

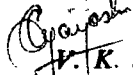
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ANNUAL REPORT 1997-98

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KWALITY DAIRY (INDIA) LIMITED

Certified True Copy.
For KWALITY DAIRY (INDIA) LTD.


V. K. JOSHI,
Company Secretary.



KWALITY DAIRY (INDIA) LIMITED

BOARD OF DIRECTORS

P. WIG – Managing Director
D. K. SAHA
S. MUKHOPADHYAY
S. KAPUR
S. CHOUDHRIE
V. K. MADAN – Alternate Director to Mr. S. CHOUDHRIE

COMPANY SECRETARY :

V. K. JOSHI

REGISTERED OFFICE .:

74, DIAMOND HARBOUR ROAD
CALCUTTA-700 023

WORKS :

SOFTA VILLAGE, PALWAL
DIST. FARIDABAD
HARYANA

BANKERS :

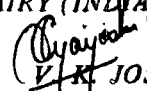
STANDARD CHARTERED BANK
CANARA BANK

AUDITORS :

M/s. SHAHA & CO.
CHARTERED ACCOUNTANTS
10, OLD POST OFFICE STREET
CALCUTTA-700 001

REGISTRARS :

PCS INDUSTRIES LTD.
P-93 A&B C.I.T. ROAD
SCHEME VI M (2ND FLOOR)
CALCUTTA-700 054

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V. K. JOSHI,
Company Secretary.

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KWALITY DAIRY (INDIA) LIMITED

NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held on Tuesday, the 25th day of August, 1998 at 11.00 A.M. at Audio Visual Centre, Zoological Gardens, Alipore, Calcutta : 700 027 to transact the following business :

As Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 and Profit and Loss Account for the year ended on that date together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. Kapur, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors to fix their remuneration.

As Special Business

4. To consider, and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution :

“RESOLVED that subject to the provisions of Section 94 of the Companies Act, 1956 and Clause 52 of the Articles of Association the Authorised Capital of the Company be and is hereby increased from Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 1,00,00,000 Equity Shares of Rs. 10/- (Rupees Ten) each to Rs. 15,00,00,000/- (Rupees Fifteen Crores) divided into 1,50,00,000 Equity Shares of Rs. 10/- (Rupees Ten) each by creation of further 50,00,000 Equity Shares of Rs. 10/- (Rupees Ten) each ranking pari passu with the existing Equity shares of the Company and further that in consequence thereof :

 - (a) the existing Clause V of the Memorandum of Association of the Company be substituted by the following Clause :

V. The Authorised Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 Ordinary Shares of Rs. 10/- each with the rights and privileges and conditions attaching thereto as are provided by the regulations of the Company for the time being with power to increase and decrease the capital of the Company and to divide the Shares in Capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company. ”, and
 - (b) the existing Article 5 of the Articles of Association be substituted by the following Article
 - (a) The Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 Ordinary Shares of Rs. 10/- (Rupees Ten) each.
5. To consider, and if thought fit to pass, with or without modifications, the following Resolution as a Special Resolution :

KWALITY DAIRY (INDIA) LIMITED

“RESOLVED THAT in accordance with the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the enabling provisions of the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and as per the existing Guidelines of the Securities & Exchange Board of India and also subject to such other approvals, consents, permissions, sanctions of the Central Government and/or any other statutory authority as may be required and to the extent necessary and subject to such conditions and modifications as may be specified in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board”) the consent of the Company be and is hereby accorded to the Board to create/issue/offer and allot Equity Shares of the Company for a sum not exceeding Rs. 4,00,00,000/- (Rupees Four Crores only) in such numbers as the Board at its sole discretion may at any time hereafter decide to the Promoters and/or any person or parties whether members of the Company or not either through Private Placement, conversion of Loans or otherwise and/or by a combination of the above modes/methods at such price or prices and upon such terms and conditions as the Board thereof may in its absolute discretion deem fit.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above the Board be and is hereby authorised to accept and give effect to such changes, modifications, variations, alterations, additions or deletions as regards the terms and conditions and size of the Issue as may be required by SEBI, Stock Exchanges or any other authority concerned and as the Board in its absolute discretion deem fit without requiring any further approval of the shareholders and to take such actions and do such acts, deeds, matters and things whatsoever, as may be deemed necessary for the aforesaid purpose.”

“RESOLVED FURTHER THAT any action already taken and acts done in terms of the above resolution by and with the authority of the Board be and are hereby expressly confirmed, approved and ratified.”

6. To consider, and if thought fit to pass, with or without modifications, the following Resolution as an Ordinary Resolution :

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof) for the time being in force, the Company hereby accords its approval and consent to the re-appointment of Mr. Pradeep Wig as Managing Director of the Company for a period of 5 (Five) years effective from 24th September 1997 upon such terms and conditions as may be determined by the Board of Directors with the liberty to the Board of Directors to finalise/alter and/or vary the terms and conditions of the said re-appointment so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendments thereto as may be agreed to between the Board of Directors and Mr. Pradeep Wig.

Place : Calcutta.

Dated: 28th July, 1998.

By Order of the Board

V. K. JOSHI
Company Secretary

KWALITY DAIRY (INDIA) LIMITED

NOTES

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE AFORESAID MEETING.
- (b) The Register of Members and Share Transfer Books will remain closed from Monday, the 17th of August, 1998 to Tuesday, the 25th of August, 1998.
- (c) A Member desirous of getting any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven days prior to the Meeting so that the required information can be made available at the Meeting.
- (d) Members are requested to notify the Registrar and Share Transfer Agent M/s PCS Industries Ltd., P-93 A & B C.I.T. Road, Scheme VI M (2nd Floor), Calcutta-700 054 or the Company at its Registered Office of any change in their addresses quoting their Folio Number/s.
- (e) Members who are holding multiple Folios in identical names or joint names in the same order are requested to send relevant Share Certificate(s) to the Company's Registrar and Share Transfer Agents for consolidation of such multiple Folios into a single Folio.

Place : Calcutta.
Dated: 28th July, 1998.

By Order of the Board

V. K. JOSHI
Company Secretary

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2)
OF THE COMPANIES ACT, 1956.**

ITEM NO. 4

The Authorised Capital of the Company is proposed to be increased from the existing Rs. 10 crores to Rs. 15 crores to enable the Company to raise Capital by way of further issue of Equity shares. Since alteration of the Share Capital and the consequent amendment of the Memorandum and Articles of Association must be approved by the shareholders at a General Meeting the Special Resolution pursuant to Section 94 of the Companies Act, 1956 is proposed for necessary approval.

Your Directors recommend that the Resolution be passed.

None of the Directors are concerned or interested in the Resolution.

KWALITY DAIRY (INDIA) LIMITED

ITEM NO. 5

Your Company has drawn up a detailed Plan for financial restructuring whereby the existing Debts of the Company are proposed to be reduced either by conversion of the Loan of Rs. 3 crores availed from the Promoters Kwaliti Ice Creams (India) Ltd., into Equity shares (if permissible) or by a fresh issue of Equity shares for repayment of the said Loan. The balance amount of Rs. 1 crore is proposed to be raised in order to augment the working capital requirements of the Company.

Section 81 of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the subscribed capital of the Company by allotment of further shares, such further shares shall be offered to the persons who at the date of the Offer are holders of the Equity shares of the Company in the manner laid down in the said Section 81 unless the General Meeting decides otherwise.

The Listing Agreements with the Stock Exchanges provides, inter alia, that the Company in the first instance should offer all the shares to be issued for subscription pro-rata to the Equity Shareholders unless such Shareholders decide otherwise in the General Meeting.

Accordingly, to comply with the above mentioned provisions, the consent of the shareholders is being sought pursuant to Section 81 and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the various Stock Exchanges in India where the shares of the Company are listed.

The Resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements.

The Resolution is recommended for approval of the members.

Apart from Mr. Pradeep Wig, Managing Director none of the Directors is concerned or interested in the Resolution.

ITEM NO. 6

The Board of Directors at its meeting held on 25th September, 1997 decided to re-appoint Mr. Pradeep Wig as Managing Director of the Company for a further period of 5 years w.e.f. 24th September, 1997 subject to the approval of the shareholders. Mr. Pradeep Wig has not drawn any remuneration as Managing Director of the Company till date.

In terms of Article 104 of the Articles of Association of the Company Mr. Pradeep Wig shall not be liable to retire by rotation.

Your Directors recommend that the Resolution be passed.

Place : Calcutta.

Dated: 28th July, 1998.

By Order of the Board

V. K. JOSHI
Company Secretary

KWALITY DAIRY (INDIA) LIMITED**DIRECTORS REPORT**

To the Members

Your Directors have pleasure in presenting the Sixth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1998.

1. OPERATIONS REVIEW

The Company's performance during the financial Year 1997-98 has not been very encouraging. The year, in a sense has been a mixture of achievement and disappointment. The achievement relates to having been able to improve operating efficiencies and sell the Company's product in a stagnant and rather sluggish market. The Turnover achieved during 1997-98 is Rs. 12.61 crores approx., as against Rs. 8.27 crores for the previous Year 1996-97 signifying a growth of nearly 52%. What is disappointing is that despite increase in volumes, profitability is yet to be established and the Company has incurred losses amounting to Rs. 3.42 crores approx.

2. FINANCIAL RESULTS

The results for the financial year 1997-98 are as follows :

	(Rs. in Lacs)	
	1997-98	1996-97
Profit/(Loss) before Int. & Dep.	(158)	04.06
Interest	62.80	69.97
Depreciation	120.84	118.94
Loss after Interest & Depreciation	341.64	184.85
Net Loss carried to Balance Sheet	532.32	190.68

3. PROJECTED PROFITABILITY VS ACTUAL PERFORMANCE

The Projected Profitability vs Actual Performance Statement pursuant to Clause 43 of the Listing Agreement is as under :

	Projected	Financial Year 1997-98 (Rs. in Lacs)	Actual
Profit before Interest & Depreciation	459		(158.00)
Interest	63		62.80
Depreciation	83		120.84
Profit before Tax	314		(341.64)
Tax	114		—
Profit after Tax	200		(341.64)

4. PERFORMANCE APPRAISAL

The market for Dairy Products, which generally witnesses a cyclical trend every 3-4 years was worst hit during 1997-98. Consequently, the performance of the entire industry suffered and a large number of Companies have been forced to review their business strategies in order to ensure survival.