for fair disclosure of unpublished price sensitive information, initial and continuous disclosure. The Policy on prevention of Insider trading is available on the Company website 'paragmilkfoods.com'.

Risk Management policy:

The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. Enterprise Risk Management Policy of the Company has been uploaded on the website – paragmilkfoods.com.

Focus On Innovation:

Parag Milk Foods strongly believes "Innovation is the key to Success". Company puts utmost emphasis on product and process innovation. Our company has large variety of products. Through product innovation we constantly focus on enhancing the quality of existing products and develop new ones that meet the expectations generated by changing lifestyles of consumers. We focus on using new techniques to optimize production with the aim of reducing operating cost and are focusing on boosting the health and nutrition of the consumers.

Details of non-compliance, penalties, strictures imposed by the Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets during the last 3 years

No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter relating to capital markets during the last 3 years.

MEANS OF COMMUNICATION

Timely disclosure of the information on corporate financial performance and the corporate developments is a sign of good governance practice which Company follows

(a) Publication of quarterly results

Quarterly, half-yearly and annual financial results of the Company are published in leading English and vernacular Marathi language newspaper, viz., Financial Express and Pune edition of Loksatta newspapers.

(b) Website and News Release

In compliance with Regulation 46 of the Listing Regulations, a separate dedicated section under 'Investors' on the Company's website gives information on various announcements made by the Company, status of unclaimed dividend, stock quotes, Annual Report, Quarterly/Half yearly/ Nine-months and Annual financial results along with the applicable policies of the Company. The Company's official news releases and presentations made to the institutional investors and analysts are also available on the Company's website (paragmilkfoods.com).

(c) Stock Exchange

Information to BSE Limited and the National Stock Exchange of India Limited in terms of the Listing Regulations and other rules and regulations issued by the SEBI.

(d) Presentations

Presentations made to the institutional investors / analysts are intimated to the Stock Exchanges within the prescribed time period under the Listing Regulations and are simultaneously hosted on the website

Other Disclosures

The Company has complied with the requirements specified in Regulations 17 to 27 and Regulation 46 of Listing Regulations as applicable.

General Shareholders Information:

Annual General Meeting	
Date	Wednesday August 09, 2017
Time	12.30 p.m.
Venue	at A-Wing, 5 th Floor, MCCIA Trade Tower, ICC Complex, 403 Senapati Bapat Road, Maharatta Chamber of Commerce industries & Agriculture (MCCIA), Pune 411 016
(a) Financial Year:	April 01, 2016 to March 31, 2017
Cut Off Date	August 02, 2017
Date of Book Closure	August 03 to August 09, 2017
Registered Office	Flat No 1, Nav Rajasthan Society, Shivaji Nagar, Pune-411016.
Payment of Final Dividend 2016-2017 of ₹ 0.50/- per equity share as recommended by Board of Directors at its meeting held on May 29, 2017	On or after August 10, 2017 (subject to shareholders' approval)

Registrar and Transfer Agent:

Name of Registrar and Transfer Agent:	Karvy Computer Share Private Limited
Address:	Karvy Selenium, Tower B, Plot number 31 & 32 Financial District, Gachibowli Hyderabad 500 032
Tel. No.:	+91 040 6716 1583
E-mail id:-	murali.m@karvy.com

Share Transfer System With Number Of Shares Transferred

The transfer of shares in physical form is processed and completed by Registrar & Transfer agent within period of seven days from

the receipt thereof provided all the documents are in order. In case of shares in electronic form the transfers are processed by NSDL/CDSL through respective Depository Participants.

Dematerialization of Shares

Break up of shares in physical and demat form as on March 31, 2017

Particulars	No. of Shares	% of Shares
Physical segment	3	0
Demat segment	8,41,14,579	
NSDL	7,23,65,960	86.03
CDSL	1,17,48,619	13.97
Total:	8,41,14,582	100

Listing On Stock Exchange

The Company has listed its Equity Shares on following Stock Exchanges, on May 19, 2016.

BSE Limited 01 st Floor, P.J. Towers Dalal Street, Fort, Mumbai- 400001	National Stock Exchange of India Ltd.(NSE) Exchange Plaza, 05 th Floor, Plot No.1/G Block Bandra-Kurla Complex, Bandra
BSE Limited (BSE): Scrip Code 539889	The National Stock Exchange of India Ltd. (NSE):Scrip Code : PARAGMILK

International Securities Identification Number (ISIN) for Depositories

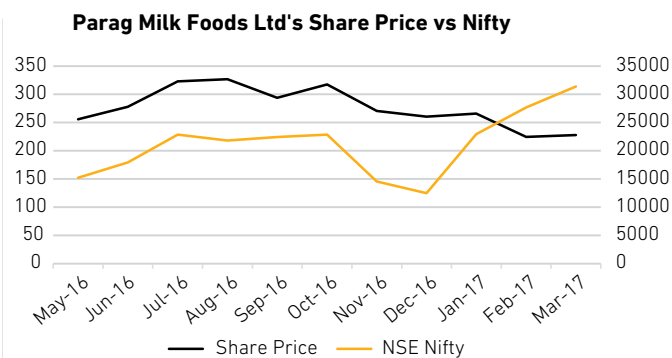
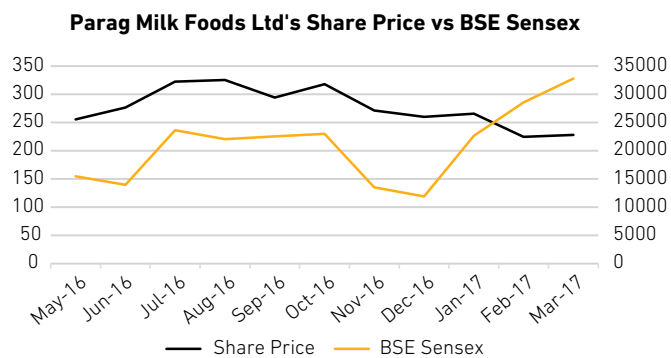
ISIN No. INE883N01014.

The Company has paid the listing fees to BSE and NSE and the custodian charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the financial year ended March 31, 2017.

Stock Market Data

Market Price Data- the monthly high and low prices of the Company's shares at BSE and NSE for from Listing date May 19, 2016 to financial year ended March 31, 2017 are as follows,

Month	BSE			NSE		
	High	Low	Close	High	Low	Close
May-16	263.05	202.10	255.65	262.70	201.75	255.85
Jun-16	287.00	227.90	276.50	287.00	227.00	278.10
Jul-16	356.70	272.00	322.30	357.00	273.35	323.10
Aug-16	345.00	299.55	325.30	345.65	299.05	326.85
Sep-16	354.00	274.80	294.35	354.80	274.95	293.80
Oct-16	328.00	292.90	318.05	328.70	292.80	317.50
Nov-16	320.00	238.00	271.20	320.80	251.00	270.65
Dec-16	281.00	250.00	260.10	281.00	250.00	260.45
Jan-17	278.20	251.00	265.75	278.00	250.10	265.80
Feb-17	292.00	203.00	224.60	290.60	202.00	224.60
Mar-17	229.50	213.00	228.10	229.75	214.10	228.05



Distribution of Shareholding

Distribution of shareholding of shares of the Company as on March 31, 2017 is as follows.

DISTRIBUTION SCHEDULE AS ON 31/03/2017

S. No.	Category	Shareholders		No. of Shares	
		Number	% of Holders	Number	% of Shares
1	upto 1 - 5000	20,097	90.69	2,08,28,360	2.48
2	5001 - 10000	1,013	4.57	84,72,330	1.01
3	10001 - 20000	524	2.36	79,32,370	0.94
4	20001 - 30000	173	0.78	44,00,400	0.52
5	30001 - 40000	62	0.28	22,59,780	0.27
6	40001 - 50000	61	0.28	28,65,670	0.34
7	50001 - 100000	91	0.41	68,51,800	0.81
8	100001 & ABOVE	139	0.63	78,75,35,110	93.63
	Total:	22,160	100.00	84,11,45,820	100.00

Shareholding Pattern as on March 31, 2017:

Category of Shareholder(s)	Total No. of Shares	% of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group		
(a) Individuals	3,76,26,989	44.73
(b) Bodies Corporate	23,14,200	2.75
Total Shareholding of Promoter and Promoter Group (A)	3,99,41,189	47.48
(B) Public Shareholding		
(1) Institutions		
(a) Mutual Funds	18,64,728	2.22
(b) Banks/FI	29,478	0.04
(c) Venture Capital Funds	50,74,234	6.03
(d) Foreign Portfolio Investors	2,05,25,251	24.4
(e) Other Foreign Investors	4,42,511	0.53
Sub-Total (B)(1)	2,79,36,202	33.22
(2) Non-Institutions		
(a) Bodies Corporate	51,19,103	6.08
(b) Individuals		
(i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	45,49,755	5.41
(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	42,51,895	5.05
(c) NBFCs registered with RBI	14,51,630	1.73
(d) Others	8,64,808	1.03
Sub-Total (B)(2)	1,62,37,191	19.30
Total Public Shareholding (B)=(B)(1)+(B)(2)	4,41,73,393	52.52
Total (A)+(B)	8,41,14,582	100.00

Commodity price risk or foreign exchange risk and hedging activities

Though not significant, Company is engaged in activities which span from Imports, Exports to Foreign Currency Borrowings. The Company's overall Foreign currency inflow is higher than outflow and therefore it has natural hedge.

Outstanding Gdrs/Adrs/Warrants Or Any Convertible Instruments Date And Likely Impact On Equity

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments hence as on March, 2017, the Company does not have any outstanding GDRs/ADRs/Warrants or any convertibles instruments.

Plant Location

The Company has 2 plants as follows:

Sr. No.	Plant	Locations
1	Plant 1	Manchar: At Awasari Phata, Post Manchar, Tal. Ambegoan Dist. Pune Maharashtra
2	Plant 2	Andhra Pradesh Plant; 149/1, Samudra Palli (Village), Pengaragunta (P.O.), Palamaner (Mdl), Chittoor (Dist), A.P.-517408

**For and on behalf of Board of Directors of
Parag Milk Foods Limited**

Place: Mumbai
Dated: May 29, 2017

Devendra Shah
Chairman

DECLARATION BY MANAGING DIRECTOR OF COMPLIANCE WITH THE CODE OF CONDUCT POLICY

I hereby declare that all Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct as applicable to them for the financial year ended, March 31, 2017.

PRITAM SHAH
MANAGING DIRECTOR

Mumbai, May 29, 017

MANAGING DIRECTOR/ CFO CERTIFICATION

TO,
The Board of Directors,
Parag Milk Foods Limited

We, Pritam Shah, Managing Director and Bharat Kedia, Chief Financial Officer of Parag Milk Foods Limited, to the best of our knowledge and belief, certify that:

- 1) We have reviewed the financial statements and the cash flow Statement for the year ended March 31, 2017 and to the best of our knowledge and belief:
 - a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- 2) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2017 are fraudulent, illegal or violative of the Company's code of conduct.
- 3) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control Systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- 4) We have indicated to the auditors and the Audit Committee that:
 - a. There has not been any significant change in internal control over financial reporting during the year under reference;
 - b. There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - c. We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Pritam Shah
Managing Director
DIN:01127247

Bharat Kedia
Chief Financial Officer

Place: Mumbai
Date: May 29, 2017

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Parag Milk Foods Limited

We have examined all the relevant records of Parag Milk Foods Limited ("the Company") for the purpose of certifying compliance of the conditions of the Corporate Governance under Chapter IV to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) for the period from April 01, 2016 to March 31, 2017. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation process adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. This certificate is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations and information furnished to us, we certify that the Company has complied with all the conditions of Corporate Governance as stipulated in the said Listing Regulations.

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

For **N. L. Bhatia & Associates**
Practicing Company Secretaries
UIN: P1996MH055800

Date: May 29, 2017
Place: Mumbai

N L Bhatia
Managing Partner
FCS No.:1176
CP. No. 422

Independent Auditor's Report

To
The Members of
Parag Milk Foods Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Parag Milk Foods Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143(3) of the Act, we report that:
 - a. We have sought and except for the matter described in the paragraph (g) (iv) below, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account

- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure 2".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 31 on Contingent Liabilities to the standalone financial statements;
- (ii) The Company did not have any long-term contracts including derivative contracts. Hence, the question of any material foreseeable losses does not arise;
- (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- (iv) The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management (Refer Note No. 37 to the financial statements).

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Anup Mundhra

Partner

Membership No. 061083

Place: Mumbai

Date : May 29, 2017

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Parag Milk Foods Limited on the standalone financial statements for the year ended March 31, 2017]

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, except for few assets where quantitative details are not available since inception.
- (b) During the year, the fixed assets of the Company have been physically verified by the management and as informed, no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The title deeds of immovable properties recorded as fixed assets in the books of account of the Company are held in the name of the Company.
- (ii) The inventory (excluding stocks lying with third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As informed, no material discrepancies were noticed on physical verification carried out during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them.
- (iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable to the Company.
- (iv) Based on information and explanation given to us in respect of loans, investments, guarantees and securities, the Company has complied with the provisions of Section 185 and 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed there under.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, however, there have been significant delays in few cases for tax deducted at source and service tax.
- According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, which were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues with respect to income tax, service tax, value added tax, customs duty, excise duty, which have not been deposited on account of any dispute, except in respect of sales tax and income tax as below :

Name of the statute	Nature of dues	Amount ₹ in Millions #	Period to which the amount relates	Forum where dispute is pending
Maharashtra Value Added Tax Act, 2002	VAT	0.45	F.Y. 2006-07	Joint Commissioner of Sales Tax (App) -1
Maharashtra Value Added Tax Act, 2002	VAT	37.90	F.Y. 2009-10	Joint Commissioner of Sales Tax (App) -1
Central Sales Tax Act, 1956	CST	8.74	F.Y. 2006-07	Joint Commissioner of Sales Tax (App) -1
Central Sales Tax Act, 1956	CST	12.26	F.Y. 2009-10	Joint Commissioner of Sales Tax (App) -1
Income Tax Act, 1961	Income tax	12.19	FY 2011-12	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax	47.42	FY 2012-13	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax	74.67	FY 2013-14	Commissioner of Income Tax (Appeals)

Amount paid under protest against the disputed dues is ₹ 6.66 Mn.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions, banks, governments or dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, the Company has utilized the money raised by way of initial public issue offer and the term loans during the year for the purposes for which they were raised.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.
- (xi) According to the information and explanations given to us, and read with Note 45 to the financial statements, managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanation given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of Act, where applicable and the details have been disclosed in the Standalone Financial Statements etc., as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Therefore, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year.
- (xvi) According to the information and explanation given to us the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Haribhakti & Co. LLP

Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Anup Mundhra

Place: Mumbai
Date : May 29, 2017

Partner
Membership No. 061083

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Parag Milk Foods Limited on the standalone financial statements for the year ended March 31, 2017]

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Parag Milk Foods Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

Place: Mumbai
Date : May 29, 2017

For Haribhakti & Co. LLP

Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Anup Mundhra

Partner
Membership No. 061083

Balance Sheet

as at March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share capital	3	841.15	704.16
(b) Reserves and surplus	4	5,819.97	3,072.71
		6,661.12	3,776.87
(2) Non-current liabilities			
(a) Long-term borrowings	5	713.27	1,242.73
(b) Deferred tax liabilities (Net)	6	105.97	137.34
(c) Other long term liabilities	7	165.23	180.78
(d) Long term provisions	8	14.58	5.71
		999.05	1,566.56
(3) Current liabilities			
(a) Short-term borrowings	9	1,620.88	2,357.01
(b) Trade payables			
(i) Dues of micro and small enterprises	10	24.76	42.43
(ii) Dues of creditors other than micro and small enterprises	10	3,033.50	1,579.97
(c) Other current liabilities	11	967.63	625.35
(d) Short-term provisions	12	15.10	41.72
		5,661.87	4,646.48
Total		13,322.04	9,989.91
II. Assets			
(1) Non-current Assets			
(a) Fixed Asset			
(i) Property, plant & equipment	13	3,063.31	2,950.49
(ii) Intangible assets	13	4.22	2.43
(iii) Capital work in progress		164.25	232.67
(iv) Intangible assets under development		41.85	45.06
		3,273.63	3,230.65
(b) Non-current investments	14	577.70	577.70
(c) Long-term loans and advances	15	703.00	149.83
(d) Other non-current assets	16	18.14	11.00
		4,572.47	3,969.18
(2) Current Assets			
(a) Inventories	17	4,267.21	2,710.51
(b) Trade receivables	18	2,113.25	2,330.65
(c) Cash and bank balances	19	1,000.13	70.58
(d) Short-term loans and advances	20	912.86	508.84
(e) Other current assets	21	456.12	400.15
		8,749.57	6,020.73
Total		13,322.04	9,989.91
Summary of significant accounting policies followed by the Company	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Pritam Shah
Managing Director
DIN: 01127247

Bharat Kedia
Chief Financial Officer

Rachana Sangneria
Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Statement of Profit and Loss

for the year ended on March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Particulars	Note No.	Year ended March 31, 2017	Year ended March 31, 2016
I. Revenue from operations	22	17,010.85	16,229.52
II. Other income	23	67.24	14.33
III. Total Revenue (I + II)		17,078.09	16,243.85
IV. Expenses:			
Cost of materials consumed	24	13,353.91	11,280.65
Purchase of stock in trade	25	734.41	1,317.48
Changes in inventories of finished goods, work in progress, stock in trade	26	(1,551.23)	(621.69)
Employee benefits expense	27	779.78	660.27
Finance costs	28	328.06	487.15
Depreciation and amortization expense	13	472.63	317.25
Other expenses	29	2,682.96	2,103.27
Total Expenses		16,800.52	15,544.38
V. Profit before tax before exceptional item (III-IV)		277.57	699.47
VI. Exceptional item (Refer Note 36)		193.84	-
VII. Profit before tax after exceptional item (V-VI)		83.73	699.47
VIII. Tax expenses:			
Current tax		34.42	178.71
MAT credit availed [including in respect of earlier years Nil (March 31, 2016: 30.58)]		(10.77)	(30.58)
Deferred tax	6	(31.37)	29.99
Tax adjustments earlier years (net)		(8.74)	(3.74)
IX Profit for the year (VII-VIII)		100.19	525.09
X Earnings per equity share: [Nominal value : ₹ 10/share (March 31, 2016: ₹ 10)]	30		
Basic		1.22	8.01
Diluted		1.22	8.01
Summary of significant accounting policies followed by the Company	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah Chairman
DIN: 01127319

Pritam Shah Managing Director
DIN: 01127247

Bharat Kedia Chief Financial Officer

Rachana Sangneria Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Cash Flow Statement

for the year ended on March 31, 2017

(All figures are in ₹ million unless otherwise stated)

	Year ended March 31, 2017	Year ended March 31, 2016
A. Cash Flow from Operating Activities		
Net Profit before taxation	83.73	699.47
Add:		
Depreciation/amortisation	472.63	317.25
Provision for doubtful debts	88.78	32.51
Loss on sale of fixed assets	0.18	-
Unrealised forex loss/(gain)	(6.70)	54.14
Interest expense	302.67	469.56
Less:		
Profit on sale of mutual fund	-	0.70
Interest income	60.14	4.86
Operating profit before working capital changes	881.15	1,567.37
Adjustments for :		
Increase in inventories	(1,556.69)	(613.42)
Decrease / (Increase) in trade receivables	130.09	(676.30)
(Increase)/decrease in short term loans and advances	(403.55)	900.94
(Increase)/decrease in other current assets	(52.23)	132.27
Increase in long term loans and advances	(35.02)	(27.81)
Increase in other current liabilities	312.72	32.74
Decrease in other non current liabilities	(15.55)	(30.78)
Increase/(decrease) in trade payables	1,441.10	(262.93)
Increase/(decrease) in provisions	20.39	(0.08)
Cash generated from operations	722.41	1,022.00
Direct taxes paid (net of refunds)	(163.59)	(135.35)
Net cash flow from operating activities	558.82	886.65
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(942.35)	(261.99)
Sale of fixed assets	0.97	0.09
Investment in subsidiary	-	(397.00)
Investment in fixed deposits	(579.03)	(7.48)
Proceeds from sale of mutual fund	-	0.70
Interest received	55.74	4.30
Net cash used in investing activities	(1,464.67)	(661.38)

Cash Flow Statement

for the year ended on March 31, 2017

(All figures are in ₹ million unless otherwise stated)

	Year ended March 31, 2017	Year ended March 31, 2016
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	3.75	602.72
Proceeds from issue of shares (net of issue expenses)	2,784.06	56.76
Repayment of short term borrowings (net)	(916.13)	(112.55)
Repayment of long term borrowings	(299.35)	(217.61)
Interest paid	(309.48)	(548.35)
Net Cash Flow from financing activities	1,262.85	(219.03)
Net increase in cash and cash equivalents (A+B+C)	357.00	6.24
Cash and cash equivalents at the beginning of the year		
Cash in hand	6.01	7.61
Bank balances	39.92	32.08
	45.93	39.69
Cash and cash equivalents at the end of the year [Refer Note 19]		
Cash in hand	19.13	6.01
Bank balances	383.79	39.92
	402.92	45.93
Summary of significant accounting policies followed by the Company	2.1	

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Pritam Shah
Managing Director
DIN: 01127247

Bharat Kedia
Chief Financial Officer

Rachana Sangneria
Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

1. Corporate Information

Parag Milk Foods Limited (formerly Parag Milk Foods Private Limited) ("the Company") was incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of procurement of cow milk mainly in western and southern region. The Company undertakes processing of milk and manufacture the various value added products namely cheese, butter, ghee, fresh cream, milk powder, flavoured milk, lassi, curd etc. which are marketed under its registered brand name "Gowardhan", "Go" and "Topp up".

The registered office of the Company is situated in the state of Maharashtra, India. The Company changed its name to Parag Milk Foods Limited effective from July 07, 2015.

2. Basis of preparation

The financial statements have been prepared and presented on the basis of generally accepted accounting principles in India under the historical cost convention on accrual basis of accounting in accordance with Accounting Standards as specified under Section 133 of the Companies Act, 2013 ("the Act"), read with rule 7 of the companies (Accounts) Rules 2014, and the relevant provisions of the 2013 Act, as applicable. The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year.

These financial statements are presented in Indian rupees and rounded off to nearest million unless otherwise stated.

2.1 Significant accounting policies

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

ii. Inventories

Inventories are valued at lower of cost or net realizable value (NRV). Basis of determination of cost remain as follows:

Items	Methodology of Valuation
Raw materials, components, stores and spares, Trading goods, and Packing Materials	Lower of Cost/NRV. Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress and finished goods	Lower of Cost/NRV. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
Cost is determined on First in First Out (FIFO) basis.	
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.	

iii. Cash flow statement

The cash flow statement is prepared using the "indirect method" set out in Accounting Standard 3 "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Company.

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

iv. Revenue Recognition

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

■ Sales of goods

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer which is normally on dispatch of goods. Sales are stated net of returns and trade discount. Sales tax and VAT are excluded.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

■ Processing charges

Processing charges is recognised as per the terms of the contract when the related services are rendered.

■ Interest income

Interest income is recognized on time proportion basis.

■ Dividends

Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

v. Property, plant and equipment

Property, plant and equipment (PPE) are tangible items held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are measured at cost less accumulated depreciation and any accumulated impairment. The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance.

Where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from useful life of the remaining asset, useful life of that significant part is determined separately, and depreciated as per its respective assessed useful life.

Items such as spare parts, stand by equipment and servicing equipment are capitalized only when they meet the definition of property, plant and equipment. Otherwise such items are classified as inventory.

The carrying amount of an item of PPE is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain/loss arising from derecognition of an item of PPE is included in the Statement of Profit and Loss. The gain or loss arising from the derecognition of an item of PPE would be the difference between the net disposal proceeds, if any, and the carrying amount of the item. The the residual value, useful life and method of depreciation are reviewed at each financial year end and adjusted prospectively if required.

vi. Depreciation

- Depreciation on cost of fixed assets is provided on straight line method at estimated useful life, which is in line with the estimated useful life as specified in Schedule II of the Companies Act, 2013, as per table given below, except for Second hand machineries which are depreciated over an estimated useful life of 10 years based on management estimate.

Assets	Useful life (years)
Building	30
Building (road work)	10
Leasehold building improvements	Over lease period
Plant & machinery	15
Second hand machineries	10
Furniture & fixtures	10
Office equipment	5
Vehicle - motor cars	8
Vehicle - motor cycles, scooters, other mopeds	10
Computers	3

- Depreciation on additions is provided on a pro-rata basis from the date of ready to use and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis upto the month preceding the month of deduction/disposal.
- Leasehold improvements include all expenditure incurred on the leasehold premises that have future economic benefits. Leasehold Improvements are amortized over the period of lease or estimated period of useful life of such improvement, whichever is lower.

vii. Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Intangible assets are amortised on a straight line basis over its estimated useful life. The costs relating to acquisition of trademark is amortised over a period of ten years. Computer software is amortised over its license period or 3 years whichever is lower.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit and Loss when the asset is derecognized.

viii. Foreign Currency Transactions

■ Initial recognition

Foreign currency transactions are recorded in the reporting currency which is Indian Rupee, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

■ Conversion

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognized in the Statement of Profit and Loss. Non-monetary foreign currency items are carried at cost.

■ Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except exchange differences on long term foreign currency monetary items related to acquisition of fixed assets, which are included in the cost of fixed assets.

ix. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the company will comply with the conditions attached to them and (ii) the grant/subsidy will be received.

Grant related to revenues are recognized in the statement of profit and loss on a systematic and rational basis over the periods necessary to match them with the related costs.

x. Investments

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as 'current investments'. All other investments are classified as 'non-current investments'.

Investments are classified under 'non-current' and 'current categories'.

'Non-current Investments' are carried at acquisition / amortized cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

Profit or loss on sale of Investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the carrying value of the investment.

xi. Retirement and Other Employee Benefits

■ Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus / ex-gratia are recognised in the period in which the employee renders the related service.

■ Post-employment employee benefits

Defined Contribution schemes

Company's contributions to the Provident Fund and Employee's State Insurance Fund are charged to the Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective authorities.

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(All figures are in ₹ million unless otherwise stated)

Defined benefits plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Company's contribution in the case of gratuity is funded annually with Life Insurance Corporation of India.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation, carried out by an independent actuary at each Balance Sheet date, using the Projected Unit Credit Method, which recognizes each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.

Other long term employee benefits

Company's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss.

xii. Borrowing cost

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs to the extent related/attribution to the acquisition/construction of assets that takes substantial period of time to get ready for their intended use are capitalized along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the Statement of Profit and Loss in the period they occur.

xiii. Segment reporting

The Company has identified manufacturing and processing of milk & milk products as its sole operating segment and the same has been treated as primary segment. The Company secondary geographical segments have been identified based on the location of customers and are demarcated into Indian and Overseas revenue earnings.

xiv. Leases

Where Company is the lessee

Assets taken under leases, where the company assumes substantially all the risks and rewards of ownership are classified as Finance Leases. Such assets are capitalized at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Assets taken under leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

xv. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share are calculated after adjusting effects of potential equity shares (PES). PES are those shares which will convert into equity shares at a later stage. Profit / loss is adjusted by the expenses incurred on such PES. Adjusted profit/loss is divided by the weighted average number of ordinary plus potential equity shares.

xvi. Taxation

Income-tax expense comprises current tax, deferred tax charge or credit and minimum alternative tax (MAT).

Current tax

Current income-tax is measured at the amount expected to be paid to the tax authorities after considering tax allowances, deductions and exemptions determined

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(All figures are in ₹ million unless otherwise stated)

in accordance with Income Tax Act, 1961 and the prevailing tax laws.

Minimum alternative tax

Minimum alternative tax (MAT) obligation in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax during the specified period. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably and reviewed at each reporting date.

Deferred tax

Deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income tax and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax asset is recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax asset is recognized only if there is a virtual certainty of realization of such asset. Deferred tax asset is reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

xvii. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or a group of assets. The recoverable amount of the asset (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction

is treated as an impairment loss and is recognized in the Statement of Profit and Loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Value in use is the present value of estimated future cash flow expected to arise from the continuing use of the assets and from its disposal at the end of its useful life.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

xviii. Provisions and Contingencies

A provision is recognised when an enterprise has 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 are not discounted to their present values and are determined based on management 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 management estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xix. Employee stock option

Employees (including senior executives) of the company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of

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for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

3 Share Capital

Particulars	As at March 31, 2017	As at March 31, 2016
Authorised Capital		
100,000,000 (March 31, 2016: 100,000,000 shares) equity shares of ₹ 10/- each	1,000.00	1,000.00
Issued, subscribed and fully paid up shares		
84,114,582 (March 31, 2016: 70,415,887 shares) equity shares of ₹ 10/- each fully paid up	841.15	704.16
Total	841.15	704.16

a. Shareholders holding more than 5 % shares in the company is set out below:

Name of Shareholder	As at March 31, 2017		As at March 31, 2016	
	No of Equity shares held	Percentage	No of Equity shares held	Percentage
Mr. Devendra Prakash Shah	1,45,70,832	17.32%	1,45,70,832	20.69%
Mr. Pritam Prakash Shah	91,59,888	10.89%	91,59,888	13.01%
Mrs. Netra Pritam Shah	82,68,149	9.83%	1,02,72,782	14.59%
IDFC Trustee Co. Ltd A/C IDFC Infrastructure Fund	50,74,234	6.03%	1,41,34,162	20.07%
India Business Excellence Fund	4,42,511	0.53%	43,59,749	6.19%

As per records of the company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

b. Reconciliation of number of shares

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number	₹ Million	Number	₹ Million
At the beginning of the year	7,04,15,887	704.16	1,59,69,464	159.69
Issued during the year	1,36,98,695	136.99	5,44,46,423	544.46
At the end of the year	8,41,14,582	841.15	7,04,15,887	704.16

c. Information on equity shares allotted without receipt of cash or allotted as bonus shares or shares bought back

Particulars	Year				
	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash, by way of conversion of compulsorily convertible debentures	-	1,20,84,385	-	-	-
Equity shares allotted as fully paid bonus shares by capitalization of securities premium and surplus balance.	-	4,21,35,038	-	-	-

d. Terms/rights attached to equity shares

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

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

4 Reserves and Surplus

Particulars	As at March 31, 2017	As at March 31, 2016
a. Securities premium account		
Opening balance	1,786.91	83.27
(+) Securities premium credited on share issue	2,863.01	1,783.64
(-) Securities premium debited on IPO expense	(215.94)	-
(-) Securities premium debited on bonus share issue	-	(80.00)
Closing balance	4,433.98	1,786.91
b. Debenture redemption reserve		
Opening balance	18.00	13.50
(+) Transfer from Surplus	4.50	4.50
Closing balance	22.50	18.00
c. General reserve	20.00	20.00
d. Surplus		
Opening balance	1,247.80	1,068.56
(+) Net profit/(loss) for the current year	100.19	525.09
(-) Bonus share issued	-	(341.35)
(-) Transfer to debenture redemption reserve	(4.50)	(4.50)
Closing balance	1,343.49	1,247.80
Total	5,819.97	3,072.71

5 Long-term Borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
Secured		
(A) Term loans		
a) Indian rupee loan from a bank (Refer note (a))	181.03	303.57
Less: Current maturities of long term debt	116.43	122.60
	64.60	180.97
b) Foreign currency loan from a financial institution (Refer note (b))	783.47	961.83
Less: Current maturities of long term debt	156.69	110.22
	626.78	851.61
c) Vehicle loan from financial institutions (Refer note (c))	30.53	38.02
Less: Current maturities of long term debt	10.23	10.50
	20.30	27.52
d) Vehicle loans from bank (Refer note (d))	2.61	4.87
Less: Current maturities of long term debt	1.02	2.24
	1.59	2.63
Unsecured		
(B) 0% Non Convertible Debentures (NCDs) to Promoters	-	180.00
	-	180.00
Total of secured and unsecured loans (A+B)	713.27	1,242.73

- a. Indian rupee loan from a bank of ₹ 181.03 million (March 31, 2016: ₹303.57 million) carries interest @ 12.00%-12.50%.The loans are repayable in 38-43 monthly instalments starting from Feb 2013 and November 2013 along with interest .The loan is secured by pari pasu charge on fixed assets and second pari pasu charge on current assets of the Company and personal guarantee of Promoter Directors.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

- b. Foreign currency loan from a financial institution of ₹783.47 million (March 31, 2016: ₹961.83 million) carries interest @ 5.15%-5.92%. The loans are repayable in 12 semi annual instalments along with interest starting from June, 2016. The loan is secured by first pari passu charge on movable and immovable fixed property of the Company and second pari passu of entire current assets of the Company along with other banks and personal guarantees of Directors and their relatives.
- c. Indian rupee loans from financial institutions of ₹ 30.53 million (March 31, 2016: ₹ 38.02 million) represents
- loan secured by hypothecation of equipments and vehicles with instalments in the range of 36-78 and interest rate in the range of 9.75%-12.98%.
- d. Hire purchase loan from banks of ₹ 2.61 million (March 31, 2016: ₹4.87 million) carries interest @ 9.38% to 11.24 % p.a. The loans are repayable in 36 to 60 monthly instalments starting from the respective date of finance. The loan is secured by specific assets financed (vehicle).

6 Deferred Tax Liability (Net)

The major components of deferred tax liability / asset as recognised in the financial statement is as follows:

Particulars	As at March 31, 2017	As at March 31, 2016
Deferred Tax Liability		
Fixed Assets: Impact of difference between income tax depreciation and depreciation charged for the financial statements	210.84	208.06
Total deferred tax liability	210.84	208.06
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis.	14.14	6.82
Provision for doubtful debts and advances	90.73	63.90
Total deferred tax asset	104.87	70.72
Net deferred tax liability	105.97	137.34
Opening deferred tax liability(net)	137.34	107.35
Deferred tax charge / (credit) for the year	(31.37)	29.99

7 Other Long-term Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Deposit from customers	165.23	180.78
Total	165.23	180.78

8 Long-term Provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits		
Provision for gratuity (refer note 34)	6.14	-
Provision for leave benefits	8.44	5.71
Total	14.58	5.71

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

9 Short-term Borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
Secured		
Loans repayable on demand		
Cash credit from banks #	1,440.88	2,357.01
Total (a)	1,440.88	2,357.01
Unsecured		
Loans repayable on demand from Promoters		
- 0% Non Convertible Debentures (NCDs) @	180.00	-
Total (b)	180.00	-
Grand Total (a+b)	1,620.88	2,357.01

Cash credit from banks is secured by first pari passu charge on all current assets of the Company and second pari passu charge on fixed assets of the Company, personal guarantee of Promoter Directors and their relative. The cash credit is repayable on demand and carries interest @ 12.40% p.a. to 15.00% p.a.

@ The Company had made an issue of 18,000,000 Nos of Non Convertible Debentures of nominal value of ₹ 10 each aggregating ₹ 180.00 million at 0% interest to the Promoters. The life of such debentures is 10 years from the issue date, i.e., March 2013 or anytime to be redeemed on demand after the Company's IPO.

10 Trade Payables

Particulars	As at March 31, 2017	As at March 31, 2016
Trade payables		
Due to micro and small enterprises [Refer Note 41]	24.76	42.43
Others [including due to Director ₹ 3.89 million (March 31, 2016: ₹ 1.22 million)]	3,033.50	1,579.97
Total	3,058.26	1,622.40

11 Other Current Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Current maturities of long term borrowings [Refer Note 5]	284.37	245.56
Interest accrued but not due on borrowings	16.99	23.81
Capital creditors [Refer Note 41]	83.48	85.97
Employee benefits payable	69.51	60.01
Deposit from customer	28.60	-
Advance from customers	272.34	164.91
Statutory dues payable	212.34	45.09
Total	967.63	625.35

12 Short-term Provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits:		
Provision for gratuity [Refer Note 34]	11.33	2.47
Provision for leave benefits	3.77	1.11
Others:		
Provision for income tax [net of advance tax ₹ 100 million (March 31, 2016: ₹ 110 million)]	-	38.14
Total	15.10	41.72

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Particulars	Gross Block		Accumulated Depreciation/Amortisation		Net Block			
	As at April 1, 2016	Additions during the Year	Deletions	As at April 1, 2016	Depreciation charge / amortisation for the year	Deletions	As at March 31, 2016	As at March 31, 2017
A. Property, plant & equipment								
Land - freehold	33.08	-	-	-	-	-	33.08	33.08
	(32.17)	(0.91)	-	-	-	-	(33.08)	(32.17)
Buildings	730.62	8.50	-	154.38	27.67	-	182.05	557.07
	(717.65)	(12.97)	-	(730.62)	(27.19)	-	(154.38)	(576.24)
Leasehold building improvements	20.31	31.38	-	13.83	3.90	-	17.73	33.96
	(14.30)	(6.01)	-	(20.31)	(3.31)	-	(13.83)	(6.48)
Plant and machinery	3,725.92	505.39	5.04	1,429.35	428.26	4.86	1,852.75	2,373.52
	(2,869.57)	(856.44)	(0.09)	(3,725.92)	(275.92)	(0.01)	(1,429.35)	(2,296.57)
Furniture and fixtures	16.91	9.93	0.07	4.95	1.90	0.07	6.78	19.99
	(12.80)	(4.11)	-	(16.91)	(1.48)	-	(4.95)	(11.96)
Office equipment	16.52	2.83	0.83	9.52	2.43	0.83	11.12	7.40
	(12.94)	(3.58)	-	(16.52)	(2.51)	-	(9.52)	(7.00)
Computers	15.46	18.25	1.04	12.64	1.83	1.04	13.43	19.24
	(13.64)	(1.82)	-	(15.46)	(1.77)	-	(12.64)	(2.82)
Vehicles	33.30	8.80	11.24	16.96	5.12	10.27	11.81	19.05
	(29.47)	(3.83)	-	(33.30)	(3.61)	-	(16.96)	(16.12)
Total	4,592.12	585.08	18.22	1,641.63	471.11	17.07	2,095.67	3,063.31
Previous Year	(3,702.54)	(889.67)	(0.09)	(1,325.85)	(315.79)	(0.01)	(1,641.63)	(2,950.49)
B. Intangible Assets								
Brands / trademarks	0.83	-	-	0.65	0.06	-	0.71	0.12
	(0.83)	-	-	(0.83)	(0.06)	-	(0.65)	(0.18)
Computer software	8.49	3.31	-	6.24	1.46	-	7.70	4.10
	(6.90)	(1.59)	-	(8.49)	(1.40)	-	(6.24)	(2.25)
Total	9.32	3.31	-	6.89	1.52	-	8.41	4.22
Previous Year	(7.73)	(1.59)	-	(5.43)	(1.46)	-	(6.89)	(2.43)
Grand Total (A+B)	4,601.44	588.39	18.22	1,648.52	472.63	17.07	2,104.08	3,067.53
Previous Year (A+B)	(3,710.27)	(891.26)	(0.09)	(1,331.28)	(317.25)	(0.01)	(1,648.52)	(2,952.92)

In accordance with Accounting Standard 11 - Change in Foreign Currency Rates ; the Company has adjusted foreign exchange (gain) / loss of ₹ (15.75) millions [March 31, 2016: ₹ 54.43 million] arising on reporting of long term foreign currency monetary item against the historical cost of fixed assets.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

14 Non Current Investments

Particulars	As at March 31, 2017	As at March 31, 2016
Trade investments		
Investments in equity instruments	577.64	577.64
Other investments		
Other investments	0.06	0.06
Total	577.70	577.70

Details of trade investments & other investments

Name of the body corporate	Subsidiary / Associate / JV/ Others	Quoted / Unquoted	Partly paid / Fully paid	No of units / shares		Amount	
				31-Mar-17	31-Mar-16	As at March 31, 2017	As at March 31, 2016
Trade investments							
Investments in equity instruments							
Bhagalaxmi Dairy Farms Pvt. Ltd.	Subsidiary	Unquoted	Fully paid	57,85,354	57,85,354	577.64	577.64
Other investments							
Rupee Co-Operative Bank Ltd.	Other	Unquoted	Fully paid	3,800	3,800	0.04	0.04
Sharad Sahakari Bank Ltd.	Other	Unquoted	Fully paid	318	318	0.02	0.02
Total						577.70	577.70

Particulars	As at March 31, 2017	As at March 31, 2016
Aggregate cost of quoted investments	-	-
Aggregate cost of unquoted investments	577.70	577.70
Aggregate market value of quoted investments	-	-

15 Long-term Loan and Advances

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured, considered good, unless stated otherwise		
Capital advances	477.62	69.55
Deposits	115.30	80.28
Advance tax [net of provisions: ₹ 34.42 million (March 31, 2016: ₹ 178.71 million)]	110.08	-
Total	703.00	149.83

16 Other Non-current Assets

Particulars	As at March 31, 2017	As at March 31, 2016
Fixed deposits (original maturity for more than 12 months)	15.25	8.77
Interest accrued on fixed deposits	2.89	2.23
Total	18.14	11.00

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

17 Inventories

(Valued at cost or net realisable value, whichever is less)

Particulars	As at March 31, 2017	As at March 31, 2016
Raw materials and components	33.98	28.97
Work-in-progress	2,010.08	1,371.23
Finished goods	2,049.95	1,137.57
Packing material	74.20	90.38
Stores and spares	99.00	82.36
Total	4,267.21	2,710.51

18 Trade Receivables

Particulars	As at March 31, 2017	As at March 31, 2016
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good (unsecured)	785.88	422.38
Considered doubtful	244.96	167.42
Less: Provision for doubtful debts	(244.96)	(167.42)
	785.88	422.38
Other debts		
Considered good (unsecured)	1,327.37	1,908.27
Total	2,113.25	2,330.65

19 Cash and Bank Balances

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and Cash Equivalents		
Balances with banks		
- In current accounts	47.18	37.78
- In deposits with original maturity of less than 3 months	336.61	2.14
Cash on hand	19.13	6.01
Sub total	402.92	45.93
Other bank balances		
- Fixed deposits (original maturity for more than 3 months but less than 12 months)	597.15	8.78
- Fixed deposits (original maturity for more than 12 months)	0.06	15.87
Sub total	597.21	24.65
Total	1,000.13	70.58

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

20 Short-term Loans and Advances

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured, considered goods unless otherwise stated		
Advance recoverable in cash or in kind	778.25	355.66
	778.25	355.66
Loan and advances to related parties [Refer Note 36]		
Advance to subsidiary	44.97	67.27
	44.97	67.27
Other loans and advances		
Balance with statutory/government authorities		
Considered good	26.38	23.12
Considered doubtful	17.21	17.21
Less: Provision for doubtful advances	(17.21)	(17.21)
	26.38	23.12
MAT credit entitlement	63.26	62.79
	89.64	85.91
Total	912.86	508.84

21 Other Current Assets

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured considered good, unless stated otherwise		
Deposits	3.29	2.53
Electricity duty receivables	23.11	18.86
Export subsidy receivables	8.29	-
PSI incentive receivable (Sales tax)	416.92	292.74
Interest accrued on fixed deposit	4.51	0.77
IPO expenses not written off #	-	85.25
Total	456.12	400.15

IPO expenses incurred being carried forward to be set off against securities premium post issue of shares in IPO

22 Revenue from Operations

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
A) Gross sales		
Sale of products		
Manufactured goods	15,771.85	14,360.26
Traded goods	760.04	1,225.92
	16,531.89	15,586.18
B) Other operating revenues		
Processing charges	140.83	419.95
Export benefits and incentives	21.36	5.54
Scrap sale	6.74	6.44
PSI incentive	310.03	211.41
	478.96	643.34
Total	17,010.85	16,229.52

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Breakup of manufactured and traded goods

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Sale of Products comprises of :		
Manufactured goods		
Fresh milk	3,777.75	3,238.27
Milk products	11,994.10	11,121.99
Total (a)	15,771.85	14,360.26
Traded goods		
Milk products	760.04	1,225.92
Total (b)	760.04	1,225.92
Grand Total (a+b)	16,531.89	15,586.18

23 Other Income

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest income on		
- Bank deposits	60.14	4.27
- Others	-	0.59
Foreign exchange fluctuation (Net)	5.52	-
Provision for doubtful debts reversed	-	6.16
Profit on sale of mutual fund	-	0.70
Miscellaneous income	1.58	2.61
Total	67.24	14.33

24 Cost of Material Consumed

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
a) Raw material consumed		
Inventory at the beginning of the period	28.97	31.70
Add: Purchases	12,320.33	10,290.98
Less: Inventory at the end of the period	33.98	28.97
Total (a)	12,315.32	10,293.71
b) Packing material, stores spares & consumables consumed		
Inventory at the beginning of the period	172.73	105.51
Add: Purchases	1,039.06	1,054.16
Less: Inventory at the end of the period	173.20	172.73
Total (b)	1,038.59	986.94
Grand Total (a+b)	13,353.91	11,280.65
Particulars		
Raw milk	11,815.48	8,263.06
Packing material	798.30	777.87
Stores spares and consumables consumed	240.29	209.07
Milk Products	499.84	2,030.65
Total	13,353.91	11,280.65

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

25 Purchase of Stock in Trade

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Milk products	734.41	1,317.48
Total	734.41	1,317.48

26 Changes in Inventory of Finished Goods and work in progress

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Inventories at the beginning of the year		
Finished goods - Milk Products	1,137.57	1,297.41
Work-in-progress - Milk Products	1,371.23	589.70
	2,508.80	1,887.11
Inventories at the end of the year		
Finished goods - Milk Products	2,049.95	1,137.57
Work-in-progress - Milk Products	2,010.08	1,371.23
	4,060.03	2,508.80
(Increase) in inventory	(1,551.23)	(621.69)

27 Employee Benefit Expenses

Particulars	As at March 31, 2017	As at March 31, 2016
Salaries, wages and bonus	702.61	605.53
Contribution to provident and other funds	24.24	15.84
Gratuity (refer note 34)	15.14	3.55
Staff welfare expenses	37.79	35.35
Total	779.78	660.27

28 Finance Cost

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest expenses		
- term loans	83.37	100.65
- working capital loans	195.17	326.45
Total interest expenses (a)	278.54	427.10
Interest expenses capitalised (b)#	-	22.21
Net Interest expenses (c)=(a+b)	278.54	449.31
Other borrowing cost (d)	24.13	20.25
Total (e) = (c+d)	302.67	469.56
Bank charges & commission (f)	25.39	17.59
Total (g) = (e+f)	328.06	487.15

Includes ₹ Nil (March 31, 2016: 22.21 Mn) reversed from capital work in progress in respect of borrowing cost excess capitalised in earlier years.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

29 Other Expenses

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Transport, octroi & freight	40.33	37.00
Power and fuel	461.44	407.84
Rent, rates & taxes [Refer note no. 40] [#]	291.21	205.00
Insurance	12.93	17.12
Repairs and maintenance		
-Plant and machinery	115.56	89.19
-Building	11.92	6.31
-Others	30.49	17.64
Other factory expenses	103.29	83.80
Security charges	17.58	14.64
Travelling & conveyance	67.59	53.94
Communication costs	11.03	9.19
Printing and stationery	5.48	3.89
Office expense	23.53	15.72
Legal & professional fees [@]	34.53	30.12
Director's remuneration	41.70	23.40
Payment to Auditor [Refer note no.29(a)]	4.15	2.85
Advertisements and marketing expenses	251.62	191.90
Sales promotion expenses	260.70	185.36
Commission on sales	53.83	40.98
Agency charges for export	9.26	6.00
Carriage outward	716.36	600.72
Bad debts [adjusted with provision for bad debts ₹ 11.24 Mn (March 13, 2016: ₹ Nil)]	-	-
Provision for doubtful debts	88.78	38.67
Provision for doubtful advances	-	-
Loss on sale of fixed assets	0.18	-
Donations	0.78	0.96
CSR expenses [Refer note no. 42]	12.38	0.72
Miscellaneous expenses	16.31	20.31
Total	2,682.96	2,103.27

@ Includes consultancy fee paid to director ₹ 9.61 million (March 31, 2016: ₹ 9.53 million)

Includes VAT & CST ₹ 7.42 million in relation to prior period (March 31, 2016: ₹ Nil)

29(a) Payment to auditor (excluding service tax)

Particulars	As at March 31, 2017	As at March 31, 2016
As auditor:		
Audit fees	3.63	2.85
Other services [#]	-	10.50
Reimbursement of expenses	0.07	0.05
Total	3.70	13.40

Fees for other services and reimbursement of expenses are in relation to IPO and accounted for as IPO expenses under Note 21

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

30 Earnings per Equity Shares

The basic earnings per equity share (EPS) are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive. The EPS is calculated as under:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Basic earnings per share		
Profit/(Loss) attributable to equity shareholders	100.19	525.09
Weighted average number of equity shares [#]	82.39	65.52
Basic earnings per share	1.22	8.01
Face value per share	10	10
Diluted earnings per share		
Profit attributable to equity shareholders	100.19	525.09
Weighted average number of equity share	82.39	65.52
Add :Potential convertible debentures	-	-
Weighted average number of equity share after considering potential equity shares	82.39	65.52
Diluted earnings per share	1.22	8.01

As per Accounting Standard 20, in case of bonus shares or consolidation of shares, the number of shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event has occurred at the beginning of the earliest period reported. Weighted average number of equity share outstanding during the previous period have been considered accordingly.

31 Contingent Liabilities

Sr. No	Particulars	As at March 31, 2017	As at March 31, 2016
a.	Guarantees given by banks on behalf of the Company	50.10	9.72
b.	Corporate guarantees given by the Company for loans taken by its subsidiary company and suppliers from banks /financial institutions	920.34	920.34
c.	Sales tax matter under litigation in respect of Company for FY.2006-07, FY 2009-10 and F.Y. 2010-11 for pending F forms and lower allowance on account of Central Quantum Benefit, against which appeal has been filed.	67.35	83.32
d.	Claim against the Company not acknowledge as debt in relation to claim made by France International Trade, Rennes, vide Special Civil Suit No. 692/2012 dated March 07, 2012 in the Court of Honourable Civil Judge, Senior Division, Pune for damaged goods supplied by the Company. The amount includes interest of ₹ 20.37 Million.	70.68	70.68
e.	Income tax matter under litigation for the AY 2012-13, AY 2013-14 and AY 2014-15 mainly with regard to taxability of PSI incentive [including interest of ₹ 40.07 million (March 31, 2016: ₹ 7.26 million)].	134.98	56.20
f.	Demand notice received u/s 245 for AY 2014-15 & AY 2015-16	0.35	0.35
g.	Duty liability under Advance License scheme	135.68	62.75

In all the cases mentioned above, outflow is not probable in accordance with Accounting Standard 29 ("AS-29") Provisions, Contingent Liabilities and Contingent Assets, hence not provided by the Company.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

32 Foreign currency exposure

- a) There are no foreign currency (FC) exposures that have been hedged by a derivative instrument or otherwise during the year ended March 31, 2017 or March 31, 2016.
- b) Foreign currency (FC) exposures that are unhedged by a derivative instrument or otherwise are as follows:

Particulars	Currency ₹	Year ended March 31 2017		Year ended March 31 2016	
		Amount in INR	Amount in FC	Amount in INR	Amount in FC
Payables in foreign currency					
- Trade Payable	USD	80.97	1.25	-	-
	EURO	13.89	0.20	2.88	0.04
	GBP	0.01	0.01	0.01	0.01
	CHF	0.08	0.01	-	-
Secured Loans					
-Secured Loans	USD	783.47	12.08	961.83	14.50
-Interest accrued but not due	USD	13.19	0.20	15.24	0.23
Receivables in foreign currency					
-Trade Receivable	USD	1.01	0.02	19.65	0.30
Advance received from customers	USD	33.69	0.52	35.59	0.54
Advance to suppliers	EURO	1.27	0.02	8.56	0.11
	USD	2.01	0.03	-	-

33 Capital and other Commitments

Capital commitments as at March 31, 2017 ₹ 288.52 million (March 31, 2016: ₹ 160.29 million)

For other commitments relating to lease arrangements refer note no. 40.

34 Disclosure pursuant to Accounting Standard - 15 "Employee Benefits"

A. General description

i) Provident Fund/Employee State Insurance (Defined Contribution)

The Company's Provident Fund and Employee State Insurance Scheme are defined contribution plans. The expense charged to the Statement of Profit and Loss under the head 'Contribution to provident and other funds' in respect to the above schemes is ₹ 24.24 million (March 31, 2016: ₹ 15.84 million).

ii) Gratuity (Defined benefit plan)

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service.

B. The following tables set out disclosures prescribed by AS 15 in respect of Company's funded gratuity plan

i) Changes in the present value of defined benefit obligation

Particulars	As at March 31, 2017	As at March 31, 2016
Present value of obligation as at the beginning of the period	19.34	14.28
Interest cost	1.53	1.11
Current service cost	4.26	3.29
Acquisition/Business combination	-	(0.06)
Benefits paid	(0.14)	(0.14)
Actuarial loss on obligation	9.35	0.87
Closing present value of obligation	34.34	19.34

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

ii) Changes in the fair value of plan assets

Particulars	As at March 31, 2017	As at March 31, 2016
Present value of plan assets as at beginning of the period	16.87	10.04
Expected return on plan assets	1.13	1.03
Contributions	0.14	5.25
Benefits paid	(0.14)	(0.14)
Actuarial gains / (losses)	(1.13)	0.69
Fair value of plan assets as at end of the period	16.87	16.87

iii) The amounts recognized in the Balance Sheet are as follows

Particulars	As at March 31, 2017	As at March 31, 2016
Present value of obligation as at the end of the period	34.34	19.34
Funded value of assets	16.87	16.87
Net liability recognized in balance sheet	17.47	2.47

iv) The amounts recognized in the Statement of Profit & Loss are as follows

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Current service cost	4.26	3.29
Interest cost	1.53	1.11
Expected return on plan assets	(1.13)	(1.03)
Net actuarial loss recognized	10.48	0.18
Expenses recognized in the statement of profit and loss	15.14	3.55

v) Actuarial assumption

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Discount Rate	6.95%	7.95%
Salary escalation [#]	6.00%	6.00%
Rate of return on plan assets *	8.00%	8.00%

*The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to change in the market scenario.

The estimates of future salary increase, considered in actuarial valuation, taken on account of inflation, seniority, promotion & other relevant factors such as supply and demand in the employment market.

vi) The Company expects to contribute ₹ 11.33 million to gratuity fund in the next one year (March 31 2016: 2.50 million)

vii) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Investment with insurer	100%	100%

viii) Disclosure under para 120(n) of AS 15

Particulars	31-Mar-2017	31-Mar-2016	31-Mar-15	31-Mar-14	31-Mar-13
Defined benefit obligation	34.34	19.34	14.28	9.12	6.36
Plan asset	16.87	16.87	10.04	8.50	5.84
Deficit / (surplus)	17.47	2.47	4.24	0.62	0.52
Experience adjustments on plan assets	-	0.69	(0.86)	(0.03)	-
Experience adjustments on plan liability	6.82	1.01	1.55	(0.07)	-

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

35 Information pursuant to para 5(viii) of the general instructions to the Statement of Profit and Loss

i) Value of Imports on C.I.F basis

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Packing material & consumables	41.91	32.07
Raw materials	193.28	140.97
Traded goods	7.05	9.11
Capital goods (including CWIP)	45.97	52.94

ii) Expenditure in foreign currency (On accrual basis)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Foreign travel	3.05	2.51
Sales promotion	-	0.33
Finance cost	63.67	49.06
Office expenses	-	0.71
Fee & Subscription	0.34	0.01
Bank charges	3.84	0.10
Professional fee	18.07	14.89

ii) Earnings in foreign currency

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Export of goods on F.O.B. basis	568.22	318.09

iv) Consumption of materials

Particulars	Year ended on March 31, 2017		Year ended on March 31, 2016	
	Amount	Percentage	Amount	Percentage
Imported	210.90	1.7%	141.01	1.4%
Indigenous	12,104.33	98.3%	10,152.70	98.6%
Total	12,315.33	100.0%	10,293.71	100.0%

v) Consumption of packing materials, stores and spare parts

Particulars	Year ended on March 31, 2017		Year ended on March 31, 2016	
	Amount	Percentage	Amount	Percentage
Imported	53.35	5.1%	33.92	3.4%
Indigenous	985.24	94.9%	953.02	96.6%
Total	1,038.59	100.0%	986.94	100.0%

36 Exceptional items represent VAT tax liability for previous years and interest thereon in respect of inspection conducted by VAT authorities during the year, wherein certain transactions were identified which were to be considered as local sales instead of interstate transfer.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

- 37** The disclose of the details of Specified Bank Notes (SBN)* held and transacted during the period from November 8, 2016 to December 30, 2016.

Particulars	SBNs	Otherdenomination notes	Total
Closing cash in hand as on November 8, 2016	56.71	64.05	120.76
Add: Permitted Receipts	-	109.88	109.88
Less: Permitted Payments	-	18.93	18.93
Less: Amount deposited in Banks	56.71	134.79	191.50
Closing cash in hand as on December 30, 2016	-	20.21	20.21

* Specified Bank Notes (SBN)* shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

38 Related Party Disclosure

In accordance with the requirements of Accounting Standard 18, "Related Party Disclosures", the details of related party transactions are given below:

Nature of Relationship	Nature of Related party
a) Key management personnel	Mr. Devendra Shah – Chairman Mr. Pritam Shah – Director Mr. Bharat Kedia – CFO
b) Subsidiary Company	Bhagalaxmi Dairy Farms Private Limited
c) Relatives of Key Management Personnel	Relatives having transaction during the period Late Mr. Parag Shah Miss. Akshali Shah Mrs. Priti Shah Mrs. Netra Shah Mrs. Prity Kedia
d) Enterprise over which Key Management Personnel exercise significant influence / control	Enterprise having transactions during the period: Bharat Trading Company

Details of related party transactions during the year:

The Company has identified the following related party transactions as per Accounting Standard 18:

Nature of Transactions	Year ended March 31, 2017	Year ended March 31, 2016
(A) Transaction during the period		
Purchases of goods		
Bhagalaxmi Dairy Farms Private Limited	168.95	208.93
Bharat Trading Company	10.12	12.25
Sale of goods		
Bhagalaxmi Dairy Farms Private Limited	3.26	2.88
Remuneration to KMP and their relatives#		
Devendra Shah	21.00	12.00
Pritam Shah	20.70	11.40
Bharat Kedia	8.94	9.79
Akshali Shah	1.86	1.08
Rent payment		
Bhagalaxmi Dairy Farms Private Limited	6.60	6.60
Devendra Shah	3.39	3.39
Pritam Shah	0.45	0.45
Priti Shah	0.39	0.39
Netra Shah	0.39	0.39

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Nature of Transactions	Year ended March 31, 2017	Year ended March 31, 2016
Prity Kedia	0.96	-
Reimbursement of expense to KMP		
Devendra Shah	2.27	1.93
Pritam Shah	0.14	0.23
Advances received (Net)		
Bhagalaxmi Dairy Farms Private Limited	22.30	381.45
Share purchase		
Bhagalaxmi Dairy Farms Private Limited	-	400.00
Bonus share issued		
Devendra Shah	-	97.14
Pritam Shah	-	61.07
Parag Shah	-	32.62
Prakash Shah	-	44.78
Rajani Shah	-	3.84
Priti Shah	-	9.94
Netra Shah	-	18.50
(B) Balance outstanding at the end of the period		
(i) Payable to		
Devendra Shah	2.41	0.48
Pritam Shah	1.48	0.73
Bharat Trading Company	1.62	1.98
(ii) Non-convertible debenture		
Devendra Shah	30.00	30.00
Pritam Shah	150.00	150.00
(iii) Personal guarantee issued by		
Devendra Shah, Pritam Shah, Parag Shah, Prakash Shah, Netra Shah, & Priti Shah	4,792.88	4,679.52
(iv) Corporate guarantee issued to		
Bhagalaxmi Dairy Farms Private Limited [@]	300.00	300.00
(v) Advance given to		
Bhagalaxmi Dairy Farms Private Limited	44.97	67.27

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole. Further, the remuneration to key managerial personnel does not include employee stock compensation expense.

@ Corporate guarantee issued on behalf of subsidiary is in relation to term loan taken by the subsidiary from bank for its business purpose particularly for capital expansion.

39 Segment Reporting Disclosure

i) Primary (Business) Segment

In accordance with the requirements of the Accounting Standard 17 "Segment Reporting", the Company's business consists of one reportable business segment i.e., "Manufacturing & Processing of Milk & Milk Products" hence no separate disclosures pertaining to attributable Revenue, Profits, Assets, Liability, Capital Employed are given.

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

ii) Secondary (Geographical) Segment:

Secondary segment reporting is performed on the basis of geographical location of the customers. The operation of the Company comprises local sales and export sales. The management views the Indian market and export market as distinct geographical segments. The geographical segments considered for disclosure are as follows:

Particulars	Year ended on March 31, 2017			Year ended on March 31, 2016		
	Within India	Outside India	Total	Within India	Outside India	Total
Segment revenue	16,442.63	568.22	17,010.85	15,898.18	331.34	16,229.52
Additions to fixed assets	516.75	-	516.75	886.68	-	886.68
Carrying value of segment assets *	13,144.41	4.29	13,148.70	9,898.91	28.21	9,927.12

*Excludes advance tax and MAT receivable

40 Operating Lease

The company has entered into commercial leases for taking office spaces on lease. These leases have an average term of three to five years with renewal option and escalation clauses included in the agreements. There are no restrictions placed upon the Company by entering into these leases. The Company has not given any sub lease during the year. Some of the lease arrangements also include a non-cancellable period. Lease rental debited to Statement of Profit and Loss for the period is ₹ 87.08 million (March 31, 2016: ₹ 69.11 millions).

Disclosure for minimum lease rentals payable under non-cancellable lease agreements are as below:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Lease rentals due		
Not later than one year	18.14	2.16
Later than one year and not later than five years	15.27	1.62
Later than five years	-	-

41 Amount due to Micro and Small Enterprises

Information required to be disclosed in accordance with Micro, Small and Medium Enterprises Development Act, 2006 has been determined based on the parties identified on the basis of information available with the Company, which has been relied upon by the auditors:

Sr. No.	Particulars	Year ended March 31, 2017	Year ended March 31, 2016
i)	a) The Principal amount remaining unpaid to any supplier at the end of the period included in Trade Payables.	22.42	38.79
	b) The interest due on above	2.34	3.64
ii)	The amount of interest paid by the buyer in term of Section 16 of the Act	-	-
iii)	The amount of the payment made to the supplier beyond the appointed day during the period.	167.54	94.32
iv)	The amount of interest accrued and remaining unpaid at the end of period.	2.34	3.64
v)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act.	-	-
vi)	The amount of further interest remaining due & payable in the succeeding years	2.34	3.64

Notes to the Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

42 Disclosure of CSR Expenses

Sr. No.	Particulars	Year ended March 31, 2017	Year ended March 31, 2016
a)	Gross amount required to be spent by the Company during the period	7.99	5.15
b)	Amount spent during the year on:		
(i)	Construction/acquisition of any asset	-	-
(ii)	On purposes other than (i) above		
	- In cash	12.36	0.72
	- Yet to be paid in cash	0.02	-

43 Employee Stock Option Scheme:

The Board of Directors constituted the equity settled Employee Stock Option Scheme ("ESOS 2015") vide its resolutions dated February 27, 2015 and April 21, 2015 for issue of 696,339 stock options to the key employees of the Company, which has been further approved in the Company's Extra ordinary General meeting dated April 3, 2015 and May 16, 2015.

Pursuant to the above scheme, the Board of Directors vide its circular resolution dated September 3, 2015, approved grant of 227,000 stock options to its employees on September 4, 2015.

According to ESOP 2015, the employee selected will be entitled to stock options, subject to satisfaction of the prescribed vesting conditions in the scheme. The contractual life (comprising the vesting period and the exercise period) of options granted is 3 years. The other relevant terms of the grant are as below:

Vesting period	1 years
Exercise period	2 years
Expected life	3 years
Exercise price	₹ 250

The details of activity under ESOS 2015 are summarized below:

Particulars	Year ended on March 31, 2017		Year ended on March 31, 2016	
	No. of options	WAEP (₹)	No. of options	WAEP (₹)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	227,000	250
Forfeited during the year	27,800	250	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	72,273	250	227,000	250
Exercisable at the end of the year	126,927	250	-	-

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Dividend yield (%)	-	-
Expected volatility	41.71%	41.71%
Risk-free interest rate	7.54%	7.54%
Weighted average share price (₹)	250	250
Exercise price (₹)	250	250
Expected life of options granted in years	3	3

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No cost has been recognised in respect of ESOS2015 during the period as the exercise price of the options is higher than the fair value of the options as at the grant date.

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for the period ended March 31, 2017

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44 Statement of IPO proceeds

Particulars	Amount as per prospectus	Amount to be utilised
Gross proceeds of the fresh issue	3,000.00	3,000.00
Less: Fresh issue expenses	212.00	215.94
Net proceeds of the fresh issue	2,788.00	2,784.06

Particulars	Amount utilised up 31 March 2017	Pending utilisation
Expansion and modernisation of Plant	730.48	746.53
Investment in subsidiary for financing the capital expenditure requirements in relation to expansion and modernisation of the Bhagyalaxmi Dairy Farms	4.56	18.43
Partial repayment of working capital consortium loan	1,000.00	-
General corporate purposes	284.05	-
Total	2,019.09	764.97

45 Due to inadequacy of profit in the current financial year. The Managerial remuneration paid by the Company is subject to the limits prescribed under Schedule V of the Companies Act, 2013. In view of the Company, further supported by a legal opinion in this regard. The shareholders' approval by way of a special resolution to double the limit provided under Schedule V of the Companies Act, 2013, has already been obtained through the Extra Ordinary General Meeting dated April 3, 2015 when the company was a private limited company, and the same would cover the managerial remuneration paid during the current financial year, which is lower than the maximum amount payable with such Special Resolution.

However, as a matter of good governance, the management shall place the resolution for ratification of the remuneration paid to the Directors in the ensuing Annual General Meeting.

- 46** (a) Previous period/year's figures have been regrouped/reclassified wherever necessary, to conform to current period/ year's classification.
- (b) Amounts mentioned as "0" in the financial statements denote amounts rounded off being less than Rupees five thousand.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah **Pritam Shah**
Chairman Managing Director
DIN: 01127319 DIN: 01127247

Bharat Kedia **Rachana Sangneria**
Chief Financial Officer Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Independent Auditor's Report

To
The Members of
Parag Milk Foods Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Parag Milk Foods Limited (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2017, their consolidated profit and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a. We have sought and except for the matter described in the paragraph (g) (iv) below, 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 relating to preparation of the aforesaid Consolidated Financial Statements have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors;

- c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements;
- d. In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the the Group and the operating effectiveness of such controls, we give our separate Report in the "Annexure".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 31 to the Consolidated Financial Statements;
 - (ii) The Group did not have any long-term contracts including derivative contracts. Hence, the question of any material foreseeable losses does not arise;
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company; and
 - (iv) The Holding Company and its subsidiary company have provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, based on audit procedures performed by us, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Holding Company and its Subsidiary Company incorporated in India and as produced to us by the Management (Refer Note No. 38 to the financial statements).

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Anup Mundhra

Partner

Membership No. 061083

Place: Mumbai

Date : May 29, 2017

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Parag Milk Foods Limited on the consolidated financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of the Group, which include companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained is sufficient and appropriate to provide

a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Group have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For Haribhakti & Co. LLP

Chartered Accountants
ICAI Firm Registration No.103523W / W100048

Anup Mundhra

Partner

Membership No. 061083

Place: Mumbai

Date : May 29, 2017

Consolidated Balance Sheet

as at March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share capital	3	841.15	704.16
(b) Reserves and surplus	4	5,732.96	2,914.63
		6,574.11	3,618.79
(2) Non-current liabilities			
(a) Long-term borrowings	5	713.27	1,248.44
(b) Deferred tax liabilities (Net)	6	98.68	109.57
(c) Other long term liabilities	7	165.23	180.78
(d) Long term provisions	8	15.59	6.10
		992.77	1,544.89
(3) Current liabilities			
(a) Short-term borrowings	9	1,620.88	2,357.01
(b) Trade payables			
(i) Dues of micro and small enterprises	10	24.76	42.43
(ii) Dues of creditors other than micro and small enterprises	10	3,093.97	1,637.10
(c) Other current liabilities	11	977.08	667.62
(d) Short-term provisions	12	15.34	41.78
		5,732.03	4,745.94
Total		13,298.91	9,909.62
II. Assets			
(1) Non-current Assets			
(a) Fixed Asset			
(i) Property, plant & equipment	13A	3,330.91	3,211.95
(ii) Intangible assets	13A	4.99	3.41
(iii) Capital work in progress		164.25	232.67
(iv) Intangible assets under development		42.28	45.49
		3,542.43	3,493.52
(b) Livestock	13B	251.93	232.01
(c) Non-current investments	14	0.06	0.06
(d) Long-term loans and advances	15	707.87	157.19
(e) Other non-current assets	16	18.74	11.10
		4,521.03	3,893.88
(2) Current Assets			
(a) Inventories	17	4,285.17	2,724.26
(b) Trade receivables	18	2,150.20	2,359.92
(c) Cash and bank balances	19	1,008.49	76.83
(d) Short-term loans and advances	20	877.90	454.58
(e) Other current assets	21	456.12	400.15
		8,777.88	6,015.74
Total		13,298.91	9,909.62
Summary of significant accounting policies followed by the Company	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Pritam Shah
Managing Director
DIN: 01127247

Bharat Kedia
Chief Financial Officer

Rachana Sanganeria
Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Consolidated Statement of Profit and Loss

for the year ended on March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Particulars	Note No.	Year ended March 31, 2017	Year ended March 31, 2016
I. Revenue from operations	22	17,307.39	16,452.01
II. Other income	23	109.87	15.48
III. Total Revenue (I + II)		17,417.26	16,467.49
IV. Expenses:			
Cost of materials consumed	24	13,405.90	11,268.40
Purchases of stock in trade	25	734.41	1,382.97
Changes in inventories of finished goods, work in progress and traded goods	26	(1,552.04)	(621.69)
Employee benefits expense	27	794.45	671.30
Other expenses	29	2,843.03	2,269.02
Finance costs	28	332.76	495.72
Depreciation and amortization expense	13A	489.63	333.88
Total Expenses		17,048.14	15,799.60
V. Profit before tax before exceptional item (III-IV)		369.12	667.89
VI. Exceptional item [Refer Note 37]		193.84	-
VII. Profit before tax after exceptional item (V-VI)		175.28	667.89
VIII. Tax expenses:			
Current tax			
- For the year		34.42	178.71
- Relating to earlier years		(8.74)	(3.74)
MAT credit availed [including in respect of earlier years Nil (March 31, 2016: 29.96 million)]		(10.77)	(29.96)
Deferred tax charge / (credit)	6	(10.89)	49.70
IX Profit for the year (VII-VIII)		171.26	473.18
X Earnings per equity share	30		
[Nominal value per share ₹10 (March 31, 2016: ₹ 10)]			
Basic		2.08	7.22
Diluted		2.08	7.22
Summary of significant accounting policies followed by the Company	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah **Pritam Shah**
Chairman Managing Director
DIN: 01127319 DIN: 01127247

Bharat Kedia **Rachana Sangneria**
Chief Financial Officer Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Consolidated Cash Flow Statement

for the year ended on March 31, 2017

(All figures are in ₹ million unless otherwise stated)

	Year ended March 31, 2017	Year ended March 31, 2016
A. Cash Flow from Operating Activities		
Net profit before taxation	175.28	667.89
Adjustments for:		
Add:		
Depreciation on fixed assets	489.63	333.88
(Reversal)/Provision for impairment of livestock	(42.00)	42.00
Bad debts	1.72	-
Provision for doubtful debts	100.17	35.87
Loss on sale of fixed assets	0.18	-
Loss on sale or death of cow	40.16	35.51
Unrealised forex loss/(gain)	(6.70)	54.14
Interest expense	305.84	478.13
Less:		
Dividend income	-	(0.00)
Profit on sale of mutual fund		(0.70)
Interest income	(60.27)	(4.91)
Operating profit before working capital changes	1,004.01	1,641.81
Adjustments for :		
Adjustments for :		
Increase in inventories	(1,560.91)	(605.39)
Decrease/(Increase) in trade receivables	109.30	(686.95)
(Increase)/decrease in short term loans and advances	(422.85)	519.75
(Increase)/decrease in other current assets	(52.23)	131.66
Increase in long term loans and advances	(35.55)	(28.07)
Increase in other current liabilities	312.58	34.40
Decrease in other non current liabilities	(15.55)	(30.78)
Increase/(decrease) in trade payables	1,444.44	(253.12)
Increase in provisions	21.19	0.29
Cash generated from operations	804.43	723.61
Direct taxes paid (net of refunds)	(163.73)	(136.43)
Net cash flow from operating activities	640.70	587.17
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(965.58)	(274.13)
Cow capitalisation	(31.63)	(46.65)
Sale of fixed assets	0.94	0.09
Sale of Cow	13.55	8.42
Investment in fixed deposits	(579.08)	(7.42)
Proceeds from sale of mutual fund	-	(0.70)
Interest received	55.86	4.33
Net cash used in investing activities	(1,505.94)	(316.06)

Consolidated Cash Flow Statement

for the year ended on March 31, 2017

(All figures are in ₹ million unless otherwise stated)

	Year ended March 31, 2017	Year ended March 31, 2016
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	3.75	602.72
Proceeds from issue of shares (net of shares issue expenses)	2,784.06	56.76
Repayment of short term borrowings (net)	(916.13)	(116.69)
Repayment of long term borrowings	(334.22)	(252.20)
Interest paid	(312.65)	(554.91)
Net cash flow from financing activities	1,224.81	(264.32)
Net increase in cash and cash equivalents (A+B+C)	359.57	6.79
Cash and cash equivalents at the beginning of the year		
Cash in hand	9.87	11.97
Bank balances	41.75	32.85
	51.62	44.82
Cash and cash equivalents at the end of the year [Refer Note 19]		
Cash in hand	22.37	9.87
Bank balances	388.81	41.75
	411.18	51.62
Summary of significant accounting policies followed by the Company	2.1	

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah
Chairman
DIN: 01127319

Pritam Shah
Managing Director
DIN: 01127247

Bharat Kedia
Chief Financial Officer

Rachana Sangneria
Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

1. Corporate Information

Parag Milk Foods Limited (formerly Parag Milk Foods Private Limited) ("the Parent Company"), was incorporated under the provisions of the Companies Act, 1956. The Parent Company is engaged in the business of procurement of cow milk mainly in western and southern region. The Parent Company undertakes processing of milk and manufacture the various value added products namely cheese, butter, ghee, fresh cream, milk powder, flavoured milk, lassi, curd etc. which are marketed under its registered brand name "Gowardhan", "Go", "Topp up" and "PRIDE OF COWS".

The registered office of the Parent Company is situated in the state of Maharashtra, India. The Parent Company has changed its name to Parag Milk Foods Limited effective from July 07, 2015

2. Significant accounting policies

i. Basis of preparation and consolidation

These consolidated financial statements ("CFS") comprise the financial statements of the Parent Company and its subsidiary (as listed in the table below)

Subsidiary is consolidated from the date on which effective control is acquired and is excluded from the date of transfer/disposal.

Sr. No	Name of the Company	Proportion of ownership interest	Country
1	Bhagyalaxmi Dairy Farms Pvt Ltd.	100%	India

ii. Use of estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates used in preparing the accompanying financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

iii. Inventories

Inventories are valued at lower of cost or net realizable value (NRV). Basis of determination of cost remain as follows:

Items	Methodology of Valuation
Raw materials, components, stores and spares, Trading goods, and Packing materials	Lower of Cost/NRV. Materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress and finished goods	Lower of Cost/NRV. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Cost is determined on First in First Out (FIFO) basis

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

(together referred to as "the Group"). These CFS have been prepared under historical cost convention and accrual basis in accordance with generally accepted accounting principles in India ("Indian GAAP") and AS-21 on Consolidated Financial Statements as notified under section 133 of the Companies Act 2013 ("the Act"), the relevant provisions of the Act, as applicable.

The CFS is prepared using uniform accounting policies for transactions and other events in similar transactions.

The consolidation of financial statements of the Group is done to the extent possible on a line-by-line by adding together like items of assets, liabilities, incomes and expenses. All significant intra group transactions, unrealized inter-company profits and balances have been eliminated in the process of consolidation. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net assets and net income.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

iv. Cash flow statement

The cash flow statement is prepared using the "indirect method" set out in Accounting Standard 3 "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the Group.

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

v. Depreciation

- Depreciation on cost of fixed assets is provided on straight line method at estimated useful life, which is in line with the estimated useful life as specified in Schedule II of the Companies Act, 2013, except for certain specific nature of assets, like Cow Ear Tags which are depreciated over the useful life of 30 years and second hand machineries are depreciated over an estimated useful life of 10 years, based on management estimates.

Assets	Useful life (years)
Building	30
Building (road work)	10
Leasehold building improvements	Over lease period
Plant & machinery	15
Second hand machineries	10
Furniture & fixtures	10
Office equipment	5
Vehicle - motor cars	8
Vehicle - motor cycles, scooters, other mopeds	10
Computers	3

- Leasehold premises are recorded at acquisition cost and amortized on straight-line basis based over the lease term.
- Depreciation on additions is provided on a pro-rata basis from the date of ready to use and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis up to the month proceeding the month of deduction/disposal.
- Leasehold improvement includes all expenditure incurred on the leasehold premises that have future economic benefits. Leasehold Improvements are amortized over the period of

lease or estimated period of useful life of such improvement, whichever is lower.

vi. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

■ Sales of goods

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer. Sales are stated net of returns and trade discount. Sales tax and VAT are excluded.

■ Service Income

Service income is recognised as per the terms of the contract when the related services are rendered.

■ Interest income

Interest income is recognized on time proportion basis.

■ Dividends

Dividend income is recognized when the Group's right to receive dividend is established by the reporting date.

vii. Property, plant and equipment

Property, plant and equipment (PPE) are tangible items held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are measured at cost less accumulated depreciation and any accumulated impairment. The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance.

Where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from useful life of the remaining asset, useful life of that significant part is determined separately, and depreciated as per its respective assessed useful life.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Items such as spare parts, stand by equipment and servicing equipment are capitalized only when they meet the definition of property, plant and equipment. Otherwise such items are classified as inventory.

The carrying amount of an item of PPE is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain/loss arising from derecognition of an item of PPE is included in the Statement of Profit and Loss. The gain or loss arising from the derecognition of an item of PPE would be the difference between the net disposal proceeds, if any, and the carrying amount of the item.

viii. Livestock (cow)

All costs incurred by the Group till the calf becomes capable of giving milk (milking) are capitalized to the cost of livestock. Once the calf starts giving milk all expenses thereafter are charged to statement of profit and loss.

No depreciation is charged on the value of cow, however at the time of sale or death the cost is written off after subtracting the net realizable value.

ix. Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Intangible assets are amortised on a straight line basis over its estimated useful life. The costs relating to acquisition of trademark is amortised over a period of ten years. Computer software is amortised over its license period or 3 years whichever is lower.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly.

x. Foreign currency transactions

■ Initial recognition

Foreign currency transactions are recorded in the reporting currency which is Indian Rupee, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

■ Conversion

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognized in the consolidated statement of profit and loss. Non-monetary foreign currency items are carried at cost.

■ Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except exchange differences on long term foreign currency monetary items related to acquisition of fixed assets, which are included in the cost of fixed assets.

xi. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the Group will comply with the conditions attached to them and (ii) the grant/subsidy will be received.

Grant related to revenues are recognized in the statement of profit and loss on a systematic and rational basis over the periods necessary to match them with the related costs.

xii. Investments

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as 'current investments'. All other investments are classified as 'non-current investments'.

Investments are classified under non-current and current categories.

'Non-current Investments' are carried at acquisition /amortized cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost or fair value on an individual basis.

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Profit or loss on sale of Investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the carrying value of the investment.

xiii. Retirement and other employee benefits

■ Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus / ex-gratia are recognised in the period in which the employee renders the related service.

■ Post-employment employee benefits

Defined contribution schemes

Group's contributions to the Provident Fund and Employee's State Insurance Fund are charged to the consolidated statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective authorities.

Defined benefits plans

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Group's contribution in the case of gratuity is funded annually with Life Insurance Corporation of India. However, the gratuity benefit scheme of the subsidiary company is unfunded.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation, carried out by an independent actuary at each Balance Sheet date, using the Projected Unit Credit Method, which recognizes each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the consolidated statement of profit and loss.

Other long term employee benefits

Group's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the consolidated statement of profit and loss.

xiv. Borrowing cost

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Borrowing costs to the extent related/attribution to the acquisition/construction of assets that takes substantial period of time to get ready for their intended use are capitalized along with the respective fixed asset up to the date such asset is ready for use. Other borrowing costs are charged to the consolidated statement of profit and loss.

xv. Segment reporting

The Group has identified manufacturing and processing of milk & milk products as its sole operating segment and the same has been treated as primary segment. The Group's secondary geographical segments have been identified based on the location of customers and are demarcated into Indian and Overseas revenue earnings.

xvi. Leases

Where Group is the lessee

Assets taken under leases, where the Group assumes substantially all the risks and rewards of ownership are classified as Finance Leases. Such assets are capitalized at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

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Assets taken under leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term.

xvii. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share are calculated after adjusting effects of potential equity shares (PES). PES are those shares which will convert into equity shares at a later stage. Profit / loss is adjusted by the expenses incurred on such PES. Adjusted profit/loss is divided by the weighted average number of ordinary plus potential equity shares.

xviii. Taxation

Income-tax expense comprises current tax, deferred tax charge or credit and minimum alternative tax (MAT).

Current tax

Current income-tax is measured at the amount expected to be paid to the tax authorities after considering tax allowances, deductions and exemptions determined in accordance with Income Tax Act, 1961 and the prevailing tax laws.

Minimum alternative tax

Minimum alternative tax (MAT) obligation in accordance with the tax laws, which give rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the respective components of the Group will pay normal tax during the specified period. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the respective components of the Group and the asset can be measured reliably, and reviewed at each reporting date.

Deferred tax

Deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income tax and profits/losses as per the financial statements. Deferred tax assets and liabilities are measured using

the tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax asset is recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax asset is recognized only if there is a virtual certainty of realization of such asset. Deferred tax asset is reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

xix. Impairment of assets

The Group assesses at each Balance Sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset or a group of assets. The recoverable amount of the asset (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the consolidated statement of profit and loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Value in use is the present value of estimated future cash flow expected to arise from the continuing use of the assets and from its disposal at the end of its useful life.

If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

xx. Provisions and contingencies

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required

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(All figures are in ₹ million unless otherwise stated)

to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management 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 management estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xxi. Employee stock option

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the consolidated statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

3 Share Capital

Particulars	As at March 31, 2017	As at March 31, 2016
Authorised Capital		
100,000,000 (March 31, 2016 : 100,000,000) equity shares of ₹ 10/- each	1,000.00	1,000.00
Issued, subscribed and fully paid up shares		
84,114,582 (March 31, 2016: 70,415,887 shares) equity shares of ₹ 10/- each fully paid up	841.15	704.16
Total	841.15	704.16

a. Shareholders holding more than 5 % shares in the company is set out below:

Name of Shareholder	As at March 31, 2017		As at March 31, 2016	
	No of Equity shares held	Percentage of Holding	No of Equity shares held	Percentage of Holding
Mr. Devendra Prakash Shah	1,45,70,832	17.32%	1,45,70,832	20.69%
Mr. Pritam Prakash Shah	91,59,888	10.89%	91,59,888	13.01%
Mrs. Netra Pritam Shah	82,68,149	9.83%	1,02,72,782	14.59%
IDFC Trustee Co. Ltd A/C IDFC Infrastructure Fund	50,74,234	6.03%	1,41,34,162	20.07%
India Business Excellence Fund	4,42,511	0.53%	43,59,749	6.19%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

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b. Reconciliation of number of shares

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	7,04,15,887	704.16	1,59,69,464	159.69
Shares issued during the year	1,36,98,695	136.99	5,44,46,423	544.46
Shares outstanding at the end of the year	8,41,14,582	841.15	7,04,15,887	704.16

c. Information on equity shares allotted without receipt of cash or allotted as bonus shares or shares bought back

Particulars	Year				
	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash, by way of conversion of compulsorily convertible debentures	-	1,20,84,385	-	-	-
Equity shares allotted as fully paid bonus shares by capitalization of securities premium and surplus balance.	-	4,21,35,038	-	-	-

d. Terms/rights attached to equity shares

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

4 Reserves and Surplus

Particulars	As at March 31, 2017	As at March 31, 2016
a. Securities premium account		
Opening balance	1,786.91	83.27
(+) Securities premium credited on share issue	2,863.01	1,783.64
(-) Securities premium debited on IPO expense	(215.94)	-
(-) Securities premium debited on bonus share issue	-	(80.00)
Closing balance	4,433.98	1,786.91
b. Debenture redemption reserve		
Opening balance	18.00	13.50
(+) Transfer from Surplus	4.50	4.50
Closing balance	22.50	18.00
c. Capital reserve on consolidation		
Opening balance	3.02	3.02
Closing balance	3.02	3.02
d. General reserve	20.00	20.00
e. Surplus		
Opening balance	1,086.70	959.38
Add: Net profit for the current year	171.26	473.18
(-) Bonus share issued	-	(341.35)
(-) Transfer to debenture redemption reserve	(4.50)	(4.50)
Closing balance	1,253.46	1,086.70
Grand Total	5,732.96	2,914.63

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5 Long-term Borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
Secured		
(A) Term loans		
a) Indian rupee loan from banks [Refer note (a)]	186.38	343.80
Less: Current maturities of long term debt	121.78	157.12
	64.60	186.68
b) Foreign currency loan from financial institution [Refer note (b)]	783.47	961.83
Less: Current maturities of long term debt	156.69	110.22
	626.78	851.61
c) Indian rupee loan from financial institutions [Refer note (c)]	30.53	38.02
Less: Current maturities of long term debt	10.23	10.50
	20.30	27.52
d) Hire purchase loans [Refer note (d)]	2.61	4.87
Less: Current maturities of long term debt	1.02	2.24
	1.59	2.63
Total (A)	713.27	1,068.44
Unsecured		
(B) 0% Non Convertible Debentures (NCDs) to Promoters	-	180.00
Total (B)	-	180.00
Total of secured and unsecured loans (A+B)	713.27	1,248.44

a. Indian rupee loan from a bank of ₹ 181.03 million (March 31, 2016: ₹303.57 million) carries interest @ 12.00%-12.50%.The loans are repayable in 38-43 monthly installments starting from Feb, 2013 and November, 2013 along with interest .The loan is secured by pari passu charge on fixed assets and second pari passu charge on current assets of the Parent Company and personal guarantee of Promoter Directors.

Indian Rupee loan also include a term loan of ₹ 5.35 million (March 31, 2016: ₹ 40.23 million) obtained from a bank in case of the subsidiary company, Bhagyalaxmi Dairy Farms Private Limited, which carries interest @ 13.25% .The loan is to be repaid in 66 equal monthly installments starting from March 2012.The loan is secured by existing fixed assets of the subsidiary, mortgage of land owned by Promoter Directors and corporate guarantee given by the Parent Company.

b. Foreign currency loan from a financial institution of ₹ 783.47 million (March 31, 2016: ₹ 961.83 million) carries interest

@ 5.15% - 5.92%.The loans are repayable in 12 semi annual installments along with interest starting from June ,2016.The loan is secured by first pari passu charge on movable and immovable fixed property of the Parent Company and second pari passu charge on entire current assets of the Parent Company along with other banks and personal guarantees of Promoter Directors and their relatives.

c. Indian rupee loan from financial institutions of ₹ 30.53 million (March 31, 2016: ₹ 38.02 million) carries interest @ 9.75% - 12.98%. The loan is repayable in 36 - 78 monthly installments along with interest .The loan is secured by way of hypothecation of the machinery of the Parent Company purchased against the loan.

d. Hire purchase loan from banks of ₹ 2.61 million (March 31, 2016: ₹4.87 million) carries interest @ 9.38% to 11.24% p.a. The loans are repayable in 36 to 60 monthly installments starting from the respective date of finance. The loan is secured by specific assets financed (vehicle).

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6 Deferred Tax Liability (Net)

The major components of deferred tax liability / asset as recognised in the financial statement is as follows:

Particulars	As at March 31, 2017	As at March 31, 2016
Deferred Tax Liability		
Fixed Assets: Impact of difference between income tax depreciation and depreciation charged for the financial reporting.	235.92	230.60
Total deferred tax liability	235.92	230.60
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis.	14.73	7.30
Provision for doubtful debts and advances	95.31	64.96
Carry forward business loss and unabsorbed depreciation relating to subsidiary	27.20	48.77
Total deferred tax asset	137.24	121.03
Net deferred tax liability	98.68	109.57
Opening deferred tax liability(net)	109.57	59.87
Deferred tax charge / (credit) for the year	(10.89)	49.70

7 Other Long-term Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Deposit from customers	165.23	180.78
Total	165.23	180.78

8 Long-term Provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits		
Provision for gratuity [Refer note 35]	6.98	0.34
Provision for leave benefits	8.61	5.76
Total	15.59	6.10

9 Short-term Borrowings

Particulars	As at March 31, 2017	As at March 31, 2016
Secured		
Loans repayable on demand (Secured)		
Cash credit from banks [#]	1,440.88	2,357.01
Overdraft from banks	-	-
Total (a)	1,440.88	2,357.01
Unsecured		
Loans repayable on demand from Promoters		
- 0% Non Convertible Debentures (NCDs) [@]	180.00	-
Total (b)	180.00	-
Grand Total (a+b)	1,620.88	2,357.01

[#] Cash credit facility availed from banks by Parent Company is secured by first pari pasu charge on all current assets of the Parent Company and second pari pasu charge on fixed assets of the Parent Company, personal guarantee of Promoter Directors and their relative. The cash credit is repayable on demand and carries interest @ 12.40% p.a. to 15.00% p.a..

[@] The Company had made an issue of 18,000,000 nos of Non Convertible Debentures of nominal value of ₹ 10 each aggregating ₹ 180.00 million at 0% interest to the Promoters. The life of such debentures is 10 years from the issue date, i.e., March 2013 or anytime to be redeemed on demand after the Company's IPO.

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10 Trade Payables

Particulars	As at March 31, 2017	As at March 31, 2016
Trade payables		
Due to micro and small enterprises [Refer Note 43]	24.76	42.43
Others [including due to Promoters [Refer Note 39]	3,093.97	1,637.10
Total	3,118.73	1,679.53

11 Other Current Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016
Current maturities of long term borrowings [Refer Note 5]	289.72	280.08
Interest accrued but not due on borrowings	16.99	23.81
Capital Creditors [Refer Note 43]	84.74	90.68
Employee benefits payable	71.76	62.68
Deposit from customer	28.60	-
Advance from customers	272.44	165.00
Statutory dues payable	212.83	45.37
Total	977.08	667.62

12 Short-term Provisions

Particulars	As at March 31, 2017	As at March 31, 2016
Provision for employee benefits:		
Provision for gratuity [Refer Note 35]	11.46	2.55
Provision for leave benefits	3.88	1.09
Others:		
Provision for income tax [net of advance tax ₹ 100 million (March 31, 2016: ₹ 110 million)]	-	38.14
Total	15.34	41.78

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Particulars	Gross Block		Accumulated Depreciation/Amortisation		Net Block			
	As at April 1, 2016	Additions during the Year	Deletions	As at April 1, 2016	Depreciation charge / amortisation for the year	Deletions	As at March 31, 2016	As at March 31, 2017
A. Property, plant & equipment								
Land - freehold	67.29	4.72	-	-	-	-	72.01	67.29
	(66.39)	(0.90)	-	-	-	-	(67.29)	(66.39)
Buildings	862.26	9.50	-	184.86	31.91	-	654.99	677.40
	(846.37)	(15.89)	-	(153.60)	(31.26)	-	(677.40)	(692.77)
Leasehold building improvements	20.31	31.38	-	13.83	3.90	-	33.96	6.48
	(14.30)	(6.01)	-	(10.52)	(3.31)	-	(6.48)	(3.78)
Plant and machinery	3,949.23	520.89	5.04	1,528.81	439.70	4.92	2,501.49	2,420.42
	(3,082.60)	(866.72)	(0.09)	(1,242.17)	(286.64)	-	(2,420.42)	(1,840.43)
Furniture and fixtures	18.68	10.22	0.07	5.85	2.09	0.07	20.96	12.83
	(14.46)	(4.22)	-	(4.17)	(1.68)	-	(12.83)	(10.29)
Office equipment	19.93	3.44	0.83	12.27	2.67	0.83	8.43	7.66
	(16.07)	(3.86)	-	(9.43)	(2.84)	-	(7.66)	(6.64)
Computers	16.92	18.69	1.04	13.47	2.14	1.04	20.00	3.45
	(14.60)	(2.32)	-	(11.54)	(1.93)	-	(3.45)	(3.06)
Vehicles	36.94	8.80	11.27	20.55	5.12	10.27	19.07	16.39
	(33.11)	(3.83)	-	(16.93)	(3.62)	-	(16.39)	(16.18)
Total	4,991.56	607.64	18.25	1,779.64	487.53	17.13	3,330.91	3,211.92
Previous Year	(4,087.90)	(903.75)	(0.09)	(1,448.36)	(331.27)	-	(1,779.63)	(2,639.54)
B. Intangible Assets								
Brands/trademarks	0.83	-	-	0.65	0.06	-	0.71	0.18
	(0.83)	-	-	(0.59)	(0.06)	-	(0.18)	(0.24)
Computer software	10.96	3.68	-	7.86	1.92	-	4.86	3.10
	(8.77)	(2.19)	-	(5.88)	(1.98)	-	(3.10)	(2.89)
Website development	1.49	-	-	1.36	0.12	-	0.01	0.13
	(1.49)	-	-	(0.79)	(0.57)	-	(0.13)	(0.70)
Total	13.28	3.68	-	9.87	2.10	-	4.99	3.41
Previous Year	(11.09)	(2.19)	-	(7.26)	(2.61)	-	(3.41)	(3.83)
Grand Total (A+B)	5,004.84	611.32	18.25	1,789.51	489.63	17.13	3,335.90	3,215.33
Previous Year (A+B)	(4,098.99)	(905.94)	(0.09)	(1,455.62)	(333.88)	-	(1,789.50)	(2,643.37)

In accordance with Accounting Standard 11 - Change in Foreign Currency Rates, the Company has adjusted foreign exchange gain / (loss) of ₹ (15.75) million (March 31, 2016: ₹ 54.43 million) arising on reporting of long term foreign currency monetary item against the historical cost of fixed assets.

13B Live Stock

Particulars	Gross Block		Impairment		Net Block	
	As at April 1, 2016	Additions during the Year	Deletions	As at April 1, 2016	As at March 31, 2016	As at March 31, 2017
Cows (livestock) [Refer Note 46]	274.01	31.63	53.71	42.00	-	251.93
	(267.66)	(46.65)	(40.30)	(42.00)	(42.00)	(232.01)
						(267.66)
						(232.01)

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14 Non Current Investments

Particulars	As at March 31, 2017	As at March 31, 2016
Other investments		
Other investments	0.06	0.06
Total	0.06	0.06

Details of trade investments & other investments

Name of the body corporate	Associate / JV/Others	Quoted / Unquoted	Partly Paid / Fully paid	No of units / shares		Amount	
				31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Other investments							
a. Rupee Co-Operative Bank Ltd.	Other	Unquoted	Fully paid	3,800	3,800	0.04	0.04
b. Sharad Sahakari Bank Ltd.	Other	Unquoted	Fully paid	318	318	0.02	0.02
Total						0.06	0.06

Particulars	As at March 31, 2017	As at March 31, 2016
Aggregate cost of quoted investments	-	-
Aggregate cost of unquoted investments	0.06	0.06
Aggregate market value of quoted investments	-	-

15 Long-term Loan and Advances

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured, considered good, unless stated otherwise		
Capital advances	477.62	72.71
Security deposits	118.49	82.94
Advance tax [net of provision ₹ 34.42 million (March 31, 2016: ₹ 178.71 million)]	111.76	1.54
Total	707.87	157.19

16 Other Non-current Assets

Particulars	As at March 31, 2017	As at March 31, 2016
Fixed deposits (Margin money with original maturity for more than 12 months)	15.85	8.87
Interest accrued on fixed deposits	2.89	2.23
Total	18.74	11.10

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17 Inventories

(Valued at cost or net realisable value, whichever is less)

Particulars	As at March 31, 2017	As at March 31, 2016
Raw materials and components	43.41	35.70
Work-in-progress	2,010.08	1,371.23
Finished goods	2,050.76	1,137.57
Packing material	76.26	91.64
Stores and spares	104.66	88.12
Total	4,285.17	2,724.26

18 Trade Receivables

Particulars	As at March 31, 2017	As at March 31, 2016
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good (unsecured)	786.36	425.57
Considered doubtful	259.78	170.69
Less: Provision for doubtful debts	(259.78)	(170.69)
Total (a)	786.36	425.57
Other debts		
Considered good (unsecured)	1,363.84	1,934.35
Considered doubtful	-	0.16
Less: Provision for doubtful debts	-	(0.16)
Total (b)	1,363.84	1,934.35
Grand Total (a+b)	2,150.20	2,359.92

19 Cash and Bank Balances

Particulars	As at March 31, 2017	As at March 31, 2016
Cash and Cash Equivalents		
a) Balances with banks		
- In current accounts	52.20	39.61
- In deposits with original maturity of less than 3 months	336.61	2.14
b) Cash on hand	22.37	9.87
Sub total	411.18	51.62
Other bank balances		
- Fixed deposit (original maturity for more than 3 months but less than 12 months)	597.15	8.78
- Fixed deposits (original maturity for more than 12 months)	0.16	16.43
Sub total	597.31	25.21
Total	1,008.49	76.83

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

20 Short-term Loans and Advances

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured, considered goods unless otherwise stated		
Advance recoverable in cash or in kind	781.90	363.68
	781.90	363.68
Other loans and advances		
Balance with statutory/government authorities		
Considered good	31.76	27.13
Considered doubtful	17.21	17.21
Less: Provision for doubtful advances	(17.21)	(17.21)
	31.76	27.13
MAT credit entitlement	64.24	63.77
	96.00	90.90
Total	877.90	454.58

21 Other Current Assets

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured considered good, unless stated otherwise		
Deposits	3.29	2.53
Electricity duty receivables	23.11	18.86
Export subsidy receivables	8.29	-
PSI incentive receivable	416.92	292.74
Interest accrued on fixed deposit	4.51	0.77
IPO expenses not written off #	-	85.25
Total	456.12	400.15

IPO expenses incurred being carried forward to be set off against securities premium post issue of shares in IPO

22 Revenue from Operations

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
A) Gross sales		
Sale of products		
Manufactured goods	16,067.60	14,509.22
Traded goods	760.04	1,291.41
Total (a)	16,827.64	15,800.63
B) Other operating revenues		
Processing charges	140.83	419.95
Export benefits and incentives	21.36	5.54
Scrap / raw manure sale	7.53	14.48
PSI incentive (Sales tax)	310.03	211.41
Total (b)	479.75	651.38
Grand Total (a+b)	17,307.39	16,452.01

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Details of manufactured and traded goods

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Sale of Products comprises of :		
Manufactured goods		
Fresh milk	4,055.21	3,452.72
Milk products	11,994.10	11,056.50
Compost manure	18.29	-
Total (a)	16,067.60	14,509.22
Traded goods		
Fresh milk	-	65.49
Milk products	760.04	1,225.92
Total (b)	760.04	1,291.41
Grand Total (a+b)	16,827.64	15,800.63

23 Other Income

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest income on		
- Bank deposits	60.27	4.32
- Others	-	0.59
Foreign exchange fluctuation (Net)	5.52	-
Reversal of provision for Impairment of livestock [Refer Note 46(a)]	42.00	-
Provision for doubtful debts reversed	-	6.16
Profit on sale of mutual funds	-	0.70
Miscellaneous income	2.08	3.71
Total	109.87	15.48

24 Cost of Material Consumed

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
a) Raw material consumed		
Inventory at the beginning of the year	35.70	47.38
Add: Purchases	12,328.09	10,231.99
Less: Inventory at the end of the year	43.41	35.70
Total (a)	12,320.38	10,243.67
b) Packing material, stores spares & consumables consumed		
Inventory at the beginning of the year	179.76	111.61
Add: Purchases	1,086.68	1,092.88
Less: Inventory at the end of the year	180.92	179.76
Total (b)	1,085.52	1,024.73
Grand Total (a+b)	13,405.90	11,268.40

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

Details of material consumed

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Raw milk	11,643.28	8,051.25
Fodder	176.47	161.77
Packing material	828.92	799.72
Stores spares and consumables consumed	256.60	225.02
Others	500.63	2,030.65
Total	13,405.90	11,268.41

25 Purchase of Stock in Trade

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Fresh milk	-	65.49
Milk products	734.41	1,317.48
Total	734.41	1,382.97

26 Changes in Inventory of Finished Goods, Work-in-progress and Traded Goods

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Inventories at the beginning of the year		
Finished goods - Milk Products	1,137.57	1,297.41
Work-in-progress - Milk Products	1,371.23	589.70
	2,508.80	1,887.11
Inventories at the end of the year		
Finished goods - Milk Products	2,050.76	1,137.57
Work-in-progress - Milk Products	2,010.08	1,371.23
	4,060.84	2,508.80
(Increase) in inventory	(1,552.04)	(621.69)

27 Employee Benefit Expenses

Particulars	As at March 31, 2017	As at March 31, 2016
Salaries, wages and bonus	711.51	612.67
Contribution to provident and other fund	24.53	15.96
Gratuity [Refer Note 35]	15.72	3.59
Staff welfare expenses	42.70	39.08
Total	794.46	671.30

28 Finance Cost

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Interest expenses		
- term loans	86.54	108.69
- working capital loans	195.17	326.45
Total interest expenses (a)	281.71	435.14
Interest expenses capitalised (b) [#]	-	22.21
Net Interest expenses (c)=(a+b)	281.71	457.35
Other borrowing cost (d)	24.13	20.78
Total (e) = (c+d)	305.84	478.13
Bank charges & commission (f)	26.92	17.59
Total (g) = (e+f)	332.76	495.72

[#] Comprises of ₹ Nil (March 31, 2016: 22.21 million) reversed from CWIP in respect of borrowing cost excess capitalised in earlier years.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

29 Other Expenses

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Transport, octroi and freight	40.33	37.00
Power and fuel	473.69	415.99
Rent, rates & taxes [Refer note no. 42] #	290.92	199.38
Insurance	14.74	18.95
Repairs and maintenance		
- Plant and machinery	123.30	97.86
- Building	14.80	6.31
- Others	32.04	18.88
Other factory expenses	103.29	90.89
Vat paid	-	-
Exchange fluctuation (net)	-	0.07
Security charges	18.69	15.67
Travelling and conveyance	70.26	56.13
Communication costs	11.93	9.97
Printing and stationery	6.87	4.84
Office expense	23.53	15.72
Legal & professional fees [@]	36.45	35.93
Director's remuneration	41.70	23.40
Payment to Auditor [Refer note no. 29(a)]	4.53	3.23
Advertisements and marketing expenses	251.62	191.90
Sales promotion expenses	264.66	189.16
Commission on sales	53.83	40.98
Agency charges for export	9.26	6.00
Carriage outward	725.51	601.64
Bad debts [adjusted with provision for bad debts ₹ 11.24 Mn (March 13, 2016: ₹ Nil)]	1.72	-
Provision for doubtful debts	100.17	42.03
Provision for doubtful advances	-	-
Loss on sale of assets	0.18	-
Fees and subscriptions	-	-
Labour charges	33.80	29.79
Selling and distribution expenses	19.85	11.83
Loss on sale / death of cow	40.16	31.88
Impairment of cows	-	42.00
Donations	0.78	0.96
CSR expenses [Refer note no. 44]	12.38	0.72
Miscellaneous expenses	22.04	29.91
Total	2,843.03	2,269.02

@ Includes consultancy fee paid to director ₹ 9.61 million (March 31, 2016: ₹ 9.53)

Includes VAT & CST of ₹ 7.42 million in relation to prior period (March 31, 2016: ₹ Nil)

29(a) Payment to Auditor (excluding service tax)

Particulars	As at March 31, 2017	As at March 31, 2016
As auditor:		
Audit fees	4.00	3.23
Other services [#]	-	10.50
Reimbursement of expenses	0.07	0.05
Total	4.07	13.78

Fees for other services and reimbursement of expenses are in relation to IPO and accounted for as IPO expenses under Note 21

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

30 Earnings per Equity Shares

The basic earnings per equity share (EPS) are computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive. The EPS is calculated as under:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Basic earnings per share		
Profit attributable to equity shareholders	171.26	473.18
Weighted average number of equity shares [#]	82.39	65.52
Basic earnings per share	2.08	7.22
Face value per share	10	10
Diluted earnings per share		
Profit attributable to equity shareholders	171.26	473.18
Weighted average number of equity shares before considering potential equity shares	82.39	65.52
Weighted average number of equity shares after considering potential equity shares	82.39	65.52
Diluted earnings per share	2.08	7.22
Face value per share	10	10

As per Accounting Standard 20, in case of bonus shares or consolidation of shares, the number of shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event has occurred at the beginning of the earliest period reported. Weighted average number of equity share outstanding during the previous period have been considered accordingly.

31 Contingent Liabilities

Sr. No	Particulars	As at March 31, 2017	As at March 31, 2016
a.	Guarantees (including letter of credit) given by banks on behalf of the Parent Company	50.10	9.72
b.	Corporate guarantees given by Parent Company for loans taken by its subsidiary company and suppliers from banks /financial institutions	920.34	920.34
c.	Sales tax matter under litigation in respect of Parent Company for F.Y. 2006-07, FY 2009-10 & FY 2010-11 for pending F forms and lower allowance on account of Central Quantum Benefit, against which appeal has been filed.	67.35	83.32
d.	Claim against the Parent company not acknowledge as debt in relation to claim made by France International Trade, Rennes, vide Special Civil Suit No. 692/2012 dated March 07, 2012 in the Court of Honourable Civil Judge, Senior Division, Pune for damaged goods supplied by the Company. The amount includes interest of ₹ 20.37 Million.	70.68	70.68
e.	Income tax matter under litigation for the AY 2012-13, AY 2013-14 & AY 2014-15 mainly with regard to taxability of PSI incentive [including interest of ₹ 40.07 million (March 31, 2016 ₹ 7.26 million)].	134.98	56.20
f.	Demand notice received u/s 245 for AY 2014-15 and AY 2015-16	0.35	0.35
g.	Duty liability under advance license scheme	135.68	62.75
h.	Income tax matter under litigation of the subsidiary company [#]	0.47	20.51

[#] During the financial year 2010-11, Income tax authorities had conducted a search/survey on the Company. Consequent to this search/survey, the Income tax authorities had made certain adjustments to tax payable by the Company. The case is under litigation and pending with Income Tax Appellate Tribunal.

In all the cases mentioned above, outflow is not probable in accordance with Accounting Standard 29 ("AS-29") Provisions, Contingent Liabilities and Contingent Assets hence not provided by the Company.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

32 Capital Expenditure

During the period, the Group has capitalized the following expenses of revenue nature to the cost of fixed asset / capital work-in-progress (CWIP). Consequently expenses disclosed under the respective notes are net of amounts capitalized by the Group.

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Materials consumed	20.95	36.36
Stores and consumables	3.52	4.04
Power and fuel	2.83	3.12
Salary & Wages	3.99	2.86
Security charges	0.34	0.27
Total	31.63	46.65

Borrowing cost and foreign exchange differences capitalised are disclosed separately under Note 13.

33 Foreign currency exposure

- a) There are no foreign currency (FC) exposures that have been hedged by a derivative instrument or otherwise during the year ended March 31, 2017 and March 31, 2016.
- b) The year-end foreign currency (FC) exposures that are un hedged by a derivative instrument or otherwise are as follows:

Particulars	Currency ₹	As at March 31, 2017		As at March 31, 2016	
		Amount in INR	Amount in FC	Amount in INR	Amount in FC
Payables in foreign currency					
- Trade Payable	USD	80.97	1.25	-	-
	EURO	13.89	0.20	2.88	0.04
	GBP	0.01	0.01	0.01	0.01
	CHF	0.08	0.01	-	-
Secured Loans					
-Secured Loans	USD	783.47	12.08	961.83	14.50
-Interest accrued but not due	USD	13.19	0.20	15.24	0.23
Receivables in foreign currency					
-Trade Receivable	USD	1.01	0.02	19.65	0.30
Advance received from customers	USD	33.69	0.52	35.59	0.54
Advance to suppliers					
	EURO	1.27	0.02	8.56	0.11
	USD	2.01	0.03	-	-

34 Capital and other commitments

The Group has capital commitments as at March 31, 2017 of ₹ 288.52 million (March 31, 2016: ₹ 169.45 million).

For commitments relating to lease arrangements, refer note no. 42.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

35 Disclosure pursuant to Accounting Standard - 15 "Employee Benefits"

A. General description

i) Provident Fund/ Employee State Insurance (Defined Contribution)

The Company's Provident Fund and Employee State Insurance Scheme are defined contribution plans. The expense charged to the Statement of Profit and Loss under the head 'Contribution to provident and other funds' in respect to the above schemes is ₹ 24.53 million (March 31, 2016: ₹ 15.96 million).

ii) Gratuity (Defined benefit plan)

The Parent Company has a funded defined benefit gratuity plan, whereas the subsidiary company, has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary (last drawn salary) for each completed year of service.

B. The following tables set out disclosures prescribed by AS 15 in respect of Group's funded and unfunded gratuity plan.

i) Changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof:

Particulars	As at March 31, 2017	As at March 31, 2016
Present value of obligation as at the beginning of the period:	19.74	14.56
Interest cost	1.56	1.13
Current service cost	4.31	3.33
Benefits paid	(0.14)	(0.14)
Actuarial loss on obligation	9.84	0.88
Closing present value of obligation	35.31	19.74

ii) Changes in the fair value of plan assets

Particulars	As at March 31, 2017	As at March 31, 2016
Present value of plan assets as at beginning of the period	16.87	10.04
Expected return on plan assets	1.13	1.03
Contributions	0.14	5.25
Benefits paid	(0.14)	(0.14)
Actuarial gains / (losses)	(1.13)	0.69
Fair value of plan assets as at end of the period	16.87	16.87

iii) The amounts recognised in the Balance Sheet are as follows

Particulars	As at March 31, 2017	As at March 31, 2016
Present value of obligation as at the end of the period	35.31	19.76
Fair value of plan assets	16.87	16.87
Net liability recognised in balance sheet	18.44	2.89

iv) The amounts recognized in the consolidated statement of profit and loss are as follows

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Current service cost	4.31	3.33
Interest cost	1.56	1.13
Expected return on plan assets	(1.13)	(1.03)
Net actuarial loss recognized in the period	10.97	0.17
Expenses recognized in the consolidated statement of profit and loss	15.71	3.59

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for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

v) Assumptions of gratuity

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Discount Rate	6.95%	7.95%
Salary escalation [#]	6.00%	6.00%
Rate of return on plan assets (for funded scheme)*	8.00%	8.00%

* The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increase, considered in actuarial valuation, taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

vi) The Parent Company expects to contribute ₹ 11.33 million to its gratuity fund in the next one year (March 31, 2016: 2.50 million)

vii) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Investment with insurer	100%	100%

viii) Disclosure under para 120(n) of AS 15

Particulars	31-Mar-2017	31-Mar-2016	31-Mar-15	31-Mar-14	31-Mar-13
Defined benefit obligation	35.31	19.76	14.56	10.27	4.73
Plan asset	16.87	16.87	10.04	8.54	5.84
Deficit/(surplus)	18.44	2.89	4.52	1.77	(1.11)
Experience adjustments on plan asset	-	0.69	(0.86)	(0.03)	-
Experience adjustments on plan liability	7.25	1.00	0.54	(0.97)	-

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36 Information pursuant to para 5(viii) of the General Instructions to the statement of profit and loss

i) Value of Imports on C.I.F Basis

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Packing material & consumables	41.91	32.07
Raw material	193.28	140.97
Traded goods	7.05	9.11
Capital goods (including CWIP)	45.97	52.94

ii) Expenditure in Foreign Currency

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Foreign travel	3.05	2.51
Sales promotion	-	0.33
Finance cost	63.67	49.06
Office expenses	-	0.71
Fee & Subscription	0.34	0.01
Bank charges	3.84	0.10
Professional fee-IPO	18.07	14.89

ii) Earnings in Foreign Currency

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Export of goods on F.O.B. basis	568.22	318.09

iv) Consumption of raw materials

Particulars	Year ended on March 31, 2017		Year ended on March 31, 2016	
	Amount	Percentage	Amount	Percentage
Imported	210.90	1.7%	141.01	1.4%
Indigenous	12,109.48	98.3%	10,102.66	98.6%
Total	12,320.38	100.00%	10,243.67	100.00%

v) Consumption of packing materials, stores, spare parts consumption

Particulars	Year ended on March 31, 2017		Year ended on March 31, 2016	
	Amount	Percentage	Amount	Percentage
Imported	53.35	4.9%	33.92	3.3%
Indigenous	1,032.17	95.1%	990.82	96.7%
Total	1,085.52	100.00%	1,024.74	100.00%

37 Exceptional items represent VAT tax liability for previous years and interest thereon in respect of inspection conducted by VAT authorities during the year, wherein certain transactions were identified which were to be considered as local sales instead of interstate transfer.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

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- 38** The disclose of the details of Specified Bank Notes (SBN)* held and transacted during the period from November 8, 2016 to December 30, 2016

Particulars	SBNs	Otherdenomination notes	Total
Closing cash in hand as on November 8, 2016	68.05	64.05	132.10
Add: Permitted Receipts	-	114.81	114.81
Less: Permitted Payments	-	20.41	20.41
Less: Amount deposited in Banks	68.05	137.15	205.20
Closing cash in hand as on December 30, 2016	-	21.30	21.30

* Specified Bank Notes (SBN) shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

39 Related Party Disclosure

In accordance with the requirements of Accounting Standard 18, "Related Party Disclosures" notified pursuant to the Companies (Accounting Standards) Rules, 2006", the details of related party transactions are given below:

Nature of Relationship	Nature of Related party
a) Key management personnel	Mr. Devendra Shah – Chairman Mr. Pritam Shah – Director Mr. Bharat Kedia – Chief financial officer (CFO)
b) Relatives of Key Management Personnel	Relatives having transactions during the period Late Mr. Parag Shah Miss. Akshali Shah Mrs. Priti Shah Mrs. Netra Shah Mrs. Prity Kedia
c) Enterprise over which key management personnel exercise significant influence / control	Enterprise having transactions during the period: Bharat Trading Company

Details of related party transactions during the period:

The Group has identified the following related party transactions as per Accounting Standard 18:

Nature of Transactions	Year ended March 31, 2017	Year ended March 31, 2016
(A) Transaction during the period		
Purchases of goods		
Bharat Trading Company	10.14	12.38
Devendra Shah	0.58	1.42
Sale of goods		
Devendra Shah	0.06	0.01
Remuneration to KMP and their relatives#		
Devendra Shah	21.00	12.00
Pritam Shah	20.70	11.40
Bharat Kedia	8.94	9.79
Akshali Shah	1.86	1.08
Consultancy Charges		
Parag Shah	1.80	2.40
Rent payment		
Devendra Shah	3.39	3.39
Pritam Shah	0.45	0.45
Priti Shah	0.39	0.39
Netra Shah	0.39	0.39

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(All figures are in ₹ million unless otherwise stated)

Nature of Transactions	Year ended March 31, 2017	Year ended March 31, 2016
Reimbursement of expense to KMP#		
Devendra Shah	2.79	1.93
Pritam Shah	0.14	0.23
Bonus share issued		
Devendra Shah	-	97.14
Pritam Shah	-	61.07
Parag Shah	-	32.62
Prakash Shah	-	44.78
Rajani Shah	-	3.80
Priti Shah	-	9.94
Netra Shah	-	18.50
(B) Balance outstanding at the end of the period		
(i) Payable to		
Devendra shah	2.43	0.50
Pritam Shah	1.74	0.73
Bharat Trading Company	1.64	1.98
(ii) Non-convertible debenture		
Devendra shah	30.00	30.00
Pritam Shah	150.00	150.00
(iii) Personal guarantee issued by		
Devendra Shah, Pritam Shah, Parag Shah, Prakash Shah, Netra Shah, & Priti Shah	4,792.88	4,679.52

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole. Further, the remuneration to key managerial personnel does not include employee stock compensation expense.

40 Information pertaining to share of net assets and share of profit of subsidiary in the consolidated business

Name of the Entity	Year	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss before tax	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
Bhagalaxmi Dairy Farms Pvt Ltd	2016-17	7.46%	490.62	52.21%	91.51
	2015-16	11.59%	419.56	(4.73%)	(31.59)

41 Segment Reporting Disclosure

i) Primary (Business) Segment

In accordance with the requirements of the Accounting Standard 17 "Segment Reporting", the Group's business consists of one reportable business segment mainly comprising of i.e., "Manufacturing Trading & Processing of Milk & Milk Products", hence no separate disclosures pertaining to attributable Revenue, Profits, Assets, Liability, Capital Employed are given.

ii) Secondary (Geographical) Segment:

Secondary segment reporting is performed on the basis of geographical location of the customers. The operation of the Group comprises local sales and export sales. The management views the Indian market and export market as distinct geographical segments. The following is the distribution of the Group's sale by geographical markets:

Particulars	Year ended on March 31, 2017			Year ended on March 31, 2016		
	Within India	Outside India	Total	Within India	Outside India	Total
Segment revenue	16,739.17	568.22	17,307.39	16,120.67	331.34	16,452.01
Additions to fixed assets	539.70	-	539.70	901.31	-	901.31
Carrying value of segment assets*	13,118.61	4.29	13,122.90	9,816.09	28.21	9,844.30

*Excludes advance tax and MAT receivable

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42 Operating Lease

The Group has entered into commercial leases for taking office spaces on lease. These leases have an average lease term of three and five years with renewal option and escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The Group has not given any sub lease during the period. Some of the lease arrangements also include a non-cancellable period.

Lease rental expenses incurred and debited to the consolidated statement of profit and loss for the period ended March 31, 2017 are ₹ 84.09 million (March 31, 2016: ₹ 71.95 million).

Disclosure for minimum lease rental payables under non-cancellable lease agreements is as below:

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Lease payments due-		
Not later than one year	18.85	2.20
Later than one year and not later than five years	15.27	1.62
Later than five years	-	-

43 Amounts due to Micro and Small Enterprises

Information required to be disclosed in accordance with Micro, Small and Medium Enterprises Development Act, 2006 has been determined based on the parties identified on the basis of information available with the Group, which has been relied upon by the auditors:

Sr. No.	Particulars	Year ended March 31, 2017	Year ended March 31, 2016
i)	a) The Principal amount remaining unpaid to any supplier at the end of the period included in Trade Payables.	22.42	38.79
	b) The interest due on above	2.34	3.64
ii)	The amount of interest paid by the buyer in term of Section 16 of the Act	-	-
iii)	The amount of the payment made to the supplier beyond the appointed day during the period.	167.54	94.32
iv)	The amount of interest accrued and remaining unpaid at the end of period.	2.34	3.64
v)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the period) but without adding the interest specified under this Act.	-	-
vi)	The amount of further interest remaining due & payable in the succeeding years	2.34	3.64

44 Disclosure of CSR expenses

Sr. No.	Particulars	Year ended March 31, 2017	Year ended March 31, 2016
a)	Gross amount required to be spent by the Group during the period	7.99	5.15
b)	Amount spent during the period on:		
	(i) Construction/acquisition of any asset	-	-
	(ii) On purposes other than (i) above		
	- In cash	12.36	0.72
	- Yet to be paid in cash	0.02	-

the provision of CSR were not applicable to the subsidiary company.

45 The Board of Directors constituted the equity settled Employee Stock Option Scheme ("ESOS2015") vide its resolutions dated February 27, 2015 and April 21, 2015 for issue of 696,339 stock options to the key employees of the Parent Company, which has been further approved in the Parent Company's Extra ordinary General meeting dated April 3, 2015 and May 16, 2015.

Pursuant to the above scheme, the Board of Directors vide its circular resolution dated September 3, 2015, approved grant of 227,000 stock options to its employees on September 4, 2015.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

According to ESOP2015, the employee selected will be entitled to stock options, subject to satisfaction of the prescribed vesting conditions in the scheme. The contractual life (comprising the vesting period and the exercise period) of options granted is 3 years. The other relevant terms of the grant are as below:

Vesting period	1 years
Exercise period	2 years
Expected life	3 years
Exercise price	₹ 250

Particulars	Year ended on March 31, 2017		Year ended on March 31, 2016	
	No. of options	WAEP (₹)	No. of options	WAEP (₹)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	227,000	250
Forfeited during the year	27,800	250	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	72,273	250	227,000	250
Exercisable at the end of the year	126,927	250	-	-

Particulars	Year ended	Year ended
	March 31, 2017	March 31, 2016
Dividend yield (%)	-	-
Expected volatility	41.71%	41.71%
Risk-free interest rate	7.54%	7.54%
Weighted average share price (₹)	250	250
Exercise price (₹)	250	250
Expected life of options granted in years	3	3

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

No cost has been recognised in respect of ESOS2015 during the period as the exercise price of the options is higher than the fair value of the options as at the grant date. Further, disclosures for the prior periods have not been given as the ESOP's were granted only during the year ended March 31, 2016.

- 46 (a) The Group assesses at each Balance Sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. Due to drought situation in Maharashtra, the realizable value of cows had fallen significantly in the previous year and the subsidiary company has accounted for an impairment loss of ₹ 42.00 Million in 2015-16 as the difference between the carrying value and the recoverable amount. Recoverable amount was assessed as the net realizable value on sale based on quotes obtained by management from local farmers.
- The subsidiary company has been expanding its market reach with respect to the sale and distribution of milk under the brand name of "Pride of Cows". It had also been working on various projects for identifying new sources of revenue generation using by-products available from cows and has now been able to successfully produce and market compost manure and agri-feed using cow manure. These initiatives have improved the recoverable value based on discounted cash flow projection made as at the balance sheet date for value in use of cows. Consequently, as the recoverable value based on value in use is higher than the carrying value, the impairment provision made in previous year of ₹ 42 Million is not required and has been reversed.

Notes to the Consolidated Financial Statements

for the period ended March 31, 2017

(All figures are in ₹ million unless otherwise stated)

- (b) The subsidiary company had been incurring losses in the previous years. However, it is now showing signs of turnaround for reasons as explained in the note above. Hence, considering improved operating results along with assured purchase commitment from the Parent Company, management believes that there is virtual certainty that the Company will be able to generate sufficient taxable profits in future to set off the deferred tax asset to the extent carried forward on brought forward loss and unabsorbed depreciation.

47 Statement of IPO Proceeds

Particulars	Amount as per prospectus	Amount to be utilised
Gross proceeds of the fresh issue	3,000.00	3,000.00
Less: Fresh issue expenses	212.00	215.94
Net proceeds of the fresh issue	2,788.00	2,784.06

Particulars	Amount utilised up 31 March 2017	Pending utilisation
Expansion and modernisation of Plant	730.48	746.53
Investment in subsidiary for financing the capital expenditure requirements in relation to expansion and modernisation of Bhagyalaxmi Dairy Farms	4.56	18.43
Partial repayment of working capital consortium loan	1,000.00	-
General corporate purposes	284.05	-
Total	2,019.09	764.97

- 48 Due to inadequacy of profits in the current financial year, the managerial remuneration paid by the Company is subject to the limits prescribed under Schedule V of the Companies Act, 2013. In view of the Company, further supported by a legal opinion in this regard, the shareholders' approval by way of a special resolution to double the limit provided under Schedule V of Companies Act, 2013, has already been obtained through the Extra Ordinary General meeting dated April 3, 2015, when the Company was a private limited company, and the same would cover the managerial remuneration paid during the current financial year, which is lower than the maximum amount payable with such special resolution.

However, as a matter of good governance, the management shall place the resolution for ratification of the remuneration paid to the Directors in the ensuing Annual General Meeting..

- 49 (a) Previous year's figures have been regrouped/reclassified wherever necessary, to confirm to current year's classification.
- (b) Amounts mentioned as "0" in the financial statements denote amounts rounded off being less than Rupees five thousand.

As per our report of even date attached
For **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/ W100048

Anup Mundhra
Partner
Membership No. 061083

Place: Mumbai
Date: May 29, 2017

For and on behalf of the Board of Directors

Devendra Shah **Pritam Shah**
Chairman Managing Director
DIN: 01127319 DIN: 01127247

Bharat Kedia **Rachana Sangneria**
Chief Financial Officer Company Secretary & Compliance Officer

Place: Mumbai
Date: May 29, 2017

Notes

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*Kann kann mein,
gaai ke doodh ki shuddhata.*



*Pyaar ka
Rang sunehra*



Laad, pyaar aur dulaar se parvarish ki hui gaai ke doodh se banaa Gowardhan Ghee, shuddhata ka prateek hai. Lekin, humara kehna mat maaniye, ek baar khud chakk kar dekhiye.





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