

KWALITY DAIRY (INDIA) LIMITED

ANNUAL REPORT
2001-2002

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KWALITY DAIRY (INDIA) LIMITED

BOARD OF DIRECTORS

MR. P. WIG --- Chairman & Managing Director
MR. S. MUKHOPADHYAY
MR. D. K. SAHA
MR. S. KAPUR

COMPANY SECRETARY

MR. D. SAILA

REGISTERED OFFICE

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

WORKS

SOFTA VILLAGE, PALWAL
DIST. FARIDABAD
HARYANA

BANKERS

CITIBANK, N.A.
STANDARD CHARTERED BANK
CANARA BANK

AUDITORS

M/S. CHAKRABARTI & NATH
CHARTERED ACCOUNTANTS
121, HARISH MUKHERJEE ROAD
KOLKATA : 700 026

REGISTRARS

MAHESHWARI DATAMATICS PVT. LTD.
6, MANGOE LANE (2ND FLOOR)
KOLKATA : 700 001

KWALITY DAIRY (INDIA) LIMITED**NOTICE**

NOTICE is hereby given that the Tenth Annual General Meeting of the Company will be held on Thursday, the 12th September 2002 at 11.00 A.M. at Mukta-Angan, 123, Shyamaprasad Mukherjee Road, Kolkata - 700 026 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 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. S. Mukhopadhyay 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 Rs. 20,00,00,000.00 (Rupees Twenty Cores) divided into 2,00,00,000 (two cores) Equity Shares of Rs. 10.00 each by the creation of additional 50,00,000 (fifty lacs) Equity Shares of Rs. 10.00 each ranking pari passu with the existing 1,50,00,000 (one crore fifty lacs) Equity Shares of Rs. 10.00 each upon conversion of 5,00,000 (five lacs) Preference Shares of Rs. 100.00 each fully paid up, forming part of the existing Authorised Capital and that the existing Clause V of the Memorandum of Association of the Company be substituted by the following new Clause in place of the existing Clause V.

V. The Authorised Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Cores) divided into 2,00,00,000 (two cores) Equity Shares of Rs. 10.00 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 and to vary, modify for the time being be provided by 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 2,00,00,000 (two cores) Equity Shares of Rs. 10.00 each."

Place: Kolkata

Date: 30th July, 2002

By Order of the Board

D. SAILA

Company Secretary

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2

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 6th September, 2002 to 12th September 2002, 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 its Registered office of any change in their addresses quoting their folio Number/s.
- (e) Members who are holding multiple Foliros 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 Foliros into a single Folio.
- (f) An Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.

Place: Kolkata.

Dated: 30th July, 2002

By Order of the Board

D. SAILA

Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.**Item No. 4**

The present Authorised Capital of the Company of Rs. 20,00,00,000 (Rupees Twenty Crores) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10.00 each and 5,00,000 (five lacs) Preference Shares of Rs. 100.00 each which was approved at the Annual General Meeting held on 17.11.2000 requires to be restructured. The Preference Shares were issued as Convertible Preference Shares. The present paid-up capital of the Company is Rs. 18,20,00,000 (Rupees eighteen crores twenty lacs) comprising of 1,32,00,000 (one crore thirty two lacs) Equity Shares of Rs. 10.00 each and 5,00,000 (five lacs) Preference Shares of Rs. 100.00 each. Upon conversion of Preference Shares into Equity shares, paid-up Equity Share Capital will be Rs. 18,20,00,000 (Rupees eighteen crores twenty lacs) which falls short of the present Authorised Equity Shares Capital. Hence the Authorised Capital of Equity Shares requires to be increased. The proposed resolution is intended for this purpose and the Board recommends passing of the same.

No other Director except. Mr. Pradeep Wig is interested in the Resolution.

Item No. 5

Consequent on restructuring of Authorised Capital, Article 5(a) of the Articles of Association of the Company requires to be amended to make it in line with the restructured Authorised Capital. The Proposed resolution is intended for the purpose.

No other Director except. Mr. Pradeep Wig is interested in the Resolution.

Place: Kolkata.

Dated: 30th July, 2002

By Order of the Board

D. SAILA

Company Secretary



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

To the Members,

Your Directors have pleasure in presenting the Tenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

The working results of the Company are as follows :

	(In Rs. Lacs)	
	2001-2002	2000-2001
Profit/(Loss) before Interest & Depreciation.	(207.18)	(52.90)
Interest	00.00	13.69
Profit /(Loss) after interest	(207.18)	(66.59)
Depreciation	75.66	85.71
Net Loss	(282.84)	(152.30)

Your Company's revenue during the year under review was substantially lower than that of last year as manufacturing operations remained suspended for a major part of the year.

2. PLANT OPERATION

The Company was compelled to suspend its manufacturing operations since August 2001 due to acute shortage of working capital. Induction of fund by the promoter in earlier years and also in the year under review did not help the company to stand on its own feet. All the contributions by the promoter were eventually eaten up by the losses. In order to survive, the Company frantically tried to mobilise the need-based working capital from banks and financial institutions but did not succeed . So there was no alternative but to suspend the operations. Most of the employees of the factory were given their dues in full and final settlement of their claims in accordance with the Industrial Disputes Act. To maintain the capital assets and also to maintain skeleton staff, the promoter is still providing finance with the expectation that some way out would be found shortly so that the company could start its operations .

3. FUTURE PROSPECTS

The market of dairy products in the country is subdued due to surplus production. Export market is very much competitive and also not viable. Under the scenario your company is on the lookout for some collaborators and is very much hopeful of starting the operations in a short time with some joint venture arrangement.

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KWALITY DAIRY (INDIA) LIMITED

4. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that.

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed.
- (b) they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year.
- (c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) they had prepared the annual accounts for the financial year ended 31st March 2002 on a going concern basis.

5. DIRECTORS

Mr. Samiran Mukhopadhyay retires at, the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

Mr. Sudhir Choudhrie tendered his resignation from the Board of your company with effect from 29.04.2002 for personal reasons. Consequent upon the resignation of Mr. Sudhir Choudhrie, the tenure of office of Mr. V. K. Madan, Alternate Director to Mr. Sudhir Choudhrie, also came to an end.

The Board of Directors place on record their appreciation for the services rendered by the Directors who ceased to be on the Board of your company.

6. AUDITORS

The Auditors of your company, M/s. Chakrabarti & Nath, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment.

7. BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTIONS

The company has reported its financial position to the Board for Industrial And Financial Reconstructions (BIFR) as required under section 23 of the Sick Industrial Companies (Special Provisions) Act 1984.

8. SHIFTING OF REGISTERED OFFICE OF THE COMPANY

At the last Annual General Meeting of your company, the members gave their consent to the shifting of the Company's Registered Office from the State of West Bengal to the State of Haryana.



KWALITY DAIRY (INDIA) LIMITED

The relevant petition for getting approval of the Hon'ble Company Law Board (CLB) to the proposed shifting is now before the Board (CLB) and the matter is expected to be disposed off shortly.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & 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.

10. PARTICULARS OF EMPLOYEES

The requirements under section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975 are not applicable to the Company for the Financial Year 2001-2002.

11. CORPORATE GOVERNANCE

The Corporate Governance Report is set out as a separate Annexure (II) which forms a part of this Report.

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 cooperation in all activities. Your Directors acknowledge the cooperation and assistance received by the Company from the ICICI Ltd., Citibank, N. A., Standard Chartered Bank and Canara Bank.

Your Directors wish to thank the management of the promoter company, i. e. Kwality Ice Creams (India) Limited for their invaluable support and also express their appreciation for the dedication and sincere service rendered by the officers and other employees of the Company.

Place: Kolkata.

Dated: 30th July, 2002

For & On behalf of the Board

PRADEEP WIG
Managing Director



KWALITY DAIRY (INDIA) LIMITED**ANNEXURE – 1**

Statement under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in The Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the Year ended 31st March, 2002.

1. Conservation Of Energy :

In view of the prolonged suspension of manufacturing operations, the question of Conservation of Energy & Technology Absorption does not arise. Proper care is being taken to ensure that energy consumption in maintaining the capital assets of the company is minimal. However, relevant figures are given below for whatever activities were carried out during the year under review.

Power and Fuel Consumption :

A. Electricity	2001-2002	2000-2001
Purchased		
Units	321770	592430
Total amount (Rs.)	1871756	2541002
Rate per Unit (Rs.)	5.81	4.29
B. H. S. D.		
Quantity (Litres)	40000	174000
Total amount (Rs.)	677160	2705220
Average Rate (Rs.)	16.95	15.55
C. F.O.		
Quantity (Litres)	128500	490000
Total amount (Rs.)	1259306	5619795
Average Rate (Rs.)	9.80	11.47

2. Research & Development :

The Company has an in-house Research and Product Development Laboratory for maintenance of strict quality control. Continuous efforts are made to ensure qualitative improvement in products and efficiency in operations.

3. Foreign Exchange Earnings & Outgo : NIL

Place: Kolkata.

Dated: 30th July, 2002

For & on behalf of the Board

PRADEEP WIG
Managing Director

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7

ANNEXURE – 11 TO THE DIRECTORS' REPORT

CORPORATE GOVERNANCE

A. Company's Philosophy :

The Company believes in and endeavour to practise good corporate governance and has acted as a good corporate citizen.

The spirit of corporate governance is being followed for a long time and has influenced its decisions and policies. The company believes in the values of transparency, professionalism and accountability in its dealings with its shareholders, customers, employees and with every individual who comes in contact with the company.

B. Board of Directors :

The Board comprises of a Chairman & Managing Director who is an Executive Director and three non-Executive Directors. The Company did not have any pecuniary relationships or transactions with the non-Executive Directors during the year under review.

The remuneration in the form of sitting fees of non-Executive Directors is decided by the Board of Directors.

During the year, 7 Board Meetings were held on 26th April 2001, 14th June 2001, 27th July 2001, 14th August 2001, 30th October 2001, 28th January 2002 and 29th January 2002.

The details of the composition of the existing Board of Directors are given below :

Name of the Director	Designation	Executive/Non-Executive	No of the other Directorship held	Membership in Committees of others Companies held	No of Board Meeting Attended	Attendance at last AGM held Y/N
Mr. Pradeep Wig	Chairman & Managing Director	Executive	2	—	5	No
Mr. S. Mukhopadhyay	Director	Non-Executive	—	—	7	Yes
Mr. D. K. Saha	Director	Non-Executive	—	—	5	Yes
Mr. Satish Kapur	Director	Non-Executive	—	—	3	No
Mr. S. Choudurie (ceased w.e.f. 29.04.2002)	Director	Non-Executive	5(*)	—	0	No
Mr. V. K. Madan (ceased w.e.f. 29.04.2002)	Alt Director	Non-Executive	—	—	1	N. A.

(*)excluding private limited companies

C. Committees of the Board :

1. Audit Committee

Mr. D. K. Saha	Chairman	Non-Executive Director
Mr. S. Mukhopadhyay	Member	do
Mr. Satish Kapur	Member	do

The Secretary of the Company also acts as Secretary to the Committee.

Terms of Reference :

The Committee should act in accordance with the terms of reference specified below :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing with management the annual financial statements before submission to the board, focusing primarily on :

- Any changes in accounting policies and practices.
- Major accounting entries based on exercise of judgment by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with stock exchange and legal requirements concerning financial statements.
- Any related party transactions i. e. transactions of the Company of material nature with promoters

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KWALITY DAIRY (INDIA) LIMITED

or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

- d. Reviewing with the management, external and internal auditors the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors any significant findings and follow up thereon.
- g. Reviewing the findings of any internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's financial and risk management policies.
- j. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee of Board of Directors had met three times during the year under review and the meetings were held on 14th August 2001, 29th January 2002 and 22nd March 2002. The details of attendance of Members of the Audit Committee are as follows :

Name of Member	Status	No. of meeting attended
Mr. D. K. Saha	Chairman	3
Mr. S. Mukhopadhyay	Member	3
Mr. Satish Kapur	Member	2

2. Share Transfer / Investors'

Grievance Committee :

The Committee comprises of the following Directors :

1. Mr. S. Mukhopadhyay
2. Mr. D. K. Saha

All investors complaints are generally attended by the company's Registrar, Maheshwari Datamatics Private Limited. If the matter cannot be settled at the level of the Registrar, the matter is referred to the Company and then it is settled by the Company Secretary. The Complaints received from the shareholders during the year under review were duly attended and no matter was pending.

The Company confirms that there were no share transfers lying pending as on 31st March 2002 and all requests for dematerialisation and rematerialisation of shares were confirmed into the NSDL / CDSL system.

3. Remuneration Committee :

The Company has no Remuneration Committee.

i) Remuneration Policy

The remuneration of employees mainly consists of basis remuneration and perquisites. The remuneration varies for different grades of workers / employees and is governed by industry pattern, qualifications and experience and responsibility handled by them.

ii) Details of remuneration for the year ended 31st March 2002

a) Executive Director :

Mr. Pradeep Wig, Chairman & Managing Director does not get any remuneration from the Company.

b) Non-Executive Director :

The following remuneration by way of sitting fees for attending Board meetings and Committee meetings have been paid to the non-Executive Directors during the year under review.

Name of Director	Sitting fees
Mr. D. K. Saha	Rs. 2000.00
Mr. S. Kapur	Rs. 750.00
Mr. V. K. Madan	Rs. 500.00
	Rs. 3250.00

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