

Information Memorandum  
Disinvestment of entire equity shares of  
**Metro Dairy Limited**  
held by

**West Bengal Co-operative Milk Producers'  
Federation Ltd.** (which is majorly owned and controlled by the  
Government of West Bengal)

# Disclaimer and Important Notice

The sole purpose of this Information Memorandum ("IM") is to assist the recipients interested in purchasing the stake of West Bengal Co-operative Milk Producers Federation Ltd. ("Benmilk"), which is majorly owned and controlled by the Government of West Bengal ("GoWB") in Metro Dairy Limited ("the Company" or "MDL") by providing information regarding MDL and to facilitate recipients' own evaluation for the purpose of participating in the disinvestment process. IM does not purport to contain all the information that a prospective investor may desire. This document does not comprise an offer of shares to public or an invitation to public to subscribe for shares or an investment advice. In all cases, recipients should carry out their own evaluation and analysis of the Company and all data set forth in this IM.

This IM is issued by Benmilk on behalf of GoWB, who has authorized its issue.

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The details on the economy and industry do not purport to be a complete review of the industry in which MDL carries on or proposes to carry on its business. The information set out in the chapters of the IM has been extracted from published sources of information as available in terms of industry publications as well as discussions held with MDL. No independent verification of such sources has been carried out. The information contained therein generally reflects the latest available data, the same may not always relate to the most recent years and is therefore not wholly up-to-date. The chapters of the IM should therefore be read with caution.

The IM has been prepared and issued strictly in order to provide details of MDL and its business for the limited purpose of submitting expression of interest. Benmilk and / or GoWB has relied upon information, both documented and oral, provided by MDL. Benmilk and / or GoWB has not carried out any independent audit or due diligence exercise to verify either the past or current financial data pertaining to the businesses including the balance sheet or profit and loss account as provided to us. Benmilk and / or GoWB may mention that its scope of work for this exercise did not include technical/ financial feasibility or market research.

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Mere receipt of IM does not qualify the recipient for participating in the bidding process.

Recipient of this IM in jurisdictions outside India should inform themselves about and observe all applicable requirements in their jurisdictions. In particular, the distribution of this IM in certain jurisdictions may be restricted by law and accordingly, recipient represent that they are able to receive this IM without any contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business.

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## 1 Introduction

### Metro Dairy Limited – Snapshot

Set up by Keventer Agro Limited (KAL) as India's first joint sector dairy project between KAL and Government of West Bengal ("GoWB") acting through West Bengal Co-operative Milk Producers Federation Ltd. ("Benmilk") under the aegis of the World Bank's Operation Flood III. The joint venture's management control is with KAL. The Company owns a fully automated factory with a capacity of 400,000 litres of milk and above 20,000 litres of ice cream per day. The fully automated plant restricts any hand touch right from the time the milk is brought out from tankers till the point milk is finally packed. Launched ice-cream in 1999. Within a short span of time it established itself as the market leader.

Key Financials in INR Million:

Particulars	FY13	FY14	FY15	FY16
Net Revenue	2,482	2,718	3,001	3,059
EBITDA	176	7	134	283
PAT	101	(9)	73	174

\* FY denotes Financial Year starting April 1 of the previous year and ending on March 31 of the year.

### Transaction Overview

Metro Dairy Limited (MDL), is India's first public private partnership in the Dairy sector. Initially, the company produced and marketed pasteurised packaged milk, before entering the ice cream segment in 1999. Over the past 15 years, the company has emerged as a leading player in the dairy industry in Greater Kolkata. However over the past few years since the introduction of Amul, MDL has lost its No.1 position in the state and lags Amul by a wide margin currently. To regain this position, significant investment in capacity and in enhancing the milk collection from private sources is required.

Intending Bidders may please note that as of date, there is no valid agreement between the shareholders of MDL and the sale of equity shares of MDL held by Benmilk will be on an "as is, where is and whatever is" basis and no special rights, other than those available under the Companies Act, 2013 will pass on to the winning bidder.

This Information Memorandum (IM) is prepared to provide Intending Bidders an overview of the opportunity and the bidding process to enable them to submit their

Expression of Interest (“EOI”), subject to the Disclaimer and Important Notice, set out earlier.

For the purpose of the Transaction, the Intending Bidders should ascertain the applicability of all laws including Indian laws and need to comply with all laws including Indian laws.

### **Bidding process**

The bidding process will be conducted through online mode of bidding in the Government e-Auction System (<http://eauction.gov.in>) and has been divided into two stages.

#### Stage I – Submission of Expression of Interest (EOI)

- In the first stage, all Intending Bidders can obtain the IM, which contains the terms and conditions, pre-bid qualification criteria in detail and an overview of MDL’s operations. The aim of IM is to enable Intending Bidders in evaluation of the opportunity and preparation of documents as specified in the IM which would be used for shortlisting the bidders in accordance with the criteria specified. The EOI should be accompanied with a demand draft of INR 10 lakh. Please refer Sections 6 and 7 and Annexures for more information on terms and conditions and process of EOI.

#### Stage II – Submission of the Financial Bid and completion of the Transaction

- In the second stage, Intending Bidders shortlisted at the first stage will be informed to participate in the Financial Bid process, which the Benmilk will conduct through a transparent e-auction process. Participation in the Financial Bid, will be subject to payment of EMD Amount, as mentioned in Section 7 of this IM.

Intending Bidders must have Digital Signature Certificate for submission of their EOI / Financial Bid online through Government e-Auction System (<http://eauction.gov.in>) and to participate in competitive bidding online (e-Auction). Further details about the e-Auction process is provided in Section 7.

The time table for the bidding process is outlined below :

<b>Sr. No.</b>	<b>Activity</b>	<b>Date</b>
1	Publishing of Notice Inviting Applications (NIA)	May 4, 2017 by 10.00 Hours
2	EOI submission start date	May 4, 2017 by 11.00 Hours
3	EOI submission end date	May 24, 2017 by 17.30 Hours
4	Approval Start Date of qualified Bidders	May 31, 2017 by 11.00 Hours
5	Approval End Date of qualified Bidders	May 31, 2017 by 16.00 Hours
6	Pre bid Meeting and intimation of bidding process, payment terms and date of financial bid	June 2, 2017
7	Last Date for submission of EMD	June 9, 2017 by 16.00 Hours.
8	Mock e-Auction start date	June 12, 2017 by 10.00 Hours
9	Mock e-Auction end date	June 12, 2017 by 12.00 Hours

10	Auction Start Date	June 14, 2017 by 10.00 Hours
11	Auction End Date	June 14, 2017 by 16.00 Hours
12	Payment of the Successful Bid Amount	First 10% payment within one (1) working day of the completion of the e-Auction, and remaining within 15 working days of the close of the e-Auction and notification of successful bidders.

GoWB / Benmilk reserves the right to alter or cancel the bidding process, including altering the time table above, at any stage, without assigning any reasons thereto.

**Advertisement / Notice Inviting Application (NIA)**

An advertisement / NIA is to be issued in public media and would also be uploaded at [www.benmilk.com](http://www.benmilk.com) inviting interested parties to submit their EoI for qualification to participate in the proposed sale process. A copy of the same is enclosed as Annexure 5.

## 2 Background & Overview

### Overview of Metro Dairy Limited

2.1 Metro Dairy Limited (MDL), is India's first public private partnership in the Dairy sector. It was set up in 1991 as a tripartite joint venture between West Bengal Co-operative Milk Producers Federation Ltd. ("Benmilk") (47%), Keventer Agro Limited (43%) and National Dairy Development Board ("NDDB") (10%). NDDB subsequently divested its shareholding in MDL.

2.2 The current equity shareholding pattern of MDL is as follows:

Particulars	No. of Shares	Shareholding %
Keventer Agro Limited	32,47,582	53%
Benmilk	28,79,972	47%
Others	46	-
<b>Total</b>	<b>61,27,600</b>	<b>100%</b>

2.3 Initially, the company produced and marketed pasteurised packaged milk, before entering the ice cream segment in 1999. Over the past 15 years, the company has emerged as a leading player in the dairy industry in Greater Kolkata

2.4 MDL commenced operations with a Dairy Plant at Barasat, which was commissioned in 1996 under the World Bank's Operation Flood Phase III. In September 2014, MDL set up another facility at Malda, which focusses on manufacturing of ice creams.

2.5 In Barasat, the Company has a milk producing capacity of ~ 400,000 litres per day (300,000 litres per day of pouched milk and 100,000 litres per day in loose form). The plant also has a capacity to produce 20,000 litres of ice cream per day. The plant is the second largest in terms of capacity in West Bengal, after Mother Dairy Kolkata. The Barasat plant enjoys proximity to three of the top five milk producing districts in West Bengal

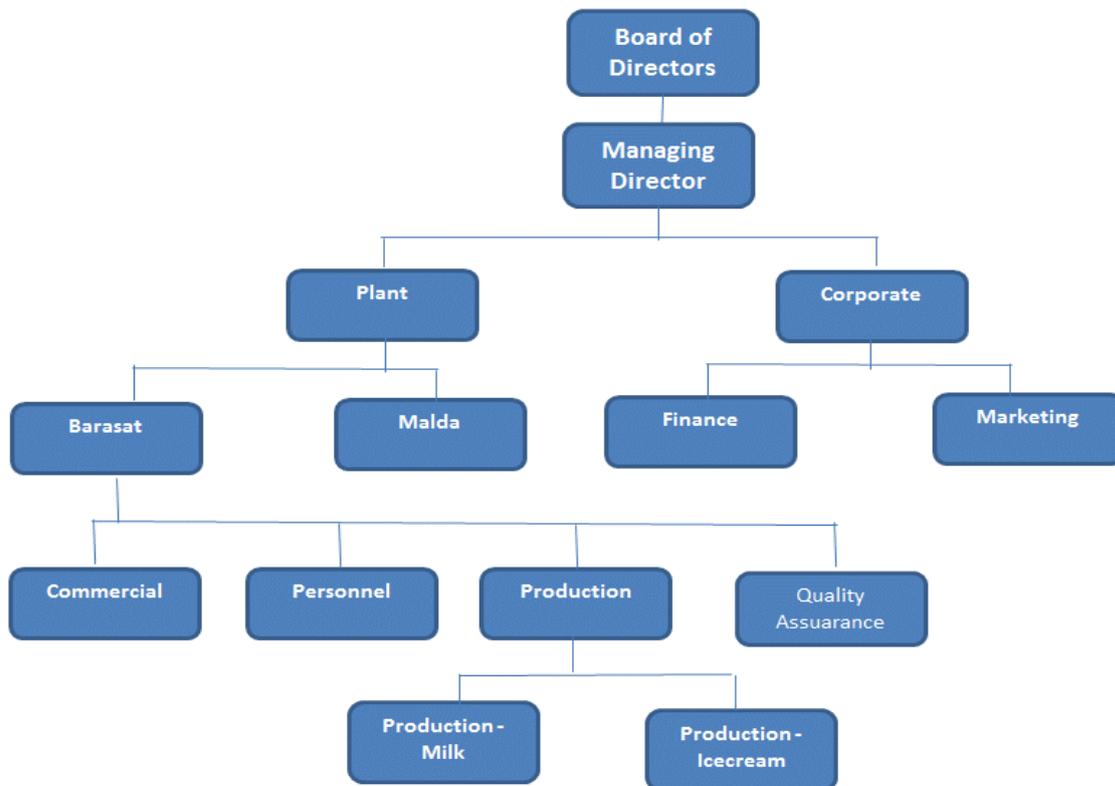
- The facility is located in North 24 Parganas, the second largest milk producing district in West Bengal and close to Nadia (the third largest) and Burdwan (the fifth largest)
- Such proximity is likely to help the company, should the need to set up its own milk procurement infrastructure arise in future

2.6 Currently MDL has 2 main products:

- Metro Toned Milk, the Company's flagship brand, is one of the leading packet milk brand in Bengal.
- Ice Creams – Metro ice cream is currently the market leader in Kolkata with around 40% market share and currently has presence in major towns of South Bengal. The Company has an ice cream producing capacity of ~ 30,000 litres per day including a new plant at Malda which has a capacity to make 10,000 litres of ice cream per day. The market for North Bengal is being seeded.

- MDL markets its toned milk under the “Metro” brand, double toned milk under the “Diet” brand and cow milk under the “Go” brand. “Rich” was launched in February 2015. It markets ice creams under “Metro – The Dairy Ice Cream” brand. All of these brands are well known among the middle-class population in Greater Kolkata region.
- 2.7 The Company procures its raw material (primarily milk) from the ‘Benmilk’ and other sources within West Bengal, in addition to the procurement of concentrated milk from outside the state. Currently, bulk of raw milk procurement is done by MDL through few private suppliers.
- 2.8 While milk sales contributed to 88% of FY16 revenues (as depicted above), ice-creams accounted for the balance. The current headcount of MDL is 191.
- 2.9 There is limited seasonality in milk business and the demand is marginally higher in winter months of December and January, as compared to rest of the year. However, there is greater seasonality in ice-cream business where the demand is usually high in summers (February to June) and during the Durga Puja festival.
- 2.10 Going forward, MDL has launched another product – ‘Unsweetened Dahi’ in FY17 which is projected to reach daily sales of ~ 5,000 litres by FY18.

### 3 Organisation Structure



- 3.1 Presently, MDL is a subsidiary of KAL. There is a separate independent management team which manages day to day operations of MDL.
- 3.2 Currently the board representation includes representation from both KAL and West Bengal Cooperative Milk Producers' federation Ltd (Benmilk).
- 3.3 The Corporate office of MDL is located at Sealdah in Kolkata. MDL has 191 employees on its payroll as at 31 March 2016 comprising: – Corporate office – 39 employees – Barasat Plant – 137 employees – Malda Plant –15 employees. This apart, MDL takes employees on contract basis from labour contractors for processing, packaging and handling of milk and ice cream production. Other services which are outsourced include security services, gardening services etc.

3.4 MDL has various contractors, who handle pouch sorting, loading/ unloading and other jobs. Gratuity, provident fund and employee state insurance obligations of contract labour is fulfilled by MDL. The Barasat factory employees are represented by Trade Union i.e. Metro Dairy Progressive Permanent Workers Union. The last wage settlement with the Trade Union was done on 21 September 2016 whereby basic salary of factory employees (i.e. non-executive and operators) were increased by INR 3,300 per month effective 01 April 2015.

## 4 Historical Overview

### Revenues

Particulats	FY13A	FY14A	FY15A	FY16A	FY17**
<b>Milk</b>					
Annual Sales (Million Litres)	86.3	86.2	81.9	80.7	61.9
Growth		-0.1%	-5.0%	-1.5%	2.3%
Average Price / Litre (INR)	26.0	28.7	33.0	33.5	33.7
Growth		10.4%	15.0%	1.5%	0.5%
Revenue (INR Million)	2,242	2,476	2,700	2,705	2,083
<b>Ice-Cream</b>					
Annual Sales (Million Litres)	4.2	3.9	4.4	5.0	3.9
Growth		-7.1%	12.8%	13.6%	4.0%
Average Price / Litre (INR)	58.4	62.2	68.7	71.4	74.3
Growth		6.5%	10.5%	3.9%	4.1%
Revenue (INR Million)	238	239	297	348	329
<b>Curd</b>					
Annual Sales (Million Litres)					0.1
Revenue (INR Million)					8
Other Income (INR Million)	2	3	4	6	5
Total Revenue (INR Million)	2,482	2,718	3,001	3,059	2,425

\*\* FY17 – Unaudited 9 months

- 4.1 The milk segment registered revenues of ~ INR 2,242 million during the fiscal year ended March 31, 2013 (“FY13”). The Company sold 86.3 million litres of milk during FY13, at an average sales price of INR 26.0 per litre.
- 4.2 The average sales price per litre of milk increased by ~10.4% in FY14 and ~15.0% in FY15, as a result of price increase. Further, the annual sales volume remained flat in FY14 and decreased by ~ 5% in FY15 because of decline in demand due to increase in prices. The price increase were driven by the increase in prices of skimmed milk powder which is one of the primary raw material used by the Company. The skimmed milk powder prices increased significantly during FY14, post lifting on exports ban by the Government.
- 4.3 MDL has subsequently changed the raw material mix in favour of raw milk as compared to skimmed milk powder. While the average sales price during FY16 was higher by just 1.5% (due to price increase during the prior year) , the annual sales volume declined by ~ 1.5% due to supply constraints on procurement of raw milk, resulting in a marginal revenue growth of 0.2% in FY16.
- 4.4 The ice cream segment annual sales decline from 4.2 million litres in FY13 to 3.9 million litres in FY14 due to heavy rains in the month of June and October, resulting in low demand in the typical peak season. However, the gross revenues increased marginally

in FY14 due to increase in average sales price per litre by ~ 6.5%. During FY15 and FY16, the sales price per litre was increased by 10.5% and 3.9% respectively to cover for the increase in raw material costs and in-line with the sales price increase by competitors.

The annual sales volume during FY15 and FY16 increased by 12.8% and 13.6% respectively, due to better market penetration as well as commencement of supply from the new plant (which has helped geographical expansion within the state), resulting in overall increase in ice cream revenues by 24.3% in FY15 and 17.2% in FY16.

- 4.5 Based on the above, the total revenues increased by 9.5% in FY14, 10.4% in FY15 and 1.9% in FY16 (refer table above). Incidentally factory at Malda started its commercial production w.e.f. 18-09-2014.

### **Gross margins and EBITDA margins**

- 4.6 The gross margins declined from 20.9% in FY13 to 17.7% in FY15 despite the price increases in milk segment due to the increase in the costs of skimmed milk powder – though it may be noted that gross margins increased during FY15 over FY14 although increase in Cost of Goods Sold / per litre was lower as compared to price increase of ~ 14.8% for milk segment.
- 4.7 Increase in gross margins in FY15 was mainly on account of –
- Increase in selling price of milk
  - Increased procurement of fat and solids not fat from raw milk, which resulted in reduction in overall procurement cost vis-a-vis last year.
- 4.8 The gross margins improved to ~23.9% in FY16 due to transition of raw material mix in favour of raw milk and due to significant fall in skimmed milk powder (SMP) prices in this period. It is pertinent to note that margin increase in FY16, driven by decrease in SMP prices may not be sustainable. SMP being a commodity, is subject to fluctuations effected by various macro-economic factors as against raw milk (wherein prices are less volatile as compared to SMP).
- 4.9 The EBITDA margins varied from 7.1% in FY13 to 9.3% in FY16, again falling to 6% in 9-months of FY17, as summarized below :

Particulars (Amount in INR Million)	FY13A	FY14A	FY15A	FY16A	FY17**
Revenue	2482	2718	3001	3059	2425
Growth		9.5%	10.4%	1.9%	5.7%
Cost of Goods Sold	1963	2345	2470	2329	1908
% of Revenue	79.1%	86.3%	82.3%	76.1%	78.7%
Gross Margin	519	373	530	730	517
Gross Margin (%)	20.9%	13.7%	17.7%	23.9%	21.3%
Employee Benefit Expenses	89	87	109	124	109
% Increase		-2.2%	25.3%	13.8%	17.2%
% of Revenue	3.6%	3.2%	3.6%	4.1%	4.5%
Total Operating Expenses	254	279	287	323	263
% Increase		9.8%	2.9%	12.5%	8.6%
% of Revenue	10.2%	10.3%	9.6%	10.6%	10.8%
<b>EBITD</b>	<b>176</b>	<b>7</b>	<b>134</b>	<b>283</b>	<b>145</b>
EBITDA Margin	7.1%	0.3%	4.5%	9.3%	6.0%

\*\* FY17 - Unaudited 9 months

## Balance Sheet

- 4.10 Net Fixed Assets: As per the Balance Sheet, MDL had net fixed assets of ~ INR 236 Million as at 31<sup>st</sup> March 2016.
- 4.11 Operating Net Working Capital: Current assets (excluding cash) of the Company comprise primarily inventories as well as short-term and long-term loans & advances along with receivables (not significant considering the nature of operations) and other current assets. Current liabilities comprise of trade payables, provisions and other current liabilities. As per the Balance Sheet, the operating net working capital (excluding cash and debt) of the Company, as at 31<sup>st</sup> March 2016, amounted to ~ INR 46 million.
- 4.12 Cash & Equivalents, Surplus Assets: Cash and cash equivalents as of 31<sup>st</sup> March, 2016, were INR 358 million. Further the Balance Sheet included Capital Advances of ~ INR 2.2 million.
- 4.13 Debt & Debt-like items: MDL had debt and debt-like items of INR 53 million and deferred tax liabilities (net) of INR 1.0 million as at 31<sup>st</sup> March, 2016.

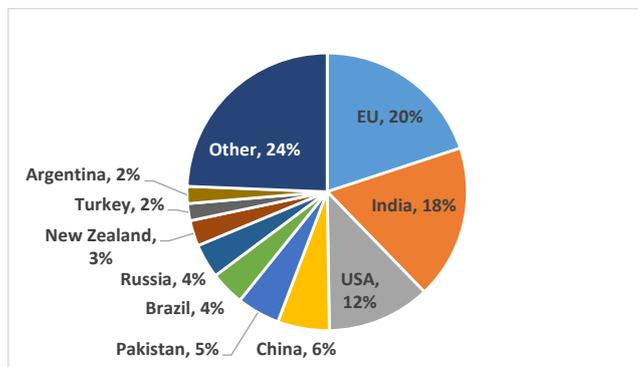
Audited Balance Sheet as at March 31, 2016

Particulars	Amount INR Million
<b>Utilisation of Funds</b>	
Fixed Assets	230
Capital Work in Progress	6
<b>Net Fixed Assets</b>	<b>236</b>
Inventories	230
Trade Receivables	0
Loans & Advances	38
Other Current Assets	6
<b>Current Assets</b>	<b>274</b>
Trade Payables	111
Other Current Liabilities	71
Provisions	46
<b>Current Liabilities</b>	<b>228</b>
<b>Net Working Capital</b>	<b>46</b>
Cash & Equivalents	358
<b>Net Assets</b>	<b>640</b>
<b>Sources of Funds</b>	
Liabilities	
Debt & Debt Link items	53
Deferred Tax Liabilities	1
<b>Total Liabilities</b>	<b>54</b>
Deferred Grant	13
Shareholder's Fund	573
<b>Total Equity &amp; Liabilities</b>	<b>640</b>

## 5 Dairy Industry Overview

### Global Scenario

#### 5.1 Production



Global milk production grew at a CAGR (Compound Annual Growth Rate) of 2.3% during 2010-2014 to reach 792.0 million metric tonnes (MMT) in 2014, on the back of population growth, rising disposable incomes, favourable demographics, brand awareness, increasing urbanization & westernization of diets in emerging economies, primarily India and China

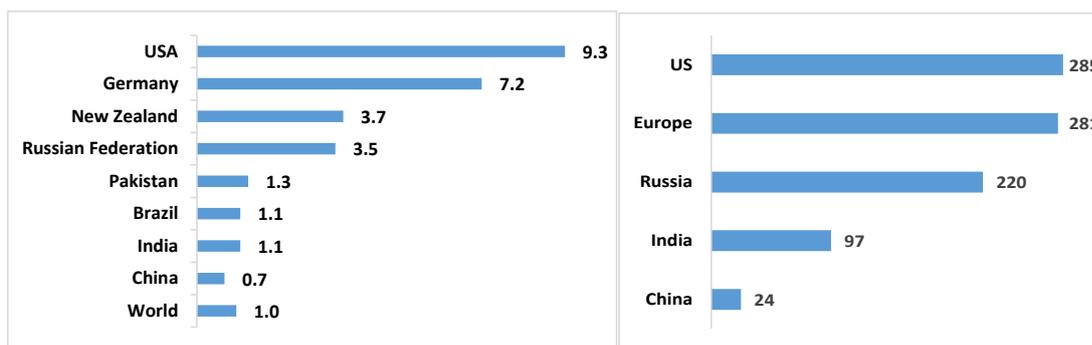
- India is the second largest producer of Milk, accounting for over 18% of world production of milk and dairy products

During the period 2015E-2020E, global production of Milk and Dairy products is expected to grow at a CAGR of 2.1% to reach 901.2 MMT by 2020E

- India is expected to grow at a CAGR of 4.2% during the same period to reach over 184.9 MMT, to surpass EU (177.4) by 2020E

#### 5.2 Consumption

- Country-wise, India is the second largest producer of milk and dairy products across the globe, other key markets include USA, China, Russia, and Pakistan. In FY14, India accounted for 18% of the total global milk production of 791 bn litres. It also leads in consumption of dairy products, with an aggregate annual demand of 118-120 bn litres
- Globally, approximately 66% of milk and dairy products are consumed for factory use, 33% for fluid use and 1% for feed use
- Although India's milk yield (milk per animal per annum) exceeds the global average, it lags developed nations which have better breeding techniques, and highly efficient milk collection and processing facilities
- Per capita milk consumption of India is 97 litres per person per annum, which is also among the lowest. The US and Europe have the highest per capita consumption of 285 and 281 litres per person per annum, respectively



*Milk Yield per animal*

*Per Capita Consumption of Milk*

### 5.3 Foreign Trade

- Top Exporting Countries – New Zealand and EU account for over 50% of world trade, followed by USA
- Top Import Markets – China, Russia, MENA region, and South-East Asia account for majority of imports

## INDIA Scenario

### 5.4 Production

Milk production in India grew at a CAGR of 4.8% during FY11 - FY16E, estimated to be 154 MMT in 2015-16

- Total production of milk and dairy products in India is expected to reach over 189 MMT in 2021E

Key Production Markets: Uttar Pradesh, Rajasthan, Andhra Pradesh, Gujarat, and Punjab account for over 53% of overall production in India

Buffalo milk accounts for 48.7% of total milk produced in India, followed by Cow (47.9%)

### 5.5 Consumption

Milk consumption in India grew at a CAGR of 5.3% during FY11 - FY16E, estimated to be 146 MMT in 2015-16E, driven by steady population growth, rising disposable incomes, favourable demographics, increasing brand awareness and urbanization

- Currently, over 52% of total production is consumed by people themselves, only 48% is marketable
- Liquid milk is the largest consumed dairy product in India, with 52% share, followed by Ghee (12%)

Total consumption of milk and dairy products in India is expected to increase from 146 MMT in FY16E to 192 MMT in FY21E; implying a CAGR growth of 5.6%

Owing to high consumption, domestic demand has traditionally exceeded supply of milk. As per industry estimates, demand for milk is expected to reach 160 bn litres by

2017 and 200 bn litres by 2022. To meet increasing demand, there has to be a commensurate increase in supply

Total market size of milk and dairy products in India estimated to be INR 6,671 Bn in FY16E; growing at over 15% annually

- Market Size is estimated to reach INR 11,543 Bn by 2020E

## **India - Emerging Trends**

### 5.6 Growth of Organized Segment outpacing Unorganized

- Organized segment grew at a CAGR of 20.4% during 2010-2014 as against unorganized sector CAGR of 14.2% during the same period on the back of shift in consumer preferences towards branded products and emergence of national and multinational dairy players. While the former produces and markets processed milk and value-added products, the latter primarily sells raw milk and uses it for making value-added products
- This points to a major shift within the domestic dairy industry, which was historically dominated by informal players as majority of consumers were highly price-sensitive. However, with growing disposable income, consumers are now willing to pay more for quality products
- Owing to emergence of the formal segment, about 33% of domestic milk production is used in the processed market. The processed milk segment has grown at 5.2% CAGR over 2010-15, outpacing growth in total milk production which clocked 4.8% CAGR
- The trend is expected to continue in the coming years. During the period 2015E-2020E, organized segment is expected to grow at a CAGR of 19.6% as compared to 13.3% for the unorganized segment

### 5.7 Enhanced focus on Value-Added Products (VAPs) and B2C

In the recent past, change in demographics and rapid urbanization have resulted in significant demand for VAPs like cheese, condensed milk, UHT, flavoured butter/milk/yoghurt, protein-based beverages/health supplements; VAPs expected to grow at a healthy rate of 23% annually till 2020E

- Increasing Young Population – Value added milk products like cheese finds usage in convenience foods for Pizzas, Pasta, Burgers et al
- Aggressive Growth plans of QSR players – Rising demand for milk, condensed milk, and cream especially from coffee chains
- Changing lifestyles and increasing health awareness is evolving low-fat high-protein dietary patterns especially among millennials and young population, driving demand for products like low fat yoghurts/cheese, protein-based health drinks/supplements among others
- Lured by higher growth potential of value-added products, many dairy companies have increased their focus on the high-margin value-added segment

## 5.8 Shift towards Branded Products

Growing consumer preference, rising disposable incomes and increasing brand awareness especially in urban markets has led to a shift from the unbranded to the branded segment, thereby organized segment; – branded products dominate the processed milk, cheese, butter, ice cream and dairy whitener segments. Although the share of branded products is relatively lower in other segments (such as ghee, khoa and paneer), it is expected to rise going forward

- Companies are enhancing their focus on brand building/Marketing activities with aggressive spending and expansion of their marketing & sales team to create strong brand recall, customer retention, and reach

## 6 Terms and conditions for Bidders

Sellers	West Bengal Cooperative Milk Producers' Federation Limited ("Benmilk"), which is majority owned and controlled by the Government of West Bengal. For the purposes of this document, Government of West Bengal and Benmilk are together referred to as "Benmilk".
Company	Metro Dairy Limited ("MDL")
Equity Stake on Offer	47% (the balance 53% is owned by Keventer Agro Limited - "KAL"), in its entirety. Benmilk will not accept any EoI / RFQ, which is less than the entire Equity Stake on Offer. Attention of Intending Bidders is also drawn to Section 7.2 of this IM.
Bidding Entity	Bidding entity should be a company, and not a consortium, with adequate experience in setting up food processing unit and manufacturing / processing / sourcing / marketing and selling of packaged food including beverages and / or dairy products and / or agricultural products and related items in India. Interested Parties may acquire Benmilk's equity share capital either directly or through a new company specially incorporated or to be incorporated for this purpose (Special Purpose Vehicle).
Eligibility Criteria	<p>Bidding entity to have minimum net worth of INR 75 Crores and average sales of INR 300 Crores over the last two (2) financial years and should have experience in setting up food processing unit and manufacturing, marketing and selling of packaged food and / or dairy products and related items in India, having invested in the state of West Bengal.</p> <p>EoI may be submitted by</p> <ul style="list-style-type: none"> <li>▪ A domestic/international company with experience in the food processing and / or dairy sector and having invested in the food processing and / or dairy sector to the tune of at least INR 50.00 crore, in net fixed asset, excluding land in its entirety and any other fixed asset to the extent revalued, as per their latest annual financial audited statement, in the state of West Bengal; or</li> <li>▪ An existing shareholder of MDL.</li> </ul> <p>Bidding entity must have experience (in terms of operations and investment) in the food processing and dairy sector. This may cover experience in any of the following:</p> <ul style="list-style-type: none"> <li>▪ Packaged foods such as packaged beverages and ready-to-cook and ready-to-eat packaged foods; or</li> <li>▪ Agricultural produce or any value added products thereof; or</li> <li>▪ Any dairy products.</li> </ul> <p>Selected Bidder needs to provide an undertaking that Bidder shall continue to run the present plant in its entirety as a going concern.</p>

Terms of Payment	Successful Bidder should submit 10% of the Bid Value within 1 (one) working day over and above EMD and balance amount within 15 (fifteen) days from the date of opening of the Financial Bid in the form of Demand Draft. However, EMD in the form of Demand Draft held in trust will be encashed immediately in case the Bidder defaults in the said payment schedule.
Lock in	Selected Bidder needs to provide an undertaking that it shall not transfer its stake in MDL for a minimum period of 3 years from the date of the completion of disinvestment.
Cost of Bid	The bidder shall bear all costs associated with the preparation and submission of the bid. Benmilk or its associated concerns, in no case, shall be responsible or liable for any such costs.
Selection Process	Post the qualification of the Bidder based on the RFQ submitted, the successful bidder will be the one whose financial bid is highest among all the financial bids received for Benmilk's equity stake. Benmilk will conduct financial bidding process through a transparent e-auction mechanism.

Interested parties should submit the EoI accompanied by Statement of Legal Capacity, Request for Qualification (RFQ), and Declaration, duly signed by the interested party(ies).

The RFQ as given in Annexure 3 is to be duly filled in and accompanied with the following details (as indicated in the definition under the Primary Eligibility Criteria specified in the Section 7 titled "Information for Bidders"):

- Demand Draft of INR 10 lakh from a scheduled bank (as defined in Section 2(e) of the Reserve Bank of India Act,1934) in favour of "**West Bengal Cooperative Milk Producers' Federation Ltd.** ", payable at Kolkata, representing the Auction Fees will be non-refundable and non-transferable.
- The Audited Balance Sheet and Profit & Loss Account of the sole bidder for the last three (3) financial years
- Write-up on:
  - Background of the bidder
  - Statement of purpose for the Transaction
  - Certificate from its statutory auditor to meet primary eligibility criteria
  - Any other information considered material

Each of the EoI, Statement of Legal Capacity, RFQ and Declaration must be in English. The EoI along with the aforesaid documents, duly signed and stamped, in duplicate, should be submitted not later than **17:30 hours on May 24, 2017** (within 21 days of the date of publication of the advertisement / NIA) in a sealed envelope super scribed "Private and Confidential - Expression of Interest for MDL" at the address mentioned below :

The Managing Director, West Bengal Cooperative Milk Producers' Federation Ltd of LB – 2, Sector – III, Salt Lake City, Kolkata – 700106

EoI sent by facsimile will not be accepted.

Intending Bidders must also upload their EoI online in the Government e-Auction System (<http://eauction.gov.in>) alongwith all other documents as mention in the above paragraphs within the said time period.

The EoI submitted by interested parties shall be evaluated on the basis of the criteria specified in Section 7 titled “Information for Bidders” in this document. If at any time during the evaluation process, Benmilk require any clarification, it reserves the right to request such information from any company and the company will be obliged to provide the same within reasonable time frame.

Only the bidders that are found eligible, at the sole discretion of Benmilk, will be approved in the Government e-Auction System (<http://eauction.gov.in>) and provided the right to participate in the financial bid process. As mentioned, the Benmilk will conduct financial bidding process through a transparent e-auction mechanism in the Government e-Auction System (<http://eauction.gov.in>), further details of which is provided in Section 7. Benmilk reserves the right to accept or reject any EoI without assigning any reasons thereof.

## 7 Information for Bidders

### 7.1 General restrictions

Any Director/Partner/Proprietor of the bidder (any person or entity) should not have been subjected to punishment for any criminal act and the bidder must not have been convicted for an offence involving moral turpitude. Also, neither the bidder nor any of its Director/Partner/Proprietor should be in RBI Defaulters' List as of the date of submission of EoI / RFQ.

Only such offers which are for purchase of the entire stake of the Benmilk in MDL, will be considered by Benmilk. Any offer for part purchase of stake shall be summarily rejected.

### 7.2 Important Notice

Intending Bidders may please note that as of date, there is no valid agreement between the shareholders of MDL and the sale of equity shares of MDL held by Benmilk will be on an "as is, where is and whatever is" basis and no special rights, other than those available under the Companies Act, 2013 will pass on to the winning bidder.

### 7.3 Primary eligibility criteria

EoI may be submitted by

- A domestic/international company, not a consortium, with experience in the food processing and / or dairy sector and having invested in the food processing and / or dairy sector to the tune of at least INR 50.00 crore, in net fixed asset, excluding land in its entirety and any other fixed asset to the extent revalued, as per their latest annual financial audited statement, in the state of West Bengal; or
- An existing shareholder of MDL.

Bidding entity must have experience (in terms of operations and investment) in the food processing and dairy sector. This may cover experience in any of the following:

- Packaged foods such as packaged beverages and ready-to-cook and ready-to-eat packaged foods; or
- Agricultural produce or any value added products thereof; or
- Any dairy products.

Selected Bidder needs to provide an undertaking that Bidder shall continue to run the present plant in its entirety as a going concern and shall not transfer/agree to transfer its stake in MDL for a minimum period of 3 years from the date of the completion of disinvestment.

#### 7.4 Financial benchmarks

The interested parties must satisfy the following criterion to be eligible as Bidder(s) for the proposed sale process:

- Net Worth - Minimum Net worth of INR 75.00 crores for the financial years 2014-15 and 2015-16.
- Sales – Average sales of INR 300.00 crores for the financial years 2014-15 and 2015-16

Where the financial statement is expressed in currency other than Indian Rupees, the eligible amount as described above shall be computed by taking the equivalent US Dollars at the exchange rate prevailing on the date(s) of such financial statement. For clarification, the exchange rate used for computing equivalent US Dollars should be the closing exchange rate provided by the Central Bank (for clarity Central Bank would be equivalent to Federal Reserve of USA or Reserve Bank of India of the said country) of such country for that date. In the event that the date(s) are not co terminus, the latest available audited statements or the closest exchange rates shall be reckoned for the purpose. For the purpose of conversion from USD to INR, the closing exchange rate would be the date of Balance Sheet (31-03-2016).

Definition -

Net Worth = Share Capital + Free Reserves & Surplus (excluding Revaluation Reserve) and would also include adjustment in respect of Accumulated Losses, Intangible Assets, Preliminary & Preoperative Expenditure not written off.

#### 7.5 Disqualification

Without prejudice, a company may be disqualified and its EoI dropped from further consideration for any (but not limited to) of the reasons listed below:

- (i) Such bidder has been convicted of an offence involving moral turpitude;
- (ii) Such bidder has been charge-sheeted by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party;
- (iii) Material misrepresentation by such company in the EoI and/or RFQ;
- (iv) Failure by such company to provide the information required to be provided in the EoI and RFQ and / or Statement of Legal Capacity;
- (v) The EoI and the accompanying documents submitted by any party are not as per the requirement of IM; and
- (vi) Failure to provide satisfactory declaration as per Annexure 4.

The Bidding Entity not satisfying the eligibility and requisite qualification criteria specified in the above sections would be disqualified.

## 7.6 Further information on MDL

Apart from this IM, the bidder(s) qualified based on the EoI and RFQ submitted, will be provided with the following information on MDL :

- Last three (3) years annual audited financial statement(s); and
- 9-month unaudited financials for FY 2016-17.

No other information on MDL will be provided to the qualified bidder(s). Nor, will Benmilk be able to facilitate management meetings and / or due diligence by qualified bidder(s) of MDL. However to satisfy queries on bidding process and payment terms etc. of the qualified bidders, a Pre – Bid meeting will be convened.

## 7.7 Further Process

Financial Bid and E-Auction Process

Bidders may please note that no conditional bid, will be accepted.

Benmilk will conduct the financial bid through an online mode of bidding in the Government e-Auction System (<http://eauction.gov.in>), which will be on the following lines :

- a) The Auction shall be conducted over the Internet in ascending fashion, with the base / starting price being equal to the Reserve Price. Bidders will be able to access the Electronic Auction System (“EAS”) to be used for participation in the Auction using web browsing software: Internet Explorer 11.x, or Mozilla 34.x. The EAS is a designated computer resource for the receiving of electronic records under the provisions of Section 13(2) of the Information Technology Act 2000, as amended from time to time.
- b) Prior to the bidding process, Bidders will have to procure Class-III Digital Signature Certificate(s) (DSC) for signing and encryption issued by any valid Certifying Authority (approved by Controller of Certifying Authorities) in India which is mandatory for accessing the Electronic Auction System (EAS). The details of the licensed Certifying Authorities (CAs) are available on [www.cca.gov.in](http://www.cca.gov.in). It would be the respective bidder’s responsibility to acquire such DSC(s) in the name of their authorized signatory for participation in the e-auction. The bidders also need to ensure that they acquire the DSC(s) before the mock auction which will be conducted according to time table provided in Section 1.
- c) Bidders shall also be provided with a detailed manual electronically, (EAS manual) explaining how to use the Electronic Auction System (the “EAS Manual”). This documentation shall be provided to Bidders in advance of conducting the mock auction.

Earnest Money Deposit (EMD)

The bidders who qualify for the financial bid, will have to make a Demand Draft from a Scheduled Bank (as defined in Section 2(e) of the Reserve Bank of India Act, 1934) of **INR 8.44 Crore** (fixed amount equivalent to 10% of Reserve Price) (“EMD Amount”) in

favour of “**West Bengal Cooperative Milk Producers’ Federation Ltd.**”, payable at Kolkata. The EMD Amount must be submitted in a sealed envelope addressed to “The Managing Director, West Bengal Cooperative Milk Producers’ Federation Ltd of LB – 2, Sector – III, Salt Lake City, Kolkata – 700106” at least five (5) days prior to the opening of Financial Bid date, to be eligible to participate in the Financial Bid process.

Reserve Price being starting Bid Price would be set at **Rs 293/- per share** valued at INR 84.383 Crore (value of entire 47% Equity Shares of MDL, held by Benmilk) with an incremental value of INR 1 Lakh or its multiple.

The demand draft will be held in trust and will be encashed immediately, in case the bidder defaults in payment of the bid amount on the date of Closing, notified. Benmilk will have absolute authority to decide on the date of Closing. The EMD is refundable to unsuccessful bidders and adjustable against successful bidder.

#### Closing

Upon the selection of the winning bidder through the transparent e-auction process, Benmilk will transfer its stake in MDL to the winning bidder at the earliest, against the payment of the bid amount. Benmilk will only warrant the title of the shares and make no other representation or execute any other agreement with the winning bidder.

Benmilk will return the EMD Amount to the non-successful bidder(s), within twenty one (21) days from the date of Closing.

Contract to the successful bidder is to be awarded after getting approval from the State Government.

#### 7.8 Governing Law / Jurisdiction

The terms of all Transaction documents, the entire sale process and any disputes or claims arising out of, or in connection with, the Transaction shall be governed by the laws of the Republic of India. The courts of Kolkata shall have exclusive jurisdiction to settle any disputes or claim that arises out of, or in connection with, the Transaction and/or the Transaction documents.

## **Annexure 1**

### **Expression of Interest**

(To be forwarded on the letterhead of the interested party submitting the EoI)

Reference number \_\_\_\_\_

Date \_\_\_\_\_

The Managing Director,  
West Bengal Cooperative Milk Producers' Federation Ltd  
LB – 2, Sector – III, Salt Lake City, Kolkata – 700106

#### **INVITATION OF EXPRESSIONS OF INTEREST**

#### **FOR ACQUIRING WEST BENGAL CO-OPERATIVE MILK PRODUCERS' FEDERATION LTD.'S (BENMILK) ENTIRE PAID-UP EQUITY SHARE CAPITAL, REPRESENTING ~47% OF THE PAID UP EQUITY SHARE CAPITAL IN METRO DAIRY LIMITED**

Dear Sir / Madam,

This is with reference to the advertisement / NIA dated 04.05.2017 inviting Expression of Interest for acquiring Benmilk's entire paid-up equity share capital in Metro Dairy Limited ("MDL").

As specified in the advertisement / NIA, we have read and understood the contents of the Information Memorandum ("IM") and are desirous of participating in the above sale process, and for this purpose, we propose to submit our EoI.

We understand that Benmilk's entire paid-up equity shareholding in MDL is proposed to be sold by it ("Proposed Transaction") and we are interested in the Proposed Transaction and in bidding to acquire the same.

We certify that in regard to matters other than security and integrity of India, we have not been convicted by a Court of law or indicted and/or no adverse orders have been passed by a regulatory authority which would cast a doubt on our ability to be a shareholder of MDL or which relates to a grave offence that outrages the moral sense of the community.

We further certify that in regard to matters relating to security and integrity of India, we have not been charge-sheeted by any agency of the Government or convicted by a Court of Law for any offence committed by us or by any of our sister concerns.

We further certify that no investigation by a regulatory authority is pending either against us or against our sister concerns or against our CEO or any of our Directors/ Managers/ employees.

We undertake that in case due to any change in facts or circumstances during the pendency of the sale process, we are attracted by the provisions of disqualification in terms of the IM and the subject guidelines and/or such other communication as may be addressed to us by Benmilk, we would intimate Benmilk of the same immediately.

The Statement of Legal Capacity, Request for Qualification and Declaration as per formats indicated hereinafter; duly signed by us/respective members, who jointly satisfy the eligibility criteria, are enclosed.

Also, in terms of the requirement of the EoI, please find attached a demand draft of INR 1 million (INR 10 lakh).

We shall be glad to receive further communication on the subject.

Yours faithfully,

Authorised Signatory

For and on behalf of the interested party

Enclosure:

1. Statement of Legal Capacity
2. Request for Qualification
3. Declaration

\*Strike off whichever clause is not applicable

## Annexure 2

### Statement of Legal Capacity

(To be forwarded on the letterhead of the interested party submitting the EoI)

Reference number \_\_\_\_\_

Date \_\_\_\_\_

The Managing Director,  
West Bengal Cooperative Milk Producers' Federation Ltd  
LB – 2, Sector – III, Salt Lake City, Kolkata – 700106

#### INVITATION OF EXPRESSIONS OF INTEREST

#### **FOR ACQUIRING WEST BENGAL CO-OPERATIVE MILK PRODUCERS' FEDERATION LTD.'S (BENMILK) ENTIRE PAID-UP EQUITY SHARE CAPITAL, REPRESENTING ~47% OF THE PAID UP EQUITY SHARE CAPITAL IN METRO DAIRY LIMITED**

Dear Sir / Madam,

This is with reference to the advertisement / NIA dated 04.05.2017, inviting Expression of Interest for acquiring Benmilk's entire paid-up equity share capital in Metro Dairy Limited ("**MDL**").

We have read and understood the contents of the IM and the advertisement / NIA and pursuant to this hereby confirm that:

We satisfy the eligibility criteria laid out in the Information Memorandum/ the advertisement/ NIA.

Yours faithfully,

Authorised Signatory

For and on behalf of the interested party

### Annexure 3

#### Request for Qualification

(To be forwarded on the letterhead of the interested party)

Name of the interested Party \_\_\_\_\_

1. Constitution (Tick, wherever applicable)

- i. Public Limited Company
- ii. Private Limited Company
- iii. Others, if any (Please Specify)

If the interested party is a foreign company/ OCB or foreign owned or foreign controlled entity, specify list of statutory approvals from Government of India/ Reserve Bank of India/ Foreign Investment Promotion Board applied for/ obtained/ awaiting:

2. Memorandum and Articles of Association/Document of Constitution, i.e. Partnership Deed, Trust Deed etc. as may be applicable

3. A certificate duly signed by the Company Secretary/ any other officer in charge of legal affairs, stating that the Company is eligible to participate in the proposed sale in terms of Clause \_\_\_\_\_ of the Memorandum and Articles of Association/\_\_\_\_\_ name of Document of Constitution, viz., Partnership Deed, Trust Deed, etc. as may

4. Sector (Tick, where applicable)

- i. Public Sector
- ii. Joint Sector
- iii. Others, if any (Please Specify)

5. Details of Shareholding :

6. Audited Financial Statements/Annual Reports for the previous three financial years. :

7. Nature of business/products dealt with :

8. A profile containing information on the company/group's area of operations :

9. Date & Place of incorporation :

10. Date of commencement of business :

11. Full address including phone /fax No :

i. Registered office :

ii. Head office :

12. Address for correspondence :

13. . Email (For use in all correspondence in this exercise) :

14. Salient features of financial performance for the last three years :

15. Basis of eligibility for participation in the process (Please mention details of your eligibility) as under:

*Please attach most recent Audited Statement of Accounts/Annual Report. Additionally, please provide statutory auditor's certificate certifying the Primary eligibility criteria as per Section 7.3 and Financial Benchmark as per Section 7.4 detailed in the Information Memorandum.*

*Also, present your experience in the sector as per Section 6 and 7 of IM.*

16. Please provide details of all contingent liabilities that, if materialized, that have or would reasonably be expected to have a material adverse effect on the business, operations (or results of operations), assets, liabilities and/or financial condition of the Company, or other similar business combination or transaction.

17. Contact Person(s):

i. Name:

ii. Designation:

iii. Phone No.:

iv. Mobile No.:

v. Fax No.:

vi. Email:

Yours faithfully,

Authorised Signatory

Place:

Date:

Note: Please follow the order adopted in the Format provided. If the interested party is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words "No response given" against it.

## Annexure 4

### Declaration

(To be forwarded on the letterhead of the interested party)

Reference number \_\_\_\_\_

Date \_\_\_\_\_

The Managing Director,  
West Bengal Cooperative Milk Producers' Federation Ltd  
LB – 2, Sector – III, Salt Lake City, Kolkata – 700106

### INVITATION OF EXPRESSIONS OF INTEREST

#### **FOR ACQUIRING BENMILK'S ENTIRE PAID-UP EQUITY SHARE CAPITAL, REPRESENTING ~47% OF THE PAID UP EQUITY SHARE CAPITAL IN METRO DAIRY LIMITED**

We solemnly declare that we or our Director(s), CEO or other employee(s) are not convicted by any court of law or are indicted or have received any adverse order from any regulatory authority relating to a grave offense with regard to matters other than those relating to the security and integrity of the country.

Grave offense for this purpose shall include:

- What constitutes 'Fraud' under The Securities and Exchange Board of India Act, 1992, and regulations made thereunder;
- Securities and Exchange Board of India ("SEBI") orders on the bidder casting doubt on the ability of the bidder to hold the stake in Metro Dairy Limited;
- Any conviction by a Court of Law in India or abroad; and d) In case of SEBI's order of prosecution, conviction by a Court of Law in India.

We further declare that we or our sister companies have not been issued a charge sheet by any agency of the Government or convicted by a Court of Law in India or abroad for any offense with regard to matters relating to the security and integrity of the country.

We further declare that we, our Director(s), CEO, Manager(s) / Employee(s) are not under investigation pending before any regulatory authority or other authority.

We declare that complete information as required is provided in the Expression of Interest and Request For Qualification and /or Statement of Legal Capacity.

Authorised Signatory

For and on behalf of

Bidder Name

Bidder Address

In case any bidder is unable to give the above declaration in view of any conviction, indictment, order or investigation as above, full details of the same shall be provided including names of persons involved, designation, charge/offense, ordering/investigating agency, status / outcome and with supporting/relevant documents. Any entity, which is disqualified from participating in the sale process, would not be allowed to remain associated with it or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.

## Annexure 5

### Copy of Advertisement / Notice Inviting Application (NIA)



WEST BENGAL CO-OPERATIVE MILK PRODUCERS' FEDERATION LTD  
LB – 2, SECTOR – III, SALT LAKE CITY, KOLKATA – 700 106

#### Notice Inviting Application (NIA)

This announcement is neither a prospectus nor an offer and also not an invitation for sale to public of securities.

Invitation for “Expression of Interest” towards Disinvestment of entire shareholding held by West Bengal Cooperative Milk Producers’ Federation Limited (“Benmilk”) in **Metro Dairy Limited**.

Benmilk, presently holding 47% of the paid up equity share capital of Metro Dairy Limited (“MDL” or the “Company”), intends to disinvest its entire equity shareholding in MDL through a competitive bidding process (the “Transaction”). Benmilk is authorized to act on behalf of GoWB, to effect the Transaction.

The Company has a processing capacity of 400,000 litres of milk per day and 30,000 litres of ice cream per day. The Information Memorandum (“IM”), providing details of MDL and the Transaction process, can be obtained at the website <http://eauction.gov.in> and [www.benmilk.com](http://www.benmilk.com).

Interested and eligible parties may submit their Expression of Interest (“Eoi”) as per the terms specified in the IM along with other requested documents in the format and as per the process specified in IM at the under mentioned address not later than 17:30 hours on 24.05.2017 accompanied by a non-refundable demand draft of INR 10 lakhs from a scheduled commercial bank favouring ‘**West Bengal Cooperative Milk Producers’ Federation Ltd**’, payable at Kolkata and send to “The Managing Director, West Bengal Cooperative Milk Producers’ Federation Ltd of LB – 2, Sector – III, Salt Lake City, Kolkata – 700106”, as also upload the same online in the Government e-Auction System ( <http://eauction.gov.in> ).

Benmilk reserves the right to postpone/withdraw from the process or any part thereof, to accept or reject any or all offers at any stage of the process and/or modify the process or any part thereof or to vary any terms at any time without giving reason.

Sd/-  
Managing Director