

KWALITY DAIRY (INDIA) LIMITED

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ANNUAL REPORT

1999-2000

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

MAHESHWARI DATAMATICS PVT. LTD.
6, MANGO LANE (2ND FLOOR)
CALCUTTA - 700 001

KWALITY DAIRY (INDIA) LIMITED

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Company will be held on Friday, the 17th November 2000 at 11.00 A.M. at 'Mukta-Angan', 123, S. P. Mukherjee Road, Calcutta - 700 028 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2000 and Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Sudhir Choudhrie who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

Special Business

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

"RESOLVED that the Authorised Capital of the Company be increased from Rs. 15,00,00,000 (Rupees fifteen crores) to Rs. 20,00,00,000 (Rupees twenty crores) divided into 1,50,00,000 Equity Shares of Rs. 10.00 each and 5,00,000 Preference Shares of Rs. 100.00 each and that Clause V of the Memorandum of Association of the Company be altered by substituting the figures and words 'Rs. 15,00,00,000 (Rupees fifteen crores) divided into 1,50,00,000 Equity Shares of Rs. 10.00 each' with figures and words 'Rs. 20,00,00,000 (Rupees twenty crores) divided into 1,50,00,000 Equity Shares of Rs. 10.00 each and 5,00,000 Preference Shares of Rs. 100.00 each' with the right 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".

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

"RESOLVED that the Article 5(a) of the Articles of Association of the Company be and is hereby substituted by the following Article:

5(a). The Capital of the Company shall be Rs. 20,00,00,000 (Rupees Twenty Crores) divided into 1,50,00,000 Equity Shares of Rs. 10.00 each and 5,00,000 Preference Shares of Rs. 100.00 each"

KWALITY DAIRY (INDIA) LIMITED

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

"RESOLVED that a new Article No. 5(c) be inserted after the existing Article 5(b).

5(c) The holders of the said Preference Shares shall be paid out of profit by way of dividend a fixed preferential dividend not exceeding 10% per annum or such other rate or rates to be determined by the Directors whether cumulative or non-cumulative, the dividend being payable on preference sharecapital paid up and the said Preference shareholders will have the right on winding up to the repayment of capital in priority to any payment in respect of equity shares but shall not be entitled to any other rights in the profits or assets of the Company."

The Preference shareholders shall have the option to convert their holdings into equity shares after the expiry of such period as may be required by law/regulatory authority from the date of issue/allotment and or as may be decided by the Directors. If the said shares are not converted or partially converted the Company shall redeem out of profits in 3 equal annual instalments after five years from the date of issue allotment the whole or any part of the said preference shares at par or such time as may be decided by the Directors.

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

"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 Convertible or Redeemable Preference Shares of the face value of Rs. 100/- each of an aggregate nominal value not exceeding Rs. 5,00,00,000 (Rupees five crores) for cash at par, in one or more tranches in such numbers and on such terms and conditions as to rate of dividend, terms of conversion and period of redemption as the Board at its sole discretion may at any time hereafter decide to the promoters and/or any person or parties, bodies corporate and whether members of the Company or not either through private placement, preferential allotment, conversion of loan or otherwise and or by a combination of the above methods."

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 10th November 2000 to 17th November 2000 both days inclusive.
- (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. Maheswari Datamatics Pvt. Ltd., 6, Mangoe Lane, Calcutta 700 001 or the Company at it's 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.
- (f) An Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.

Place : Calcutta.

Dated : 22nd September 2000.

By Order of the Board

S. MUKHOPADHYAY
Director

IMPORTANT NOTICE

This is to inform the Shareholders and investors of the Company that the Equity shares of the Company have now been activated for dematerialisation on **National Securities Depository Limited (NSDL)** and **Central Depository Services (India) Limited (CDSL)**. The ISIN allotted to the Company is INE775B01017.

The Shareholders and investors may contact their Depository participants for facilitating dematerialisation of their Equity shares held in the Company. The Company or its Registrars and Share Transfer Agents M/s. Maheswari Datamatics Pvt. Ltd., 6 Mangoe Lane, 2nd Floor, Calcutta : 700 001 may be contacted for any further clarification, if any, required.

KWALITY DAIRY (INDIA) LIMITED

**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. 15,00,00,000 to Rs. 20,00,00,000 to enable the Company to raise capital by way of further issue of shares. Induction of fresh funds in the form of capital is required to meet the working capital requirement for increased activities and also to reduce debt burden of the Company. This is in accordance with the provisions of section 94 read with section 16 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

None of the Directors is interested in the Resolution.

ITEM NO. 5

Consequent on increase in Authorised Capital, Article 5(a) of the Articles of Association of the Company requires to be amended to make it in line with the increased Authorised Capital. The proposed Resolution is intended for this purpose and the Board recommends passing of the same in the best interest of the Company.

None of the Directors is interested in the Resolution.

ITEM NO. 6

The Resolution under Item No. 6 is necessary to incorporate the provisions regarding the privileges and rights of Preference Shareholders in the Articles of Association of the Company.

Your Directors recommend the passing of the Resolution.

The Directors may be considered to be interested in the Resolution to the extent of allotment to be made to them, their relatives and to the companies in which they are interested.

ITEM No. 7

The Company, in order to augment its working capital requirement and also to reduce its debt burden intends to raise money by way of issue of Preference Shares to such persons, body corporate, promoters or other entities as the Board may determine either as private placement, preferential allotment or any combination thereof for such tenor and on such terms and conditions at the sole discretion of the Board of Directors for an amount not exceeding Rs. 5 crores.

Your Directors recommend the Resolution for approval.

None of the Directors except Mr. Pradeep Wig is interested in the Resolution.

Place : Calcutta.

Dated: 22nd September 2000.

By Order of the Board

S. MUKHOPADHYAY
Director

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

To the Members

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2000.

1. OPERATIONS REVIEW

The year gone by was a difficult one for the entire Indian dairy industry which experienced a turbulent phase of upheaval mainly due to the zero import duty on Skimmed Milk Powder allowed in the Exim Policy in 1999-2000.

Your Company achieved a turnover of Rs. 10.14 crores in 1999-2000 as against Rs.11.88 crores achieved in the previous Year. The Net Loss for the Year stood at Rs. 3.89 crores as against Rs.1.34 crores for the previous Year.

2. FINANCIAL RESULTS

The results for the financial year 1999-2000 are as follows :

	1999-2000	(Rs. in Lacs)	1998-1999
Profit/(Loss) before Interest. & Depreciation.	(227.89)		26.88
Interest	63.12		51.74
Depreciation	98.31		108.93
Loss after Interest & Depreciation	389.32		133.79
Net Loss carried to Balance Sheet	1055.44		666.12

3. PERFORMANCE APPRAISAL

The introduction of Zero import duty on Skimmed Milk powder (SMP) as part of the liberalisation policy initiated by the Govt. of India during 1999-2000 resulted in an upsurge of SMP imports which stood at a mere 126.21 MT in 1997-98 rising to a whopping 15,000 MT upto September, 1999.

Subsequent to the free SMP imports allowed by the Government a considerable amount of cheap imported powder of substandard quality was dumped in the country as a result of which prices of milk powder nosedived. Your Company too, suffered on this account mainly because of the depressed market prices and the huge quantum of cheap imported low-quality SMP readily available in the markets.

This unchecked invasion of the Indian dairy industry by both the European Union (E.U.) and the U.S.A. has dealt a severe blow to all the major players in India. Naturally, the performance of your Company too was affected.

After various representations were made to the Govt. of India the policy of allowing zero duty imports of SMP was withdrawn from January, 2000 and the markets have since been more responsive.