

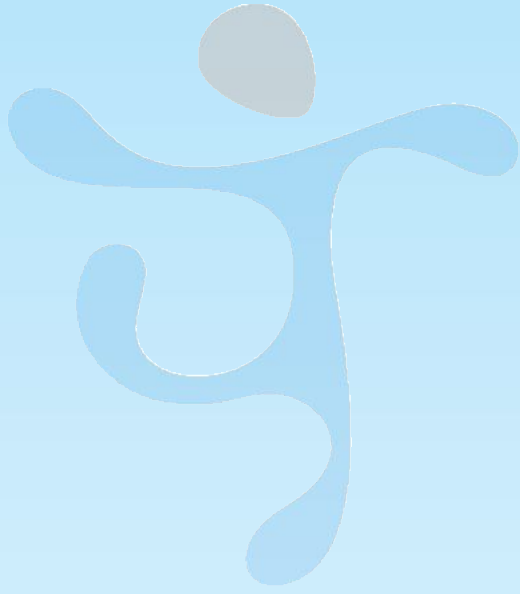


PAAYAS[®]

पायस मिलक प्रोड्यूसर कम्पनी

**7th Annual Report
2018-19**





PAAYAS[®]
पायस मिल्क प्रोड्यूसर कम्पनी

Values

Honesty and Transparency

Team Spirit

Quality & Excellence

at every Level

Long Term Vision

Innovation

Passion



Mission

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

Vision

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







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Corporate Information

Board of Directors

(As on March 31, 2019)

Smt. Manju Jakhar

Chairperson

Smt. Mamta Choudhary

Director

Smt. Geeta Devi Gurjar

Director

Smt. Kamala Devi

Director

Shri Doongar Singh Rathor

Director

Shri Sed Mal Sharma

Director

Shri Jai Singh Rathore

Director

Shri Sukhpal Jat

Director

Shri Narayan Lal Gurjar

Director

Shri Ram Charan Jat

Director

Dr. Omveer Singh

Expert Director

Dr. C.L. Dadhich

Expert Director

Shri Sriram Singh

Expert Director

Shri Ratan Kumar Singh

Director & Chief Executive

Company Secretary

Shri Anup Gupta

Chief Financial Officer

Shri Kapil Pachori

Statutory Auditors

SB Billimoria & Co.

Chartered Accountants, Gurugram

Internal Auditors

Ernst & Young LLP

Chartered Accountants, Gurugram

Bankers

State Bank of India, Jaipur

HDFC Bank, Jaipur

ICICI Bank, Jaipur

Yes Bank, Jaipur

Oriental Bank of Commerce, Jaipur

Registrar and Share Transfer Agent

Link Intime India Pvt. Ltd.

Plot No. NH 2, First Floor,

Noble Heights, C-1 Block, Janakpuri,

New Delhi - 110058

Registered Office

Paayas Milk Producer Company Ltd.

(Corporate Identity Number: U01211RJ2012PTC038955)

Registered Office: D-232,233, 4th Floor,

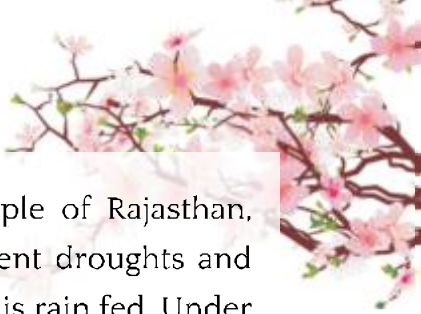
Atlantis Tower, Vaishali Nagar,

Jaipur 302021, Rajasthan, India

Phone : 0141-2352736

www.paayasmilk.com | info@paayasmilk.com





Animal Husbandry is a major economic activity of the rural people of Rajasthan, especially in the arid and semi-arid regions. The State faces frequent droughts and famine which causes frequent crop failure as most of the agriculture is rain fed. Under rain-fed agriculture, dairying is most reliable livelihood insurance for the poor in rural areas of Rajasthan. Thus, Dairy sector provides sustainable year-round income to large number of farmers.

Importance of producer owned enterprises/producer companies is of greater significance in the current market economy to serve as countervailing force against possible exploitation of specially small & marginal producers. Based on the earlier interaction National Dairy Development Board (NDDDB) had with the Government of India (GOI), the Companies Act was amended incorporating provisions for incorporation of a Producer Company. Paayas Milk Producer Company Limited (Paayas) is first of its kind set up by NDDDB Dairy Services (NDS) with the following objectives.

1. To carry on the business of pooling, purchasing, processing of milk and milk products primarily of the Members, and marketing of the same.
2. To provide or arrange to provide technical and managerial services in the areas of breeding, feed & fodder, veterinary services to increase milk production for the benefit of the Members.
3. To provide education, training and other activities, this may promote the principles of mutuality and mutual assistance amongst the Members.
4. To arrange, that the quality of milk received from the Members, meets with the standards laid down by the Company and the statutory authorities.
5. To extend various financial services to the Members

Paayas, a business enterprise registered under the provisions of Part IX A of the Companies Act, 1956 is run on the basis of Mutual Assistance Principles- voluntary membership, voting rights independent of shareholding, an elected board, distribution of surplus on patronage basis, limited dividend, education of own members and co-operation with other organisations. Paayas aims to combine the philosophy and working style of the cooperative principles with the liberal regulatory framework of company Law. The corporate structure provides Paayas more autonomy, better professional management and governance etc.

The statutory compliances required as per the provisions of the Companies Act do necessitate a higher level of discipline compared to the Co-operative Act. Against that,



there is no loss of benefits. To achieve the same, Paayas has adopted certain core design principles and appropriate practices as follows

1. Business only with members
 2. Active user membership and their participation in business and governance – No Free Riders
 3. Member equity in proportion to patronage – ‘building skin in the game’
 4. Patronage based member classes and member class representation on the Board to ensure inclusiveness in governance
 5. Appropriate mechanism for member communication and grievance redressal.
 6. Professionally managed business operations and continuous capacity building of all stakeholders.
 7. Leveraging technology for information and data management to ensure transparency and deliver need based services.
- Member payments through individual savings bank account

Paayas members get standard benefits of a fair and transparent system of milk collection, competitive price and timely credit to respective bank accounts, as well as incentives and patronage-linked bonus. Besides, they are also provided with productivity enhancement services like balanced cattle feed, Rajasthan specific mineral mixture, Ration Balancer, Quality fodder seed, Ration Balancing Program, and Artificial Insemination at competitive price at their door step.





The Year Gone By

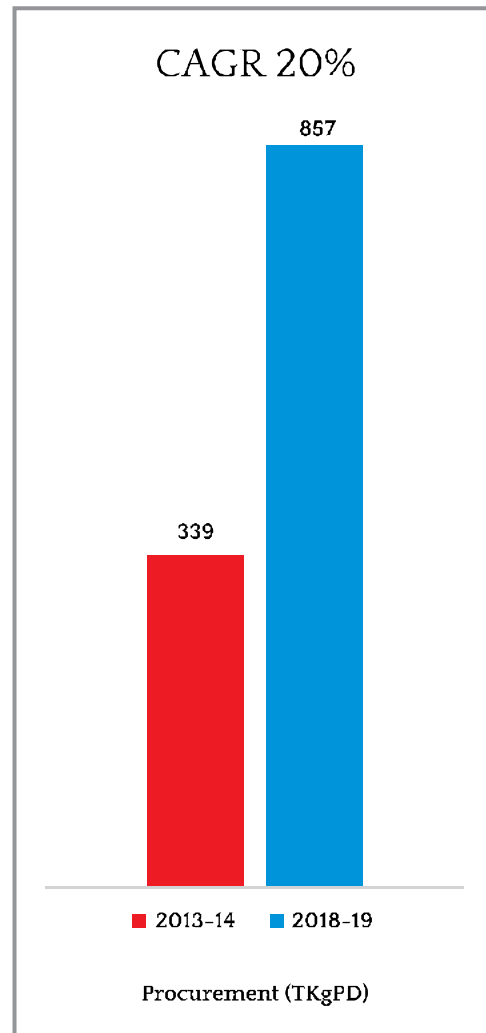
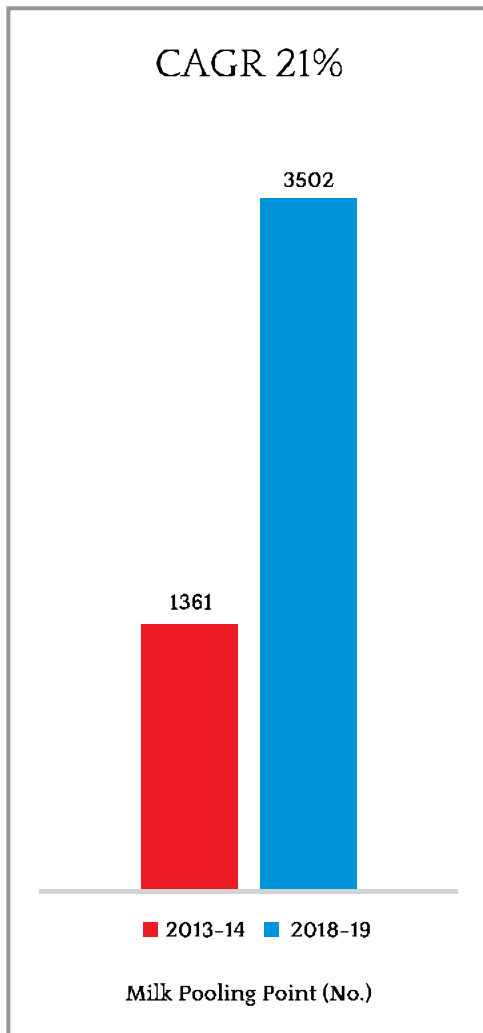
It was yet another eventful year during which the company recorded a growth in all major spheres, while keeping emphasis on transparency in dairy value chain, development of a robust productivity enhancement system and Institution Building with an aim to furthering farmer member's well-being. Fresh peaks were achieved in milk procurement, milk & milk products sale, balance cattle feed, mineral mixture & fodder seed distribution, artificial insemination & in turnover. In addition, welfare measures such as life insurance, mediclaim insurance, health & eye check up camps were continued for farmer members. In order to strengthen Information Technology (IT) services, a new tool – ticket management was introduced, leading to reduction in resolution time and proper tracking. Besides, the company also implemented all the sub project plans of prestigious National Dairy Plan – I successfully.





Milk Procurement

Paayas has developed a strong & transparent milk procurement (from farmer members) system in the villages during the past few years. Every milk pooling point is equipped with an electronic weighment & testing facility for milk received from members, along with GPRS technology enabling transmission of milk receipt information to them on their respective cell phones instantly. Basis the aforesaid, member's payment is processed and remitted in their individual bank account with a message about the same. The company procured 8.57 lakh kg milk per day, the highest ever, from 3256 villages, with a healthy April to September & October to March ratio of 1.46, posting an increase of 13 percent over the previous year. Separate cow milk collection and processing facility were developed in selected areas. Comparing it with 2013-14, there has taken place a CAGR of 20 percent.







Quality Environment

Quality continues to remain a major thrust area. To achieve quality leadership, a comprehensive quality plan is in place. There is a battery of analytical tests which milk has to pass to enable system to clear it for further processing. Extensive education is being imparted on clean milk production to farmer members /Sahayak to preserve milk quality at village level. Adequate capacity stands created for its speedy reception and cooling. Similarly, a quality protocol remains in place during processing and packing of milk & milk products. Only products meeting laid down standards are released for market. In addition, the company organizes testing of milk & milk products from external laboratories and feedback from consumers on quality aspects. Adequately competent and trained manpower is in place to carry out quality functions at various stages of dairy value chain. Because of its rich taste & flavor, Paayas milk products have been finding consumer's acceptability across markets in a relatively short span of time.



Producer Institution Building

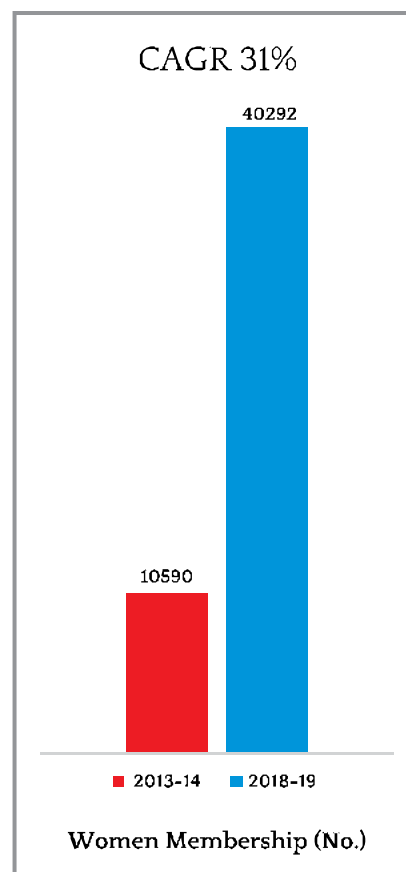
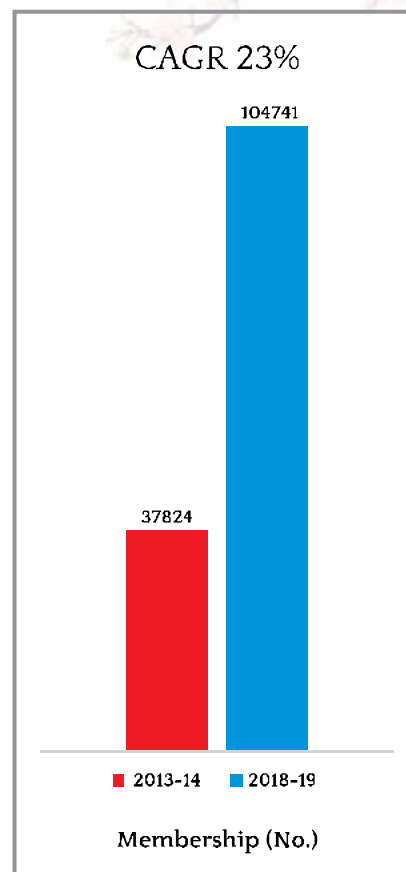
The major thrust area is member's education with emphasis on their duties, responsibilities and company's activities. The following key capacity building activities using modern facilities were undertaken at village level with manifold benefits.

S. No.	Name of Programme	No of Participants
1	Producer Awareness Programme	18519
2	Women Awareness Programme	6163
3	Rural Youth Awareness Programmes	1576
4	Children Awareness Programme	418
5	Clean Milk Production Programme	18526

Besides, a new awareness programme – SAMVAD was initiated to beef up member's communication, with an encouraging response. In a short span, 906 SAMVAD meetings were organized in 580 villages, connecting with 24030 milk producers.

Measures were taken to strengthen Village Contact Group (VCG) and Member Relation Group (MRG) which are instrumental in fostering relationship between the members & the company.

While working methodically with milk producers, our observation is that Paayas acceptance has gradually been rising over the years. Milk producers now have an urge to go for company membership in order to reap rich benefit of a fair & transparent procurement system on one hand and that of productivity enhancement services on the other. We added close to 30000 new members this year. From out of total membership, 38 percent are women which is promising. The company owes a word of gratitude to the existing members who have been playing a constructive role in this endeavor by educating fellow milk producers about the company and the benefits that membership brings to them.





Product Portfolio

The company markets Dairy Products under brand 'Paayas' and Animal Nutrition Products under brand 'Mudrika'.

Dairy Basket

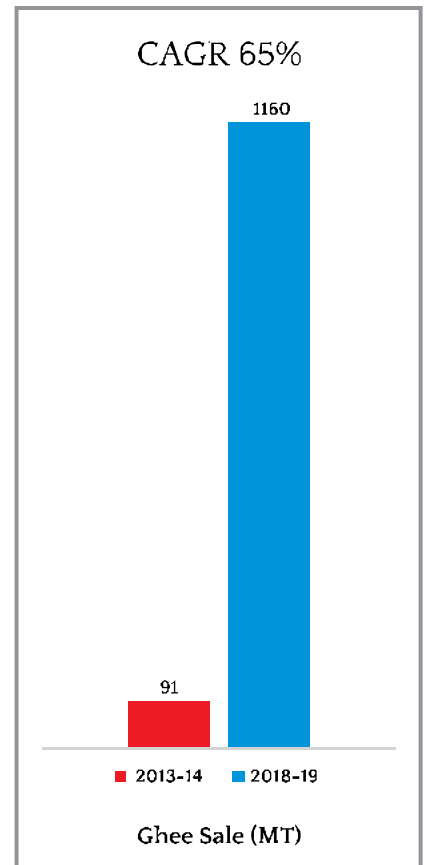
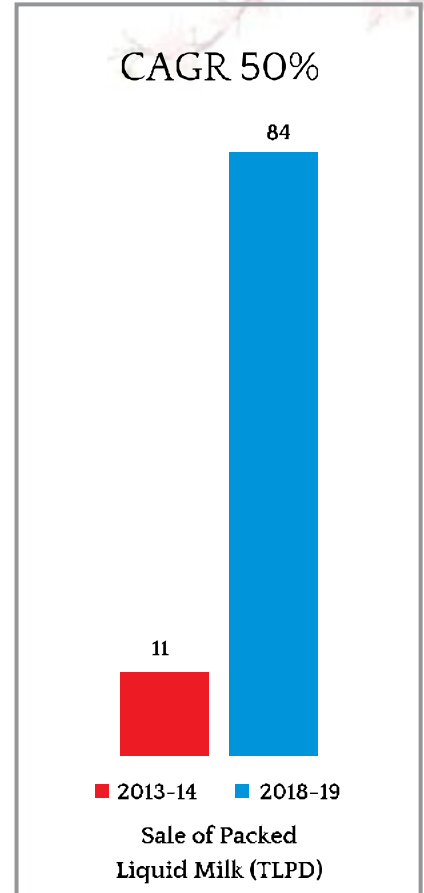
Dairy products are made out of clean & wholesome milk procured from producer members. Post catering to retail market, surplus milk is marketed to interested buyers. Quality, Consistency and Services are the salient features enabling the Company penetrate in an otherwise fiercely competitive market, develop the brand and build volume in a relatively short span.

Despite competition from major national and regional players, **Poly Pack Milk** marketing grew from 78 to 84 thousand litre per day, a growth of 8 per cent which is heartening for the young organization. Besides, the company also markets fermented milk products such as butter milk & curd in various denominations.

Ghee is yet another Paayas product in retail as well as in bulk pack. The product acceptance continued to improve owing to its taste, flavour and purity leading to a sale of 1160 Metric Tonne as compared to 800 Metric Tonne during the previous year registering a healthy growth of 14 percent.

The following variants in given SKU are being marketed.

Type	Min. Composition	SKU
Double Toned Milk	Fat: 1.5 SNF: 9.0	200ml, 500ml, 1l, 6l
Toned Milk	Fat: 3.0 SNF: 8.5	500ml, 1l, 6l
Full Cream Milk	Fat: 6.0 SNF: 9.0	500ml, 1l, 6l
Homogenised Toned Milk	Fat: 3.0 SNF: 8.5	200ml, 500ml, 1l, 6l
Curd	Toned Dahi	85 gm , 200 gm
Butter Milk	Proprietary Food	400 ml
Spiced Butter Milk	Proprietary Food	200 ml
Ghee		500ml, 1l, 5l, 15 Kg

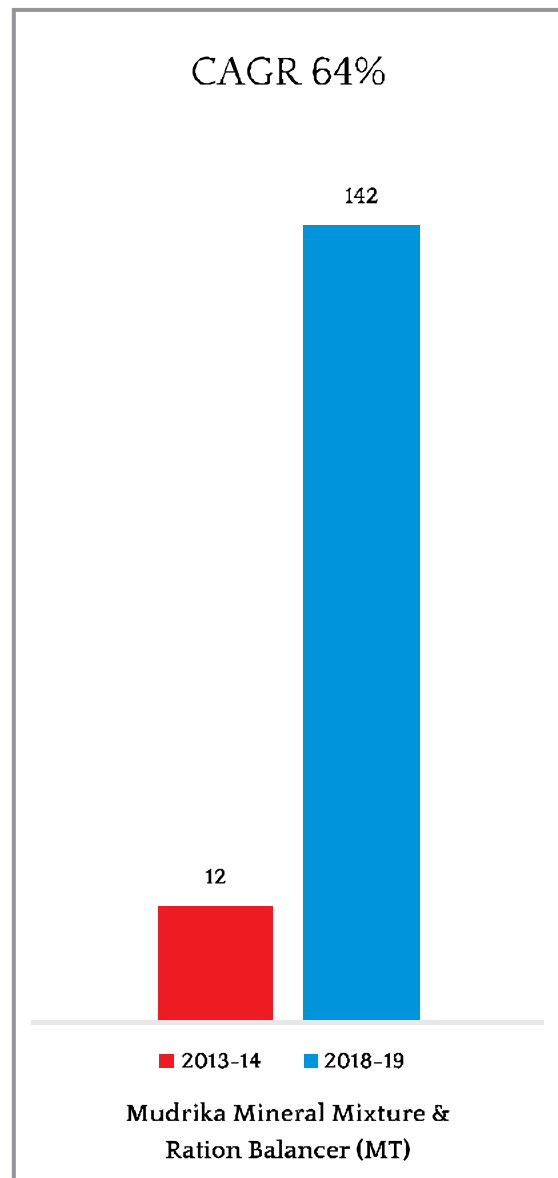
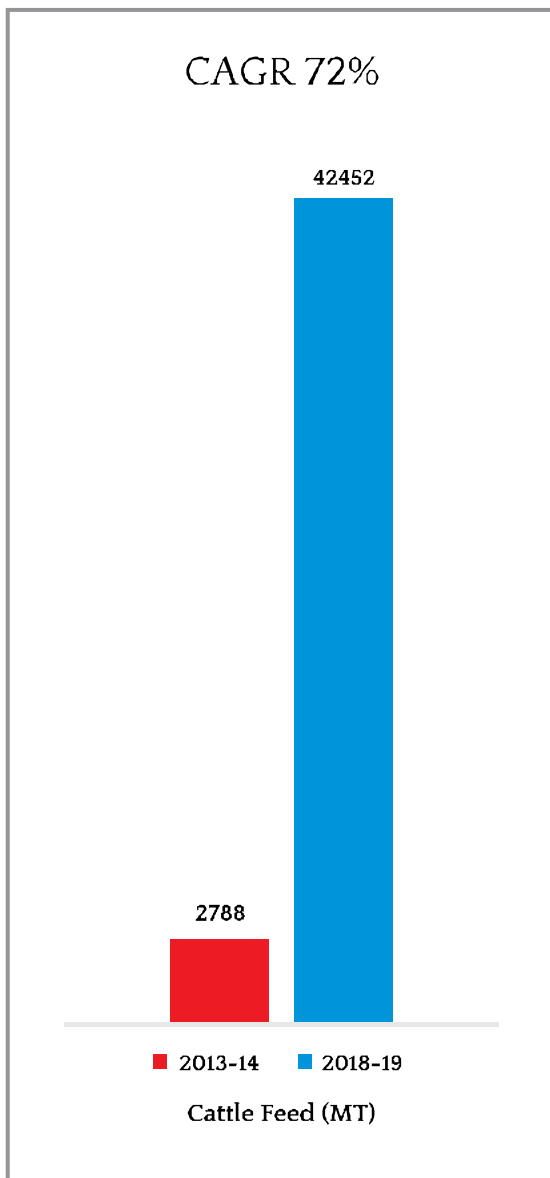




Animal Feed

The Company continued distributing Quality Mudrika Cattle Feed and Rajasthan Specific Mineral Mixture to Milk Producers. **Cattle Feed** is available in two variants viz BIS Type II and Gold-High Energy. The Company distributed over 42000 Metric Tonne of Cattle Feed, posting a growth of 56 per cent over the previous year. It would not be out of place to mention that the Company succeeded in achieving a multi-fold growth in Cattle Feed Distribution from 2,788 MT in 2013-14 to 42,000 MT in 2018-19 due to Superior Quality, Competitive Price and Efficient Supply Chain.

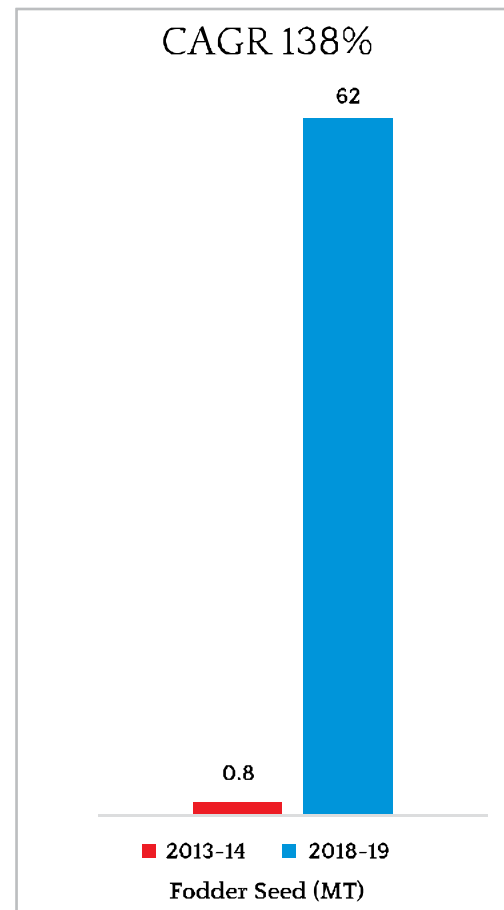
Rajasthan Specific Mineral Mixture is available in chelated form. Like Cattle Feed, the acceptability of Mudrika Mineral Mixture & Ration Balancer also grew manifold leading to their combined distribution of 142 MT.





Fodder Development

The state produces only 75 percent of the fodder requirement. Considering the importance of green fodder on animal productivity, the Company continued its endeavor of providing quality fodder seed to interested members at their door step at competitive price. During this year, 62 MT quality fodder seed was made available posting a growth of 35 % over the previous year. The major varieties were Sorghum, Lucern and Maize etc.





Model Dairy Farm

With Technical assistance from NDDB Dairy Services (NDS), the company successfully established 4 Model Dairy Farms, taking the total tally to 12. The key interventions are as follows:

- Cow Comfort - Housing & Heat Stress
- Management (Free Housing for Animals)
- Free Access to Drinking Water
- Controlling of Mastitis (California Mastitis Test (CMT) & Teat Dip)
- Deworming & Vaccination
- Calf & Heifer Care “Calf to First Calving”
- Preventive Health Care
- Heat Detection & Calving (Breeding Calendar)
- Silage Preparation
- Vermi-compost
- Azola Farming
- Milking Machine
- Soil, Water, Fodder and Manure Resource Management
- Assessment of Farm Economics through Maintaining Farm Record Book

More than 800 Producer Members have been trained on above mentioned improved animal husbandry practises

पंचायत
देवमाली
एम.पी.पो कोड 150





Mission Milk – National Dairy Plan – I

National Dairy Plan is a Central Sector Scheme. It is scientifically planned multi stated initiative with the following project objectives:

- i. To help increase productivity of milch animals and thereby increase milk production to meet the rapidly growing demand for milk
- ii. To help provide milk producers with greater access to the organised milk processing sector

These objectives would be pursued through adoption of focused scientific and systematic processes in provision of technical inputs supported by appropriate policy and regulatory measures.

Under National Dairy Plan, Paayas had submitted four Sub Project Plans, to NDDB for approval.

1. **Village Based Milk Procurement System (VBMPS)**
2. **Ration Balancing Programme (RBP)**
3. **Pilot model for viable Artificial Insemination delivery (AI)**
4. **Fodder Development (Completed as on 31 March 2017)**

All the plans are being implemented in five districts of Rajasthan - Jaipur, Sikar, Ajmer, Pali and Tonk.

All the aforesaid projects stand closed as on 31 Mar 2019.



Village Based Milk Procurement System

The objectives of VBMPS sub project are:

- ❖ To strengthen Paayas by building capabilities of various stakeholder through education, training and other activities
- ❖ To setup a fair and transparent procurement systems and to ensure accurate and timely payment to the milk producers
- ❖ To safeguard the interests of small dairy producers by providing round the year access to organised milk market

Focus Area

- ❖ Capacity Building
- ❖ Expansion of Milk Procurement Network viz. village coverage and inclusion of producer-members
- ❖ Procurement of equipment for weighing and testing of milk

Under VBMPS, new members in fresh geographies have been added with a focus on induction of Women Members. Training was imparted to Sahayaks and Staff belonging to field operations and Milk Chilling Centre. In addition, Leadership and Motivational programmes were conducted for Office Staff.

Key Achievements

Key Result Indicators		Achievement (Cumulative till March 2019)
Villages covered	(no.)	2,811
Cumulative Members	(no.)	165764
Small Holder Members	(%)	37
Women Members	(%)	38
Milk Procurement	(TKPD)	719



Ration Balancing Programme

The Objective of RBP Sub Project is to create awareness amongst milk producers on optimization of animal feeding by efficient utilisation of locally available feed resources at the possible least cost.

Educated rural youth after completion of classroom training, each trainee was provided with a netbook, an internet dongle, a set of uniform and required RBP gear and then was deployed as Local Resource Persons in her/his native village, in a fashion that one LRP manage two villages. Every animal enrolled for RBP advisory has to be tagged, in its ear, with a unique ID for its registration under INAPH. To carry out the programme, 1566 Local Resource Persons, chosen from amongst educated rural youth were trained and deployed.

Following are the Key Stages:

1. Registration of animals
2. Evaluation of animals' nutrient status
3. Formulating least cost ration with locally available feed resources
4. Repeat Advice

Key Achievements

Key Result Indicators	Achievement (Cumulative till March 2019)
Trained LRPs deployed (no.)	1,566
Villages covered under RBP (no.)	2,766
Animals covered under RBP (Lakh.)	1.99
Producers covered under RBP (Lakh.)	1.28



Pilot model for viable Artificial Insemination delivery (AI)

The objectives of AI sub project are:

- ❖ To provide quality AI services at producers door step using top genetics available in the country aimed at producing superior calves with higher productivity.
- ❖ To provide efficient service following SOP through well trained and qualified AI Technicians aimed at improving the conception rate and reducing the inter calving interval and increasing the productive life of the animal.
- ❖ To provide infertility management support to dairy producers aimed at reducing infertility problems in field and reducing 'inter calving period' thereby increasing the proportion of 'In milk' animals in a given year leading to increased milk production.
- ❖ To provide advisory services to producers with respect to animal health, animal breeding and animal nutrition for creating awareness about profitable dairy animal management
- ❖ To capture and maintain the breeding data of all the inseminated animals linked to unique identification number to determine 'reproductive efficiency' of bulls, cow and evaluate the qualitative performance of AI technicians, region or a state and to implement management changes based on objectively gathered data.

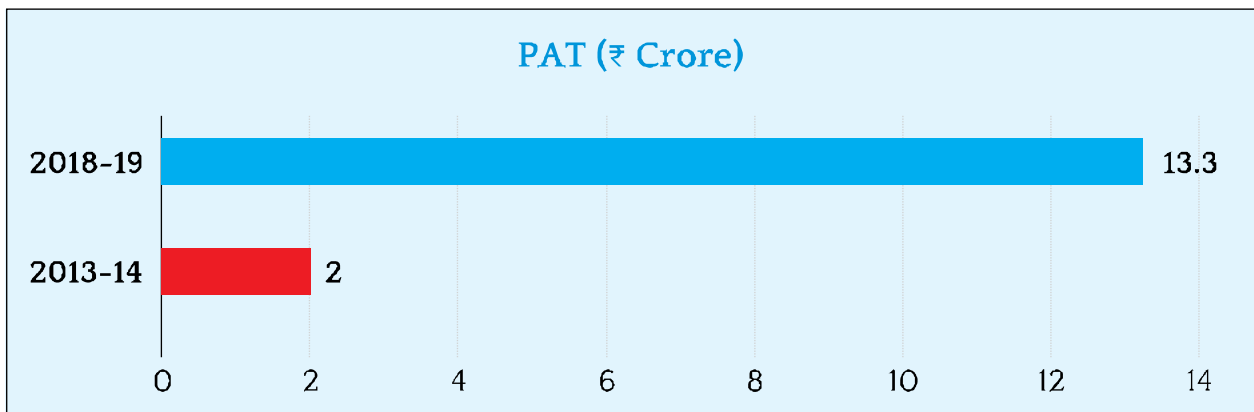
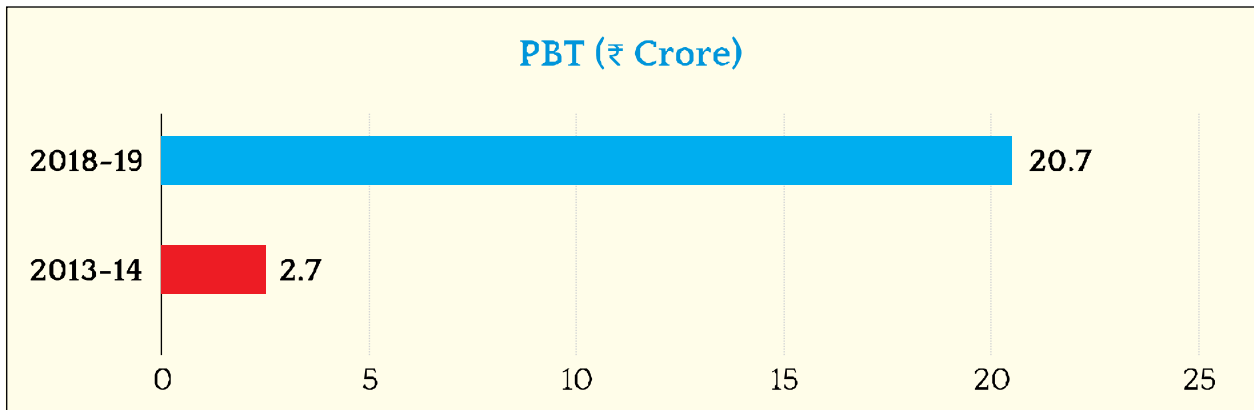
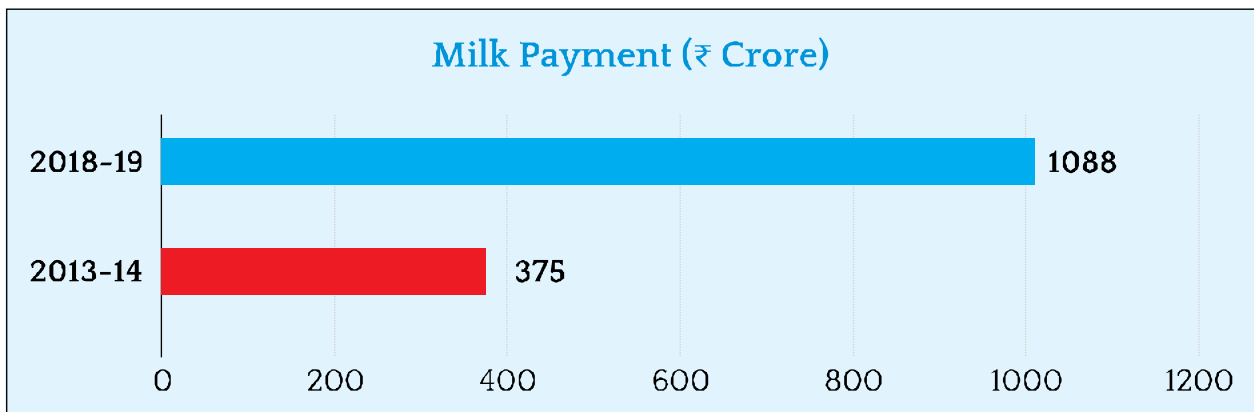
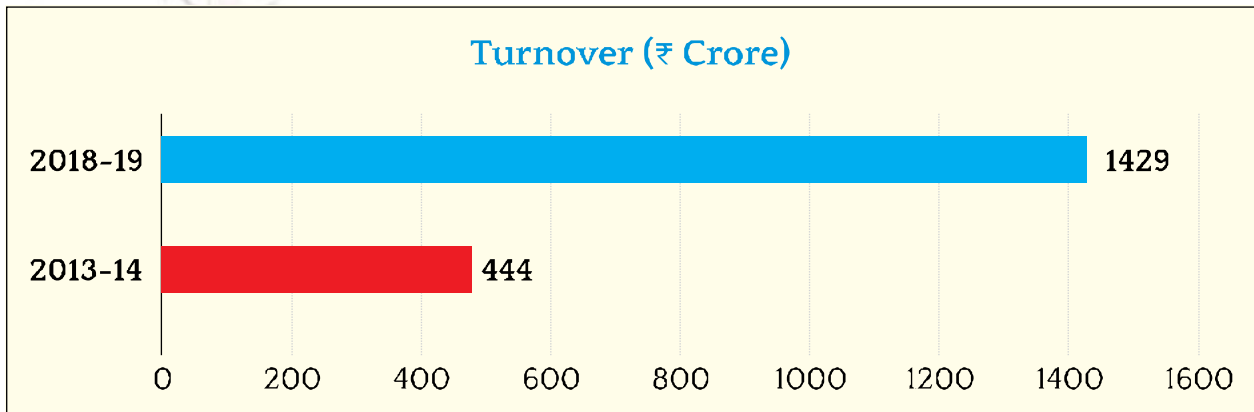
To carry out AI at village level, the Company selected AI Technicians from amongst the educated rural youth. After providing them training for couple of months in NDDB training centres and in field, they are allotted six villages to undertake AI operation. The Company carried out village meetings/AI Centre launches and used suitable extension material to educate the producers about this activity. During meetings AI technician was introduced to the producers.

Key Achievements

Key Result Indicators	Achievement (Cumulative till March 2019)
MAITs (no.)	450
Village Covered (no.)	3,758
AI done (Lakh.)	10.96
AI conception rate based on First AI follow up (%)	45

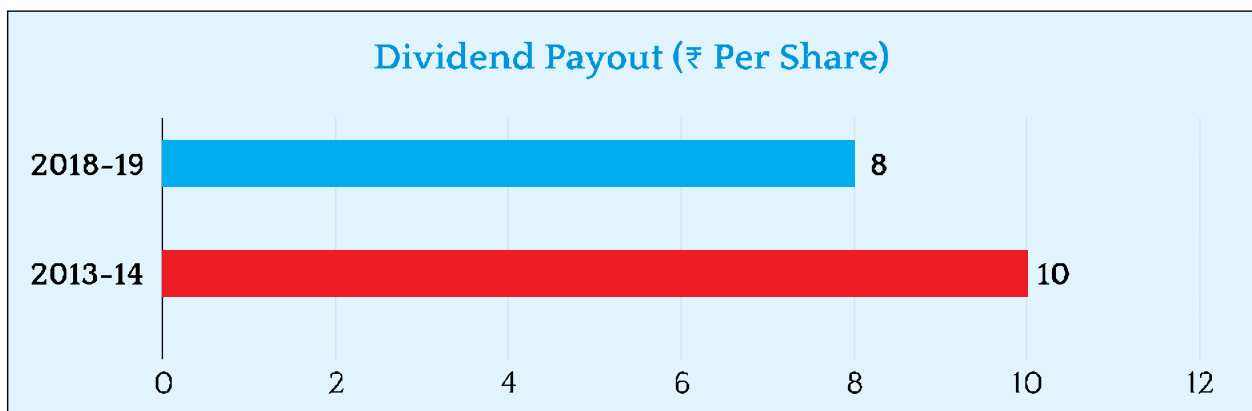
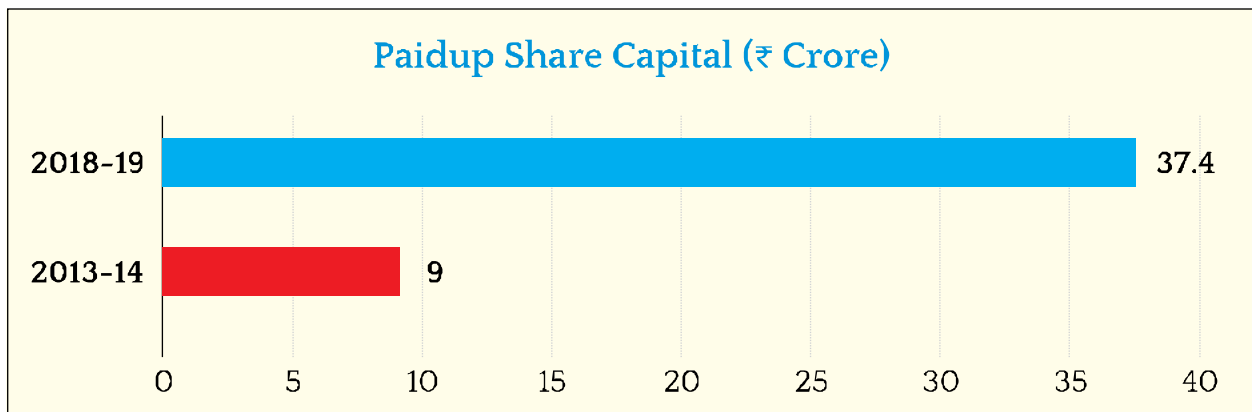
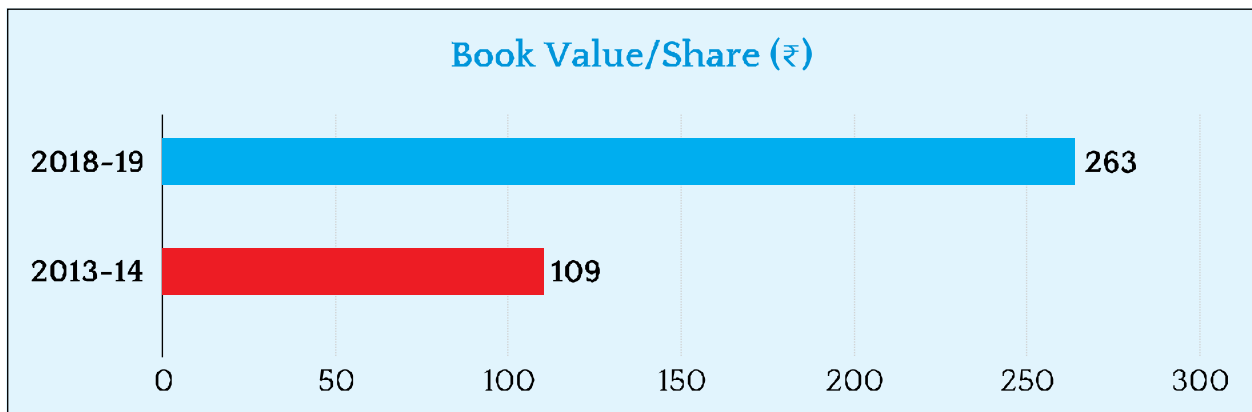
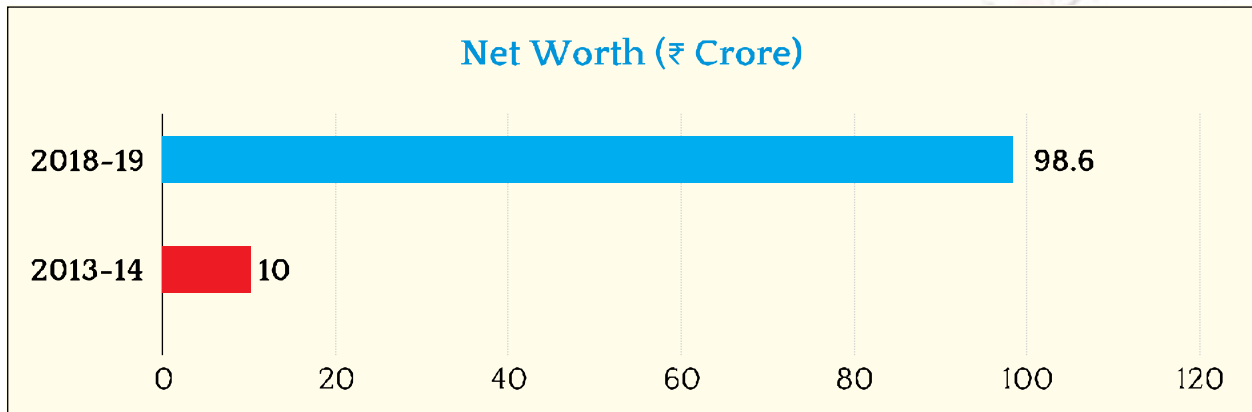


Key Financial Indicators





Key Financial Indicators





Key Events (2018-19)

29 Apr
Workshop on
FSSAI for
Board Members

11 Jun
Visit of World Bank

22 Jun
Visit of Chairman,
NDDB

29 Sep
Visit of JICA

4 Jan
Visit of ED, NDDB

12 Jan
Visit of Prof
Annapurna Neti from
Azim Prem Ji University

13 Jan
Visit of Baani
MPC Board

7 Feb
Board Exposure Visit
47th Dairy Conference
Patna

28 Mar
Visit of Chairman
(Chhattisgarh
Milk Federation)



PAAYAS MILK PRODUCER COMPANY LIMITED
DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting 7th Annual Report on the business and operations of the Company, together with the Audited Accounts for financial year ended March 31, 2019.

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

Financial Results

The summarized Financial Results are as under:

Particulars	For the year ended March 31, 2019 (Rs. in Crore)	For the year ended March 31, 2018 (Rs. in Crore)
Total Revenue	1429.51	1282.05
Total Cost including expenses	1408.77	1256.14
Profit/(Loss) before tax	20.74	25.91
Provision for Taxation	7.41	9.07
Profit/(Loss) after tax	13.33	16.84

It gives us pleasure to inform that, during the year under review, the Company achieved a turnover of Rs. 1429.51 Crore which is a record.

During the year under review, the total revenue from the operations increased to Rs. 1429.51 Crore, as against Rs. 1282.05 Crore in previous year registering a growth of 11 percent. The total cost including expenses increased to Rs. 1408.77 Crore as against Rs. 1256.14 Crore in previous year.

The Profit after Tax is Rs. 13.33 Crore as against Rs. 16.84 Crore in previous year registering a decrease of 21 percent due to prevailing market conditions.

Limited Return (Dividend)

The Board of Directors are pleased to recommend limited return (dividend) at the rate of Rs. 8 per equity share absorbing Rs.3.61 Crore (including Dividend Distribution Tax of Rs. 61.51 Lakh). The limited return (dividend) will be paid to those members, whose names appear in the Register of Members of the Company as on March 31, 2019.

Transfer to General Reserve

Pursuant to provisions of article no 11.10 of the Articles of Association of the Company read with Section 581 ZI of the Companies Act 1956, the Board proposes to transfer Rs. 9.73 Crore to the credit of General Reserve in the Balance Sheet.

Operations

The Company is harvesting raw milk from 3,502 Milk Pooling Points located in 3256 villages of Rajasthan. During the period under review, the Company procured 31.26 Crore liter as against 27.46 Crore liter raw milk in previous year registering a growth of 14 percent. Out of this, 4.49 Crore liter cow milk was separately procured for its bulk sale. The Company continues to pay competitive producer price to its members.

The company sells Poly Pack Milk (PPM) in different variants in the state of Rajasthan. During the period under review, total sales of Poly Pack Milk and Ghee remained 306 Lac Liter and 1160 MT respectively as against 286 Lac liter and 809 MT respectively in previous year. The Company believes that it can further perk up sale of milk and milk products and it has therefore been expanding its network to reach more consumers.

Visits

It is our pleasure to inform you that dignitaries from reputed organizations visited Paayas in a bid to learn from our experiences.

Credit Rating

During the year under review, CARE Ratings Ltd. ("CARE") re-affirmed the "AA-" ("Double A Minus") rating. The rating is an opinion on the general creditworthiness of the Company.

Product Portfolio

Milk and Milk Products

The Company is committed to serving consumers with quality milk and milk products. It markets Poly Pack Milk in various SKU in Jaipur and in other parts of Rajasthan.

Variant	Type	Composition (%) (minimum)	SKU
Fit N Fine	Double Toned Milk	Fat: 1.5 SNF: 9.0	200ml, 500ml, 1l, 6l
Tazza	Toned Milk	Fat: 3.0 SNF: 8.5	500ml, 1l, 6l
Gold	Full Cream Milk	Fat: 6.0 SNF: 9.0	500ml, 1l, 6l
Tea Special	Homogenized Toned Milk	Fat: 3.0 SNF: 8.5	200ml, 500ml, 1l, 6l

The company also markets bulk milk to Mother Dairy and other interested buyers.

Dahi

Paayas "Dahi" in 200 gm and 85 gm Pack is being sold in both rural & urban market.

Buttermilk

Paayas Butter Milk in 400 ml pack & Spice Butter Milk in 200 ml Pack are being sold in both rural and urban market.

Ghee

Paayas Ghee is being sold in various denominations of half litre Ceka Pack, 1 litre Ceka Pack, 2 litre Tin, 5 litre Tin and 15 kg Tin through rural and urban marketing channels.

Product Development

Encouraged by the market response, the Company is in the process of enriching product basket.

Cattle Feed

The Company sold about 42452 MT Cattle Feed during 2018-19 under its own brand Mudrika in two variants - BIS Type II and Gold-High Energy. As compared to previous year the growth in sale is about 56 percent. During the past 5 years, cattle feed distribution has grown close to 5 times.

Rajasthan Specific Mineral Mixture and Ration Balancer

Taking into account the specific need of minerals which are not available in Rajasthan soil, the Company organised to develop Rajasthan Specific Mineral Mixture and it has been providing the same to the producers at a competitive price under its own brand - Mudrika. The response from users has rather been encouraging, as a result of which the Company distributed about 86 MT mineral mixture and 56 MT Ration Balancer.

Fodder Development

To ensure supply of fodder throughout the year, it is necessary to focus on increasing the productivity of available land under fodder cultivation, improve the efficiency of fodder utilization and minimize the fodder wastages / encourage fodder conservation. Under Fodder Development, activities such as Silage Demonstration, Fodder Crop (Thornless Cactus, Napier Grass) Demonstration and Quality Fodder Seed Supply are being undertaken.

The Company continued distributing quality fodder seeds including Lucerne, Oat, Sorghum, Hybrid Maize and Millet Seeds etc. at affordable rates among milk producers. The Company procured stem slips of hybrid Napier from NDDDB, Anand and distributed to milk producers free of cost for green fodder availability round the year. A total of 616 quintal fodder seed was distributed during the period under review. In future, several other varieties of fodder such as Drum Sticks, Fodder Beet and Chinese Cabbage etc. are planned.

Model Dairy Farm

The Company is providing assistance to its members for developing Model Dairy Farms. During the period under review, the company developed eight (08) Farms with the support of NDDDB Dairy Services and four (04) Model Dairy Farms from out of its own resource in three districts (Jaipur, Sikar & Ajmer) of Rajasthan.

Producer Institution Building (PIB)

PIB focuses primarily on educating and sensitizing members about their roles and responsibilities apart from spreading information about various activities and schemes of the Company. Paayas conducted 'Producer Awareness Programme' covering 18,519 Producers/members in five districts of Rajasthan viz. Jaipur, Sikar, Tonk, Pali and Ajmer. In addition, 18,526 producers/members were educated under 'Awareness programme on Quality and Clean Milk Production'. Further, under 'Women Awareness Programme' 6,163 women milk producers were covered. Focus of these Educational/Awareness programs was

to encourage members to come forward and actively participate in Dairy activities resulting in higher return with enhanced milk quality.

In addition, 1,576 rural youths were also trained under 'Rural Youth Awareness Programme' to encourage them understand the importance of dairying as an additional/alternative source of livelihood and motivate them to take it up this as a profession. Further under 'Awareness Programme for School Children', 418 school-going children were oriented on nutritional and quality aspects of milk and milk products. They were encouraged to consume adequate dairy products in order to keep them healthy.

Under "Samvad" programme 906 meeting were organised in 580 MPPs. Total 24030 producers participated in this programme. Samvad is aimed to educate producers about the Company and its programme and to encourage their participation.

Being a single tier Company with a large operational area and membership base, it is essential that some informal groups be created in order to strengthen relationship and bonding between the Company and its members for ensuring effective two-way communication. Keeping this in mind, 2,828 informal Village Contact Groups (VCGs) were created at village level which comprise of 10,645 member and 218 informal Member Relation Groups (MRGs) were created at milk route level which comprise of 2828 members. The Company also conducted 'Leadership Development Programmes' in which 85 members were trained with a view to groom them for leadership roles.

Moving further, Board members were given training on Food Safety and Standards in April 2018, Policy Governance in December 2018 and Motivation and Time Management in March 2019. As a part of exposure visit, Board of Directors participated in 47th Dairy Industry Conference held in Patna.

Sub Project Plan (SPP)

The Company had submitted four Sub Project Plans under National Dairy Plan – Phase I, to Project Management Unit, located at NDDB, for the following elements:

1. **Village Based Milk Procurement System**
2. **Ration Balancing Programme**
3. **Pilot model for viable Artificial Insemination delivery, and**
4. **Fodder Development (completed in March 2017)**

PMU approved all the aforesaid SPPs and grant in aid under NDP-I. All four plans are being implemented in company's operational five districts of Rajasthan viz. Jaipur, Sikar, Ajmer, Pali and Tonk. The ongoing SPP stands closed as on 31st March 2019.

Village Based Milk Procurement System (VBMPS)

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

The Company ended up with procuring 719 TKgPD milk from 2811 villages located in Sub Project Plan (SPP) Area.

Ration Balancing Programme (RBP)

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

The Company has developed network to provide RBP services in about 2,700 villages. RBP has helped changing traditional feeding practices. The Company organised several mass awareness campaigns to educate producers.

The Company ended up with deployment of 1,566 Local Resource Persons (cumulative), who carried out Ration Balancing for 1,99,470 (cumulative) animals scattered in 2,766 villages (cumulative).

Pilot model for viable Artificial Insemination delivery (AI)

The Company has implemented AI Services with an objective to deliver quality AI services through well trained qualified AI Technicians using top genetics at the doorstep of farmers in order to improve productivity of milch animals, reduce cost of milk production and maximize farmers' income.

The Company recruits local youths and provide them rigorous training in the training center of NDDDB. Follow-up after 21-days of insemination for repeat heat, pregnancy diagnosis after 90 days and calving follow-up record are kept in INAPH Software. After training, candidates are given adequate field exposure post which they are being provided with necessary equipment and are deployed in field to deliver quality AI Service to the farmers at their doorstep. To facilitate efficient monitoring and field extension support for breeding service delivery, Mobile Artificial Insemination Technicians are placed into territories with nearly 20 AI centers per territory. A Veterinary Executive manages each territory. A Breeding Specialist provides technical and managerial support to 8 Veterinary Executives.

The Company accomplished about 2,89,870 AI (45 percent conception rate basis first AI follow-up) through 450 Centers covering 3758 villages.

Quality Assurance:

Quality remains a focus area. Our Milk chilling centers are equipped with essential Milk testing facilities. Testing equipment like Digital electronic balances, water baths, vortex shakers, Oven, R.M test equipment's, BR meters, Remi centrifuge machine, sodium analyzers & refrigerator etc. are in place to perform the quality tests in raw milk at centers. Additional Facility was created at Seven chilling Centre's for cow milk reception, chilling, storage and dispatch separately so as to enable good quality raw cow milk supply to interested bulk buyers. System upgrades such as additional dock, lab expansion, additional storage facility at high pouring Chilling Centre & refrigeration capacity enhancement to preserve freshness of milk and setting up Model MCCs with state-of-the-art facilities viz. Auto CIP, Auto conveyor etc. were undertaken.

Various in house training programs along with external plant visit for Chemists and MCC In charges were organized to upgrade skill.

Directors

Shri Anil Kumar and Shri Meva Ram Bairwa retired as a Director with effect from September 10, 2018. The Board would like to thank them for their association and support as directors with the Company.

Pursuant to the Article 9.6 and pursuant to Section 581ZA and other relevant articles of the Articles of Association of the Company and applicable provisions, of the Companies Act, 1956. Shri Ramcharan Jat was appointed as Director of the Company with effect from September 10, 2018.

Dr. C. L. Dadhich, was reappointed as an Expert Director of the Company with effect from November 29, 2018 for a period of two years.

Dr. Omveer Singh, was reappointed as an Expert Director of the Company with effect from May 26, 2019 for a period of two years.

Composition of Board of Directors & reappointment of Directors:

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

Based on the analysis of the data w.r.t., fulfilment of patronage criteria by the members during FY 2018-19, it has been found that, Class-A, Class-B and Class-C of members amongst themselves were respectively 7%, 16% and 77% during FY 2018-19. Accordingly, the composition of the Board providing for representation of each class of members on the Board based on patronage of each class of members comes to 4 Directors for Class-A, 3 Directors for Class-B and 4 Directors for Class-C respectively. The Company shall meet the requirement of Article 9.5 as under:-

Class-A Directors-

To ensure class representation on the Board based on patronage criteria and to fill up vacancy in Class-A, the Board, based on recommendation of Nominating Committee, recommends the appointment of Shri Sushil Kumar Vaishnav representing Class-A.

The statement containing name and qualification of the aforesaid Director seeking appointment are annexed to the Notice convening 8th AGM of the Company.

This will make the total strength of Directors in Class-A to 3 Directors as permissible under Article 9.5 and 9.6 of the Articles of Association of the Company. One position remains vacant.

Class-B Directors:-

At present the Board has 3 directors representing Class-B, therefore, there is no retirement/election in category of Class-B directors at the 8th AGM.

Class-C Directors:-

Pursuant to Article 9.6 of the Articles of Association of the Company, Smt. Kamala Devi Director of the Company, liable to retire at the forthcoming Annual General Meeting and being expressed her unwillingness for re-appointment, resulting vacancy in aforesaid Class A remains vacant.

Pursuant to Article 9.6 of the Articles of Association of the Company, Shri. Sed Mal Sharma and Shri Jai Singh Rathore, Directors of the Company “representing Class- C” will retire at the ensuing AGM of the Company and being eligible, offers themselves for re-appointment. Based on the recommendation of Nominating Committee, the Board recommends their re-appointment.

The statement containing name and qualifications of the aforesaid Directors seeking re-appointment are annexed to the Notice convening 8th AGM of the Company.

This will make the total strength of Directors in Class-C to 4 Directors as permissible under Article 9.5 and 9.6 of the Articles of Association of the Company.

Membership/Voting Rights/ Share Capital

As at March 31, 2019, the paid up share capital was Rs. 37.40 Crore, whereas 104741 members were appearing on the register of members of the Company. During the period under review, membership of 23011 members have been cancelled/ surrendered due to non-fulfilment of membership criteria.

After 31 March 2019, the Company has enrolled 10469 new members and the membership of 9189 members have been cancelled/ surrendered due to non-fulfilment of membership criteria and other reasons. Therefore, the total number of members as on the date of this report stands at 106021 members.

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

Voting Rights and attendance at AGM:

Out of total 104741 members, 42945 members have voting rights on all the resolutions as set in Annual General Meeting notice and 9533 members, who have fulfilled basic condition for voting (i.e., pouring of milk for at least 200 days totalling to at least 500 litres in a previous financial year) but have not fulfilled one or more of the patronage criteria of their respective class during F.Y. 2018-2019, consequently they are not entitled to vote on the class based election of Directors. Remaining 52263 members out of which membership of 9188 members have been cancelled and 43075 members did not pour milk for at least 200 days totaling to at least 500 liters during the previous financial year 2018-2019 lost their voting rights in 8th AGM.

New members, who were admitted as members of the Company post March 31, 2019, will not be entitled to dividend for FY 2018-2019 as well as voting right at 8th AGM.

Directors Responsibility Statement

In accordance with section 217 (2AA) of the Companies Act, 1956 the Board of Directors of the Company informs the members that:

- a) in the preparation of annual accounts, the applicable accounting standards along with proper explanation have been followed and that no material departures have been made from the same;
- b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the Financial Year and the profit of the company for that period;
- c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors have prepared the annual accounts on a going concern basis.

Internal Control System

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

Auditors

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

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

Deposits

The Company has not accepted any fixed deposits during FY 2018-2019.

Corporate Social Responsibility (CSR):

Refer to section 465 of the Companies Act 2013, Provisions of Part IX A of the Companies Act, 1956 shall be applicable mutatis mutandis to a Producer Company in a manner as if the Companies Act, 1956 has not been repealed until a special Act is enacted for Producer Companies. Keeping in view of aforesaid provisions, the company has filed its representations

before Ministry of Corporate Affairs (MCA), New Delhi, to seek clarification regarding the applicability of Companies Act, 2013 including CSR provisions on 25th November 2015 and 9th March 2016. The clarification from MCA is yet to be received. The Compliance of CSR provisions will be initiated on the receipt of clarification from MCA.

Disclosure under Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013

In order to comply with provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has formulated and implemented a policy on prevention, prohibition and redressal of complaints related to sexual harassment of women at the workplace.

Particulars of Employees

The particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, are set out as Annexure-A to this Report.

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

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

- (i) Part A and B of the Rules pertaining to Conservation of energy and Technology absorption are presently not applicable to the Company.
- (ii) Foreign Exchange earnings and outgo: Earnings – Nil; Outgo – Nil.

Acknowledgement

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

The Board of Directors gratefully acknowledge encouragement and support extended by National Dairy Development Board, NDDDB Dairy Services and Mother Dairy Fruit & Vegetable Private Limited.

For and on Behalf of the Board of Directors

Sd/-
Manju Jakhar
Chairperson & Director

Place: Jaipur
Date: 02.08.2019

ANNEXURE 'A' TO DIRECTORS REPORT

(i) Employed throughout the Financial Year									
S N	Name	Designation/ nature of Duty	Qualifications	Exp (Yrs.)	Date of joining	Nature of employment	Gross Remuneration p.a. (in Rs.)	Age	Previous Employment / position held
1	Shri Ratan Kumar Singh	Director & Chief Executive	PGDRDM- IRMA B.Sc. (Dairy Technology)	37	01.06.2015	Permanant	64,43,603/-*	57	Mother Dairy Fruit & Vegetable Limited
(ii) Employed for a part of the Financial Year									
NIL									

* includes performance linked incentive pertaining to FY 2018-19 approved by the Board in their meeting held on 21.06.2019.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAAYAS MILK PRODUCER COMPANY LIMITED

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **PAAYAS MILK PRODUCER COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March 2019, and 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.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the Director's Report, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with the audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of the audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibility for the 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the financial statements of which we are the independent auditors.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Company as on 31 March, 2019 taken on record by the Board of Directors, none of the directors is

disqualified as on 31 March, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance of Section 197(16) of the Act, as amended,

In our opinion and to the best of our information and according to the explanations given to us, the Company being a private company, section 197 of the Act related to the managerial remuneration not applicable.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer note 26 to the financial statements.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order/CARO 2016") issued by the Central Government in terms of Section 143(11) of the Act, we give in the "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

3. As required by Section 581ZG of the Part IXA of the Companies Act, 1956 (in terms of section 465 of the Companies Act, 2013, provisions of part IXA of the Companies Act are applicable to a producer company in a manner as if the Companies Act, 1956 has not been repealed), we give in the "Annexure C" a statement on the matters specified in that Section.

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

Sd/-
Jitendra Agarwal
Partner
(Membership No. 87104)
UDIN: 19087104AAAACS5038

Place: Gurugram
Date: 02 August, 2019

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

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

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 Paayas Milk Producer Company Limited ("the Company") as of 31 March, 2019 in conjunction with our audit of the 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. 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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, to the best of our information and according to the explanations given to us, 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, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Sd/-
Jitendra Agarwal
Partner
(Membership No. 87104)
UDIN: 19087104AAAACS5038

Place: Gurugram
Date: 02 August, 2019

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT

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

- (i) In respect of its property, plant and equipment:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of the property, plant and equipment.
 - b. The property, plant and equipment were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - c. According to the information and explanations given to us and the records examined by us, the Company has constructed buildings on land taken on lease and the lease agreements are in the name of the Company.
- (ii) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) 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 Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the CARO 2016 is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public, and hence reporting under clause (v) of the CARO 2016 is not applicable.
- (vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of CARO 2016 is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed that the operations of the Company during the year did not give rise to any liability for Customs Duty.
 - b. There are no undisputed amounts payable in respect of Provident Fund, Employee's State Insurance, Income Tax, Goods and Services Tax, Cess and other material statutory dues in arrears as at 31 March, 2019 for a period of more than six months from the date they became payable.
 - c. There are no dues of Income Tax, Custom Duty and Goods and Services Tax as on 31 March 2019 on account of disputes.

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company has not taken any loan from government or financial institutions and it has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) The Company is a private company and hence the provisions of section 197 of the Companies Act, 2013 do not apply to the Company.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) The Company is registered under Chapter IXA of the Companies Act, 1956 and hence reporting under clause (xiv) of CARO 2016 is not applicable.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Sd/-
Jitendra Agarwal
Partner
(Membership No. 87104)
UDIN: 19087104AAAACS5038

Place: Gurugram
Date: 02 August, 2019

ANNEXURE "C" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 3 under 'Reports on Other Legal and Regulatory Requirements' section of our report of even date)

- i. The amount of debts due from sale of goods and services are as disclosed in note 15 to the financial statements. According to the information and explanations given to us no debts are considered as doubtful of recovery.
- ii. According to the information and explanations given to us, cash on hand as at year-end has been physically verified by the management and no discrepancies were noticed on such verification. According to the information and explanations given to us, the Company does not hold any investment securities.
- iii. The details of assets and liabilities as at 31 March, 2019 are as per the financial statements of the Company as at and for the year ended 31 March, 2019.
- iv. In our opinion and according to the information and explanations given to us, the Company has not done any transaction which appears to be contrary to the provisions of part IXA of the Companies Act, 1956.
- v. According to the information and explanations given to us, the Company has not granted any loan to its directors.
- vi. According to the information and explanations given to us, the Company has not given any donations or subscriptions during the year.

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

Sd/-
Jitendra Agarwal
Partner
(Membership No. 87104)
UDIN: 19087104AAAACS5038

Place: Gurugram
Date: 02 August, 2019

PAAYAS MILK PRODUCER COMPANY LIMITED
BALANCE SHEET AS AT 31 MARCH, 2019

	Note No.	As at 31 March, 2019 Rupees	As at 31 March, 2018 Rupees
A. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital	3	374,068,400	338,938,900
(b) Reserves and surplus	4	611,909,545	475,110,057
		<u>985,977,945</u>	<u>814,348,957</u>
2. Share application money pending allotment		19,516,650	5,919,000
3. Deferred grant	5	104,393,894	161,962,132
4. Non - current liabilities			
(a) Deferred tax liabilities (net)	6	363,575	2,414,807
(b) Other long-term liabilities	7	107,831,200	102,523,013
		<u>108,194,775</u>	<u>104,937,820</u>
5. Current liabilities			
(a) Short - term borrowings	8	941,049,494	955,408,952
(b) Trade payables	9		
(i) Total outstanding dues of micro and small enterprises		-	-
(ii) Total outstanding dues of creditors other than micro and small enterprises		701,839,773	512,929,143
(c) Other current liabilities	10	147,750,838	47,902,691
(d) Short - term provisions	11	-	16,002,923
		<u>1,790,640,105</u>	<u>1,532,243,709</u>
Total		<u>3,008,723,369</u>	<u>2,619,411,618</u>
B. ASSETS			
1. Non - current assets			
(a) Property, plant and equipment			
(i) Tangible assets	12a	242,792,230	263,191,405
(ii) Intangible assets	12b	15,964,540	48,903,056
(iii) Capital work-in-progress	12c	-	35,825,550
		<u>258,756,770</u>	<u>347,920,011</u>
(b) Long - term loans and advances	13	22,579,580	7,248,795
		<u>281,336,350</u>	<u>355,168,806</u>
2. Current assets			
(a) Inventories	14	128,800,859	126,291,602
(b) Trade receivables	15	1,526,480,773	1,435,515,143
(c) Cash and cash equivalents	16	1,021,172,816	647,514,942
(d) Short - term loans and advances	17	28,392,285	44,990,978
(e) Other current assets	18	22,540,286	9,930,197
		<u>2,727,387,019</u>	<u>2,264,242,812</u>
Total		<u>3,008,723,369</u>	<u>2,619,411,618</u>

See accompanying notes forming part of the financial statements

In term of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.

Chartered Accountants

Sd/-
JITENDRA AGARWAL
Partner

Sd/-
Manju Jakhar
Director

Sd/-
Anup Gupta
Company Secretary

Sd/-
Sukhpal Jat
Director

Sd/-
Kapil Pachori
Assistant General Manager (Finance)

Sd/-
Ratan Kumar Singh
Director & Chief Executive

Place: Gurugram
Date: 02 August, 2019

Place: Jaipur
Date: 02 August, 2019

PAAYAS MILK PRODUCER COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2019

	Note No.	Year ended 31 March, 2019	Year ended 31 March, 2018
		Rupees	Rupees
1. Revenue from operations	19	14,231,475,635	12,786,356,755
2. Other income	20	63,706,628	34,204,469
3. Total revenue (1+2)		14,295,182,263	12,820,561,224
4. EXPENSES			
(a) Purchases of traded goods	21	12,962,240,045	11,609,200,619
(b) Changes in inventories of finished goods & stock-in-trade	22	(2,509,258)	(21,959,851)
(c) Employee benefits expense	23	97,079,014	84,059,329
(d) Finance costs	24	33,848,434	60,870,554
(e) Depreciation and amortisation expense	12	35,889,748	34,324,508
(f) Other expenses	25	961,164,508	794,912,157
Total expenses		14,087,712,491	12,561,407,316
5. Profit before tax (3-4)		207,469,772	259,153,908
6. Tax expense:			
(a) Current tax		76,000,000	92,100,000
(b) Deferred tax charge/(credit)		(2,051,233)	(1,341,998)
(c) Short provisions pertaining to earlier years		184,276	-
Net tax expense		74,133,043	90,758,002
7. Profit for the year (5-6)		133,336,729	168,395,906
8. Earnings per equity share:	31		
(Nominal value Rs. 100 per share)			
(a) Basic		40.48	56.80
(b) Diluted		40.47	56.79

See accompanying notes forming part of the financial statements.

In term of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.

Chartered Accountants

Sd/-
JITENDRA AGARWAL
Partner

Sd/-
Manju Jakhar
Director

Sd/
Anup Gupta
Company Secretary

Sd/-
Sukhpal Jat
Director

Sd/
Kapil Pachori
Assistant General Manager (Finance)

Sd/-
Ratan Kumar Singh
Director & Chief Executive

Place: Gurugram
Date: 02 August, 2019

Place: Jaipur
Date: 02 August, 2019

PAAYAS MILK PRODUCER COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2019

	Year ended 31 March, 2019 Rupees	Year ended 31 March, 2018 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax	207,469,772	259,153,908
Adjustments For :		
Finance costs	33,845,682	59,734,310
Interest income	(48,354,984)	(21,659,296)
Depreciation and amortization expense	35,889,748	34,324,508
Profit on recovery/sale of property, plant and equipment	(2,685,496)	150,290
Operating Profit before working capital changes	226,164,722	331,703,720
Adjustments for movement in working capital:		
Decrease/(increase) in inventories	(2,509,258)	(21,451,985)
Decrease/(increase) in trade receivables	(90,965,630)	(346,429,434)
Decrease/(increase) in other current assets	64,728	(64,728)
Decrease/(increase) in long term loans and advances	(5,248,095)	197,843
Decrease/(increase) in short term loans and advances	16,598,643	(25,165,370)
(Decrease)/increase in other long term liabilities	5,308,187	5,931,039
(Decrease)/increase in trade payables	188,910,630	28,925,050
(Decrease)/increase in other current liabilities	101,751,637	3,301,644
Cash generated from/(used in) operations	440,075,566	(23,052,222)
Net income taxes (paid)/refund	(102,269,888)	(76,097,077)
Net cash flow from/(used in) operating activities (A)	337,805,678	(99,149,299)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Decrease/(increase) in bank balances not considered as cash and cash equivalents	(13,191,134)	(15,289,049)
Capital expenditure on property, plant and equipment (net of capital grant received)	(4,470,198)	(3,243,898)
Interest received	35,680,166	15,185,466
Proceeds from recovery/sale of property, plant and equipment	2,860,949	-
Net cash flow from/(used in) investing activities (B)	20,879,782	(3,347,481)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	29,210,500	26,314,200
Share application money received	19,516,650	5,919,000
Proceeds from security premium	39,937,550	44,267,950
Net increase/(decrease) in working capital borrowings	(14,359,458)	8,937,760
Dividend Paid including dividend tax	(36,774,791)	(29,583,756)
Finance costs paid	(35,749,172)	(55,374,862)
Net cash flow from/(used in) financing activities (C)	1,781,279	480,292
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	360,466,740	(102,016,488)
Cash and cash equivalents at beginning of the year	438,047,681	540,064,169
Cash and cash equivalents at the end of the year	798,514,421	438,047,681
Components of Cash and cash equivalents as at:		
Balances with banks:		
in current accounts	212,344,762	103,896,437
in deposit accounts	586,169,659	334,151,244
Cash and cash equivalents as per Cash Flow Statement	798,514,421	438,047,681
Add: Bank balances not considered as Cash and cash equivalent	222,658,395	209,167,261
Cash and bank balances as per Balance Sheet (Note 16)	1,021,172,816	647,514,942

See accompanying notes forming part of the financial statements

In term of our report attached

For and on behalf of the Board of Directors

For S.B. BILLIMORIA & CO.

Chartered Accountants

Sd/-
JITENDRA AGARWAL
Partner

Sd/-
Manju Jakhar
Director

Sd/
Anup Gupta
Company Secretary

Sd/-
Sukhpal Jat
Director

Sd/
Kapil Pachori
Assistant General Manager (Finance)

Sd/-
Ratan Kumar Singh
Director & Chief Executive

Place: Gurugram
Date: 02 August, 2019

Place: Jaipur
Date: 02 August, 2019

PAAYAS MILK PRODUCER COMPANY LIMITED

Notes forming part of the financial statements

1. Corporate information

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

The Company procures milk directly from milk producers through ‘Milk Pooling Points’ (MPP) in villages of Rajasthan and sells to various dairies. The Company also process raw milk for manufacture of ‘Polypack Milk’ (PPM) and Ghee. The Company also trades in cattle feed, dairy fresh and animal semen.

2. Significant accounting policies

The significant accounting policies are as follows:

a. Basis of accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 (“the 2013 Act”) / Companies Act, 1956 (“the 1956 Act”) as applicable. MCA has clarified that the provisions of part IXA of the Companies Act, 1956 shall be applicable to a producer company in the manner as if the Companies Act, 1956 has not been repealed. The financial statements are prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b. Use of estimates

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

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

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

d. Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash

nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

e. Revenue recognition

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

f. Other income

Interest income on deposits is recognized on accrual basis.

g. Property, plant and equipment (Tangible/Intangible)

Property, plant and equipment

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

Intangible Assets

Intangible assets are stated at their cost of acquisition, less accumulated amortisation and impairment losses. An intangible asset is recognized, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The amortisation amount of intangible assets is allocated over the best estimate of its useful life on a straight-line basis.

The company capitalizes software costs where it is reasonably estimated that the software has an enduring useful life. Software is depreciated over the management's estimate of its useful life of three years.

h. Capital work-in-progress

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

i. Depreciation and amortisation

Depreciation/amortisation on tangible and intangible assets has been provided on straight line method as per the useful life of the assets assessed as under based on technical advice, taking into account the nature of asset, the estimated usage of assets, the operating condition of the asset, past history of replacements, anticipated technological changes, manufactured warranties and maintenance support etc.

The useful life considered for charging depreciation is as follows:

Description	Useful life (in years)
Building	10
Plant and equipment	10
Milk cans	4
Furniture and fixtures	15
Computers and software	3
Office equipment	10
Trade marks	5

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

All assets costing Rs. 5,000 or less individually are fully depreciated in the year of capitalisation.

j. Inventories

Inventories comprise raw materials and packing material, finished goods and stores and spares. Inventories are valued at lower of cost and net realizable value after providing for obsolescence and other losses, where considered necessary. Cost is determined using weighted average method. Cost includes all charges incurred in bringing the inventories to their present location and condition. Finished goods include appropriate proportion of overheads.

k. Grants

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidies will be received. Government grants related to depreciable property, plant and equipment are treated as deferred grants which is recognised in the statement of profit and loss on a systematic and rational basis over the useful life of the asset, i.e., depreciation charge on assets procured from such grants is appropriated from Deferred Grant and recognized in the Statement of Profit and Loss by way of reduced depreciation charge.

Revenue government grants and subsidies are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis and are deducted in reporting the related expense.

l. Employee benefits

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

a. Defined contribution plans

The Company's contributions to Provident Fund and Employees State Insurance scheme is considered as defined contribution plan and are charged to the Statement of Profit and Loss based on the amount of contributions required to be made as and when services are rendered by the employees.

b. Defined benefit plans

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

c. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the services. These benefit includes performance incentives and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services.

d. Long-term employee benefits

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

m. Earnings per share

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

n. Taxes on income

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

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

o. Borrowing cost

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

p. Impairment of assets

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

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

q. Provisions and contingencies

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

r. Lease

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

s. Material events

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

t. Operating Cycle

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

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

Note 3: Share Capital

	As at 31 March, 2019		As at 31 March, 2018	
	Number of shares	Amount Rupees	Number of shares	Amount Rupees
(a) Authorised share capital				
Equity Shares of Rs. 100 each	5,000,000	500,000,000	3,500,000	350,000,000
(b) Issued, subscribed and fully Paid up share capital				
Equity Shares of Rs. 100 each	3,740,684	374,068,400	3,389,389	338,938,900

See notes (i) to (iii) below

Notes:

(i) Rights, preferences and restrictions attached to shares

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

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

	Year ended 31 March, 2019		Year ended 31 March, 2018	
	Number of shares	Amount Rupees	Number of shares	Amount Rupees
Shares outstanding at the beginning of the year	3,389,389	338,938,900	3,072,484	307,248,400
Shares issued during the year (net of shares cancelled and re-issued during the year)	351,295	35,129,500	316,905	31,690,500
Shares outstanding at the end of the year	3,740,684	374,068,400	3,389,389	338,938,900

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

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

	As at 31 March, 2019	As at 31 March, 2018
	Rupees	Rupees
Note 4: Reserves and surplus		
(a) General reserve		
Opening balance	394,367,316	262,746,201
Add: Transferred from surplus in Statement of Profit and Loss	97,259,988	131,621,115
Closing balance	<u>491,627,304</u>	<u>394,367,316</u>
(b) Surplus in Statement of Profit and Loss		
Opening Balance	36,774,791	29,583,756
Add: Profit for the year	133,336,729	168,395,906
Less:		
Final limited return (dividend) to members for the year ended 31 March, 2018 (Rs.9/- per share)	30,504,501	24,579,872
Tax on above limited return (dividend)	6,270,290	5,003,884
Transferred to General Reserve	97,259,988	131,621,115
Closing balance	<u>36,076,741</u>	<u>36,774,791</u>
(c) Security Premium		
Opening balance	44,267,950	-
Add: Premium on shares issued during the year	39,937,550	44,267,950
Closing balance	<u>84,205,500</u>	<u>44,267,950</u>
	<u>611,909,545</u>	<u>475,410,057</u>
Note 5: Deferred grant		
Opening balance	161,962,132	233,972,742
Add: Capital grant utilised during the year (see note 32)	657,850	620,695
Less: Depreciation pertaining to assets acquired from capital grant (see note 12)	58,226,088	72,631,305
Closing balance	<u>104,393,894</u>	<u>161,962,132</u>
Note 6: Deferred tax liabilities (net)		
(a) Tax effect of items constituting deferred tax liabilities:		
(i) On difference between book balance and tax balance of property, plant and equipment	363,575	2,455,938
	<u>363,575</u>	<u>2,455,938</u>
(b) Tax effect of items constituting deferred tax assets:		
(i) Disallowances under section 40(a)(i)(a) of the Income Tax Act	-	41,131
	<u>-</u>	<u>41,131</u>
Net deferred tax liability/(asset)	<u>363,575</u>	<u>2,414,807</u>
Note 7: Other long-term liabilities		
(a) Trade / security deposits received	107,831,200	102,523,013
	<u>107,831,200</u>	<u>102,523,013</u>

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

	As at 31 March, 2019 Rupees	As at 31 March, 2018 Rupees
Note 8: Short - term borrowings		
(a) Unsecured Loans		
(i) Bill discounting facility	941,049,494	955,408,952
	941,049,494	955,408,952
Note 9: Trade payables		
(a) Trade Payables (other than acceptances) (see note 34)	701,839,773	512,929,143
	701,839,773	512,929,143
Note 10: Other current liabilities		
(a) Application money received for allotment of securities and due for refund	15,757,030	18,824,010
(b) Interest accrued but not due on borrowings	6,491,831	8,395,321
(c) Unclaimed/Unpaid dividends	5,818,528	6,263,436
(d) Statutory dues (Contribution to PF, Withholding Tax, TDS, GST etc.)	5,616,867	3,862,595
(e) Advances from customers	15,687,254	10,557,329
(f) Payable to NDDDB - unutilised grant	98,379,329	-
	147,750,838	47,902,691
Note 11: Short term provisions		
(a) Provision for income tax (net of advance tax of Rs. Nil; previous year Rs. 7,71,83,962)	-	16,002,923
	-	16,002,923

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

	As at 31 March, 2019	As at 31 March, 2018
	Rupees	Rupees
Note 13: Long - term loans and advances (Unsecured, considered good)		
(a) Security deposits	5,672,145	292,850
(b) Prepaid expenses	-	131,200
(c) Advance income tax (net of provisions of Rs. 25,40,26,612; previous year Rs. 17,80,26,612)	16,907,435	6,824,745
	22,579,580	7,248,795
Note 14: Inventories (At lower of cost and net realisable value)		
(a) Stock-in-trade	62,384,208	75,409,951
(b) Stock-in-trade (in transit)	66,416,651	50,881,651
	128,800,859	126,291,602
Note 15: Trade receivables (Unsecured, considered good)		
(a) Outstanding for a period less than six months from due date	1,526,480,773	1,435,515,143
	1,526,480,773	1,435,515,143
	As at 31 March, 2019	As at 31 March, 2018
	Rupees	Rupees
Note 16: Cash and cash equivalents		
(a) Cash and cash equivalents		
(i) Balance with banks:		
a. In current accounts	212,344,762	103,896,437
b. In deposit accounts - original maturity of 3 months or less	586,169,659	334,151,244
Cash and cash equivalents as per AS 3 - Cash flow statement	798,514,421	438,047,681
(b) Other bank balances		
(i) In deposit accounts (original maturity more than 3 months)	194,264,316	182,052,623
(ii) Balances held as security against bank borrowings	22,575,551	21,151,202
(iii) In earmarked accounts - Unpaid dividend accounts	5,818,528	6,263,436
	1,021,172,816	647,514,942

Note:

- (i) Balances with banks include deposits amounting to Rs. 2,48,12,000 (previous year Rs. 1,05,85,685) which have maturity of more than 12 months from the balance sheet date.
- (ii) Fixed deposit amounting to Rs. 2,25,75,551 (previous year Rs. 2,11,51,202) have been pledged against bank overdraft facility

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

	As at 31 March, 2019 Rupees	As at 31 March, 2018 Rupees
Note 17: Short - term loans and advances		
(Unsecured, considered good)		
(a) Loans and advances to employees	20,202	44,110
(b) Gratuity Fund (net of liability Rs. 11,045,996; previous year Rs. 78,55,495)	1,473,519	465,443
(c) Leave Encashment fund (net of liability Rs. 77,68,975; previous year Rs. 53,56,656)	4,923,848	3,141,687
(d) Advances to vendors	1,670,998	7,183,482
(e) Prepaid expenses	5,141,007	3,070,730
(f) Balance with Govt. authorities	13,796,111	11,390,454
(g) Grant receivable from NDDB (see note 33)	1,366,600	19,695,022
	28,392,285	44,990,928
Note 18: Other current assets		
(Unsecured, considered good)		
(a) Interest accrued but not due on bank deposits	22,540,286	9,865,469
(b) Other receivables	-	64,728
	22,540,286	9,930,197
	Year ended 31 March, 2019 Rupees	Year ended 31 March, 2018 Rupees
Note 19: Revenue from operations		
(a) Sale of products		
(i) Gross sale	15,300,442,380	13,843,002,719
(ii) Less: sale to third party (milk processor) for repurchase (see note below (i) below)	1,068,966,745	1,056,645,964
(iii) Net sales	14,231,475,635	12,786,356,755
Notes:		
(i) This represents sales made to third party for processing and packaging of milk which is re-purchased from them for sale to customers.		
Sale of products comprises:		
(ii) Traded goods		
a. Raw milk	11,959,560,049	10,881,275,170
b. Poly pack milk	1,119,394,143	1,059,131,063
c. Other milk product	83,134,713	52,076,849
d. Ghee	343,709,053	295,569,628
e. Cattle feed	713,110,055	487,012,282
f. Semen	12,567,622	11,291,763
Total	14,231,475,635	12,786,356,755

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

	Year ended 31 March, 2019	Year ended 31 March, 2018
	Rupees	Rupees
Note 20: Other income		
(a) Interest income		
(i) On deposits with banks	48,354,984	21,659,296
(b) Other non-operating income		
(i) Membership fees	2,050,467	1,378,573
(ii) Liabilities no longer required written back	4,853,719	-
(iii) Profit on sale of property, plant and equipment	2,685,496	-
(iv) Miscellaneous income	5,761,962	11,166,600
	63,706,628	34,204,469

	Year ended 31 March, 2019	Year ended 31 March, 2018
	Rupees	Rupees
Note 21: Purchases of traded goods		
(a) Raw Milk	10,736,676,538	9,741,747,322
(b) Poly Pack Milk	1,043,827,706	1,030,746,406
(c) Ghee	398,186,301	311,278,009
(d) Cattle Feed	697,089,604	463,784,495
(e) Other milk product	74,474,016	51,700,609
(f) Semen	11,985,880	9,943,778
	12,962,240,045	11,609,200,619

Note 22: Changes in inventories of finished goods and stock-in-trade
Decrease/(increase) in inventories of finished goods and stock-in-trade

(a) Inventories at the beginning of the year		
Stock-in-trade	75,409,951	19,666,898
Finished goods	-	50,053,321
Stock-in-transit	50,881,651	34,611,532
	126,291,602	104,331,751
(b) Inventories at the end of the year		
Stock-in-trade	62,384,208	75,409,951
Finished goods	-	-
Stock-in-transit	66,416,651	50,881,651
	128,800,859	126,291,602
Net decrease/(increase) in inventories	(2,509,258)	(21,959,851)

Note 23: Employee benefits expense

(a) Salaries and wages	83,339,808	72,908,305
(b) Contribution to provident and other funds	9,437,188	7,069,416
(c) Staff welfare expenses	4,302,018	4,081,608
	97,079,014	84,059,329

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

	Year ended 31 March, 2019	Year ended 31 March, 2018
	Rupees	Rupees
Note 24: Finance costs		
(a) Interest expense on borrowings	33,845,682	59,734,310
(b) Interest on delayed payment of statutory dues	2,752	1,136,244
	33,848,434	60,870,554
Note 25: Other expenses		
(a) Consumption of stores and spares	8,729,225	7,832,268
(b) Power and fuel	2,428,298	2,293,741
(c) Milk chilling charges	138,282,555	122,010,501
(d) Rent	6,757,193	6,430,726
(e) Rates and taxes	-	192,470
(f) Repair and maintenance - buildings	5,634,113	5,193,718
(g) Repair and maintenance - machinery	46,536,759	36,381,702
(h) Repair and maintenance - others	1,255,345	1,335,102
(i) Advertisement and business promotion	43,646,377	28,678,212
(j) Freight, forwarding and distribution expenses	548,619,737	445,783,393
(k) Insurance charges	4,154,744	3,082,290
(l) Legal and professional fees	28,909,906	27,477,720
(m) Auditor's remuneration (refer note (i) below)	1,842,703	1,628,577
(n) Travelling and conveyance	14,897,616	13,092,962
(o) Training expenses	3,669,618	3,172,685
(p) Contractual and retainership expenses	76,714,657	63,351,770
(q) Communication expenses	15,421,455	12,001,580
(r) Loss on sale of property, plant and equipment	-	150,290
(s) Miscellaneous expenses	13,664,207	14,822,450
	961,164,508	794,912,157
Note:		
(i) Auditors' remuneration comprises:		
a. Statutory audit fee	1,280,000	1,180,000
b. Tax audit fee	200,000	175,000
c. Reimbursement of expenses	81,613	25,150
d. Tax on above	281,090	248,427
	1,842,703	1,628,577

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

	As at 31 March, 2019	As at 31 March, 2018
	Rupees	Rupees
Note 26: Contingent liabilities and commitments		
A. Contingent Liabilities		
(a) Claims against the Company not acknowledged as debt		
(i) Staff claims under litigation	1,455,575	836,500
B. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid Rs. nil)	-	937,793

Note 27

In respect of the year ended 31 March, 2019, the directors in their meeting dated 02 August, 2019 have proposed a final dividend of Rs. 2,99,25,472 (Re. 8 per share) to be paid on fully paid equity shares. The equity dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in the financial statements. The proposed equity dividend is payable to all holders of fully paid equity shares. The total equity dividend and tax thereon amounts to Rs. 2,99,25,472 and Rs. 61,51,269 respectively.

Note 28

The Company has received share application money of Rs. 1,95,16,650 towards equity shares, against which allotment has been made at the Board meeting held on 21 June, 2019.

Note 29: Employee benefit plans:

Defined contribution plan

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

The Company has recognised Rs. 6,639,074 (previous year Rs. 5,458,634) for Provident Fund and Pension Fund contribution in the statement of profit and loss.

Defined benefit plan

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

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

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

(i) Change in defined benefit obligation	31 March, 2019	31 March, 2018
	Rupees	Rupees
Present value of obligations at the beginning of the year	7,855,495	6,025,647
Interest cost	595,020	443,680
Current service cost	2,209,521	1,988,693
Benefit Paid	(255,922)	(266,966)
Actuarial (gains)/losses on obligation	641,882	(335,559)
Present value of obligations at the end of the year	11,045,996	7,855,495
(ii) Fair value of plan assets	31 March, 2019	31 March, 2018
	Rupees	Rupees
Fair value of plan assets at the beginning of the year	8,320,938	6,264,923
Expected return on plan assets	783,455	560,468
Contributions	3,802,828	1,836,949
Benefit paid	(252,560)	(266,966)
Actuarial gains/(losses) on plan assets	(135,146)	(74,436)
Fair value of plan assets at the end of the year	12,519,515	8,320,938
(iii) Return on plan assets	31 March, 2019	31 March, 2018
	Rupees	Rupees
Expected return on plan assets	783,455	560,468
Actuarial gains/(losses)	(135,146)	(74,436)
Actual return on plan assets	648,309	486,032
(iv) Amount recognised in the Balance Sheet	31 March, 2019	31 March, 2018
	Rupees	Rupees
Present value of defined benefit obligations	11,045,996	7,855,495
Fair value of plan assets	12,519,515	8,320,938
Net liability/(asset) recognised in the balance sheet	(1,473,519)	(465,443)
(v) Expenses recognised in the statement of profit and loss	31 March, 2019	31 March, 2018
	Rupees	Rupees
Current service costs	2,209,521	1,988,693
Interest cost	595,020	443,680
Expected return on plan assets	(783,455)	(560,468)
Net actuarial (gain)/loss recognized during the year	777,028	(261,123)
Expenses recognized in Statement of Profit and Loss	2,798,114	1,610,782
(vi) Balance Sheet reconciliation	31 March, 2019	31 March, 2018
	Rupees	Rupees
Net liability/(asset) at the beginning of the year	(465,443)	(239,276)
Expenses as above	2,798,114	1,610,782
Contributions	(3,802,828)	(1,836,949)
Net liability/(asset) at the end of the year	(1,470,157)	(465,443)

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

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

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

(vii) Principal actuarial assumptions

	31 March, 2019	31 March, 2018
Discount rate	7.60% p.a.	7.70% p.a.
Expected salary escalations	10.00% p.a.	10.00% p.a.
Expected return on plan assets	7.76% p.a.	7.95% p.a.
Attrition rate:		
Below 30 Years	3%	3%
Ages 31-44 Years	2%	2%
Ages 44 and Above	1%	1%
Mortality table used	IAL (2012-14) ultimate	IAL (2006-08) ultimate

Discount rate is based on prevailing market yields of government of India securities as at the balance sheet date for the estimated term of obligation

The estimate of future salary increase considered takes into account the inflation, seniority, promotions, increments and other relevant factors.

(viii) Actuarial assumptions for compensated absences

Actuarial assumptions used for valuation of liability for compensated absences is same as vii above.

(ix) Experience adjustment

	31.03.2019	31.03.2018	31.03.2017	31.03.2016	31.03.2015
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	11,045,996	7,855,495	6,025,647	3,782,730	1,983,971
Fair value of plan assets	12,519,515	8,320,938	6,264,923	4,436,814	1,664,551
Funded status	(1,473,519)	(465,443)	(239,276)	(654,084)	319,420
Gain/(loss) on obligations	(641,882)	335,559	(1,053,859)	(225,553)	(166,013)
Gain/(loss) on plan assets	(135,146)	(74,436)	(58,762)	(121,748)	(30,661)

Note 30: Leasing arrangements

The Company has entered into lease arrangements for office premises. The Company has recognised lease rental expenses of Rs. 67,57,193 (previous year Rs. 64,30,726) in the statement of profit and loss.

The lease for corporate office premises is for a period of eight years and eight months and is cancellable at the option of the lessee by giving six months notice. Agreement provides for increase in lease payments by 15% every three years. Lease for cluster office and bindyaka are for a period of six years and five years respectively with an annual increase in lease payments by 5%. For other office premises rent agreement is for the period of 11 months which can be cancelled only by lessee with the permission of lessor.

Future minimum lease payment are:

Particulars	As at 31 March, 2019	As at 31 March, 2018
	Rupees	Rupees
Payable not later than one year	4,015,547	4,109,823
Payable later than one year but not later than five years	5,564,850	8,202,127
Payable later than five years	-	224,825
	9,580,397	12,536,775

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

Note 31: Earnings Per Equity Share

Particulars	Unit	Year ended	Year ended
		31 March, 2019	31 March, 2018
Net profit after tax	Rupees	133,336,729	168,395,906
Weighted average number of equity shares outstanding during the year	Numbers	3,294,226	2,964,834
Nominal value per Equity Shares	Rupees	100	100
Basic earnings per share	Rupees	40.48	56.80
Equity shares used to compute diluted earnings per share	Numbers	3,294,582	2,965,002
Diluted earnings per share	Rupees	40.47	56.79

Note 32: Details of Government grants

Details of grants received from NDDDB and its utilisation is as under:	Year ended	Year ended
	31 March, 2019	31 March, 2018
(a) Opening balance	(19,695,022)	(2,805,716)
(b) Received during the year	104,042,343	66,417,912
	84,347,321	63,612,196
(c) Utilised during the year		
(i) For capital assets:		
- For property, plant and equipment	657,850	620,695
(ii) For revenue expenses	85,056,071	82,686,523
Total utilised (i) + (ii)	85,713,921	83,307,218
(d) Balance carried forward (a+b-c)	(1,366,600)	(19,695,022)

Note:

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

Note 33: Disclosures as required by the Accounting Standard (AS) 18 – “Related Party Disclosures” are as below:

A. Name of the related parties and nature of relationship

Nature of Relationship	Name of Entity
Key Management Personnel:	Ratan Kumar Singh

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

Particulars	(Rupees)	
	KMP	Total
Managerial remuneration:		
Ratan Kumar Singh	5,566,478	5,566,478
	(4,978,017)	(4,978,017)

Figures in brackets represent previous year's figures

Note 34:

Disclosure required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	Year ended 31 March, 2019	Year ended 31 March, 2018
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	-	-
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

According to the information available with the Management, on the basis of intimation received from suppliers, regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), there are no suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) therefore Company has no amounts due to Micro and Small Enterprises under the said Act.

Note 35:

The Company is engaged in trading of milk and cattle feed, which is considered as single business segment. The Company operates in single geographical segment in India. The disclosures as required under Accounting Standard AS-17 on Segment reporting are not required as the Company deals in one business and geographical segment.

Note 36:

Previous period's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

Sd/-
Manju Jakhar
Director

Sd/-
Sukhpal Jat
Director

Sd/-
Ratan Kumar Singh
Director & Chief Executive

Sd/-
Anup Gupta
Company Secretary

Sd/-
Kapil Pachori
Assistant General Manager (Finance)

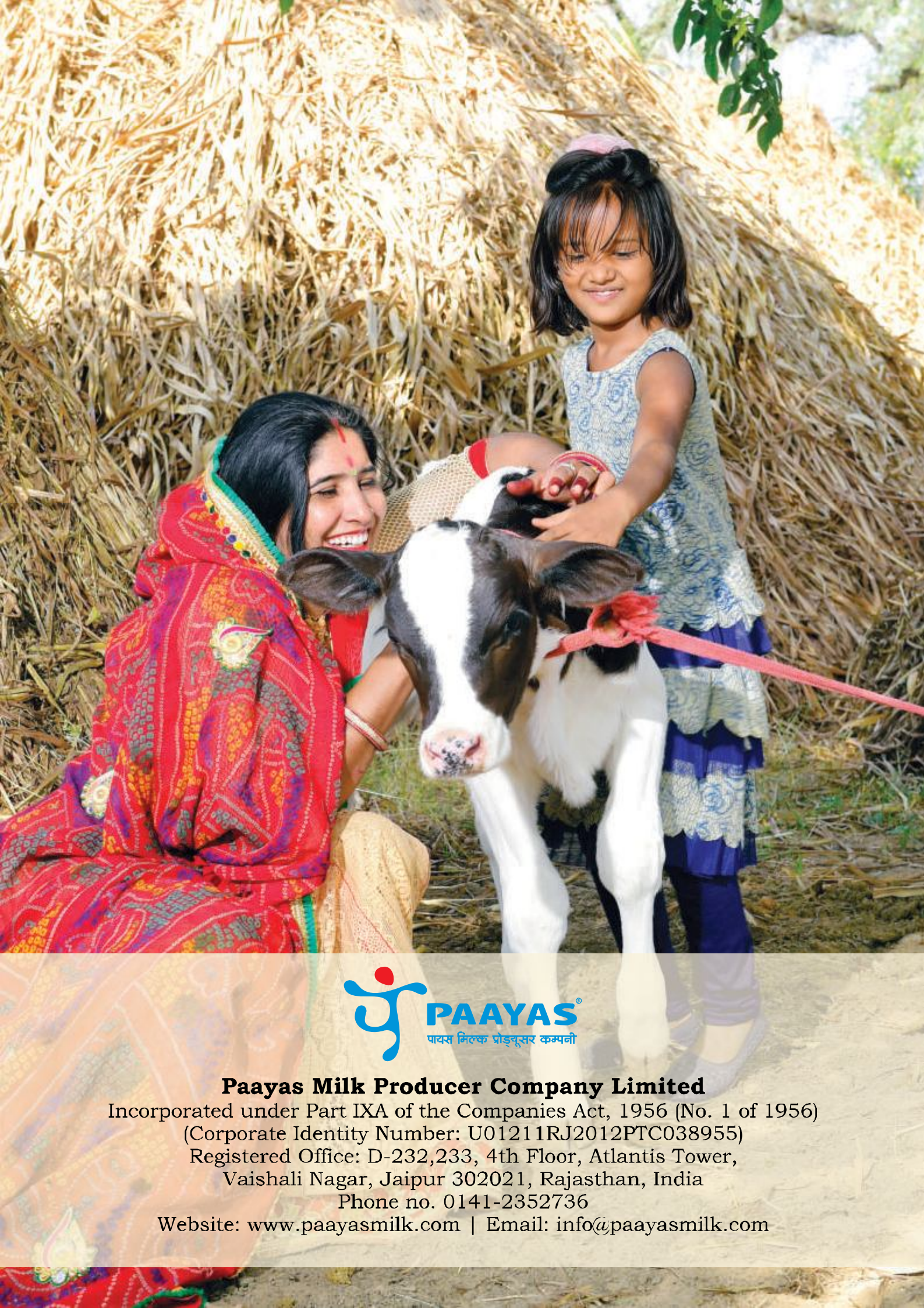
Place: Jaipur
Date: 02 August, 2019



Chairman, NDDB Interacting with BOD



World Bank Visit



Paayas Milk Producer Company Limited

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

(Corporate Identity Number: U01211RJ2012PTC038955)

Registered Office: D-232,233, 4th Floor, Atlantis Tower,

Vaishali Nagar, Jaipur 302021, Rajasthan, India

Phone no. 0141-2352736

Website: www.paayasmilk.com | Email: info@paayasmilk.com