**MODERN DAIRIES LTD.**

Corporate Office : 98-99, Sub City Centre, Sector 34, Chandigarh -160 022 (INDIA)
Tel. : +91-172-2609001, 2609002, Fax : +91-172-2609000
E-mail : info@modern dairies.com, CIN : L74899HR1992PLC032998

Regd. Office & Works : PB No. 3, 136 KM, G.T. Road, Karnal - 132 001 (Haryana)

CODE OF CONDUCT FOR THE DIRECTORS AND SENIOR MANAGEMENT

APPLICABILITY OF THE CODE

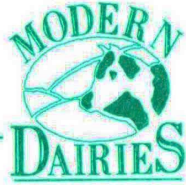
This Directors' Code of Conduct (Code) applies to Directors of Modern Dairies Limited (The Company) and to the senior management of the Company i.e. The Chief General Manager, Senior General Manager, General Manager, Chief Financial Officer and the Company Secretary

GUIDELINES FOR CONDUCT

A Director must act honestly, fairly, ethically, and responsibly. He should be loyal to the Company and act with integrity and in good faith. Each director should seek to use due care in the performance of his/her duties in the best interests of the company as a whole. He should act with competence and diligence. A Director has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and the principles of this Code.

A Director should:

- Use reasonable efforts to attend Board and Committee meetings regularly.
- Dedicate sufficient time, energy and attention to the Company to ensure diligent performance of his/her duties, including preparing for meetings and decision-making by reviewing in advance any materials distributed and making reasonable inquiries.
- Seek to comply with all Corporate Policies
- Act in the best interests of, and fulfill their fiduciary obligations to, Company's shareholders.
- Conduct themselves in the professional, courteous and respectful manner.
- Comply with all applicable laws, rules and regulations.

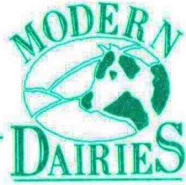


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- Disclose potential conflicts of interest that they may have regarding any matters that may come before the Board, and abstain from discussion and voting on any matter in which the Director has or may have a conflict of interest.
- Act in a manner to enhance and maintain the reputation of the Company.
- Make available to and share with fellow Directors, information, as may be appropriate to ensure proper conduct and sound operation of the Company and its Board of Directors.
- Respect the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors, except when authorized or legally required to disclose such information.
- Not use confidential information acquired in the course of their service as Directors for their personal advantage.
- A Director who has a material personal interest in a matter should notify the other Directors of the interest and must not vote on the matter.
- A Director must bring an open and independent mind to Board or Committee meetings and should not make a decision about a matter before attending and participating in the deliberations of the meeting.
- While Directors must treat each other with courtesy and observe the other rules in this Code, Directors should be able to engage in vigorous debate on matters of principle.
- Where a decision is not unanimous, a dissenting Director may disclose the fact that he/she dissented.
- An independent director shall:
 1. uphold ethical standards of integrity and probity;
 2. act objectively and constructively while exercising his duties;

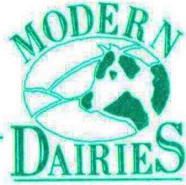


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3. exercise his responsibilities in a *bona fide* manner in the interest of the company;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;
8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the company in implementing the best corporate governance practices.
10. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
11. bring an objective view in the evaluation of the performance of board and management;
12. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
13. satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
14. safeguard the interests of all stakeholders, particularly the minority shareholders;

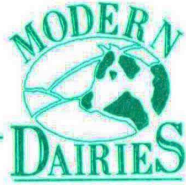


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15. balance the conflicting interest of the stakeholders;
16. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
17. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest;
18. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
19. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
20. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
21. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
22. strive to attend the general meetings of the company;
23. where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
24. keep themselves well informed about the company and the external environment in which it operates;
25. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
26. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;

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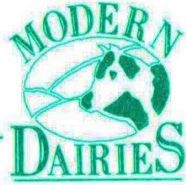
27. ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
28. report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
29. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
30. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

CORPORATE BUSINESS OPPORTUNITIES

A Corporate business opportunity is an opportunity (1) in the Company's line of business or proposed expansion or diversification, (2) which the Company is financially able to undertake and (3) which may be of interest to the Company.

A Director who learns of such a corporate business opportunity and who wishes to participate in it should disclose the opportunity to the Board of Directors. If the Board of Directors determines that the Company does not have an actual or expected interest in the opportunity, then, and only then, may the director participate in it, provided that the director has not wrongfully utilized the Company's resources in order to acquire the opportunity.

Directors owe a duty to the Company to advance the Company's interests when the opportunity to do so arises. Directors may not (a) take for themselves opportunities that are discovered through the use of Company property or information or through the director's position; (b) Use the Company's property or information or the director's position for personal gain; or (c) compete with the Company, directly or indirectly, for business opportunities that the Company is pursuing.

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CONFLICTS OF INTEREST

Directors and senior management are expected to dedicate their best efforts in advancing the Company's interests and to make decisions that affect the Company based on the Company's best interests and independent of outside influences.

A conflict of interest occurs when a director's or senior managers' private interest interferes in any way, or even appears to interfere, with the interest of the Company as a whole. Conflicts of interest also arise when a director or a member of his or her immediate family receives improper personal benefits as a result of his or her position as a director of the Company.

Directors and senior management shall avoid conflicts of interest with the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company shall be disclosed promptly to the Chairman of the Board.

GIFTS

Directors and senior managers and members of their immediate families may not accept gifts from persons or firms who deal with the Company where the gift is being made in order to influence the director's actions as a member of the Board, or where acceptance of the gift could create the appearance of a conflict of interest.

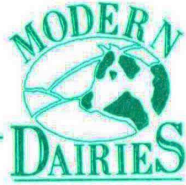
COMPANY PROPERTY

Directors and senior management have a responsibility to safeguard and properly use Company assets and resources, as well as assets of other organizations that have been entrusted to the Company. Except as specially authorized, Company assets, including Company equipment, material, resources and proprietary information, must be used for Company business purposes only.

CONFIDENTIAL INFORMATION

Directors and senior managers shall maintain the confidentiality of information entrusted to them by the Company. The Company's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of the director or anyone other than the Company.

Confidential information includes all non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed.

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FAIR DEALING

Directors and senior managers shall deal fairly with the Company's Customers, Suppliers, Competitors and Employees.

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors and senior managers are committed to comply with all those acts, rules and regulations that govern the conduct of Company.

NON-COMPLIANCE OF THE CODE

Suspected violations of this Code must be reported to the Chairman of the Board or the Chairman of the Audit Committee. All reported violations would be appropriately investigated.

DISCLOSURE

The members of the Board and the senior management personnel shall affirm the compliance with the code on annual basis. The Annual Report of the Company shall carry a declaration to this effect signed by the Chairman of the Company. Directors will annually sign a confirmation that they have read and will comply with this Code.