

**ANNUAL REPORT
1998-99**



KWALITY DAIRY (INDIA) LIMITED

KWALITY DAIRY (INDIA) LIMITED

BOARD OF DIRECTORS

MR. P. WIG — Chairman & Managing Director
MR. S. MUKHOPADHYAY
MR. D. K. SAHA
MR. S. KAPUR
MR. S. CHOUDHRIE
MR. V. K. MADAN — Alternate Director to Mr. S. Choudhrie
MR. V. K. JOSHI, Company Secretary

REGISTERED OFFICE

6-D PARK PLAZA
71 PARK STREET
CALCUTTA : 700 016

WORKS

SOFTA VILLAGE, PALWAL
DIST. FARIDABAD
HARYANA

BANKERS

CITIBANK, N.A.
STANDARD CHARTERED BANK

AUDITORS

M/S. SHAHA & CO.
CHARTERD 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

KWALITY DAIRY (INDIA) LIMITED

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of the Company will be held on Wednesday, the 25th day of August, 1999 at 11.00 A.M. at Rabindra Sarovar Pavilion Hall, Sarat Bose Road, Calcutta : 700 029 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 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. Mukhopadhyay, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. D. K. Saha who retires by rotation and being eligible, offers himself for re-appointment.
4. 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.

Special Business

5. To consider, and if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Mr. V. K. Joshi be and is hereby appointed as Director of the Company, liable to retire by rotation."

Place : Calcutta.

Dated: 19th July, 1999.

By Order of the Board

V. K. JOSHI
Director & Co. Secretary

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KWALITY DAIRY (INDIA) LIMITED

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2)
OF THE COMPANIES ACT, 1956.****ITEM NO. 5**

Mr. V. K. Joshi, Company Secretary was inducted in the Board of Directors of the Company with effect from 1st May, 1999. As per the provisions of Section 260 of the Companies Act, 1956, Mr. V. K. Joshi holds office upto the date of the ensuing Annual General Meeting. The Company has received a Notice in writing from a member signifying his intention to propose Mr. V. K. Joshi as a candidate for the office of Director at the said Meeting.

The Board feels that the appointment of Mr. V. K. Joshi as a Director would be in the best interest of the Company and therefore, recommends his appointment as Director.

None of the Directors except Mr. V. K. Joshi is concerned or interested in the Resolution.

Place : Calcutta.

Dated: 19th July, 1999.

By Order of the Board

V. K. JOSHI
Director & Co. Secretary

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 lodged with the Company at its Registered office at least 48 hours before the time of the meeting.
- (b) The Register of Members and Share Transfer Books will remain closed from Friday, the 20th of August, 1999 to Wednesday, the 25th of August, 1999.
- (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-93B 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.

Place : Calcutta.

Dated: 19th July, 1999.

By Order of the Board

V. K. JOSHI
Director & Co. Secretary

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

To the Members

Your Directors have pleasure in presenting the Seventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1999.

1. OPERATIONS REVIEW

Your Company achieved a Turnover of Rs. 1188.45 lakhs during the financial Year 1998-99. The Operating Profit i.e. before Interest and Depreciation stood at Rs. 26.88 lakhs and the Net Loss after providing for Interest and Depreciation was Rs. 133.79 lakhs.

2. FINANCIAL RESULTS

The results for the financial year 1998-99 are as follows :

	1998-99	(Rs. in Lacs)	1997-98
Profit/(Loss) before Int. & Dep.	26.88		(158)
Interest	51.74		62.80
Depreciation	108.93		120.84
Loss after Interest & Depreciation	133.79		341.64
Net Loss carried to Balance Sheet	666.12		532.32

3. PERFORMANCE APPRAISAL

The Year under review witnessed the launch of your Company's Dairy products namely ZeroFat Milk, SmartMilk and DesiGhee in consumer packs under the Kream Kountry brand name.

Your Company had initially launched the consumer packs in New Delhi in the month of November, 1998. The products were well accepted by the market. In January, 1999, your Company launched its consumer packs in Calcutta and thereafter, gradually spread out to the North Eastern states.

Your Company has established distribution networks in Punjab, Haryana, U.P., Rajasthan, Delhi and West Bengal. Distribution networks have also been setup in Mumbai and steps are being taken to spread out to entire Maharashtra, Orissa and Andhra Pradesh.

4. TRADEMARK LICENSE AGREEMENT AND TECHNICAL KNOWHOW AGREEMENT WITH KICIL

During 1998-99 your Company entered into a Trademark License Agreement and a Technical Knowhow Agreement with its Parent Company, Kwaliti Ice Creams (India) Ltd. (KICIL). The said Agreements confer exclusive rights upon your Company for use of the Kream Kountry brand name in respect of its dairy products and also exclusive rights for use of knowhow, experience, knowledge, technical data and other information relating to the manufacture of Dairy Products owned by KICIL. KICIL has promoted the Kream Kountry brand with effective advertising in the TV, Press and other media. KICIL has also agreed to waive the payment of Royalty for an initial period of 3 years in terms of the said Agreements.

KWALITY DAIRY (INDIA) LIMITED

5. FUTURE PROSPECTS

The launch of your Company's products in consumer packs has shown a marked improvement in profitability and efforts are on to convert bulk Sales into consumer packs. Industrial Sales continue to form major portion of the turnover, but with gradual expansion of our marketing network and distribution channels, efforts are on to increase the share of consumer packs in the total turnover.

It is important to note that the benefits of the launch of consumer packs had accrued effectively for 1 or 2 months only in 1998-99 and it is likely that performance during the current financial Year i.e. 1999-2000 would be a true indicator of the improvement achieved.

6. FINANCIAL RESTRUCTURING DURING 1998-99

During the financial year under review, your Company made a Preferential allotment of 40 Lakh Equity shares of Rs. 10/- each at per amounting to Rs. 4 crores to the Promoters in terms of the special resolution passed by the shareholders at the Annual General Meeting held last year. Consequently, the Company became a Subsidiary of Kwality Ice Creams (India) Ltd.

The proceeds of this Capital Issue were utilised to repay the outstanding Loan of KICIL, repayment of installments of the Term Loan of ICICI and for working capital requirements. The financial restructuring enabled the Company to increase its capital efficiencies through reduced interest burden and improved returns on capital employed.

7. DIRECTORS

Mr. V. K. Joshi was appointed as a Director w.e.f. 01.05.1999 to represent KICIL on the Board of the Company and would hold office until the conclusion of the ensuing Annual General Meeting. Subject to the approval of the members, it is proposed to re-appoint Mr. V. K. Joshi as a Director of the Company.

Mr. S. Mukhopadhyay and Mr. D. K. Saha retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

8. AUDITORS

The Auditors of your Company M/s. ~~Shah & Co.~~ Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

9. TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of 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, a Statement showing particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is annexed hereto and marked as "Annexure - I" and forms part of this Report.

KWALITY DAIRY (INDIA) LIMITED**10. YEAR 2000**

Your Company's operations and systems have a relay based orientation and are not computer chip based. As such, the Management does not foresee any major problem arising out of the Year 2000.

11. PERSONNEL

No Employee of the Company is covered U/S. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

12. ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere thanks to the Government of India and the Government of Haryana for their continued support and co-operation in all activities. Your Directors acknowledge the co-operation and assistance received by the Company from the Industrial Credit & Investment Corporation of India, Citibank, N.A., Standard Chartered Bank, and PCS Industries Ltd.

Your Directors wish to thank the Management of the Promoter Company i.e. Kwality Ice Creams (India) Ltd. for their invaluable support and also express their appreciation for the dedication and sincere services rendered by the Officers and other Employees of the Company.

Place : Calcutta.

Dated: 19th July, 1999.

For & on behalf of the Board

PRADEEP WIG
Managing Director

IMPORTANT NOTE**CHANGE OF REGISTERED OFFICE**

Shareholders are informed that the address of the Registered Office of the Company has been changed and is as follows :

6-D, PARK PLAZA (SOUTH BLOCK)
71 PARK STREET
CALCUTTA - 700 016
Tel : 229-0453 / 2015
Fax : 91-33-246-9620